



CUSTOMIZED NAIL POLISH

BY

MR. NARIT LILASOMPHOP

**AN INDEPENDENT STUDY SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE
OF MASTER OF BUSINESS ADMINISTRATION
(GLOBAL ENTREPRENEURSHIP)**

**INTERNATIONAL MASTER IN BUSINESS ADMINISTRATION
FACULTY OF COMMERCE AND ACCOUNTANCY
THAMMASAT UNIVERSITY**

ACADEMIC YEAR 2016

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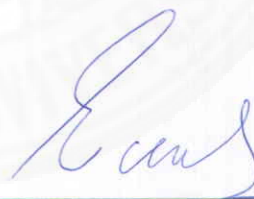
ENTITLED

CUSTOMED NAIL POLISH

was approved as partial fulfillment of the requirements for
the degree of Master of Business Administration (Global Entrepreneurship)

on December 19, 2016

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ABSTRACT

'Customized Nail Polish' is a business research focusing on business opportunity in manicure industry, in order to create values for manicure stakeholders. Research processes include secondary, primary researching, and experimentation on values of nail polish to end customers and their purchasing factors and behaviors. In addition, study of feedback of nail polish color and texture customization from end customer samples.

Research questions are studied in this project, first question is 'What are values, factors and behaviors of customers affect nail polish buying decision?', and second question is 'How nail polish color and texture customization benefit retailer, nail salons and customers?', in order to test project hypothesis 'Nail polish customized machine would enhance sale of nail salon'.

From the results of above studies and experiments, this research also includes conclusion and suggestion for nail salon, customized machine, and nail polish brand for their consideration.

Keywords: Nail polish, Purchasing behavior and decision, Customization

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Mr.Narit Lilasomphop

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CHAPTER 1

INTRODUCTION

1.1 Background

From my paint and coating chemical background, I always try to explore business opportunities around this area, in order to diversify company business and expand to new business opportunities.

Nail polish and other coating products share similar ingredients and concept. Common paint's ingredients containing four based chemicals. First ingredient is solvent which act as a media for paint to create apply ability on substrates. Second ingredient is binder, a core part of paint, it provide adhesion between coating and substrate, and other physical properties of paint. Pigment represent color and other chemical additive for improving product performance. Nail polish chemicals is similar to paint just only binder which often use specific chemical like nitrocellulose which match with properties and substrate which is nail.

Nail polish is one kind of color cosmetics applied to fingernails and toenails in order to decorate and enhance strength of nail during coated. Nail polish usually come in a common form of bottle fill with polish and cap which connected with a brush.

EY's 2015 financial fact-book for the luxury and cosmetics sector, show the cosmetic sector data in 2014. Global market grew 3.6% in line of the previous year, reaching €181 billion. The industry is expected a positive long-term trend, as steady growth mainly driven by middle class consumers demand shift to high-quality and innovative products. There are also opportunities existing in the natural segment.

According to 'Nail Big Book, 2015-2016 issue', the industry information show saturated of growth and starting to decline of overall revenue of nail servicer in USA, this is a future projection of other nail servicer in other region. This research then focus to prevent this situation by testing its hypothesis 'Nail polish customized machine would enhance overall sale of nail salon'.

1.2 Research Scope

This business research include these following steps:

1. Literature reviewing on current situations of cosmetic and nail polish industry and exploring with existing concepts and prototypes of customized machine.
2. Research on values perception and factors affect purchasing decisions of end-customer made with nail polish products.
3. Experiment and interview end customers, nail salons, and other related parties about their perspective and effect of nail polish customized machine. And their perspective to future of the industry.

1.3 Research Hypothesis

Customized machine would enhance overall sale of nail salon.

1.4 Research Questions

1. What are factors and behaviors of customers affect nail polish buying decision?
2. How nail polish color and texture customization benefit nail salons, retailer and customers?

1.5 Research Objectives

1. Nail polish producers, retailers and nail salon would gain benefit from understand factors that affect buying decision making with different target segments of customers, which will benefit designing of future products, services, marketing strategies and business strategies.

2. Understanding perspectives and values of customers, service providers, and retailers to color and texture customized machine and other customized process, which will lead to conclusion and determining potential of business opportunities.

1.6 Study Scope

The scope samples focus on under graduated students and working women around Bangkok CBD. Research and business interview are studied different customer segments and business stakeholders, nail salon and cosmetic retailer, to identify potential and opportunities of manicure related products.

Target sample for customer behaviors study include under graduated student and female office worker as they are main target customer for general color cosmetic products. Topic of survey for first research question including demographic, buying factors, buying location, top owned brands, and other products buying beside nail polish.

Second research question aim for feedbacks of end- customers, nail technicians, nail salon owner, and special retailer around two prototypes.

First prototype is nail polish customized machine demonstrated video and second experiment is glitter nail polish DIY customized activity.

From above introduction, it require understanding of industry situation and basic knowledge of products and market players which are necessary for future design of research methodologies in order to achieve proof of research hypothesis.

CHAPTER 2

CURRENT SITUATION AND MARKET CONDITION

First of all study, it is necessary to understand overall current market situation, players and factors who driven industry forward, and trend of the industry. So that they would be guild line of methods and experiments of future study.

2.1 Market Information

2.1.1 Global Market

In 2014, Global cosmetic market cap grew by 3.6% align with value reaching € 181 billion. EY's research expect long and steady trend growth of this industry, which driven by middle- class customers demand for high quality and innovative products.

Cosmetic and luxury segments got less impact from 2008 financial crisis and grew stronger than average of other industries index like S&P and STOXX.

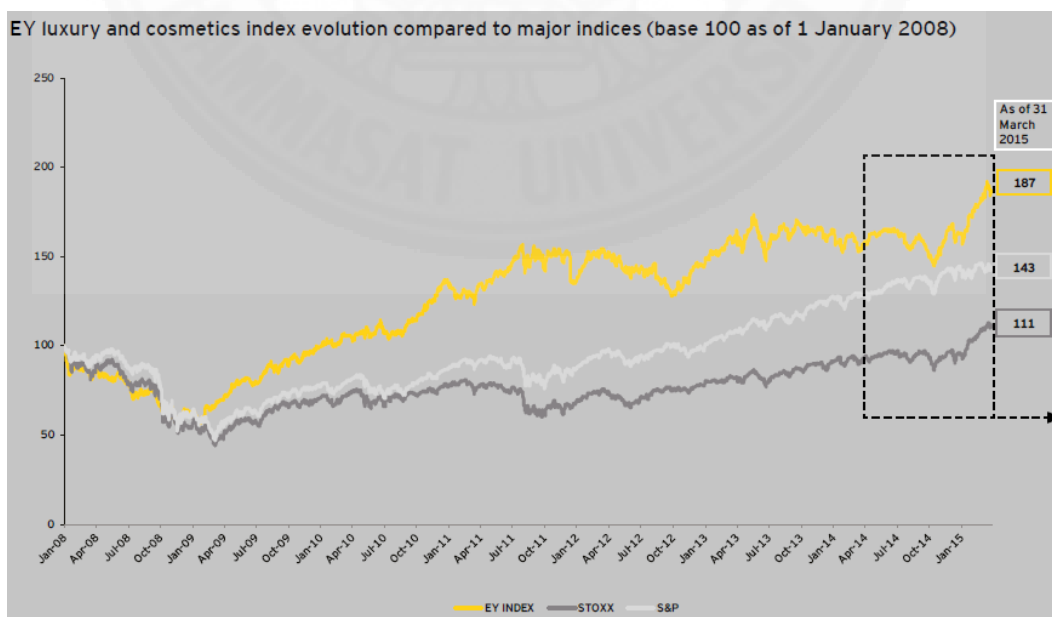


Figure 1.1 EY luxury and cosmetics index compare with STOXX and S&P

Cosmetic listed companies' average value for WACC is equal 7.9% and their expected long-term growth rate is 2.9%(Natura's, Brazil base manufacturer, LTGR is significantly higher than average value at 6%, because of its demographic coverage).

Expected sales growth over FY13 to FY16 equal 5.4%. The two companies higher than average value are L'Occitane and Natura at 11.7% and 9.5% respectively. Driven factors are innovation and emphasis on quality and new ideas. Their products are focusing on customized and green cosmetics. Average industrial EBITDA is 17.4%, while main expend of the industry is allocated to advertising expend at averagely 25.1% of sales.

Table 2.1 Market capitalization, WACC, and LRGR of listed cosmetic companies

Cosmetics companies	Market capitalization (in €m)	WACC	Gearing	Beta	LTGR
L'Oréal	93,163	7.9%	2.3%	0.71	2.0%
Estée Lauder	28,982	8.3%	0.9%	1.04	2.5%
Beiersdorf	18,242	7.8%	(4.4%)	0.77	2.3%
Coty	7,444	8.0%	23.5%	0.99	1.8%
Shiseido	6,788	4.1%	9.3%	0.72	na
L'Occitane	3,628	9.1%	(5.3%)	0.68	3.0%
Natura	3,237	10.0%	17.0%	0.87	6.0%
Average		7.9%	6.2%	0.83	2.9%
Median		8.0%	2.3%	0.77	2.4%
Maximum		10.0%	23.5%	1.04	6.0%
Minimum		4.1%	(5.3%)	0.68	1.8%

Nail make-up contributes approximately 11.54% in revenue to global color cosmetics market revenue. Nail polish is the largest contributing segment in the nail make-up category. In 2014, total market cap. of cosmetic is \$181 billion, which dominate to makeup product around 17%. So approximately market cap. of nail makeup product was around \$3.55 billion in 2014.

Premium nail polish forms 38.62% whereas mass nail polish forms 61.38% in the Nail polish segment.

2.2 Nail polish distribution channel

These are list of main distribution channel for nail polish to end-customers.

2.2.1 Cosmetic counter

In Thailand, cosmetic stores usually locate in department stores which they can easier approach their target customers. Normally cosmetic counters are standalone counters those represent by sales who able to provide consultancy and makeup services to customers. They are grouped into cosmetic zone including many brands from premium brands to high-end mass market brand.

2.2.2 Special retailer

Special stores are selling specific cosmetic products. These stores locate all around crowded areas of Bangkok both stand alone and inside department stores. Products sold in special stores are grouped base on their target customers. There are middle to high end products' stores like 'Sephora', 'Eveandboy', etc.. Mass market target chain like 'Beauty buffet', 'K mart', 'Beauty cottage', etc. and low end market which are standalone shop.

2.2.3 Drug store

Drug store refer to convenience store that sell personal care products, cosmetic, and pharmacy products. In Thai market, there are two big players 'Boots' and 'Watson'

2.2.4 Nail salon

Nail salon is a kind of beauty service business focus on hand nails and toenails decoration. There service including general nail painting, Gel nail, Acrylic nail(Acrylic artificial nail glue on real nails), and etc. They also sell nail related products to customers e.g. nail polish, top coat, base coat, and nail care products. Some salons also operate several service apart from nail, for example hair and makeup service.

2.2.5 Online

There are many online shops selling cosmetic products. Most of them are still gray market. By the way there are market place, special store, and brand owned online store but still in early stage for Thai market.

2.3 Nail Polish Leading Brands

Since our focus market segments are Bangkok under graduated students and working women. We define them as middle to middle-high customer segments. Nail polish brands we are compared, are also based on same marketing target (brands which can be found in Bangkok users).

2.3.1 O.P.I

OPI Products is an American manufacturer based in California, it is a subsidiary brand of Coty, Inc. OPI was acquired by Coty in 2010, which value was not disclose but estimates to be around \$ 1 billion, and Then Coty went public on the NYSE in 2013.

OPI can be considered the most popular brand of polish. It is known for its coating durability and favorable colors in the market.

2.3.2 Revlon

Revlon, Inc. is an American cosmetic, skincare, fragrance and personal care company. It was found in 1932, and its first product was nail enamel. In 1955, Revlon went public with the IPO price of \$ 12 and reach \$30 in 8 weeks.

Revlon polish is considered popular- priced brand with satisfying performance.

2.3.3 L'Oreal

L'Oreal S.A. is a France cosmetic company based in Clichy. It is the world largest cosmetic company with almost product line covering every personal care and cosmetic product. L'Oreal was listed in Euro Stoxx 50. L'Oreal brand is very

powerful and it also has many well know subsidiaries e.g. The Body Shop, Lancome, etc.

2.3.4 Essie

Essie is one of the major nail polish brand in US found by Essie Weingarten in 1981 with 12 fashion nail colors. It was sold to L'Oreal in 2010 for around \$ 28 million for distribution and facilities in US. It is consider competitor of OPI.

2.4 Product

From past decade, there are new developed improving performances and other relevant properties of nail care products served to market.

2.4.1 Nail Polish

Nail polish is a lacquer that apply on fingernails and toenails in order to decorate and protect from the nail plate.

2.4.2 Gel Color or Gel Polish

Gel polish last longer than general nail polish (around 1 to 2 weeks). It require UV light for curing and also harder to remove. Apart from general polish remover, it require pushing off by wooden stick to remove.

2.4.3 Base Coat and Top Coat

Base coat is applied before other layer to strengthen and restore moisture it the nail. It is also preventing nail yellowing from applying nail polish. Top coat is apply lastly to prevent peeling and scratch on nail.

This general information lead us to deep down in secondary research, which give us ideas of industry problems and design of methodologies of interviewing and experiment.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Research Procedure

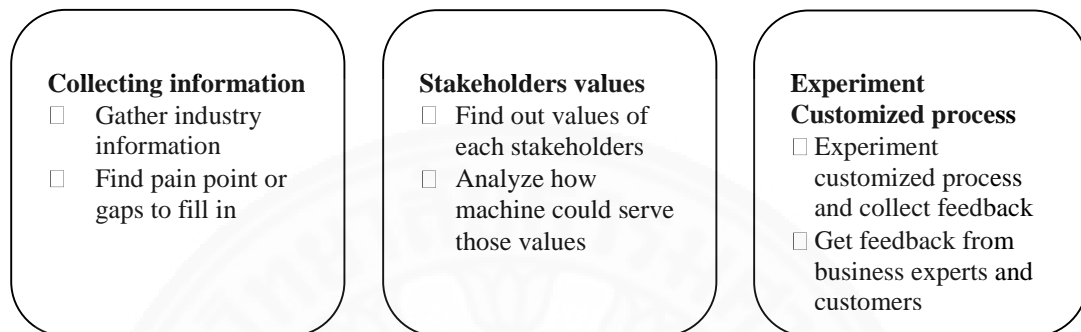


Figure 3.1 Research Procedure

Study can be separated into three stages, first stage is to study industrial general information, in order that we can understand current situation and problems of industry. Second stage is to get in depth information from customers and sell channels as to gather their values and perspectives. And last stage is to experiment and receive feedback from color customized process.

3.1.1 Collecting Information

Start from learning background of the industry, in order to understand market environment, products and services, and updated situations of manicure industry. Finding out what are driven factors for overview market, what are considered to be trends, and analyzed demands of market. Using information source from internet and library.

What I look for in this stage is global information and situation of manicure and cosmetic industries. Then searching for more detail to find out what is current trend of nail related products and why they are moving toward those trend.

Also searching the existed study or research of global and local institution those may related to this study.

3.1.2 Interview for Values, Factors, and Behaviors

Interviewing for in depth information is used as main methodology with different parties. Since this research is focus to find out each samples individual values, then find out how customized machine would serve each parties and its potential of business opportunity.

3.1.3 Experiment Design

In order to ensure same understanding and create experience of customizing, two experiments was made and test to samples for feedbacks.

3.1.4 Interview for Feedback of Experiments

Interviewing related stakeholders. Main objectives are to understand represented values of each groups, find out problems or difficulty during working processes, and observing values or drawbacks of different methods of colors and textures customization.

Conduct experiments for colors and textures customized nail polish by most likely adoptable methods or other visualize media. Observing feedbacks for rational and emotional values, difficulties and obstructions, potential, and validation of this addition services.

3.2 Sample Groups

Sample groups are separated in to two groups, since different methodologies are not match to every objectives and formats of information.

3.2.1 Customer Interviewing and Experiment

Since the research is benchmark middle to middle-high mass product segments, activities are aimed to conduct with office working women in CBS areas and under graduated students in Bangkok. These two groups are potentially target customers since they have to concern with their appearance and regularly grooming for daily life. The research result of 'Color cosmetic US 2015' also shown that use of makeup decline

among women age 45 plus. Undergraduate students and early working women also easier adopt and do want to try new product and technologies released to market.

3.2.2 Experts Interviewing

Aiming to investigate industrial stakeholders. Target sample groups including end-customer, nail technician, nail salon owner, special retailer, and makeup designer. In order to understand different values, requirements, and perspectives of each sample groups.

End-customer target are also under graduated student and office working women who did the survey.

Nail technician is a group that very close to end-customers who use nail salon services. They are experts for nail dressing station in nail salon and provide nail services to customer. In USA, being nail technicians required exam and certified, but in Thailand mostly trained and educated by senior. They can also representing nail salon customer point of view.

Nail salon owner is a business entrepreneur who run nail salon service. Nail polish customized machine would perceive as B to B model then it is very importance to receive feedback from business decision makers.

Makeup artist usually require certain color for nail dressing for each project. This consider very niche market, but potentially influencer for following market.

3.3 Research Methods

3.3.1 Literatures Reviewing

Articles and reports are searched from Thammasat University library website and online search engine. Documents selection is based on their topics, which are related to industrial general information and basic knowledge, overall current financial report, trends of the industry, and news related to topic. Reviewing of papers

focuses on problems happening in the industry, new technologies and trend of products launch to market. These information can be elaborated to what major brands are thinking and try to innovate in order to acquire the market share.

3.3.2 Customer Interviewing

Initial methodology used for this project is survey distributing to 215 samples of working women and students. Survey question included demographic, factors of buying decision and buying behavior. The result is not satisfy, since it showed conflict between different questions.

Revised research use interviewing process in order to avoid framing samples feedback from categorized choices of survey.

Interview questions start from observing samples perception to nail polish wearing, in order to grouping them later. Then asking about their situations that they would wear nail polish, and what are values of nail polish according to those situations. Then question on how they make buying decision. And what are their expectation for nail polish.

3.3.3 Experts Interviewing

Target interviewees are mentioned to be industrial stakeholders e.g. nail technicians, nail salon owner, special retailer, and end-customers. Scope of interviewing is to understand individual and general problems of each stakeholders and their perspectives to customers and current market trend. Also simulating different methods and outcomes of customization and gathering each stakeholders' feedback on how do this concept affect their work and what do they think about its values and difficulties.

Both 'Customized machine' and 'DIY glitter polish' have similar guideline question including, what are values of this product to you, and Recommend Pro and Con of this product for experts. And will you try this product? And how much should this product be? For customers.

3.3.4 Experiment

Customized experiments aim to study in-depth feedback during processing and post-processing. In order to get both rational and emotional values, and difficulties of the experiment. Experiment were designed to represent the prototype of a future nail polish brand that has customizing as distinctive point. By trying to eliminate or assume the properties of polish to be controlled variables as standard global brands and set customized process as an independent variable.

3.3.4.1 Demonstrated video

This short video¹³ was made to demonstrate how customized nail polish machine would work. As this machine is just a concept and not existing. Then it is necessary for this project and samples to have same understanding of how this machine operate and its general appearance.

It start with a question 'Have you ever faced this situation? So many nail polish to choose on shelf but still cannot find the right one.', then introducing the machine. It is standing touch screen similar to photo sticker machine with 4 step of processes. First step is to select the style of polish from 4 choices; Gloss, Matt, Glitter, and Pearl.



Figure 3.1 Nail polish style selection

Second step is color selection. Starting with selecting color then adjust saturation and brightness of that color.

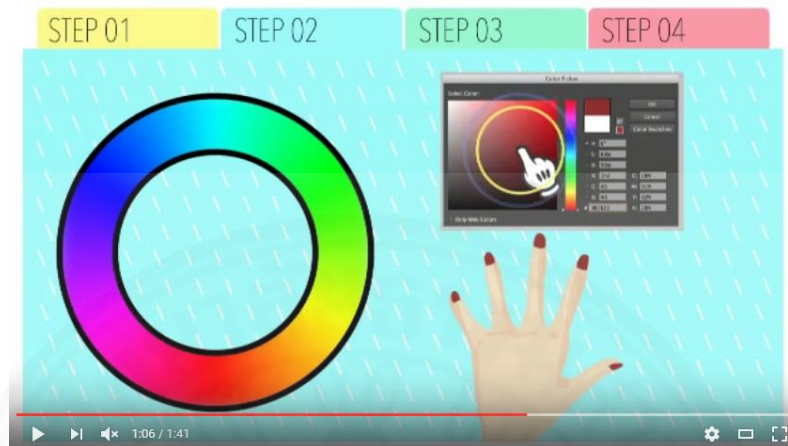


Figure 3.2 Color, Saturation and Brightness selection

Third step is to customize typography on the paper packaging by touch screen keyboard. And the last step is to confirm.

Link to video <<https://www.youtube.com/watch?v=xtsyw8vWIsA>>

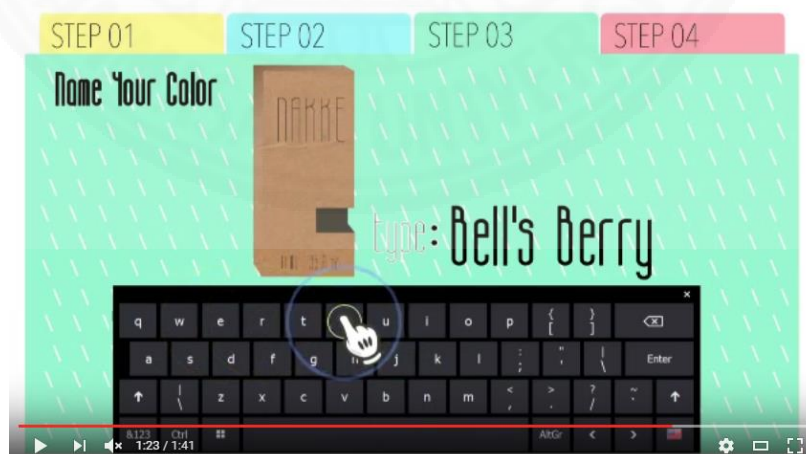


Figure 3.3 Typography on paper packaging

3.3.4.2 DIY Glitter Nail Polish

The purpose of this experiment is to create the experiences of real customization by easy DIY processes, then gather feedbacks from samples.

Preparing equipment consist of different size and color of glitters in container, I have bought 72 different sizes and colors of glitters to let sample mix together, in order to create as much customize experiences as possible to samples. In one bottle sample can mixed up to 6 different glitters for different amount.



Figure 3.4 Different size and color glitter



Figure 3.5 Empty nail polish bottle

Empty nail polish bottle (including lid and brush), 8 cc. empty bottles (smaller than standard bottles which are 10 cc and 12 cc) are used, since sample need to put in half of container capacity by glitter then 4 cc is easy to measure for sample. And also create limited feeling of the product.



Figure 3.6 High viscosity clear nail polish



Figure 3.7 Cones and Measuring spoons

Clear color high viscosity nail polish, from consulting with local nail polish producer 'World cosmax Co., Ltd.'. They recommended higher viscosity grade of clear nail polish, since glitters are heavier than color pigment. Then glitter still well disperse and not sinking to the bottom of the container.

Cone and measurement spoons, these tools was use after first trial and found out that there were problems with measuring and pouring methods. Glitters were messed and hardly pour by paper cone.

DIY video is used for some case that I cannot bring DIY equipment with me. And it also propose to women social media page for review to get feedback from page subscribers.



Figure 3.8 Introduction of equipments

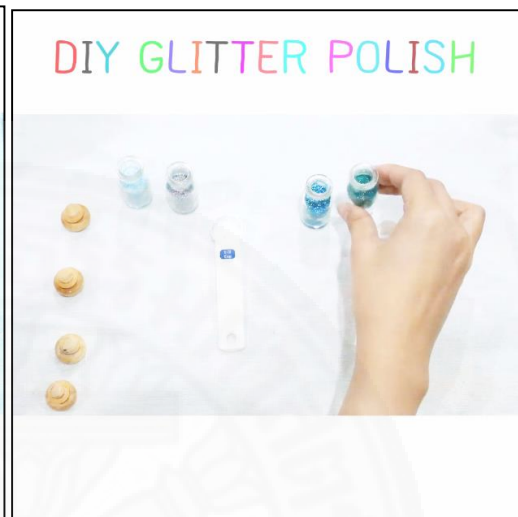


Figure 3.9 Selecting glitters

DIY step, first select 2 to 6 different color and size of glitters. Then measure them totally equal 4 cc.



Figure 3.10 Measure all glitters to equal 4 cc



Figure 3.11 Pour into empty container

Fill them in to empty nail polish bottle using cone. Then close the lid and shake to mix well. Open the lid and pour clear nail polish into bottle (not too full



Figure 3.12 Close the lid and shake until glitters well mixed



Figure 3.13 Pour clear nail polish to bottle



Figure 3.14 Assemble lid, close and shake



Assembly brush and lid then close the bottle. Finally shake again until glitter disperse well. Then try by paint on nail which already base coated and paint top coat to finish the surface.

Link <<https://www.youtube.com/watch?v=GHEklKJA3ak>>



Figure 3.15 Paint all nails

Figure 3.16 Finish paint

3.4 Scope and Expected Outcome

3.4.1 Collecting Information

Expected outcome of this process is to understand general information of manicure industry, from global level to study of local market. Moreover, at this stage it is expected to identify industry driven factors and trend. In order to state problems and gaps that could lead to potential business opportunities.

3.4.2 Research Survey

Target number of sample is 100 samples included both undergraduate students and working women. This survey expected outcome is to understand how target samples rank their factors on decision and behavior of buying nail polish product. Moreover, collecting owned brand of nail polishes and analyze relation among those brand and buying decision and behavior.

3.4.3 Experiment Feedback

Expectation from experiment is to gather feedbacks from industry experts, entrepreneurs and end-customers in order to analyze and conclude for business opportunity of customized nail polish for both machine and DIY types in Thai market.

The detail and feedbacks of these research, interviews, and experiments are included in appendix part, which are summarized in the next chapter, research result.



CHAPTER 4

RESEARCH RESULT

4.1 Secondary Research

Cosmetic industry has already proved through rough economic period as 3.8% annually average growth for past decade and it is forecasted to grow 5.4% in 2016. And the most impactful regions is Asia-Pacific. It allocate around 35% of overall market capacity.

Industry driven factors are including natural products and ingredients which have very strong growth and replacing synthetic and chemical ingredient. Second factor is men products segment. Third is digital marketing revolution which is influent by fast growing internet and mobile devices. And the last factor is 'Democosmetic' that both benefit beauty and health of customers.

New era of internet 2.0 enhance a group of influencer consumer so called 'Prosumer'. They are becoming more importance to marketing and advertising of cosmetic industry as they control around 97% of customer communication online, while brands themselves own only 3% of communication.

In US, nail service sector have significant growth during 2011 to 2012 as a result of 'Gel nail' introduced to market and its requirement of professional equipment to apply them on. Then market start to become steady since 2014 to 2015.

Nail service industry then facing problem as professional brand products are sold to end-customer, which more than 80% of servicers feeling uncomfortable with this distribution method.

Manicure industry trends may different from other cosmetic as mentioned above. As youngster is a growing segment of nail products. Brands introduce new product that affordable for them. Leading brands are also looking differentiate themselves by co-developing new products with fashion influencer, partnership with brands from other industry e.g. Coca-Cola and Hello Kitty, or creating new design of

bottle and cap as their appearance representing brand image. New applying methods (spray can and pen) are developed as new technology to catch early adapted customer's attraction.

Current customized polishes sold in market are still base on website platform and not only the polish but packing is also customizable. For customized machine, there are existing designs and concept models but still never physically appear to market.

4.2 Interview Result

According to research hypothesis 'Customized machine would enhance overall sale of nail salon', the result did not show the matching of values between values of nail salon and nail polish customized machine.

Values of nail salon from the interview are quality of services, rapidity, customer satisfaction, skill of nail technician, comfort, mutual services (including hair and other makeup), and service consistency. While machine values are variety of colors, and lower on hand inventory. Combine with feedbacks from both customers and nail salon are toward same direction which they think that machine would be attractive but only in short run. What nail salon want are separated by their customer based number. For crowded places, salon required fast turnover of customer as their customers have a short period of break from 11 am to 1 pm and 5pm to 7pm in the evening. Their requirement is to make most cycle of service during limited time, while still maintain service quality. On the other hand, some salon just need to increase their customers by service based activities.

From customer side, values of machine do not have direct impact as their core values are the color that can representing their personality which they think that the variety of existing products are enough. So machine would be attractive for some time but not sustainable if it cannot find true values for customers.

In case of cosmetic retailer, machine is possible to provide some values which are shortening products selection time (for nail polish) and give more time to

customers to select other products. These may increase both sale of nail polish itself and other product as well. However, it still need to physically prove these values, as there is no support data. Moreover, there are a lot of concern with quality and reliability of new brand. Suggestion is to be a supplier produce a machine under existing brands, in order to gain trust from end-customers.

For buying location, there is no extreme outcome but it quite obvious that special store and drug store are the most popular channels for both segments, since there price are competitive and variety for products of nail polish and other cosmetic are able to select at the same time. While cosmetic counter is more favorite by working women and online channel is more favorite by students segment. Anyway nail salon and online channels are not very popular, since nail salon are focusing more to their services and selling same nail polish in higher price compare to special store. For online channel there might has limitation on customer experience and reputation.

Collecting information on brands owned by sample show that OPI which is nail products only brand is extremely popular, while Revlon who is color cosmetic brand which selling through all major channels is coming in second place. Third and fourth places are Chanel and Dior which are luxury brands. And other are fragmented share to customer. What is interested is that Essie who is a nail products only brand which competing with OPI in US, but does not poplar in Thai market. It is seem like referral and influencer marketing play big effect to cosmetic market.

4.3 Customized experiments

4.3.1 DIY glitter polish

Samples present new values which are amusement and friend engagement, while uniqueness and ability to choose seem less importance. Anyway sample also face some difficulty with bad result and cannot achieve expected result from the experiment. For nail salon case, it might fit only to hair and nail salons which

have long processing time for hair decoration. For special retailer, the concept is opposite to their strategy since they want to maximize products customers can approach in a period of visit. But they still think this is a good activity for event, as it able to create engagement with customer.

This DIY experiment is easy to conduct as its materials and equipments can be found anyway, then there is no barrier for competition and should not be focus for business.

4.3.2 Customized machine video demonstration

Majority of end-customer samples are willing to try the machine. Anyway the factors behind that is the machine is new to market and seem amuse to try, while color and uniqueness are not much matter to them. This is related to both nail salon technician and owner comment that they think this machine would work only for short term. While there is no benefit for operation and inventory for them. On the other hand, special store find some benefit of shortening selection time which will affect both sell volume of nail polish itself and other product. But there are still a lot of factor to be consider such as quality, existing brand conflict and etc. In addition, they suggest the machine would be more interested if it can select other functional to nail health which also related to Global trend of dermocosmetic.

Apart from the answers to research hypothesis and research questions, there are interested findings those might lead to other study to develop this industry forward, which I will mention in finding and suggestion part of next chapter.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

From the study of this research it can imply the result of research hypothesis and provide some guild line for other parties not only nail salon and someone who interested in improving products by automation but also useful information is added to other parties for consideration.

5.1 Conclusion

5.1.1 Hypothesis Result

Customized machine values are not fit to nail salons, as it cannot serve requirements of nail salon operators and owners, while its values are not appreciate by samples of customers. On the other hand, cosmetics retailer find potential of values which is to shorten products selection time of their customers, which may lead to overall revenue improvement. Anyway, it require solid experiment to prove new found values and other concerns of quality.

5.1.2 Customer Values and Their Behaviors to Nail Polish

According to customer samples interviewing, values of customers are separate into two main objectives, decoration and emotional effects.

Decoration values are able to separate into appealing and working proposes. which they are both come in two form of applying, routine and occasional. While emotional values show relaxation, stress release and meditation.

Summarize is shown in below figure.

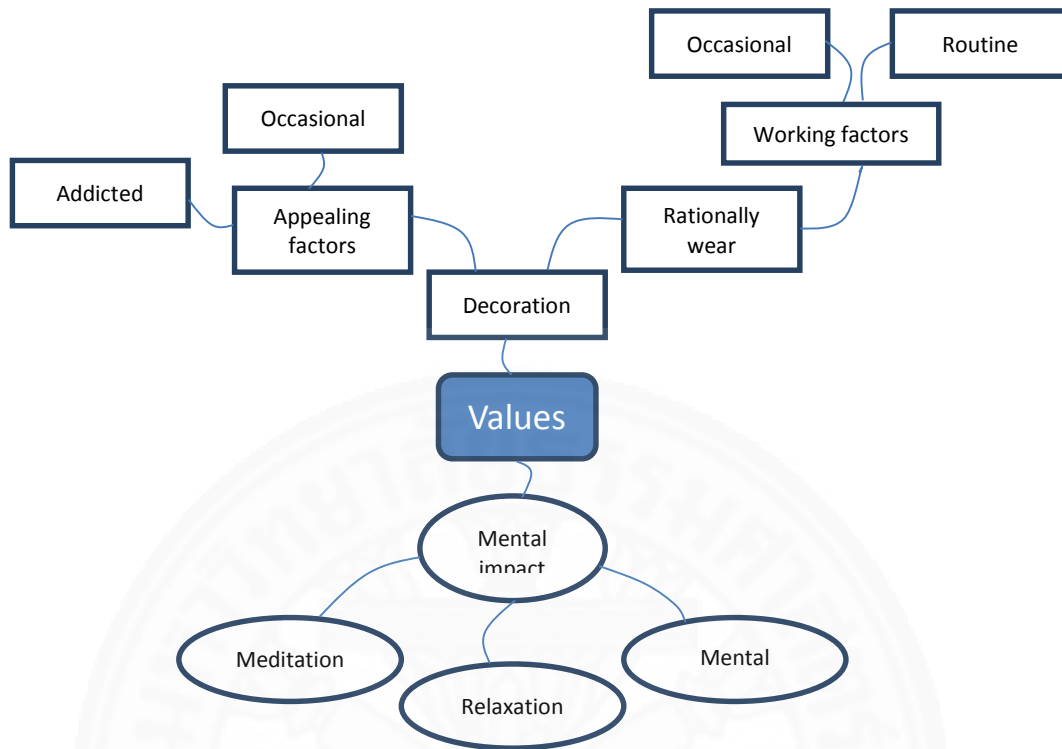


Figure 5.1 Values of nail polish

From this figure, it seems that different groups of customers have requirements for their decoration. For example, Routine working wearers might need a color that matches their dress or uniform, while it should give a clean appearance and durable properties. For occasional appealing wearers, polish should fit to their dress and accessories while it also matches the event.

This values segmentation would benefit brands and their marketing teams, as they are able to differentiate themselves to each target. By creating different advertisement messages for them.

For emotional values, both nail polish and nail salons' services provide similar values to customers. They both affect relaxation and emotional treatment, which nail salons may be able to improve to stand out their service from other shops.

5.2 Recommendations

5.2.1 Industrial Recommendation

Interested values of customers found from interview, color of nail polish should represent their visual characteristic e.g. polite, professional, sexy, playful, etc.. While numbers of existing advertisements do not present clearly character message to customers. There should be more study and trial of advertisements for comparing suggest media in order to guide customer to their target values with existing advertisements.

5.2.2 Nail Salon's Service

From the research information, it show that values of nail salon to customers divided into two groups, service quality and emotional effects. For emotional effects side, they are several ways to improve salon service to achieve better emotional feedback from customers. E.g. hand and food messages or aroma, etc.

By improving services to achieve better emotional effects to customers, salon would directly increase in revenue and number of customers, while create customers loyalty and sustainable development to their shop.

5.2.3 Qualitative VS Quantitative

According to this research methodologies, initially all customers' information were collected by quantitative method, which lead to framing customers values into grouped categories. Then the result show conflict between customer values survey and customized experiment interview. Survey result show 'color' is the main factor of selecting nail polish, while customized experiment interview show that customers think that there is enough existing color in the market.

Then we tried qualitative method, which is interviewing customer for in depth values of nail polish. Then the result show hidden values behind the 'color' choice, which is character representation by using color as a media.

Some quantitative information which collecting measureable data still useful e.g. buying locations and brand that customer owned.

5.3 Finding

5.3.1 Secondary Research

It is obvious that natural and health concern is a strong trend for most of the industries. Cosmetic likewise, customers are looking for better performance and healthier for themselves. For nail polish, its ingredients bases are all from synthetic and chemical materials. Anyway they also moving toward same trend with other cosmetic, but might take longer timer to achieve similar level of performance. Many formulators trying to switching from solvent to water base and many brands start to claim that they are less toxic compare to other. Some also claim that they are base from natural ingredients like soya bean.

5.3.2 Customized experiments

Regarding comment from Beauty Community CRM marketing team, it has some benefit for retailer on customer journey design, but it still have to find more values to attract customers in long term. In order to purpose for real business it still need more strong marking and advertising strategies to sustaining business result.

Next step

- Prove values of machine to cosmetic retailer.(e.g. prototyping)
- Compare normal selection time and time use with machine.
- Safe time can convert in to potential increase sale for valuation.

5.3.3 Other Finding

Red Dress Effect

There are number of colors for cosmetic product but red tone is the most popular and contains most variation. Existing research show the factor of color so call 'Red effect'. It is a subconscious respond of male primate would sense sexually appealing to fertile female. Since during this period their blood vessels would open up and lead to redness of skin. This is why red tone cosmetics are the most preferable. Not only nail polish but other color cosmetics, dresses and accessories are affected in the same way.

Women have extreme behaviors

Buying behavior of women are obviously distinguished into fully rational and fully emotional. From samples interview, their buying behaviors in normal situation would not priority buying factors, but all concerns factors must be match to finalize their decision. On the other hand, if they are affected by emotional status or factors (Happy, sad, desperate, etc.), many time buying factors are ignored.

Why Gel Nail was so popular

Even women have to spend 2 hours of paint and nail damage removing in nail salon. It worth to apply Gel because wearers appearance is so important to their confidence. And Gel give all prefer properties, vivid color, gross, and 4 times durable compare with normal polish. This mean a lot to women. They would be confidence or anxious just because of this tiny detail.

Recently, leading brands try to present hybrid nail polish, which would give a middle properties and durability between normal polish and Gel. It is interested to see, would this product work or not.

We can see that even customized machine which is a main study of this research does not match to end-customer and nail salon samples demand. But there are still rooms for improvement in almost every stakeholders. Big and small innovations can be added to their part, e.g. service innovations like additional message for more spa like, customers' satisfaction and online marketing tools in nail salon. There are many ways and strategies to improve and differentiae yourselves from the market. What we have to do is paying attention to real values of our customers.

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APPENDICES

APPENDIX A

COLLECTED INFORMATION

1. Industrial Information

Global cosmetic market has been steadily growth and being proved through rough economic period. Size of global market was around € 181 billion with an average growth rate of 3.8% during past decade.

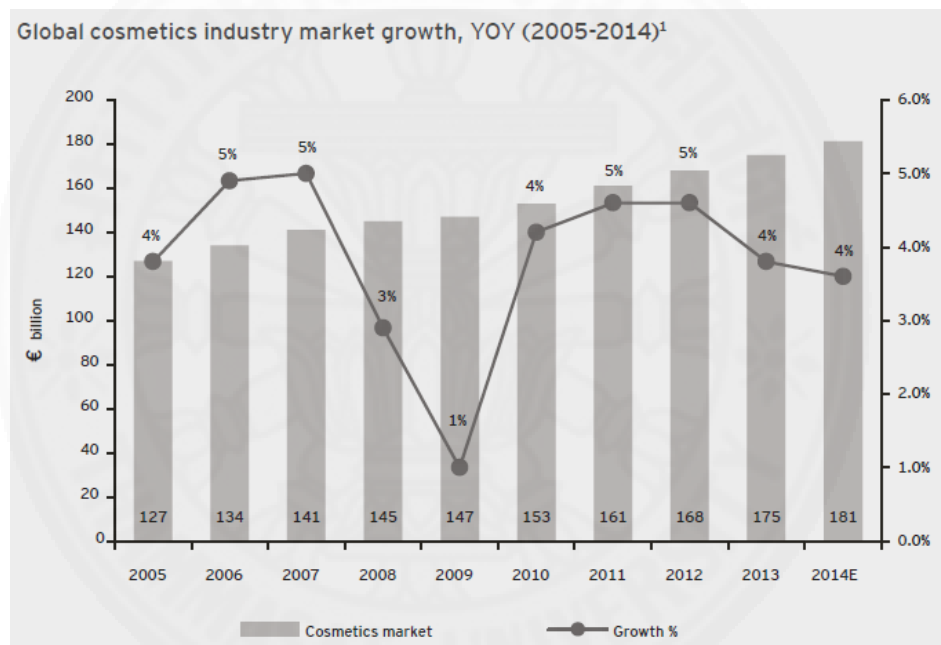


Figure 1 Global cosmetic market capacity and growth rate from 2005 to 2014

Marketing and advertising represent major cost of the industry, since cosmetic companies require brand awareness sustainability. Most of advertising cost also focus to mass market level as they are the biggest market portion.

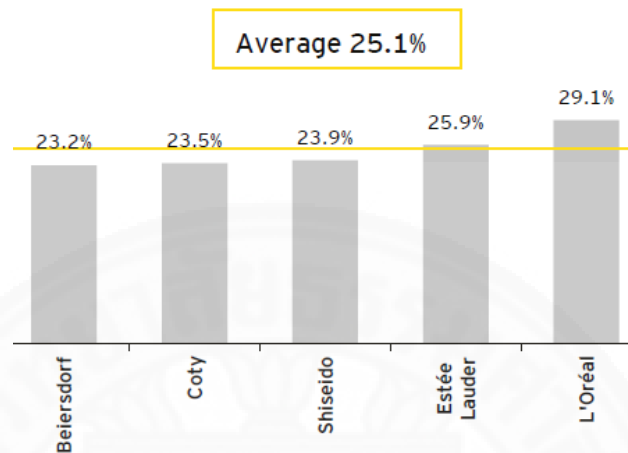


Figure 2 FY14 advertising expenses as percentage of sale

Market is maintain supply-driven, the industry fuels by innovation and customers always looking for quality and performance. During 2014, the biggest growing area is Asia, Pacific which value is 35% of overall growth.

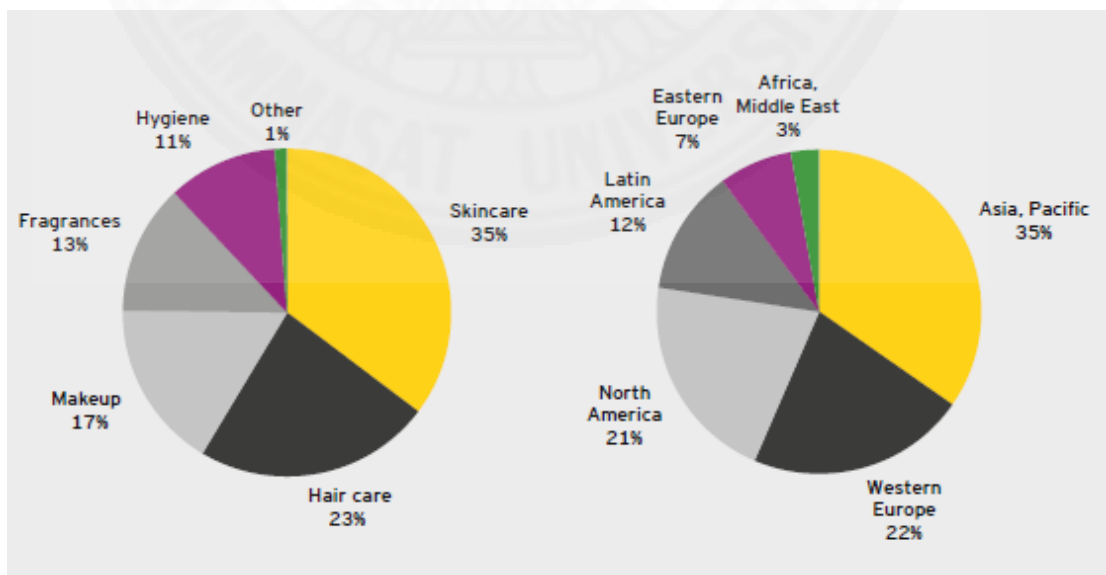


Figure 3 Global cosmetic segmentation by product and geographic

Market cap for Nail make-up contribute around 11.5% of Global make-up market which estimated to be €3.5 billion (\$3.97billion) annually. Premium market share is 38.6 %(\$1.53 billion) and mass market is 61.4 %(\$2.44 billion).

Overall cosmetic industry driven factors are including. First factor, Natural product and ingredients. Natural and green product are replacing common chemical and synthetic ingredients. It is firstly introducing into skin-care products and expanding to other segment. And not only now product lines are created to serve this demand but new entry companies also come to fill this market. This also create demand on research and development personnel, which is a key to remain on top of this industry.

Second factor is potential of men segment, which is not involving manicure industry

Third factors is impact of digitalmarketing. Digital revolution has opened huge impact to almost every industries. It allows brand to approach more customers and also moving themselves closer to end-customers.

Last factor is rapid growth of democosmetics, which contribute both beauty and health of skin and hair segments.

The impact of digital revolution also increase number of influent customer segment 'Prosumer'. Prosumer is mash up term for producer and consumer who want to be protagonist. In other words, prosumer is a customers who want to participate in creating, producing, and distribution of product

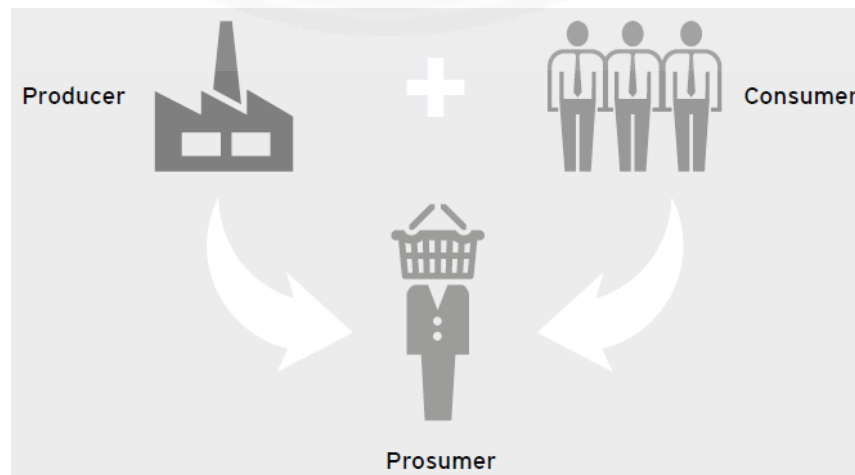


Figure 4 Illustrate represent prosumer segmentation



Why prosumer becomes an important factor in the internet 2.0 era is that they are important influencers and approaching more end-customers than brands are able to do. Statistics show that there are 15 billion viewers on 'YouTube' who viewed 'beauty topics' in 2010. Only 3% of those views allocated to brands, while the top 25 bloggers have 2,600% more comments than beauty brands or around 97% of conversation on beauty products controlled by bloggers.

Beauty is one of the most competitive and active sectors in social media. Market research shows that the effectiveness of communication and share of brands are leaving significant opportunities for low-spending dynamic and proactive brands. And it is less effective to raise awareness on owned media.

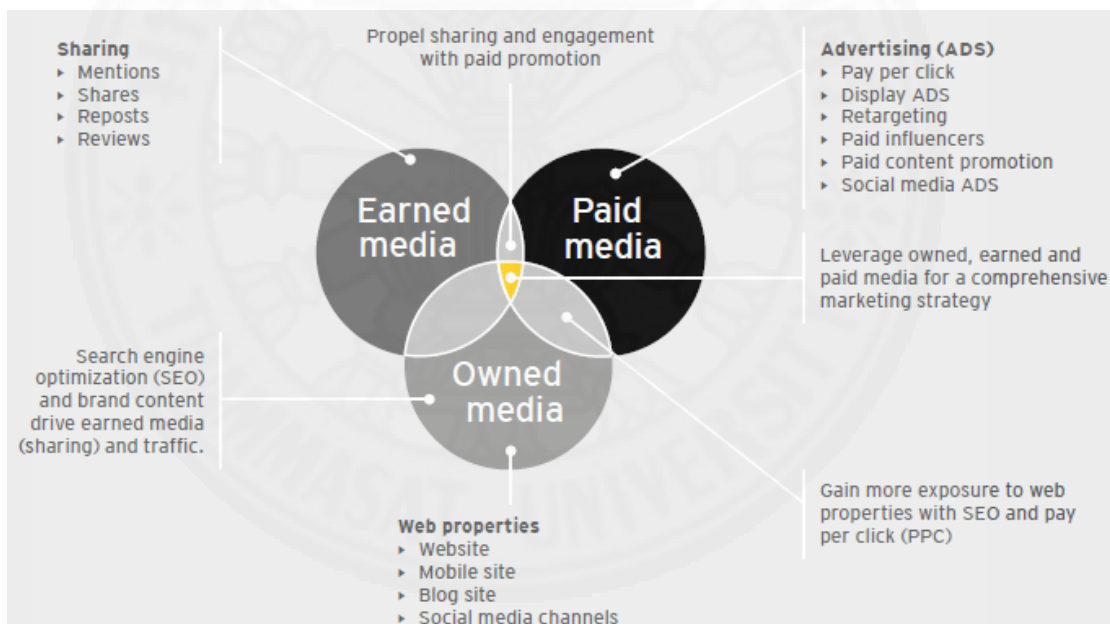


Figure 5 Digital marketing factors

2. US Nail Service Sector Situation

For the US nail service sector, there was a dramatic growth during 2011 to 2013, and becoming stable until 2015. The reason behind that is struggling in accepting new technologies since the age of nail gel and gel color shifted from nail salons to end-customers DIY.

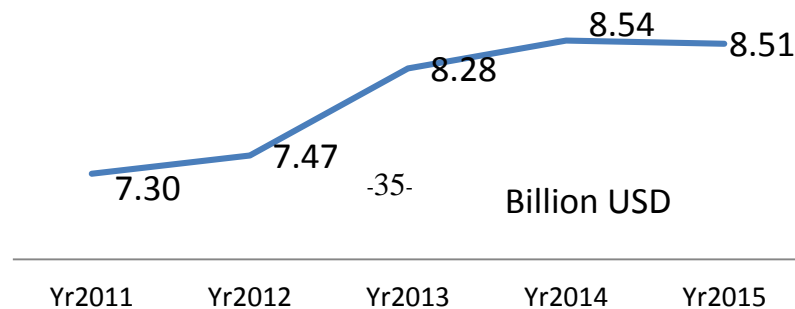


Figure 6 Total spend on US nail service sector

Trending online platforms for nail service use to connect with customers are growing in some applications e.g. Pinterest, Snapchat, and Instagram, while Facebook is a bit decline. Also there are concerning of professional brand being sold to enuser. 81% of nail professionalists think that professional brand should sell only to nail professionals. And 41% think that when manufacturers sell professional products to customers, it hurt their business performance.



Figure 7 Perspective of nail profession to professional products were sold to end-customers

Data from NAIL magazine show that majority of nail technicians concern about 'Professional nail product are sold to end-customer, since they will lose some advantages of exclusiveness over retailer. Anyway partially seem to think that there is not much effects to their business, since many customers still rely on their professional skills.

3. What's Trending for Nails?

"The growing popularity and awareness of the long-wear nail polish category, as well as a continued demand for gel polishes are primary reasons behind the uptick in sale of nail products last year' Agnieszka Saintemarie, project manager, Consumer Practice, Kline & Company. It is expected that longer wear and more shine products. There are 3 main factors influence the growth of nail market as 'Techavio' analysts mentioned. First factor is 'Affordable indulgence' refer to the rising demand of nail polish among younger population. Brands are also responding this factor by releasing new size and colors that matching target customers and also affordable price around \$8 to \$9. Other factor is 'Product innovation' for both process and product itself. And the last factor is 'Growth of Nail bars and salons'

There are more strategies nail brands are using to differentiate and boost their product in the market for example.

'Color trends in fashion inspire nail polish' Fashion designers or trending product like iPhone rose gold are applied to bring attraction as they are already inspired people in the market.

Demand of long-waer polish. Many leading brands launch new technology that last up to 10 days with out UV curing required, which also able to remove easier that gel nail.

Cap and bottle design are becoming more focused. Coated bottle, bottle shape and customized cap are introducr to create uniqueness to new brands.

Promoting partnership with other known products in market. OPI has continuously launch products campagne related to other powerful brands and made to become limied series e.g. CocaCola and Hello Kitty.



Figure 8 and 9 OPI partnership product with Coca-Cola and Hello Kitty

New ways to apply nail polish is also eyed on. Nail Inc has recently launch nail polish in form of can spray which color on skin part can washed out by water. And many brands produc pen form which better for nail art.



Figure 10 Nail Inc Nail polish spray

4. Customized Polish Market

NAILSINC offers 54 colors for selection, 3 caps styles, and 12 greeting words on the box.(£ 25), which can be ordered online and deliver to you later.

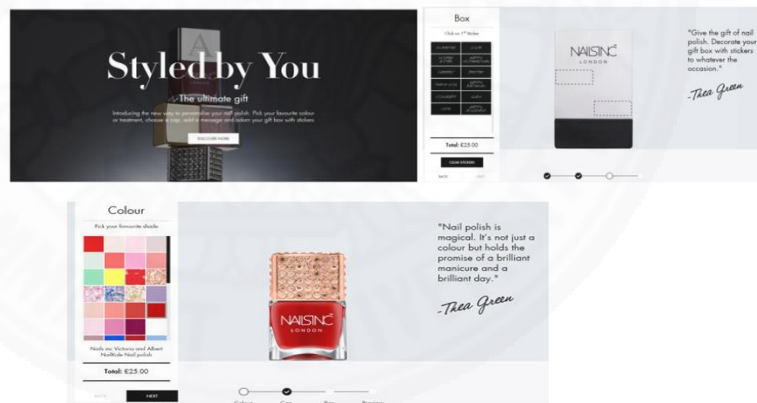


Figure 11 Nail Inc customized polish

Nayll use webbased platform, providing selection of Shimmer(16 colors) with 30 additional colors to be mixed or Glitter(16 colors) bases with 85 Glitter types to be mixed. (\$9-11). Both color and glitter can be mixed in one bottle. This is very close to full customization. Anyway the problem is finish product can not be visualized which might not please to customers.

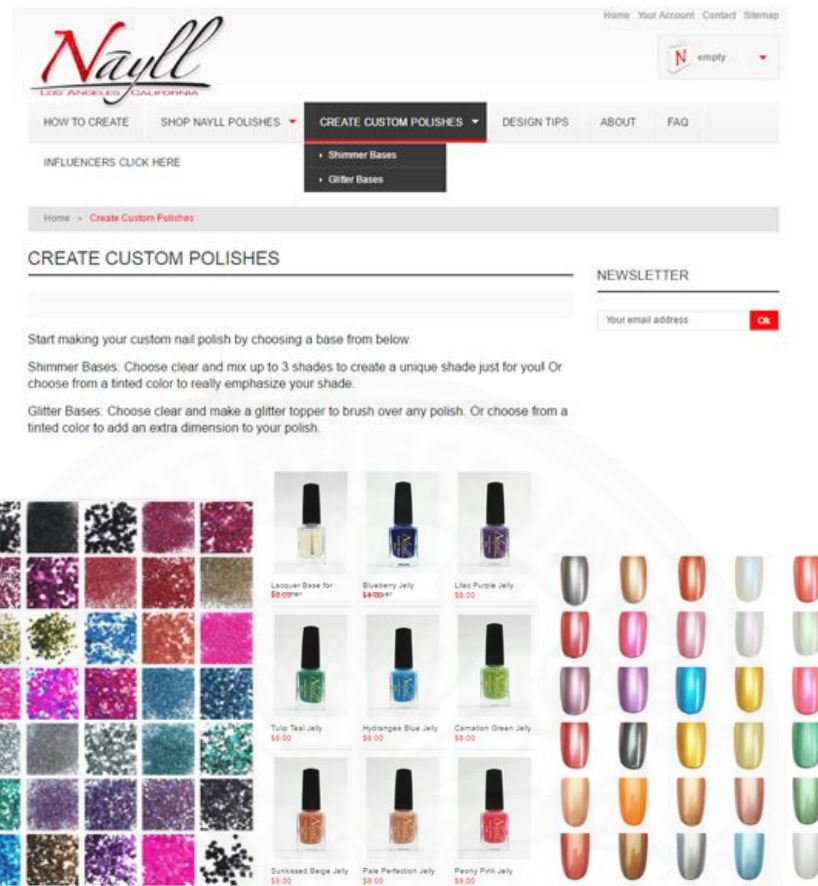


Figure 12 Nayll, nail polish customization website platform

5. Existing Design of Poliah Customized Machine

5.1 Nail Polish Selection Method (US 6622064 B2)

Abstract

A user interactive custom nail polish color and effects dispensing system and method of doing business, including for both point of sale and remote (e.g., via internet) transactions.

Publication on: September 16th, 2003. The present invention pertains to the field of cosmetics color selection, more particularly to customer interactive nail polish color selection systems, and still more particularly to color selection systems having an actual or virtual point of sale nail polish color selection system including a polish dispenser.

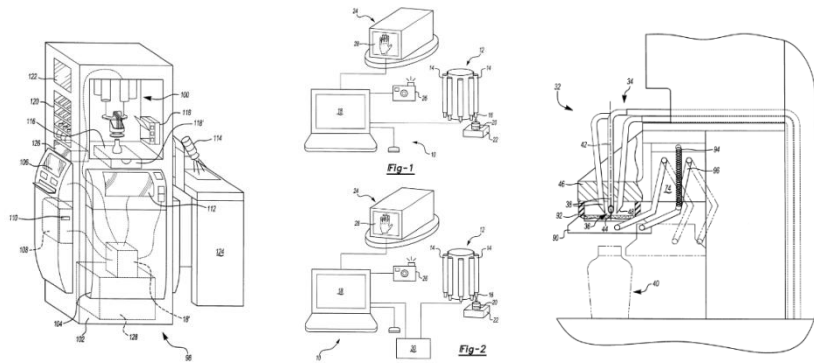


Figure 13 Nail polish selection method (US 6622064 B2)

5.2 Portable Custom Nail Polish Creator (US 20110226803 A1)

Abstract

A portable nail polish creator is provided. The portable nail polish creator may include a user interface to allow a user to select a nail polish color. Additionally, the nail polish creator may include a processor that can receive the selection of the nail polish color via the interface. Once the selection is received, the processor may determine an amount of at least one of a plurality of nail polish colors to create a nail polish corresponding to the selection. The nail polish creator may further include an arm assembly that may receive a signal from the processor to move a nail polish bottle in position to receive the nail polish based on the amount of at least one of the plurality of nail polish colors determined by the processor. Moreover, the nail polish creator may include a mixer assembly for mixing the nail polish in the nail polish bottle.

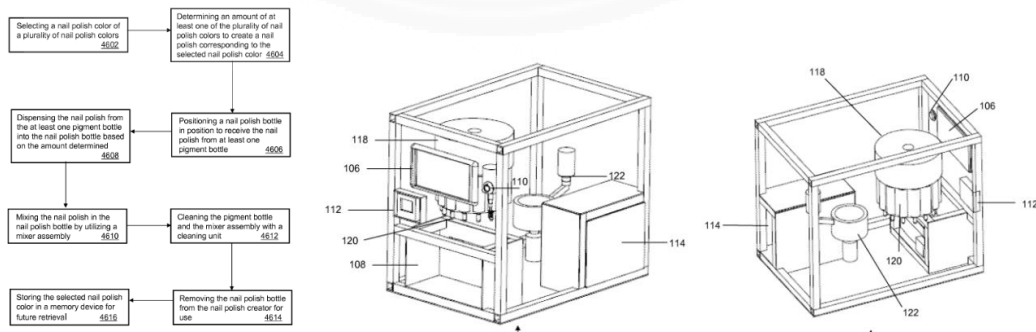


Figure 14 Portable custom nail polish creator (US 20110226803 A1)

5.3 Palette, Concept Machine

Palette is one of Quirky concept machine. It claims ability to customized color of nail polish base on smart phone interface capable for color capture form object and adjustable via application.



Figure 15 Palette, concept machine

5.4 Butterfly Nail Mixer (Project competed in 'The Imagine Cup World Finals')

This combination of hardware and software enables the creation of custom nail polish colors on demand. Using the project's app, choose from color swatches or specify your own custom color and then select a glossy, matte, or glitter finish. The hardware then mixes the pigments and the finish and delivers just enough nail polish for a single application. With this project you can generate your own custom nail polish colors matching your clothes, hair, eyes, or mood.

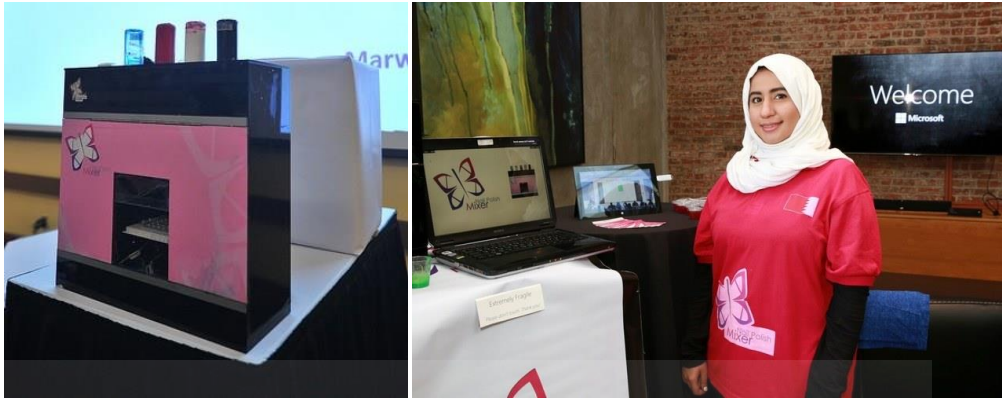


Figure 16 Alaa Abdulraheem, 24, 'Butterfly Nail Mixer' project owner

6. Local Nail Service Study

by **Thitima Thawerat, School of Cosmetic Science, Mae Fah Luang University**

Research on Thai women who using nail salon services in Prathumwan district, Bangkok.

Samples age are between 20 to 29 years. Major factors selection is shop reputation. Average visiting nail service is once a month. Average spending is between 250 to 500 THB. Most visiting period is weekend evening (6.00 - 9.00 pm)

Main factor of effecting store selection are 'quality of product and service', skill of nail technician, safety and equipment standard.

Factors effecting reputation are duration of service, shop environment, new and clean equipment. Loyalty card and promotion also main factors for repeating service.

APPENDIX B

INTERVIEWS AND EXPERIMENTS

1. Customer Interview Findings

1.1 Demographic

The interview was done with 22 samples. 7 samples are undergraduate student, while 15 sample are working in different industries(5 samples from Service sectors, 2 samples from banking, 2 samples from magazine and publisher, 1 freelance and blocker, and 5 samples from other businesses).Samples' age are between 19-32 year.

1.2 Nail polish values

Overview values of nail polish to women are similar to other makeup product and dresses. It is simply wore to decorate wearer. But nail polish is difference from other makeup products and cosmetic, since it is not easily observed especially from men. Then nail polish is many time used to fulfill the decoration after proper makeup and dressing. Anyway there are significant number of samples that wear nail polish just for normal occasion. Then other values found apart from self-decoration are related to mental status.

Samples found themselves claim and concentrate while paint their own nails. They describe that it is similar to paint the artistic painting, which they found it is a kind of practicing providing meditation and relaxation. Sometime when they feel upset or in the bad mood, it can be a very good mentality treatment. This kind of values are also found with sample who decide to use the service of nail salon.

1.3 Buying factors

From the observed values, I summarize them into two categories, rational and appealing values. Both of them come from the same cause which is a improvement of wearer appearance, which involving color and texture of nail polish.

Both type of values based from how samples want to represent themselves. For Example, Occasion wearing worker might need to meet her big customer, then she want to look perfectly professional. A nail polish that she might pick should be in polite but still keep smart appearance.

There are reasons that affect different requirement of colors, for example, enhance confidence, express wearer personality, express wearer emotional status, etc. Apart from appearance effect, there are also other factors including easily match with various dresses, match with wearer hand color, reasonable price, healthy product, and etc.

From the interview, women buying behaviors can be roughly separated into two types. First type is 'All concerned factors should be match'. Each samples have their individual concerned factors and most of the factors should be match in order to buy a product. On the other hand, another type is just purely emotional driven to buy. Many time samples told that they came back home and did not know why they brought that product for.

1.4 Buying location

For purchasing behavior, location that has highest chance of buying is Special store, while cosmetic counter and Drug store closely come after. For nail salon and online channel is not very popular among all segment.



Figure 17 Purchasing location

Student segment has obvious higher chance in special store and online channels, while cosmetic counter is more popular for working women.

1.5 Nail Polish Brands Owned

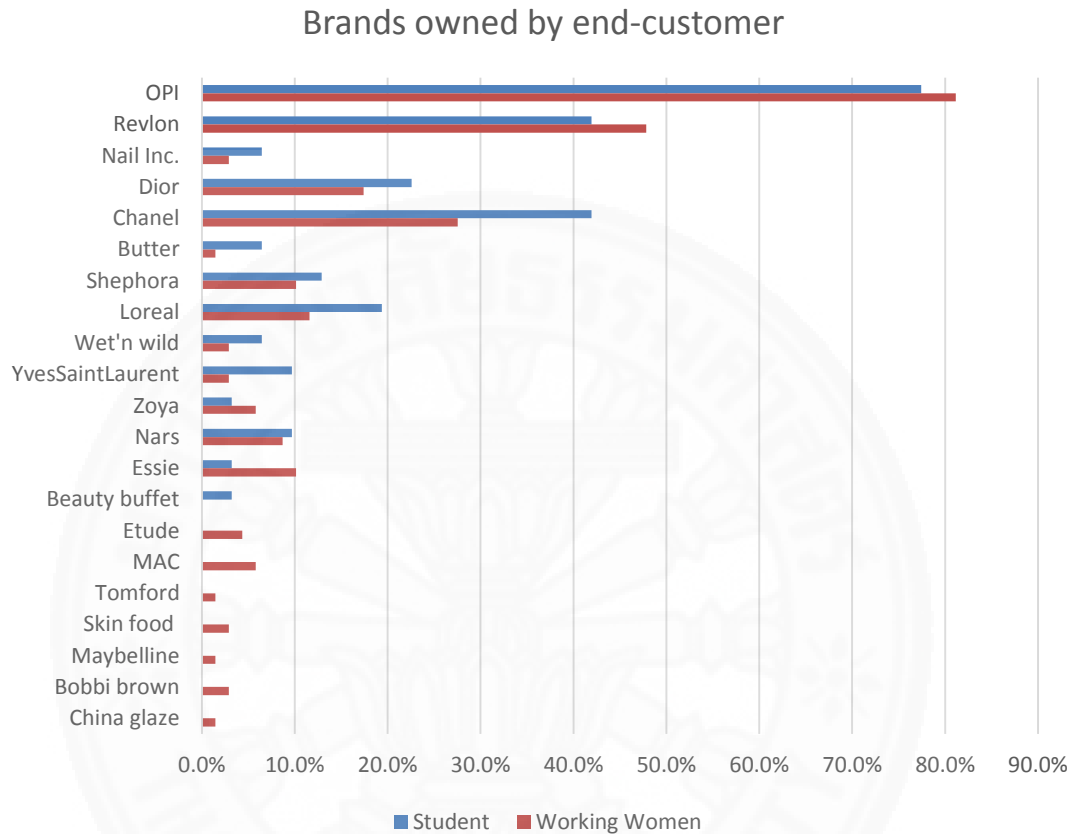


Figure 18 Nail polish brands owned by samples

The most using brand is OPI which is nail polish only brand and mostly sell in special store and nail salons. Second place is Revlon who mainly sell color cosmetic and has various distribution channels e. g. Cosmetic counters and drugstores. Then Third and Fourth places are Chanel and Dior which are product from luxury brands sell only in cosmetic counter channel.

Interview with Stakeholders on Customized Machine

1. End-users interview (45 Samples)

Question: Will you try this product?

In summary almost of samples will try this machine if it became commercial. Anyway for the reason that they want to try is not match with machine given values, reasons for trial seem not sustainable as they think it would be fun and likely to try since it is new to the market.

Most samples want to try this product because it is new to market and seem fun to try. Moderate samples will try because of uniqueness and getting perfect color. Some samples will try for gift. For 'Not likely' samples their reasons are 'There are enough colors in the market' and 'The final product is not different from other polish'.

Question: How much should this product cost?

Price range perspective is mostly in '201 to 400 THB' which is similar level with OPI, while '401 to 800 THB' which is the same range with special product like gel nail and glitter polish, come after closely.

2. Nail technicians (20 samples):

Question: How does professional products selling to end-customers effect to professional shop?

Most of nail technicians do not think that professional products selling to end-customers matter their career, since applying those product required skills and many equipment. They also think that main factors customers are buying their service for convenience and relaxation, which cannot find by DIY.

Question: Will this product benefit your shop? How?

For nail technicians, this machine may boost up sale and attract some customer. But they aware that this might not sustainable. And they do not find values for inventory minimization and ease of operation from this machine, thus there are distributors for nail polish brands who has already stocked and delivery those products to them.



Figure 19 Khun Dang, nail technician at Panipa

3. Nail spa owner: Khun Bim, owner of 'Panipa'

Question 1: How does professional products selling to end-customers effect to professional shop?

Answer 1: They do not have any significant impact to our shop. This shop provide several services not just nail services but also hair salon services. Our exciting customers come here because they want our services. Even some product like 'Gel polish' that has already been sold to customers, our customer's level still maintain. We think that reasons are quality of our services, painting skill and comfort. For other product like nail art stickers. They are like toy and cannot compare to nail technician work. You can compare them with printed paper and painted work.

Question 2: Will product in this demonstration benefit your business? How?

Answer 2: For my perspective, this product is similar to photo sticker machine. It will be just a trend, if the quality itself does not meet other brands. Of cause, it would boots some sell, anyway it depends on many factors e.g. quality, marketing and advertisement.

Question 3: What would be the future product of industry? And Why?

Answer 3: I think that natural and organic product like water based or natural color nail polish are becoming more popular among mothers and small

daughters customers group. In some pediatric department of some private hospital, they are sold around 1,000 THB per bottle which consider very high margin. Anyway their problems are performance. Their appearance and durability are still far from quality nail polish and gel nail, while apply ability is also very slow.



Figure 20 Panipa beauty salon and Khun Bim salon owner

4. Special store: Khun Waraporn and CRM marketing team of 'Beauty Community PLC'

Question 1: Will product in this demonstration benefit your business? How?

Answer 1: One of the benefit is selection time, since one of our limitation is customers' visiting time. We understand that there are limit of time customers spend to visit our stores, then our main target is to maximize products introduce to customers in that period. If customers can make faster decision on nail polish color selection or trial on their nail, it would definitely increase nail polish sell volume and also indirectly benefit sale of other product since they can spend more time on them. Anyway we think there still a lot of things to concern. For example, product quality should be at least same level to product in our store, accuracy of color mixing, maintenance of machine, conflict with our existing nail polish partner brands, and etc. Our management also have this kind of ideas to beauty business. he also mentioned that in the future products would become more customized and automation would becoming influence to this industry.

More comment to this machine is that if it can select other functional properties like nail treatment or not yellowing nail by putting other active ingredients, it would be much more interested to me.

Question 2: What would be the future product of industry? And Why?

Answer: The obvious trend of our stores is sale of products that claim natural ingredients base are continuously growing. Especially, Skin and hair treatment segments and moisturizing products. For cosmetic, some of them also moving toward this trend, but for nail polish it seem to be very less adapting compare to other segments. For nail polish brands seem to focus more on their functionality, for example, hybrid nail polish that last longer with ambient drying or less odor.



Figure 21 Khun Waraporn and CRM marketing team at Beauty Community PLC head-office

2. DIY glitter polish experiment

2.1 Experiment feedbacks from end-customers (20 Samples)

Sample had try to do DIY experiment and ask for their feeling to it. Both values and difficulties are collecting.

Value observation:

Samples find amusement and engagement between friends as the core value of this activity. Apart from those values, I found that in case of the good result, sample also want to share and flaunt their own mixed polish to friends and social media. Some of them find sense of uniqueness and ability to choose as subsidiary values.

They also faced difficulty of doing this DIY experiment. The main difficulty is they thought of themselves are poor in art skills. This lead to lack of confidence and poor result. Second difficulty is they cannot make finish polish similar to their expected result. Even some sample can achieve satisfied result, but it seem to be unpredictable and not match with their initial idea.



Figure 22 DIY glitter polish experiment

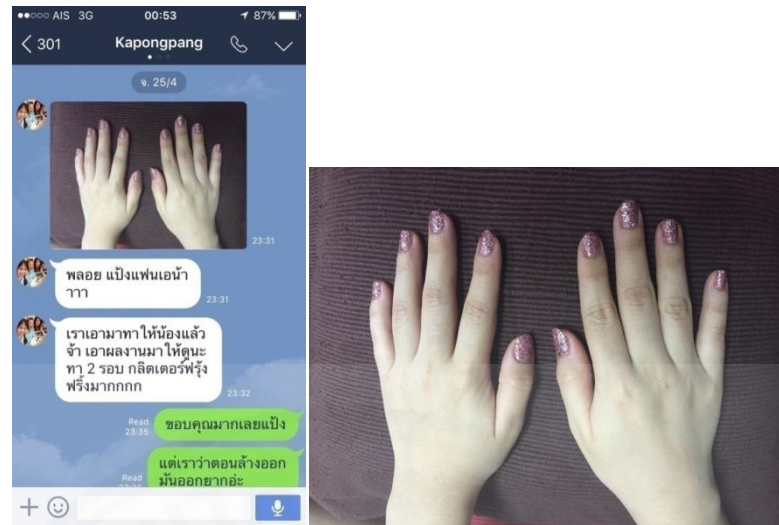


Figure 23 feedback and shearing

2.2 Comment from nail technicians and salon owner

It is quite subjective to each places. For this shop(Panipa), we want to finish as many customers as possible by doing many decorations to one customers at the same time, and minimize customers waiting period. Then this product seem not fit to our store. Anyway some salons those have both hair and nail service usually not operate like us. Customers always have long free time during hair services and this activity may benefit for spending their waiting time. But for nail only salon, there are not many queing customers have to wait, so they might not be the target for time spending, but some people may want to use their DIY polish while using salon service.

2.3 Comment from special retailer

This activity would not fit to retailer strategy, since it is time spending and retailer want customer to try as many products as possible. Anyway it is a good idea for being an activity in event or rewarding while doing a road-show project.

BIOGRAPHY

Name	Narit Lilasomphop
Date of Birth	December 31st, 1988
Educational Attainment	2010: Bachelor of Engineering Automotive Design and Manufacturing Engineering
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