



Keune Haircosmetics Marketing Export Plan

Executive summary

Keune Haircosmetics Manufacturing B.V. is a Dutch company that specializes in professional hair cosmetics. The company is now active in more than 70 countries and is looking to further expand its market internationally. Although Mexico presents a significant opportunity for the company to expand because of the importance that Mexicans place on physical appearance and the large number of hair salons there, the company is not yet active there. This was the main inducement for doing research on market opportunities in Mexico of which the central question is:

Which entry strategy is recommended for Keune Haircosmetics to successfully enter the Mexican market?

Keune's entry can be considered successful if the company obtains a market share of 5% within five years.

The target group for the study was hair salon owners/managers in Mexico City and they were given a questionnaire, the purpose of which was to gather primary data on their willingness to work with a potential new brand in Mexico, among other information useful to the company. The results showed that the target group is definitely willing to work with new products; therefore, Mexico is definitely a potential new market for Keune.

The most recommendable entry strategy for Keune is to use a distributor, as the company wants to start as soon as possible in Mexico and a distributor would have superior market knowledge than Keune because the company would be new to the market.

Starting with hair coloring products is recommended. These are Keune's best products as well as the most used and therefore most important products in hair salons in Mexico. Once the hair coloring products are well-established and successful, and brand awareness has been created, Keune can implement the next step, which is to introduce the rest of its product lines.

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Introduction

Keune Haircosmetics Manufacturing B.V. is a Dutch company that specializes in professional hair cosmetics. The company was established by Jan Keune in 1922 in Amsterdam, the Netherlands. Since then, it has developed into a multinational company: it is active in more than 70 countries (Keune Haircosmetics, 2015).

However, the company is not yet active in Mexico. The Mexican market presents an opportunity for Keune because it is a country where people care much about their physical appearance, which is suggested by the fact that the most popular cosmetics on the market are hair care, skin care, and perfume products. Hair cosmetics in particular have had the highest sales growth over the last five years, with a considerable increase of 667 million dollars (Ledo Mogena, 2013, p. 3).

According to P. Berlijn (personal communication, June 8, 2015), International Business Development Manager at Keune, Mexico had not yet been strongly considered because there were already several countries on the company's list. Nevertheless, this research was definitely of great value for the company because Keune is looking to expand its international market and Mexico is a potential country to which the company can expand.

The aim of the central research question was to find whether there are actual market opportunities for Keune in Mexico. The focus was on which entry strategy would be the most appropriate for approaching the Mexican market. The target group for the export plan was hair salon owners/managers in Mexico City.

The central question was: *Which entry strategy is recommended for Keune Haircosmetics to successfully enter the Mexican market?*

Keune's entry can be considered successful if it obtains a market share of 5% within five years, which is the company's goal.

In addition, several sub-questions were included in the research in order to aid in answering the central question:

- What type of company is Keune Haircosmetics?
- What market position and segmentation does Keune have?
- How does Keune currently work regarding distribution?
- What is Keune's internal situation?/What are Keune's strengths and weaknesses?
- What is Keune's external situation?/What are Keune's opportunities and threats?
- How does the Mexican market work and what would be Keune's key location(s) for starting exporting to Mexico?
- What is the current value of the market?

These questions were processed through the steps of a marketing export plan.

This report is structured into several parts. First, the methodology will be provided. An export plan will follow, consisting of five chapters, starting with an internal analysis in chapter 1. Chapter 2 will provide an external analysis, which includes the industry analysis, competitor analysis, and customer analysis. The customer analysis is based on the results of a survey that was conducted among the target group in Mexico and is followed by the distribution analysis. After these analyses, a confrontation matrix will be elaborated in chapter 3, followed by the export marketing mix in chapter 4. Chapter 5 will present information on the payment and financial projections. Afterwards, the conclusions and recommendations will be given. Lastly, the references and appendices are included at the end.

Methodology

In order to obtain as much reliable information as possible, desk and field research were conducted.

Initially, desk research was used because much information on the topic has already been obtained. Desk research was conducted using the available literature and the Internet.

For this research project, field research also played a crucial role, especially for the customer analysis part of the report. For this part, a survey was conducted and some interviews were held with the target group in order to gather primary data. The aim of the survey was to collect qualitative data on the opinions of hairdressers about their current brands and their willingness to use a possible new brand.

In addition, communication with P. Berlijn was also of great importance for gaining qualitative information. He provided internal information about the company and its requirements for entering the Mexican market.

Key terms:

- Professional hair cosmetics: products that are used by hairdressers and can be purchased exclusively in salons.
- Gross Domestic Product: "the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products" (The World Bank, n.d.).
- GDP per capita: "the GDP per capita is obtained by dividing the country's gross domestic product, adjusted by inflation, by the total population" (Trading Economics, 2015).
- Keune's clients: distributors and hair salon owners (target group)
- MXP\$ (Mexican pesos): $\text{MXP}\$1 = \text{€}0.05/\text{€}1 = \text{MXP}\20

Stakeholders:

- Keune Haircosmetics export department (especially Export Director, G. Keune and International Business Development Manager, P. Berlijn)
- Mexican hairdressers
- Mexican hair salon owners/managers
- Competitors in Mexico
- End consumers in Mexico
- Distributors in Mexico
- Mexican government (customs)

1. Internal analysis

1.1 About Keune Haircosmetics

Keune Haircosmetics is a Dutch company that was established by Jan Keune in 1922 in Amsterdam, the Netherlands. It has developed into a multinational and is presently active in more than 70 countries. It even has four own enterprises in the Netherlands, Belgium, France, and the United States (Keune report, 2015).

Keune is specialized in professional hair cosmetics and focuses on hairdressers, which makes it a business to business (B2B) company. That is to say that its products cannot be purchased in any drugstore or supermarket.

Mission

"To create beauty – everywhere in the world" (Keune Haircosmetics, 2013, p. 8).

Family values

Truth

"Stylists around the world are all members of the Keune family. We are loyal partners, and believe in honest, open communication and trust. So we support our global family with high quality, reliable products and modern techniques – for wearable hairstyles that are simply beautiful" (Keune Haircosmetics, 2013, p. 9).

Dedication

"Our independent family business has grown, thanks to love, passion and skill. To ensure Keune products are of the highest possible quality, we process everything under one roof. That gives us great freedom and independence" (Keune Haircosmetics, 2013, p. 9).

Elegance

"We often hear that hair is a woman's best asset. True elegance is recognizing the natural beauty within yourself and having the courage to be that person. Then your elegance will inspire elegance in others" (Keune Haircosmetics, 2013, p. 9).

Togetherness

“For more than 90 years, Keune has worked together with salon professionals as true partners. Our expertise is based on close collaboration – so we understand the needs of professionals and can help them accomplish beautiful things” (Keune Haircosmetics, 2013, p. 9).

Goal

“A smile on the face of every customer around the world as they walk out of their salon feeling fabulous” (Keune Haircosmetics, 2013, p. 8).

Product range description

Keune has several product lines. Each product line has a different philosophy:

Care Line

“Keune Care Line nourishes the hair and helps to balance the natural function of the scalp. Essential minerals from natural sources play a key role” (Care Line Product Finder, 2015).

Care Line Man

“Thinning hair, dandruff and dull hair are related *[sic]* to a poor function of the scalp. Care Line Man products have been specially created to keep men's hair and scalp healthy through *[sic]* essential minerals” (Care Line Man Product Finder, 2015).

So Pure

“The product philosophy focuses on the well-being effect and the aroma experience of 100% plant ingredients. Over 30 rich plant extracts and essential oils have been selected to create So Pure” (So Pure Product Finder, 2015).

So Pure Color

“So Pure Color is an ammonia and paraben-free permanent hair color, enriched with certified organic plant extracts, including the unique PhytoKeratin, which rebuilds the natural hair structure from within and protects during the color treatment” (So Pure Color Product Finder, 2015).

Design

"For your infinite styles, texture freedom and extra care for your hair. Hair treated with Design is in the best possible shape" (Design Product Finder, 2015).

Tinta

"With more than 100 intermixable shades, Tinta Color allows endless creativity with supreme conditioning, luminous shine and 100% coverage" (Tinta Product Finder, 2015).

Semi Color

"Create soft, natural tones with remarkable shine using Semi Color. For ultimate versatility with a demi permanent result" (Semi Color Product Finder, 2015).

Color Craving

"Keune Color Craving is a complete range of eight colors, four soft pastels and four vivid vibrants that fade gradually and beautifully" (Color Craving Product Finder, 2015).

Blend

"Blend understands individuality, inspires to be creative and provides you with the tools to create your own signature style" (Blend Product Finder, 2015).

Forming

"Experience Keune's new generation of permanents. Let Keune's Keratin range help you make hairstyle and texture dreams come true" (Forming Product Finder, 2015).

Marketing mix

Product

Keune manufactures professional hair cosmetic products. This means that the products are sold to hair salons, which makes Keune a B2B company. End consumers can also purchase these products, but exclusively in hair salons.

Regarding innovation and research & development, Keune has its own laboratory, which is split into two sections: innovation and development. If, in the case that the International Business Development Director is interested in a certain product or ingredient that Keune does not have in its product line, then it will be purchased and sent to the innovation department, which investigates and assesses the product or ingredient. If the formula is useful for the company, it is sent to the development department.

In short, making and improving new products is an on-going process. However, sometimes it takes a lot of time before a new product is developed, because Keune has a relatively small laboratory. However, it has the capacity to adapt its products if necessary, as it has every department under one roof.

Concerning patents for ingredients and formulas, Keune does not possess any, as recipes cannot be patented. However, Keune has its formulations incredibly well hidden. Everything that Keune manufactures is legally registered.

Keune's perceived product quality is high, as it focuses on quality. The only problem is that clients say that Keune should increase the public's awareness of its brand, which means that they want it to become more well-known. The company is working on increasing brand awareness and the marketing department is growing; nevertheless, it will never be a large marketing company (see promotion part) (personal communication, September 24, 2015).

One of the manners in which Keune differentiates itself from competitors is through creating and finding "true beauty", which means: "wearable hairstyles that are simply beautiful" (Keune Haircosmetics, 2013).

Keune's products can be considered both low-involvement products as well as high-involvement products, depending on who is purchasing them. For example, for the end consumer, Keune provides products that are of low-involvement, which is considered a strength in this case. Low-involvement products are products that do not require much effort and consideration, since they will not have an influence on the buyer's lifestyle.

In contrast, products can be considered high-involvement when they are focused on the target group (B2B). The target group's decision-making process is more complex than the end consumer's because a collaboration with the chosen brand, which lasts for a long period of time, must be initiated. Also, the products have to be purchased in large quantities.

Price

Regarding price, Keune is an affordable brand. It can be compared with L'Oréal Professionnel when it comes to price. Keune has a fixed Ex Works price for distributors, according to P. Berlijn (personal communication, October 9, 2015).

Place

Keune has been active in more than 70 countries for more than 80 years. Its knowledge of and experience with the international market is therefore considerable. The company is always looking to expand its market.

One of Keune's great advantages is that it has everything centralized at its headquarters. This ensures that it never has out of stock products and that it has incredibly good logistic systems, which gives the company the ability to deliver a high level of service to its clients. This also means that Keune is consistent regarding supply and that it provides delivery certainty.

Keune is a company that attaches much importance to its distributors abroad. For example, once a year a distributor meeting takes place at Keune's headquarters. Also, the International Business Development Manager regularly visits the distributors abroad to discuss business. In addition, Editha Cocks, one of Keune's international educators, travels around the world to provide education. Due to Keune's high level of service and its personal touch, clients are loyal to the company.

Therefore, service is definitely a strength of Keune. Some distributors mention working for competitors, yet in fact they do not have strong bonds with the other brands' people. They purchase their products, yet they often do not even know from whence they come. Keune is a relatively small company, hence each of the distributors knows who George Keune and G.M. Keune are (personal communication, September 24, 2015).

Promotion

Keune is a company that attaches a great deal of importance to marketing. However, its marketing department is relatively small compared to those of competitors. The company opts to profile product quality the most.

Since Keune is a B2B company, its social media (Facebook, Twitter, website, Instagram) is focused on hair salon owners and hairdressers and not on the end consumers. Additionally, merchandising techniques are focused at the points of sale.

To conclude, as P. Berlijn explains, Keune's strong reputation is mainly a result of its products' quality and partly a result of its marketing (personal communication, September 24, 2015).

1.2 Market description

Keune has a large market focus because it has a relatively smaller budget to invest in marketing. Therefore, the company has to play smart, which means focusing on the market and discovering what the target groups want in order to develop and produce new products to satisfy them. This entails looking at what happens in the market place, which includes keeping an eye on what kind of new products competitors introduce, according to P. Berlijn (personal communication, September 24, 2015).

Model of Abell

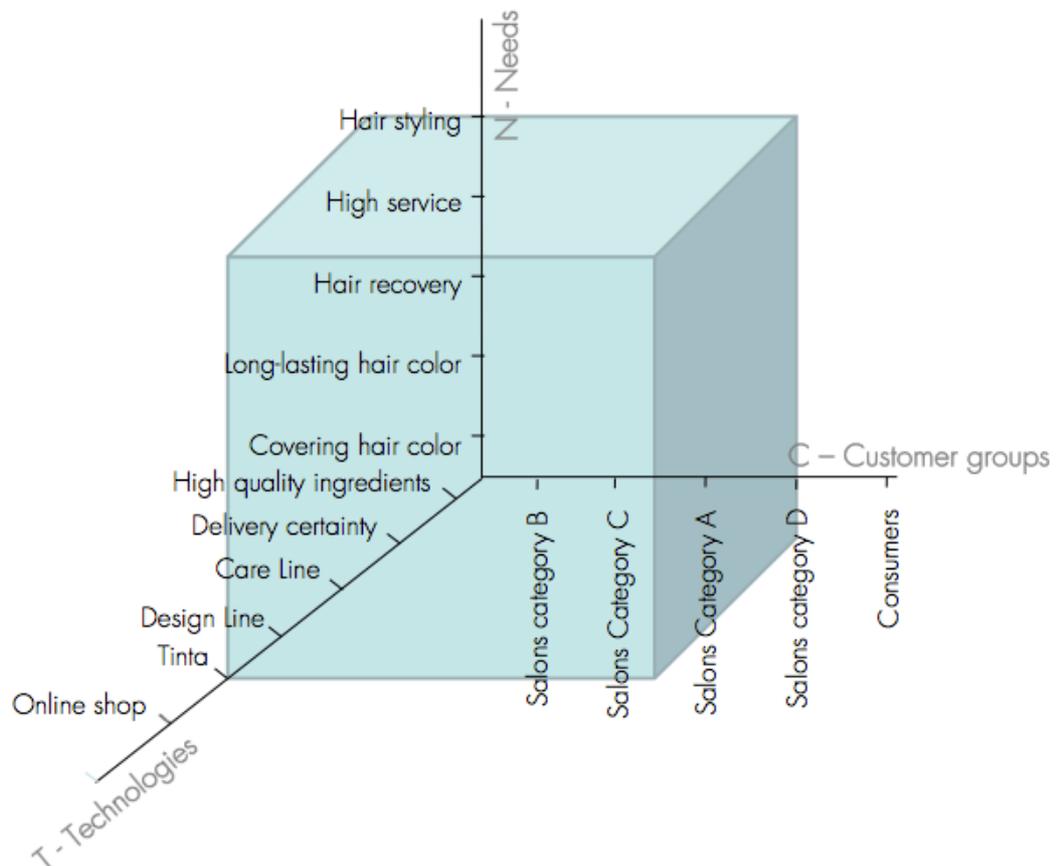


Figure 1: The model of Abell for Keune Haircosmetics

Based on an example from Veldman (2011, p. 33).

Customer groups: Which customers are being satisfied?

The products are used by hairdressers and the clients on whom the products are applied are the hairdressers' customers/end consumers. However, Keune focuses on satisfying hair salon owners, particularly those who fall into categories B and C below.

According to P. Berlijn (personal communication, October 23, 2015), Keune divides hair salons into four categories:

- Category A: High-end hair salons with many advanced facilities
- Category B: Mid-range hair salons with advanced facilities
- Category C: Mid-range hair salons with few advanced facilities
- Category D: Low-budget hair salons without advanced facilities

Keune's main focus is on salons from categories B and C.

Needs: What is being satisfied?

Hairdressers expect certain needs and wants to be satisfied by using Keune's products. The wants that Keune satisfies with its products are a covering hair color, a long lasting hair color, hair recovery, a high level of service, and high quality hair styling.

There are two needs that Keune's products satisfy: one of the target group and one of the end consumer; although, as shown in Abell's model, Keune does not focus on end consumers.

Keune satisfies the end consumer's need for "esteem". The products help people to look good, which gives them self-esteem.

Keune satisfies the target group's need to be "respected by others". Hairdressers using Keune demonstrate that they use professional and high quality products, which makes people think that the salon is of high-end quality.

Technologies: How are customer needs being satisfied?

The hairdressers' needs are satisfied through Keune's use of high quality ingredients and its products, which are suitable for them. Although end consumers frequently ask about it, the online shop is out of the box because Keune does not focus on it. Keune opts for not having one because it would take business away from hairdressers and it would change Keune's brand image. At the moment, end consumers can purchase Keune products exclusively at salons, which gives the brand a more luxurious image and helps hairdressers to increase sales.

1.3 Organizational structure

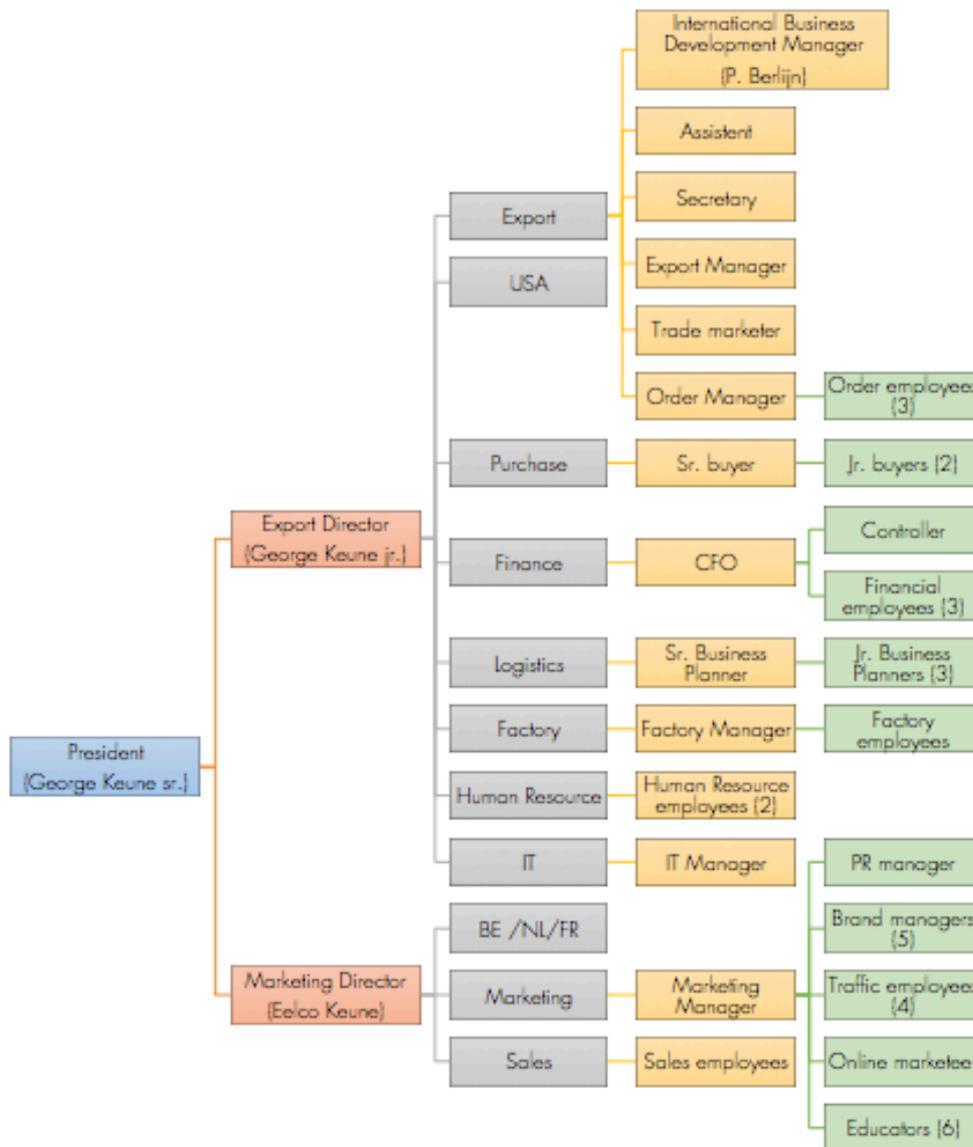


Figure 2: organizational structure of Keune Haircosmetics

As outlined in Figure 2 (Keune report, 2015), there are numerous departments within the company. G. Keune sr. is the president of the entire company and he has two sons: E. Keune and G. Keune jr. who are in charge of marketing and export.

In total, there are 11 departments. Three are in the charge of the marketing director, while eight are in the charge of the export director.

The export director is in charge of the USA branch, which is a privately owned enterprise, as well as those of the Netherlands, Belgium and France, yet they belong to the marketing director.

Keune's organizational structure could be considered a weakness, as it is a family business and therefore relatively small and not very well-known compared to competitors. However, being a family company can also be considered a strength because Keune has everything centralized at its headquarters, which means that it has everything under control and changes can be implemented instantly.

1.4 Strengths and weaknesses

In order to decide whether a company is able to export, it is of great importance to look at its strengths and weaknesses, which together make up the company's internal situation.

The following SWOT-analysis is broken down into an internal and external analysis. Figure 3 gives an overview of Keune's strengths and weaknesses that were mentioned above. The figure is followed by an explanation of the points that have not yet been covered.

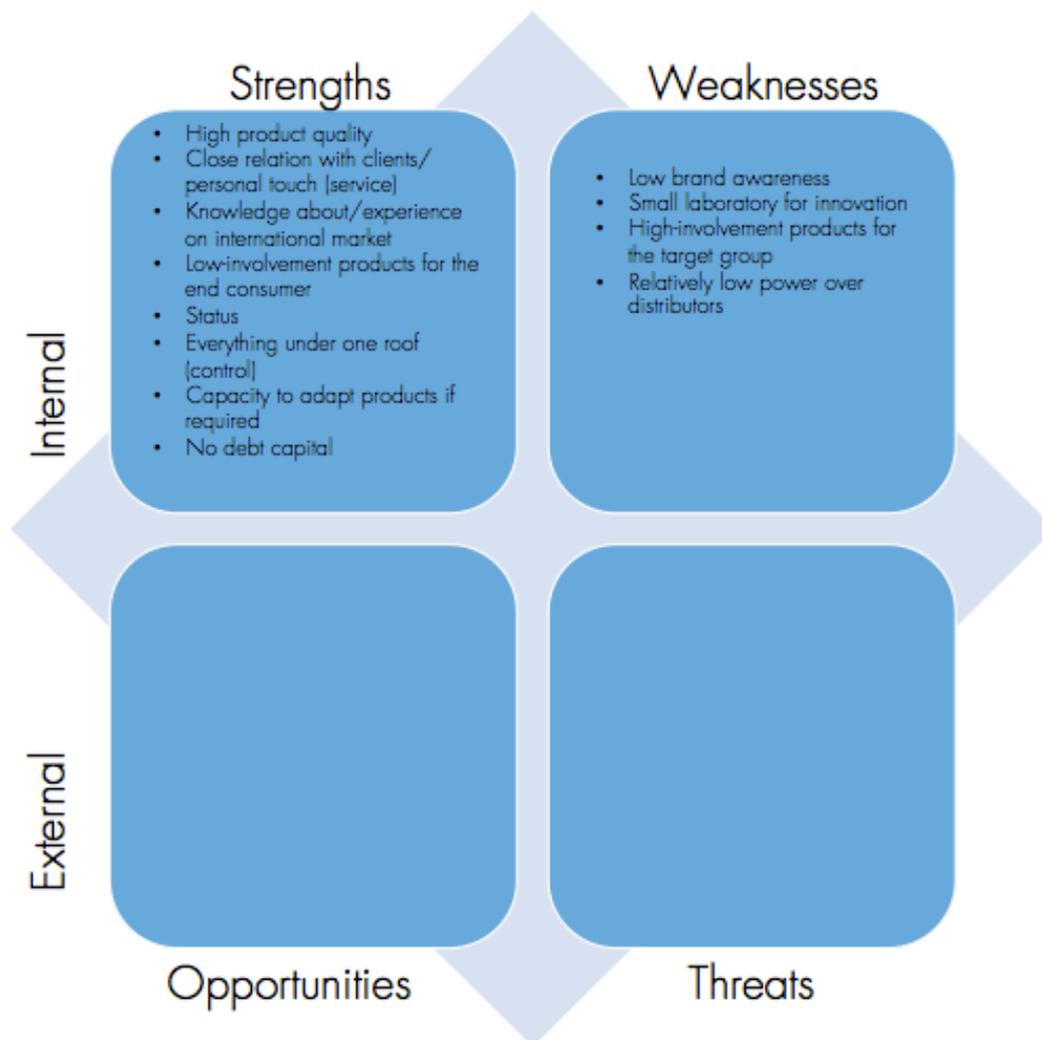


Figure 3: Keune's strengths and weaknesses

Another strength of the company is that it does not have any debts, only equity assets, which is absolutely unique and makes it an incredibly healthy company financially. That is to say that every possession at Keune's headquarters actually belongs to the company and is not leased. Keune has existed for 94 years, during which time it has had the time to grow bit by bit without accruing debts.

Keune's brand awareness is relatively low compared to its competitors. For example, in Brazil, Keune has a relatively high market share (15%) and is an incredibly well-known brand, yet it is still less well-known than its competitors among hairdressers as well as customers.

The quality of the distributors differs. There are high-end distributors that have worked with Keune for 50 years now and that carry only Keune products. Yet there are also distributors that could improve significantly. Some distributors just started carrying the brand's products and need to gain more knowledge about the company. Furthermore, there are also distributors that work with several brands (multi liner), which is not the ideal situation for Keune as the company strives to find distributors that work exclusively with Keune. Another reason that some distributors do not comply with Keune's requirements is that some of them work and live in countries where the beauty industry is either very popular or very developed.

Nevertheless, the quality of distributors is increasing as Keune grows. The larger the company, the more power it has. In other words, if a company is small, it does not have much influence and thus cannot demand as much from distributors as a large company. Nevertheless, in the end, as P. Berlijn explains, a company wants to make profit and sometimes it has to deal with distributors that do not work exactly how the company would like them to (personal communication, September 24, 2015).

2. External analysis

In the external analysis, the features of the hair industry in Mexico will be discussed, including which enterprises are operating there dominantly, what the behavior of the potential target group is, and how the market should be approached.

In order to cover these points, four types of analysis are needed (Veldman, 2011, p. 33) and they can be found below.

- Industry analysis
- Competitors analysis
- Customer/target group analysis
- Distribution analysis

2.1 Industry analysis

In order to figure out whether Keune should be active in Mexico, an industry analysis is needed. For this analysis, the attractiveness of the Mexican market will be analyzed using a DESTEP-analysis and the threats and opportunities of the industry will be discussed based on the five forces of Porter.

The results of the DESTEP outline the market attractiveness, which is definitely relevant for the development of the growth and marketing strategy. To map the growth and marketing strategy, an analysis of the macro-environmental factors is needed (Veldman, 2011, p. 33). These are factors that the company cannot easily influence.

DESTEP-analysis

Demography

Mexico has 31 united states and one federal district: Mexico City, also called Mexico Distrito Federal, which is also the capital of Mexico.

Mexico has a population of 121,005,818. Mexico City is one of the most densely populated cities in the world, with no less than 8,854,6001 people (Secretaría de Gobernación, 2015). In combination with the urban area, Metropolitan area del Valle of Mexico, the population reaches more than 21 million habitants, making it the third largest urban agglomeration in the world, the largest on the American continent, and the most populated Spanish-speaking city in the world (Gobierno, 2015).

According to P. Berlijn (personal communication, June 9, 2015), Keune considers one hair salon for every 100 habitants, which is equivalent to 88,546 hair salons in Mexico City, suggesting that Keune's presence there could be very profitable.

According to the conducted survey, 90% of the interviewees belonged to categories B or C (Figure 7), which is equivalent to 79,691 hair salons. As Keune's main focus is on salons from category B and C, it can be assumed that there are 79,691 prospects.

Economy

This part of the DESTEP-analysis is of great importance for Keune, as the company finds it important to enter a market with a stable or growing economy.

According to The World Bank (2015), "Mexico is the second largest economy in Latin America". In 2014, Mexico had a Gross Domestic Product (GDP) of 1,283 trillion USD, which represents a growth of 2.1% in comparison to 2013 (The World Bank, 2015) and 2.1% of the world economy (Trading Economics, 2015).

According to Trading economics (2015), "the GDP per capita in Mexico was last recorded at 8626.20 USD in 2014", which is "equivalent to 68 percent of the world's average".

Nowadays, more than half of Mexico's population lives in conditions of poverty (Krozer & Moreno-Brid, 2014). Mexico has always been called "the country of inequality" (Von Humboldt, 1811), as it has always belonged to the list of countries with the highest inequality in the world and it still does, according to Credit Suisse (CNN Expansion, 2014). Unfortunately, the words of Von Humboldt (1811), "a German scientists [sic] who left a detailed description of his visits to the Spanish Empire around 1800" (Halsall, 1998), still apply:

Mexico is the country of inequality. No where [sic] does there exist such a fearful difference in the distribution of fortune, civilization, cultivation of the soil, and population. ...The capital and several other cities have scientific establishments, which will bear a comparison with those of Europe. The architecture of the public and private edifices, the elegance of the furniture, the equipages, the luxury and dress of the women, the tone of society, all announce a refinement to which the nakedness, ignorance, and vulgarity of the lower people form the most striking contrast (p. 68-69).

Inflation in Mexico is usually discussed in terms of the Consumer Price Index (CPI). This is an indication of price development in goods and services that Mexican households purchase for consumption. The following chart shows Mexican CPI inflation growth from the last couple of years. The inflation numbers are based on the same month from the previous year.

CPI Mexico:

Period	Inflation
September 2015	2.5 %
September 2014	4.2 %
September 2013	3.4 %
September 2012	4.8 %
September 2011	3.1 %
September 2010	3.7 %
September 2009	4.9 %
September 2008	5.5 %
September 2007	3.8 %
September 2006	4.1 %

Figure 4: inflation in Mexico based on the CPI

(Global Rates, 2015)

Limited inflation, around 3% per year, is considered healthy for the country's economy; it encourages consumers to purchase goods and services and avoids extension of purchasing them. Extension of purchase could lead to paying more for the same product (Global Rates, 2016).

According to Figure 4, inflation was average last year, which will be convenient for Keune when it comes to the purchase of goods and services.

It is difficult to determine the target group's buying power. There are several variables to consider, including the economic situation of the country, the type of salon, the number of customers, the prices of services that the salon delivers, and so on. Nevertheless, people that manage their own business are usually in a healthy economic situation. Therefore, it is

reasonable to assume that the target group lives in a relatively good economic situation compared to the rest of Mexican society, which is positive for Keune.

Regarding possible economical fluctuations, one can assume that these would not affect the demand for professional hair cosmetics. As mentioned in the introduction, Mexicans have always had a great esthetic interest, which is not very likely to suddenly decrease.

According to these findings, it can be concluded that Mexico's economy will not be a barrier for Keune.

Social-cultural

In Mexico, there are 68 recognized Mexican indigenous languages. However, only 6% of the population speaks a language other than Spanish (Don Quijote, n.d.). The language would not have an impact on the demand for its products, because Keune's target group speaks Spanish.

Therefore, it is not required to adapt Keune's products to the demography of Mexico in order to enter the Mexican market, as the products already contain a user manual written in Spanish.

As mentioned above, Mexico is a country where people care much about physical appearance. The most sold cosmetics are hair care, skin care and perfume products (Ledo Mogena, 2013, p. 3). Thus, it can be assumed that this will influence the interest in Keune's products positively. In addition, the expectation is that in 2017, the sales of hair care products will increase by up to 40.5% compared to 2011 (Ledo Mogena, 2013, p. 32).

In general, Mexicans tend to overvalue foreign brands, especially ones deriving from the United States and Europe, because people associate foreign brands with exclusiveness. This ideology derives from something deeper:

Unfortunately, in Mexico racism is a major issue. People with lighter skin often receive more respect than people with darker skin. Light skin is associated with foreignness and is seen as a beauty ideal. This is how society is educated. Children with dark skin tend to be bullied more because they come from indigenous families, which to many Mexicans means that they are low educated and poor (Filosofo Fastrillo, 2014). This briefly explains Mexico's classism/racism.

As a result, Keune would most probably be perceived as an exclusive, interesting, and luxury brand, among other things because of its European origin.

Technology

Mexican infrastructure has improved in the last decennium from 3.1% of the GDP to 4.5%. The greatest investments have been in new highways and increasing the capacity of airports (Rijksdienst voor Ondernemend Nederland, 2016).

However, Mexico is not highly positioned when it comes to research and development of new technology. The country basically depends on imported technology. For example, in 2011 it purchased no less than 94% of its technologies, according to the president of the Mexican Academy of Sciences, Menchaca-Rocha (Rosen, 2011).

Although the technological factors in Mexico are relatively poor, it is an advantage that Keune's products do not require new technologies, as Keune solely provides products that already exist. In addition, a great advantage for the company is that every single product is manufactured in Soest, the Netherlands.

Ecological

Ecological factors are environmental factors that could possibly influence the management of business and include climate, energy sources, environmental care, and corporate social responsibility.

In Keune's case, these factors are not of great importance because cosmetics do not depend on them. Besides, Keune does not have the intention to build a factory in Mexico.

Political

Contradictory to Mexico's stable economy, Mexico has an extremely unstable political situation.

Mexico's current policy is based on the constitution of 1917. The political situation is divided into three powers (Trias Politica): legislative power, executive power, and judicial power. Peculiar to Mexico's policy is a prohibition against re-election for the immediate succeeding term, including for the position of president of the Mexican Republic, heads of the governments of each state, and the Federal District (INE, 2015). This is to avoid any concentration of power on one single person for an endless period. Simultaneously, this also leads to an incredibly unstable political situation because every six years there is a new person leading the country.

Since 2000, Mexico and the European Union have observed a Free Trade Agreement, which has significantly improved access for Mexican and European exporters (Delegación de la Unión Europea en México, 2015). There is 0% duty on hair cosmetics coming from a country of origin

in the European Union. The taxes on products entering Mexico are the general IVA (16%) and Derecho de Trámite Aduanero (8%), (translation: Customs Procedure Right) (Gobierno México, 2015) (ledo Mogená, 2013, p. 5).

Corruption in Mexico has always been a significant problem. This has damaged the country's legitimacy, accountability, effectiveness and transparency significantly through the years.

The Corruption Perceptions Index reflects a measure from 0 (highly corrupt) to 100 (very clean) and ranks the countries' degree of corruption in the public sector. According to this index, in 2015 Mexico scored a 35 and was ranked 95 out of 168 countries (the higher the country on the list, the more corrupt the country) (Transparency International, 2015). To compare, the Netherlands was ranked number 5 in the index, with a score of 85 (Transparency International, 2015).

Five forces of Porter

In order to determine whether the hair care industry in Mexico is attractive for Keune, it is necessary to analyze the market based on the five forces of Porter, which include:

- Threat of substitutes
- Threat of new entrants
- Intensity of rivalry
- Force of suppliers
- Force of buyers

Threat of substitutes

Generally, the threat of substitutes in the professional hair cosmetics industry is low, as there are no substitutes for **professional** hair cosmetics. That is to say that there are no other products that a salon could purchase, other than the current products (color, shampoo, styling products, etc.) to satisfy the needs of a client. This means that Keune's competitive advantage will not be directly affected, which makes the hair industry more attractive for Keune.

However, the industry could be affected indirectly. For example, a salon treatment could be branded as "luxury" because of all of the added features and services. People with low buying power and who are price-conscious could be a threat if they decide to cut and/or color their hair at home, whereupon they would visit a hair salon less often. As a consequence the industry could be affected indirectly.

Also henna, "a reddish-brown dye made from the powdered leaves of a tropical shrub, used to colour the hair and decorate the body" (Oxford Dictionaries, 2015) could be an indirect threat, as it can be used at home and as a substitute for in-salon hair color treatment.

To summarize, the threat of substitutes should not affect the professional hair cosmetics industry directly. In other words, the threat of substitutes is low.

Threat of new entrants

When looking at the threat of new entrants, possible entry barriers to enter the industry in Mexico should be analyzed. The lower these are and the fewer the entry barriers, the easier it is for new entrants to enter the market, which poses a threat.

A high barrier could be finding an appropriate distributor, which refers to someone who is willing to work with a certain brand and who meets the company's criteria. If a company decides to enter a new country through a distributor, but cannot find an appropriate one, the barrier will be considerably high. It is necessary that both parties agree: the distributor must be totally convinced by the brand and the company has to be satisfied with the distributor's effort.

Another high barrier could be that hairdressers may already have contracts with other brands that require them to work with those brands for a certain period of time (usually for a couple of years), according to P. Berlijn (personal communication, October 9, 2015). This makes the barrier to working with other brands significantly higher, which is not convenient for new entrants, as they have low brand awareness. This decreases the threat of new entrants. However, according to the results of the conducted survey there is also acceptance of new brands: 68% of the respondents indicated wanting to work with a new brand if it meets their criteria (Figure 21), which makes the market more attractive for new entrants.

As mentioned in the DESTEP-analysis, Mexico and the European Union implemented a Free Trade Agreement in 2002, which has significantly improved trade for Mexican and European exporters (Delegación de la Unión Europea en México, 2015). This means that, in this case, hair cosmetics have 0% duty, because Keune's products originate in the Netherlands, which is a country that belongs to the European Union. The taxes for Keune's products to enter Mexico are the general IVA (16%), and Derecho de Trámite Aduanero (8%) (translation: Customs Procedure Right) (Gobierno México, 2015) (Ledo Mogená, 2013, p. 5). This makes the barrier for new entrants to enter the Mexican market lower.

In summary, the threat of new entrants is average, as there are some advantages for new entrants as well as some disadvantages.

Intensity of rivalry

There is intense competition in the Mexican market because there are numerous brands in Mexico with incredibly high brand awareness and market share.

For example, according to the figure below, L'Oréal Professionnel is clearly the dominant player with an incredibly high brand share of 51.8% in Mexico, followed by Wella with a market share of 15.1% (2014).

% retail value rsp	Company	2011	2012	2013	2014
L'Oréal Professionnel	Cosbel SA de CV	41.7	51.4	52.1	51.8
Wella Professionals	Procter & Gamble de México SA de CV	16.1	15.5	15.4	15.1
Kérastase	Cosbel SA de CV	8.1	14.7	15.0	14.8
Revlon Professional	Revlon SA de CV	11.7	3.9	3.6	3.6
Línea Profesional Barba	Casa Barba SA de CV	4.2	2.2	2.0	1.9
Sebastian Collection	Procter & Gamble de México SA de CV	7.8	2.8	0.4	-
Others	Others	10.4	9.5	11.4	12.8
Total	Total	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Figure 5: salon hair care market shares

(Euromonitor, 2015)

However, the other half of the market is divided among several other brands, all with a different market share. According to the results of the conducted survey, there are numerous small brands on the Mexican market. This makes the rivalry more intense.

However, hairdressers are loyal to their brands (Figure 9), yet they are also willing to try new brands: 68% of the respondents indicated definitely wanting to work with a new brand if it meets their criteria (Figure 21), as mentioned above. This makes the intensity of rivalry higher.

In addition, it is common for salons to work with more than one brand. Hairdressers do not necessarily have to switch brands; they can also simply add a new brand to their salon without getting rid of a brand they are currently using since there is no determined limit of brands per salon. That is to say that even within one hair salon there is competition. Brands often have to compete with four or five other brands. This also leads to high rivalry.

A factor that makes the hair industry in Mexico attractive is that hair salons are vastly spread throughout Mexico. As mentioned earlier, Keune considers there to be one hair salon for every 100 habitants. In Mexico City there are 8,854,600 habitants (Secretaría de Gobernación, 2015), which is equivalent to 88,546 salons and decreases the intensity of rivalry.

The results are not completely straightforward, as many variables are at play, including the number of rivals and their market shares as well as the number of hair salons. However, most of the factors indicate intense rivalry, thus it can be concluded that in general the intensity of rivalry on the Mexican market is high.

Force of suppliers

The force of suppliers does not have any influence on the attractiveness of the Mexican market in Keune's case, as it already has its own (foreign) suppliers that provide the company with the ingredients to create the end products, manufactured in the factory in Soest, the Netherlands. This applies to every single product; there is no exception.

Regarding Keune's suppliers, P. Berlijn indicates that it is a diverse group (personal communication, January 28, 2015).

Force of buyers

The force of buyers is high, on the one hand, as a consequence of much competition among the brands, which gives buyers (hair salon owners) the option to give priority to a competitor if they are not completely satisfied by their current brand.

However, as mentioned above, hairdressers usually have a contract for a certain period when working with a brand. This could be a barrier for them and a factor that decreases their force. Nevertheless, when this contract has finished, they have the force to discard the brand anyway.

In addition, as mentioned above, there is a considerably high number of hair salons in Mexico, which is definitely convenient for brands. This gives them more power, since they are not completely dependent on certain salons, which also decreases the force of buyers.

However, as mentioned above in the section on threat of substitutes, there are not many substitutes within the hair care industry. The small number of substitutes also decreases the force of buyers.

It can be concluded that the force of buyers is average, due to the large number of competitors and the corresponding large number of buyers.

2.2 Competitors analysis

Keune's competitors are basically other brands that provide professional hair cosmetics to hair salons. To outline the competitive environment, it is necessary to compare Keune with its main competitors that are currently active in Mexico City. These are L'Oréal Professionnel, Wella, and Kérastase (Figure 5). Also, Moroccan Oil will be analyzed, although this is not one of the main competitors in Mexico, according to the figure. The reason for this is that according to the conducted survey (Figure 8), which has more recent results, this brand is among the most popular brands in Mexico, which makes it useful to analyze.

The analysis was conducted using a brief marketing mix for each competitor, and is based on a positioning matrix to create an overview of Keune's position in relation to that of its competitors.

L'Oréal Professionnel

Product

L'Oréal Group is a French brand that provides beauty and hair products, and operates in different segments, including: "professional products, consumer products, L'Oréal luxury, and active cosmetics" (Forbes, 2015). Keune competes with its line for professional products, called L'Oréal Professionnel.

L'Oréal Professionnel has a very wide product range, including every type of product that is needed for a salon. Also, innovation is one of its strengths. L'Oréal Professionnel is first among brands to implement new technologies in hair coloring (Machek, sd).

Place

L'Oréal Group has presence in 130 countries on all five continents (L'Oreal, 2016). According to the Forbes List (2015), L'Oréal Group is #34 on the list of the World's Most Valuable Brands. That is to say that it is also one of the most well-known companies in the world and is incredibly high-positioned. L'Oréal Professionnel possesses more than 50% of the brand share in Mexico. The products are exclusively sold in hair salons.

In order to maintain leadership, and not only in Mexico, "L'Oréal's strategy consists of being present across all markets in the industry, becoming the world leader and, in order to achieve this, constant innovation," according to Béatrice Collin and Daniel Rouach, authors of "L'Oréal's model: the key strategies of a French multinational company" (Braizas, 2014).

An essential part of L'Oréal Group's strategy to expand internationally is acquiring foreign competitors. For example, it acquired Maybelline in 1994 (United States), Shu Uemura Art of Hair in 2000 (Japan), and The Body Shop in 2006 (United States) (Braizas, 2014).

Price

L'Oréal Professional is an affordable brand for Mexican hairdressers despite being incredibly high-positioned. According to Mexican hairdressers, a color tube from L'Oréal Professionnel costs between MXP\$50 - MXP\$100. As shown in Figure 25, this is what most hairdressers pay. The price-quality proportion is definitely a strength.

Promotion

L'Oréal Professionnel introduces new color collections twice a year, which is inspired by new colors based on global fashion trends.

L'Oréal Professionnel uses the Internet as an important medium to communicate with hairdressers and end consumers. For example, the company uses different social media, including Facebook, Twitter, and YouTube.

Another essential medium that L'Oréal Professionnel used to create brand awareness is the press, which includes magazines (Harper's Bazaar, Vogue, and ELLE) (Machek, n.d.) and specialist journals (Estetica, TopHair, Coiffure, etc).

Wella

Product

Procter & Gamble acquired Wella, a German company, in 2003 (The Wall Street Journal, 2003). Wella, like L'Oréal, has more than one product line. One of Wella's product line is focused on the end consumer and the other, called Wella Professionals, is focused on hair salons. With a market share of 15.1% in 2014 (Figure 5), Wella is the second largest professional hair cosmetics company in Mexico.

Price

According to Mexican hairdressers, a color tube from Wella costs between MXP\$50 - MXP\$100. As shown in Figure 25, this is what most hairdressers pay, which makes Wella a threat for Keune.

Place

The company is active worldwide as well as the other competitors, namely in 28 countries on all continents (Wella, 2016). Its products are sold exclusively in hair salons.

Promotion

Wella creates brand awareness through fashion magazines and specialist journals. In addition, it provides point of sale with marketing materials including wall decorations, leaflets, booklets, etc.

The company also uses the Internet to communicate with hairdressers and end consumers. On its website there is a platform that gives hairdressers access to online salon marketing tools.

Kérastase

Product

Kérastase is a sub-brand of L'Oréal Group. The difference between Kérastase and other professional brands is that Kérastase does not have its own hair coloring products, which is an advantage for Keune. It is only a competitor in the field of "products for home use".

Kérastase has a strong quality image. Many hairdressers claim to have Kérastase in their salon because the brand sells itself. However, this is only possible if the salons use L'Oréal Professionnel hair coloring products in conjunction with it (Machek, n.d.).

Place

Kérastase claims to have a selective distribution, which means that salons have to fulfill several requirements before starting to work with the brand. This is, among other things, to maintain its reputation. The brand is currently active 61 countries on all continents (Kérastase, n.d.).

Price

Kérastase is relatively highly priced, as it is a premium brand. Kérastase does not have color in its product range and therefore has to be compared using a different hair care product, for example shampoo. In Mexico, a Kérastase shampoo (250 ml) bottle costs around MXP\$440 for an end consumer (Tienda Capilar, n.d.). A similar shampoo from L'Oréal Professionnel (250 ml) costs around MXP\$237 (Ozcosmetics, n.d.). Both are professional hair cosmetics. This shows that Kérastase absolutely has an above-average price level on the market.

Promotion

As mentioned above, Kérastase sells itself. Word-of-mouth advertising is an essential strategy for the brand. Kérastase also creates brand awareness through fashion magazines as well as L'Oréal Professionnel. In addition, it provides point of sale with marketing materials including wall decorations, leaflets, booklets, etc. (Machek, n.d.).

The Kérastase website is focused on both hairdressers and end consumers.

Moroccan Oil

Product

After L'Oréal Professionnel, Moroccan Oil is the most popular brand among hair salons in Mexico, as can be seen in Figure 8. The brand does not contain hair coloring products in its color range, but only products for home use, including: shampoos, conditioners, hair masks, hair oils, etc. The strength of the brand is that its quality is the core of its success. The products do not contain parabens (Moroccan Oil, 2016).

Price

The price of the products from Moroccan Oil is relatively high. As the brand does not have hair coloring products, a regular shampoo has to be compared. One shampoo bottle containing 250 ml costs MXP\$629 (Tienda Capilar, n.d.). This is even higher than the price of Kérastase's shampoos.

Place

Moroccan Oil is active in around 29 countries, and is also a salon exclusive brand (Moroccan Oil, 2016).

Promotion

Moroccan Oil has mainly built its strong reputation through positive word-of-mouth advertising as well as through the runway. Runway stylists and many celebrities embrace the brand, which creates a luxury and positive image (Moroccan Oil, 2016).

Figure 6 provides an overview of the positioning of Keune compared to its competitors based on price and quality.



Figure 6: positioning matrix of Keune Haircosmetics and its main competitors in Mexico

2.3 Customer/target group analysis

In order for Keune to enter the Mexican hair cosmetics market, a segment is needed, which will be hair salons in Mexico City. To reach this segment, it is of great importance to approach the target group.

To obtain qualitative information about this segment and discern whether Mexico is an actual potential market for Keune, a survey was conducted that consisted of 20 questions (see appendix). The survey included questions regarding brands that the salons are currently using, what characteristics of a brand is important when selecting a brand, and also what they currently pay for their products and what the consumers pay for a treatment. The survey was distributed to 50 respondents that belong to the target group.

As mentioned above, Keune generally focuses on salons from categories B and C. For this reason, the focus in Mexico is also on salons from these categories. However, this does not mean that A and D salons are completely excluded; the focus will simply not be there. The results of the survey combined with a brief analysis can be found below:

Figure 7 shows that slightly more than half of the respondents (52%) belong to category C, followed by category B with a percentage of 38%.

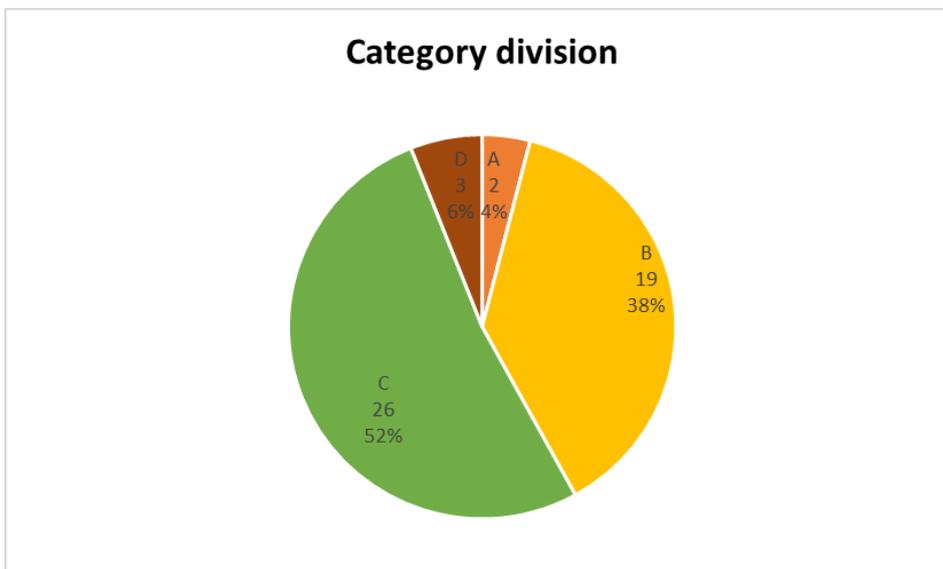


Figure 7: the category division of the responding salons in absolute frequency and percentages

The slices of the pie chart in Figure 8 show the division of the used brands among the 50 salons that participated in the survey. According to the result, it can be concluded that L’Oréal Professionnel is the greatest player in Mexico, as about half of the salons (24 out of 50) indicated using this brand.

Salons usually do not work with solely one brand. Sometimes they even work with five or six brands. Therefore, it can be concluded that L’Oréal Professionnel has a 15% market share, according to this survey, being active in almost 50% of the participating salons.

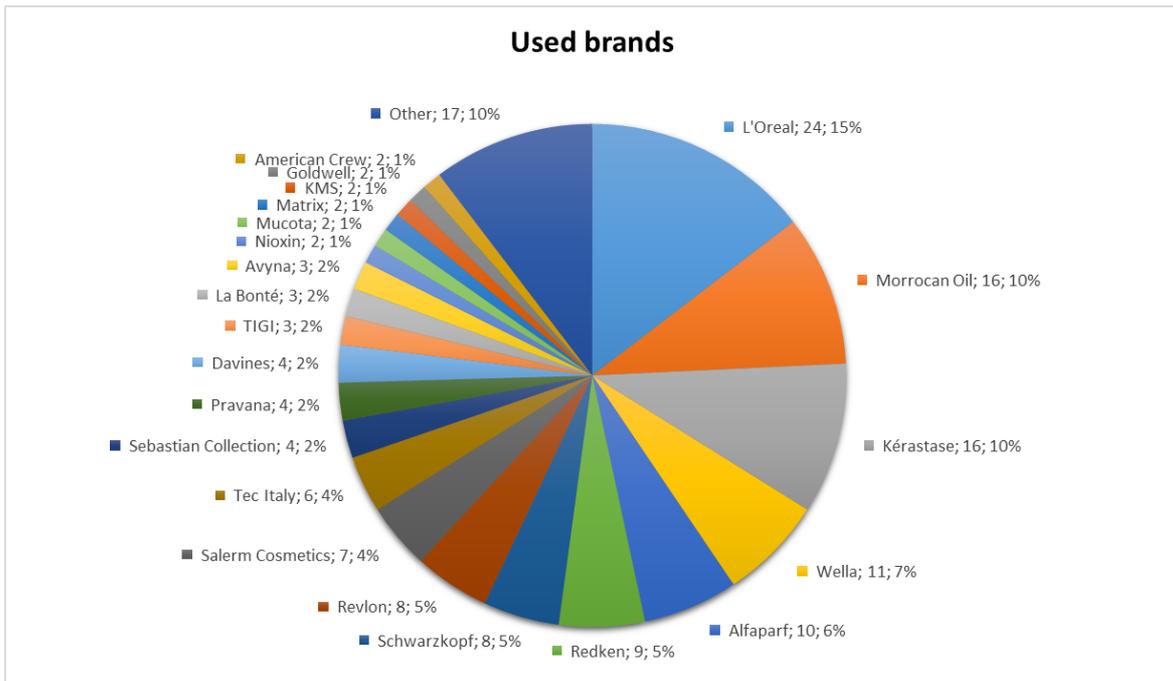


Figure 8: the division of the used brands among the 50 salons in absolute frequency and percentages

For Keune, it is also of great importance to know whether salons are loyal to a brand or not. Figure 9 gives an impression of this:

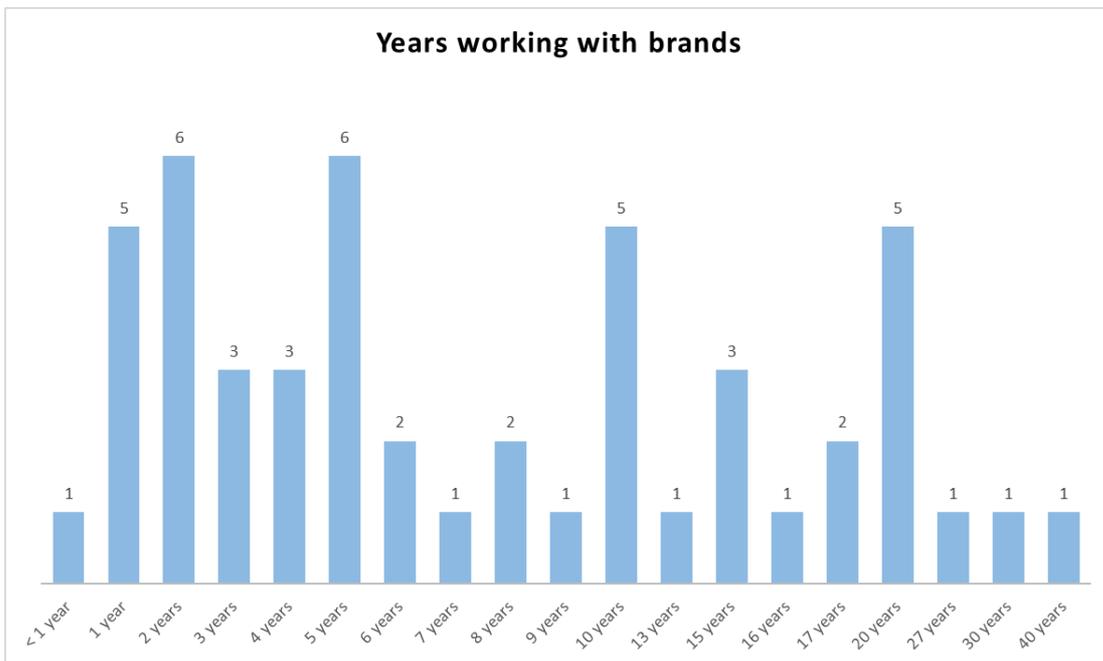


Figure 9: the number of years that salons work with their brands in absolute frequency

As shown in the figure, several salons are loyal to the brands that they use. Only one salon indicated working for less than one year with its brands. The reason for this was that the salon had only been open for less than one year. According to these results, it is reasonable to conclude that salons in Mexico are generally loyal to their brands.

Figure 10 indicates to what extent the target group is satisfied with the current brand(s). When looking at this figure, it can be concluded that Mexicans are definitely satisfied with their current brands:

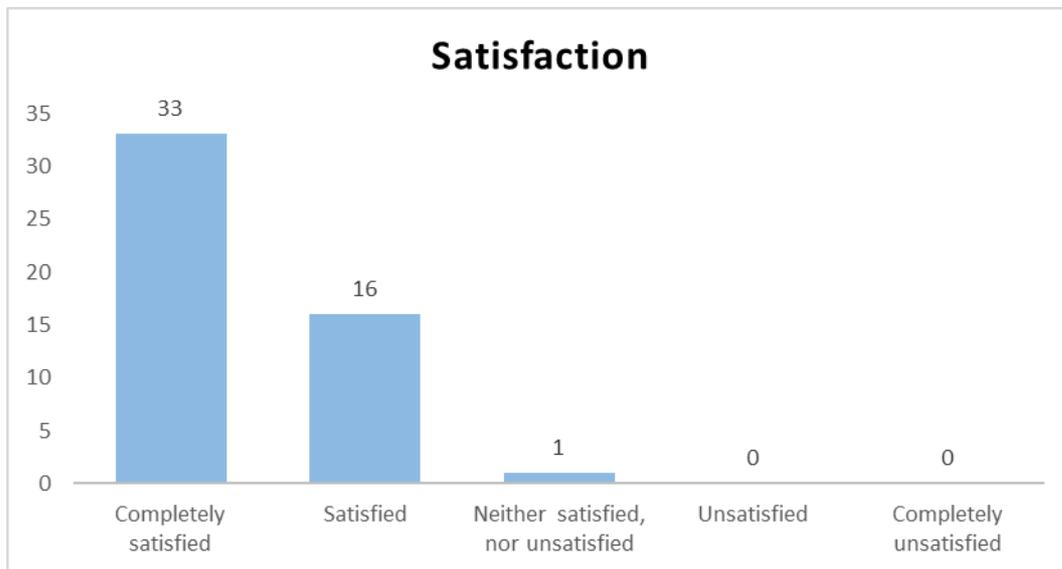


Figure 10: to what extent the target group is satisfied in absolute frequency

It is not reasonable to automatically conclude that those brands manufacture high-end quality products. Mexico is naturally a very conformist nation. Consumers are not highly demanding and are not critical, which is reflected in several aspects.

For example, according to the results of a survey about “Bienestar Subjetivo” (translation: subjective well-being) by Instituto Nacional de Estadística y Geografía (INEGI) (Zúñiga, 2015), Mexico is an extremely optimistic nation. The survey concludes that four out of five adults in the whole republic consider themselves “satisfied” or “very satisfied” with their lives although, according to the “Better Life Index” of the “Organización para la Cooperación y el Desarrollo Económicos” (OCDE) (Forbes Staff, 2014), Mexico is below average regarding security, health, work, living place, and income. The national average on a scale from 1 to 10 is a 7.95.

However, that being said, the target group seemed to be highly demanding regarding the question: “To what extent is *factor X* important for you when choosing a brand on a scale of 1 to 5?” Although this could be interpreted as contradictory to the statement that Mexicans are conformist and not overly critical, it actually is not.

The following is an example of a conforming respondent: respondent #12 (see appendix) indicated being “completely satisfied”, and gave a “5” (very important) to importance of quality,

while recommending that L'Oréal (the brand the salon is currently using) could improve its quality. If the respondent would have been more critical, his or her answer should be just "satisfied" instead of "completely satisfied".

The following is an example of a respondent having a lack of a critical view: respondent #36 (see appendix) indicated being "satisfied", yet did not recommend any improvements because "everything was fine". This is problematic because if everything was as the respondent wished, he or she should have been "completely satisfied", or at least he or she could have recommended where there was space for improvements.

It is necessary to take the above examples into consideration when looking at the target group's opinions on the following factors.

As shown in Figure 11, the target group indicated giving "quality" high importance. Only one respondent did not do so. "Quality" received the most "5s" (very important) of all the factors.

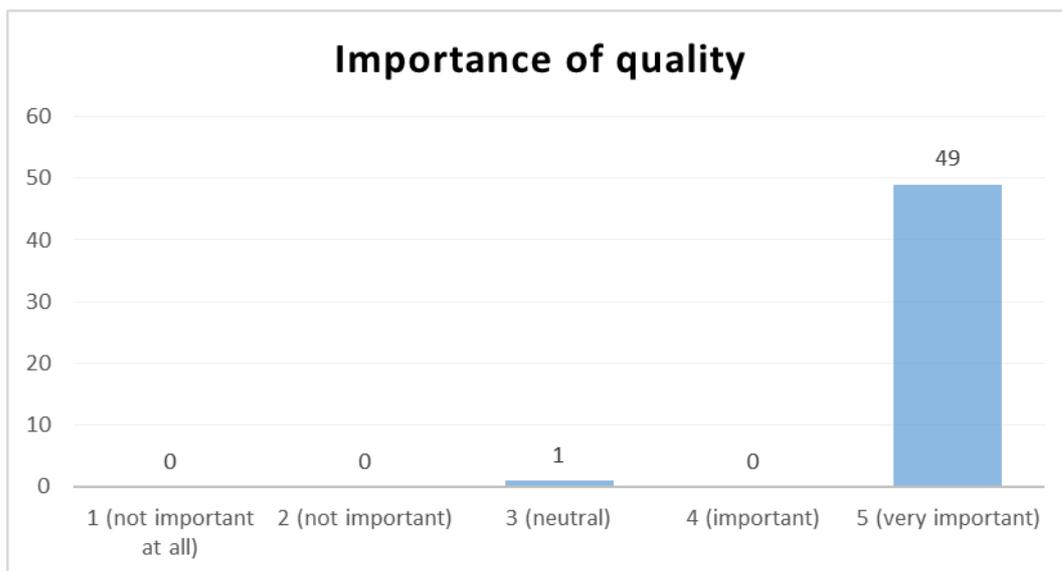


Figure 11: the importance of product quality to the target group

This is an advantage for Keune, since it is one of its greatest strengths and the company also considers quality to be among the most important factors.

According to Figure 12, 31 of the 50 respondents indicated giving (high) importance to packaging design. Thirteen of them indicated being neutral and six did not give it importance (at all).

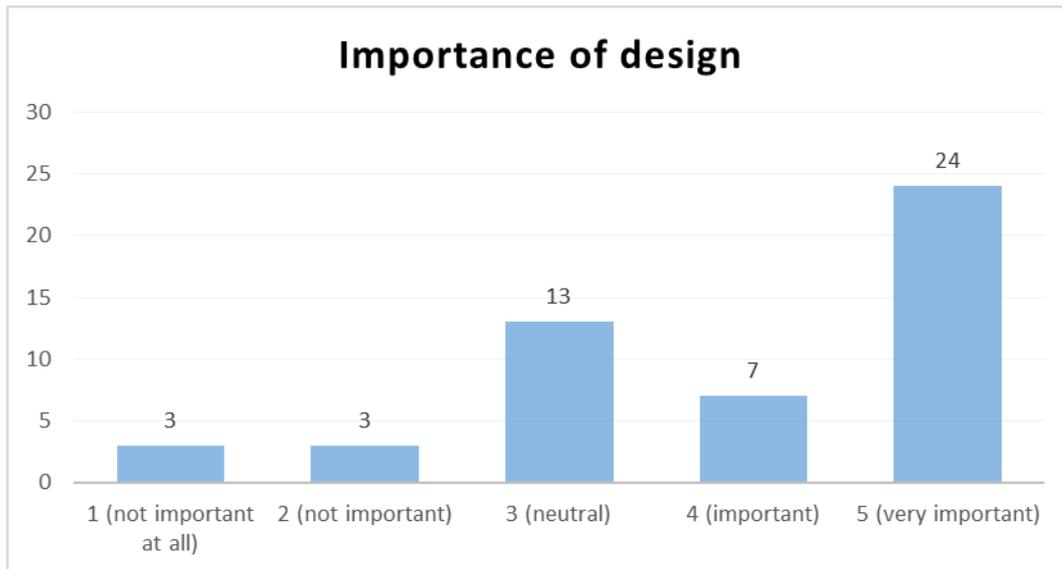


Figure 12: the importance of packaging design to the target group

Packaging design is also one of Keune's strengths. The majority of the respondents gave packaging design (great) importance, which is a positive factor. Packaging design could be a reason for selecting a brand/product because it catches people's attention. During the survey, the first thing that people expressed when shown a Keune product was a positive comment about the packaging design.

Regarding importance of brand awareness, Figure 13 shows that the target group was not that demanding: 26 out of the 50 respondents believed it is (very) important, and 24 of them indicated being neutral or believing it is not important (at all).

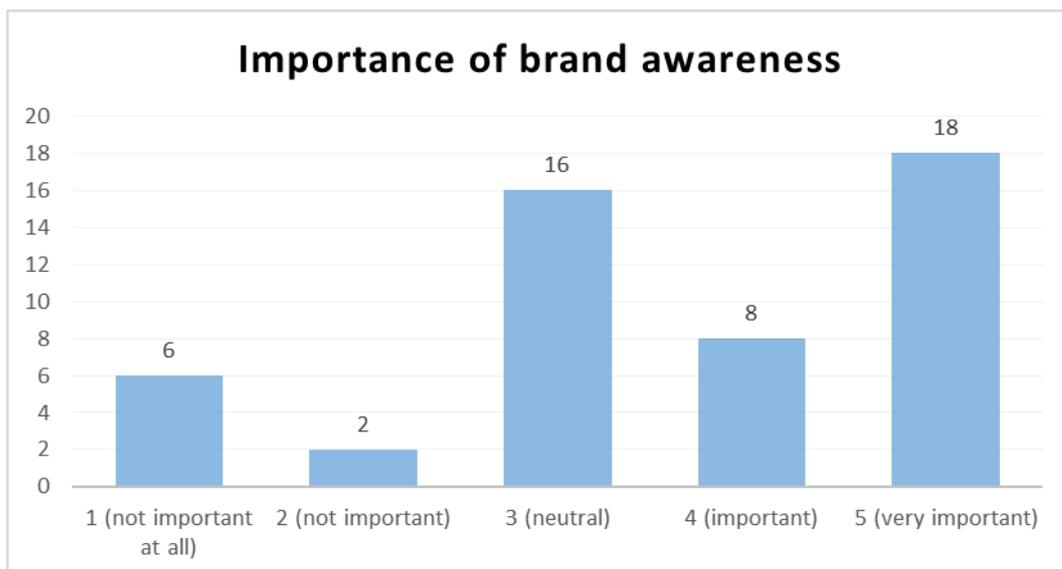


Figure 13: the importance of brand awareness to the target group

For Keune this is a positive result. One of Keune's weaknesses compared to its competitors is its brand awareness. Nevertheless, this result shows that the target group is open to brands with low brand awareness.

According to Figure 14, the vast majority believe that the importance of service is high. This includes among others supplying services and after-sales services. Only seven respondents indicated that it is not that important. Only three specified (not shown in the figure) that what is missing from the current service they are receiving is education.

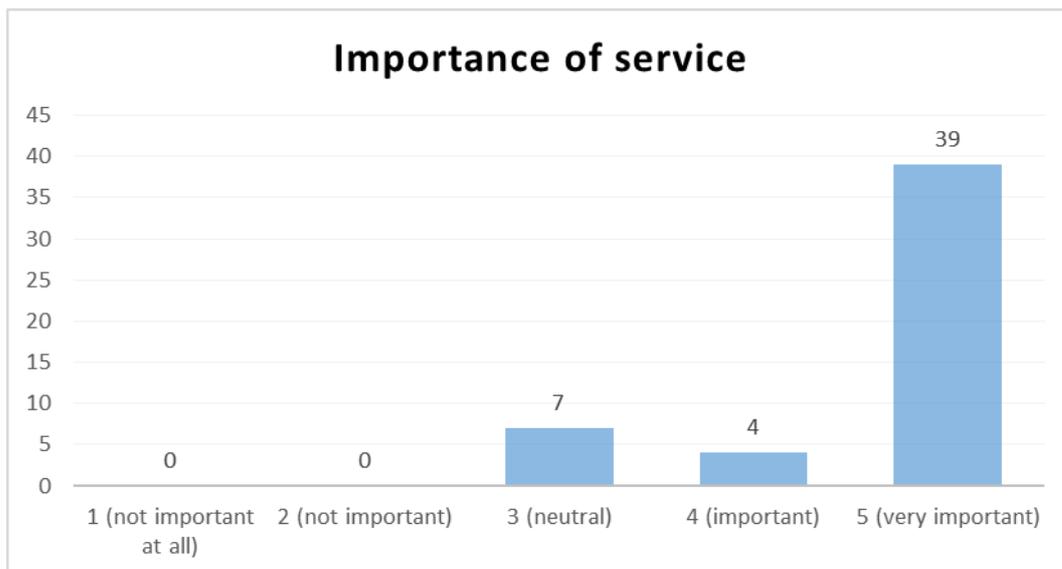


Figure 14: the importance of service to the target group

As mentioned above, service is one of Keune's strengths. The company delivers high service to its clients, which means, among others factors, being consistent regarding supply. Hence, this result is positive for Keune.

Figure 15 outlines the importance of the brand's experience to the target group. The vast majority consider it of great importance. Only nine respondents indicated not taking it into consideration (very much).

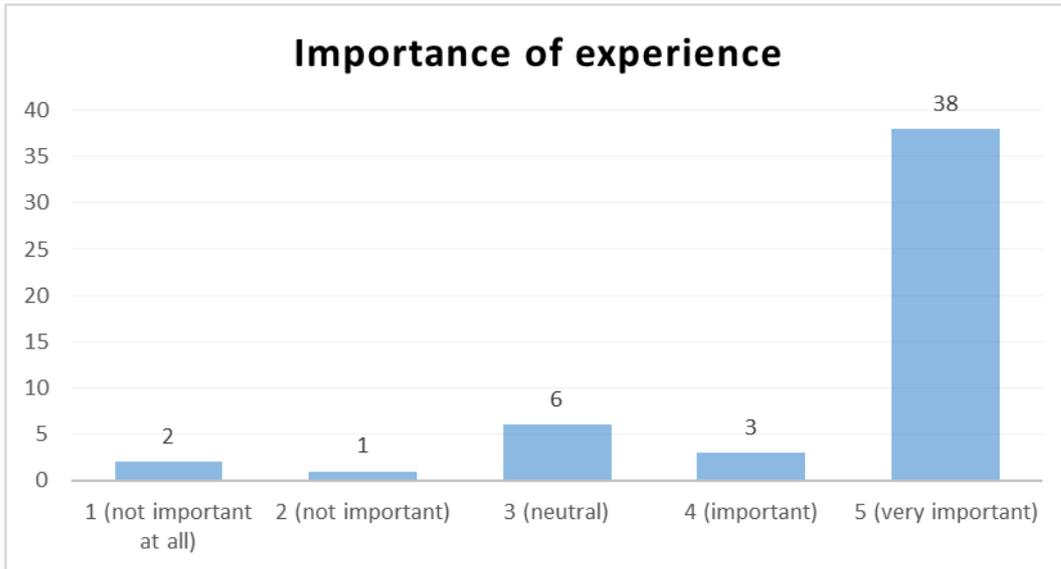


Figure 15: the importance of the brand's experience in the branch to the target group

For Keune, these results are definitely convenient, as the company has about 94 years of experience in its field.

As shown in Figure 16, the target group attaches much importance to user-friendliness. Only ten respondents indicated not giving much importance to it, and only one indicated that it is not important at all.

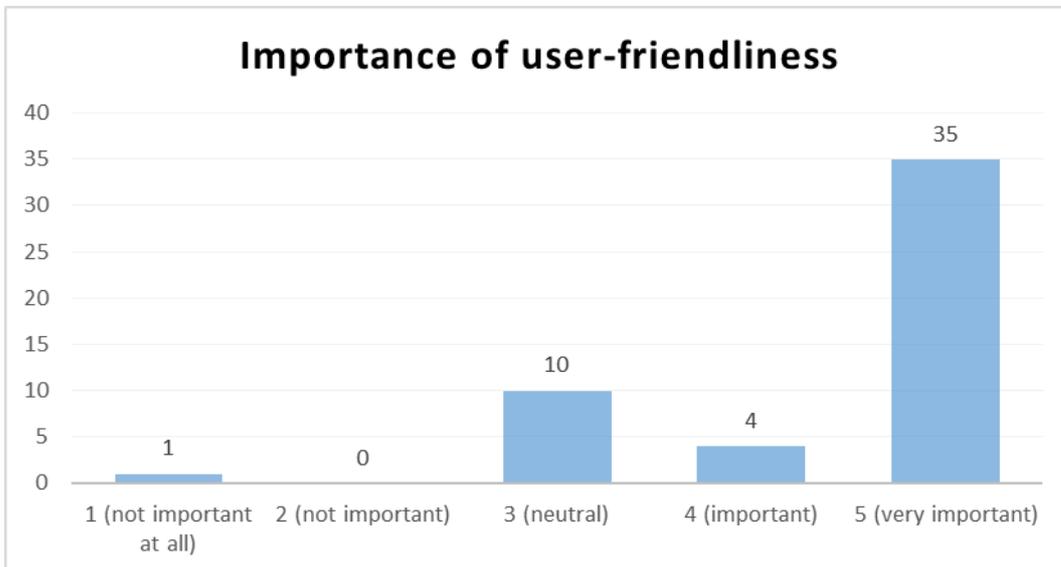


Figure 16: the importance of user-friendliness to the target group

As Keune's products are user-friendly, this should not be a problem on the Mexican market.

An accessible price is also important to the target group. However, Figure 17 shows that this factor is more divided: 14 respondents indicated not giving (much) importance to it, while for 35 respondents it is (very) important.

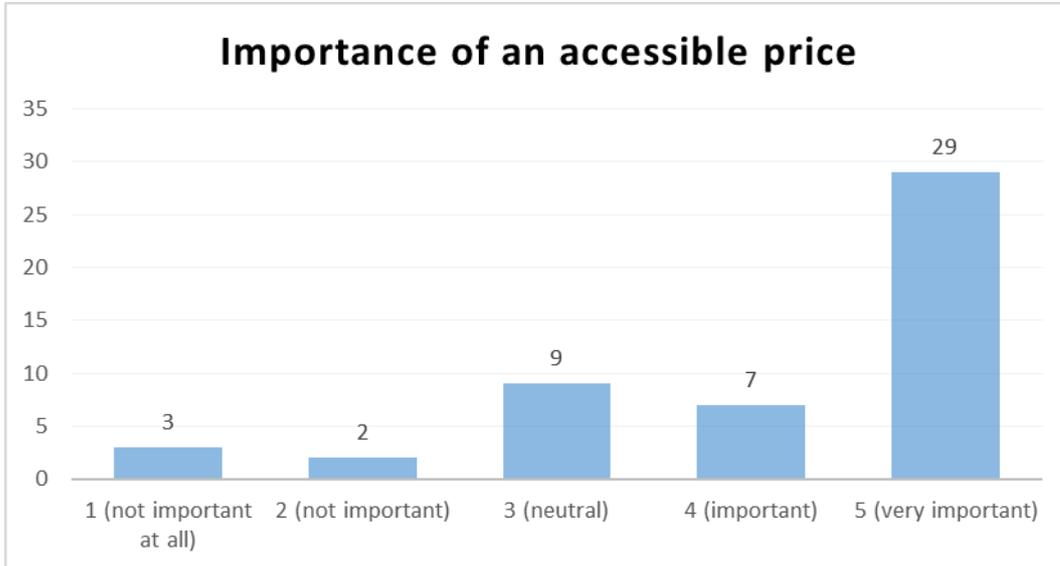


Figure 17: the importance of an accessible price to the target group

This would not be a barrier for Keune, as Keune is comparable to L'Oréal when it comes to price range.

According to the results of Figure 18, innovation is a very important factor to the target group. The vast majority (40 out of 50 respondents) indicated that it is "very important". In addition, seven of them believe that it is "important" while only three did not indicate finding it important.

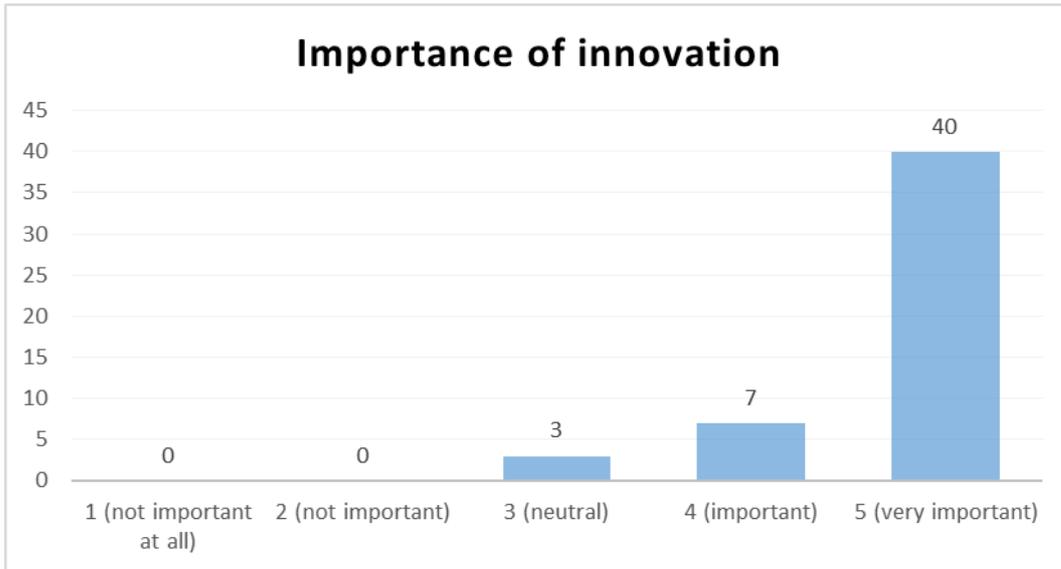


Figure 18: the importance of innovation to the target group

For Keune this is not that beneficial. Although the process of making and improving and innovating products is an on-going process, sometimes it can take a great deal of time before a new product is developed because Keune has a relatively small laboratory.

Figure 19 shows that the target group believes that a wide/deep product range is (very) important. Only four respondents do not give much importance to it.

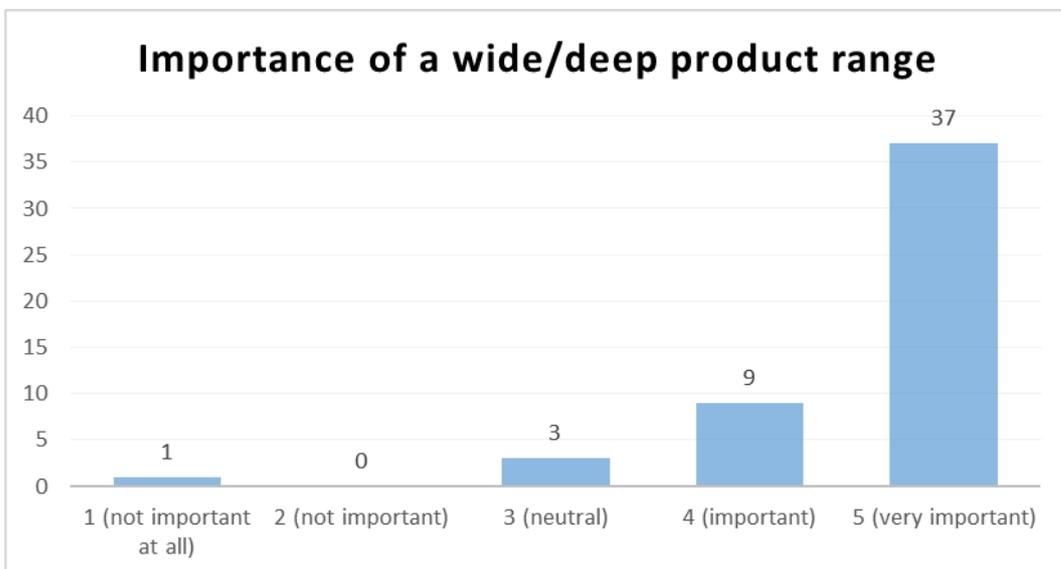


Figure 19: the importance of a wide/deep product range to the target group

This is convenient for Keune, as its product differentiation is high. This means that Keune can cover everything with its product range that hairdressers need.

When responding to the question “what other factors do you consider important when choosing a brand?”, only two respondents came up with another factor. Figure 20 shows that one person responded “Ammonia-free” products and one person responded “Availability of products”.

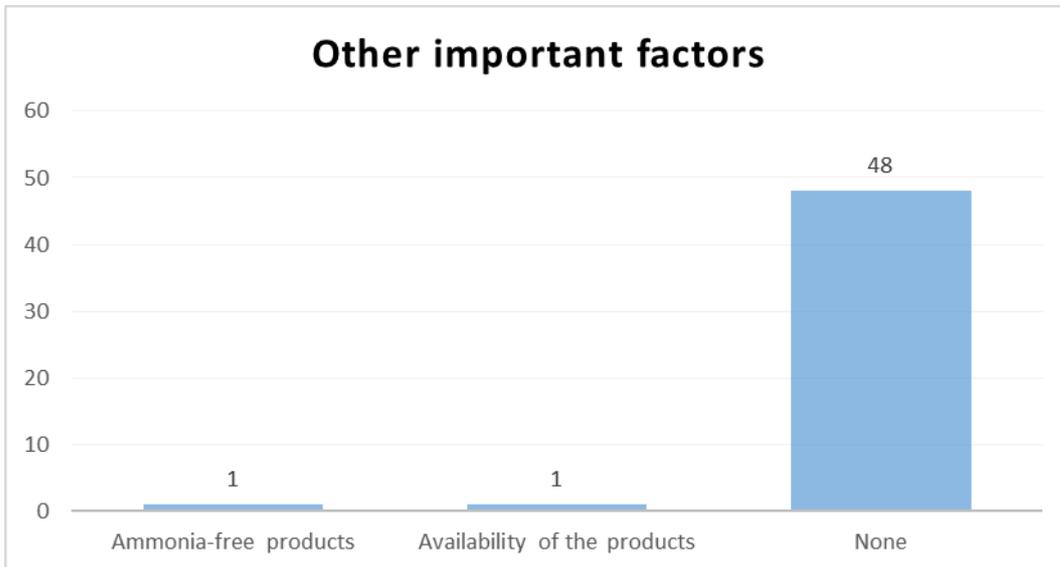


Figure 20: other important factors to the target group

Keune could address the desire for ammonia-free products with its So Pure brand. This brand is completely ammonia and paraben-free, including its hair coloring products.

Regarding availability of the products, Keune has everything centralized at its headquarters, including the factory. Keune has incredibly good logistics and is never out of stock.

One of the most important questions in the survey was about whether the target group is willing to work with a new brand on the Mexican market. Figure 21 shows the results to this question.

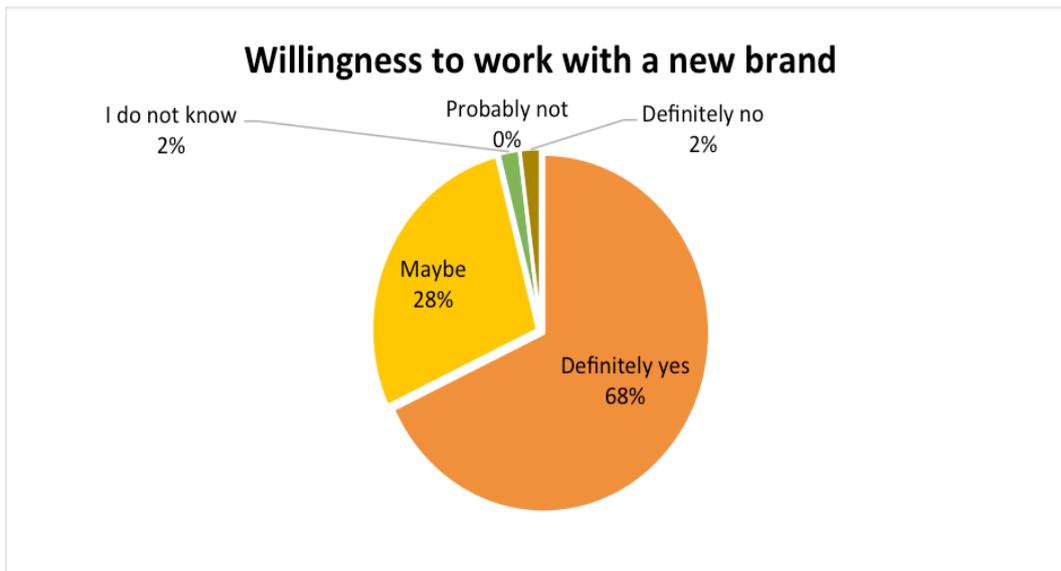


Figure 21: the target group's willingness to work with a new brand

The results are extremely positive. The majority indicated definitely being open to a new brand in Mexico, given that it meets their criteria. Only one respondent, which is equivalent to 2% of the respondents, stated that he/she would definitely not work with a new brand. Therefore, there is a significant market opportunity for Keune in Mexico.

The number of products that are being purchased by the target group per month varies a lot. It depends on variables such as the size of the salon and the period. However, Figure 22 sketches the extensiveness of the average orders per month. Unfortunately, 18 of the respondents could not or did not want to respond to this question. Ten respondents, equivalent to 20% of the respondents, indicated spending between MXP\$1000 - MXP\$5000 per month, which is the largest group.

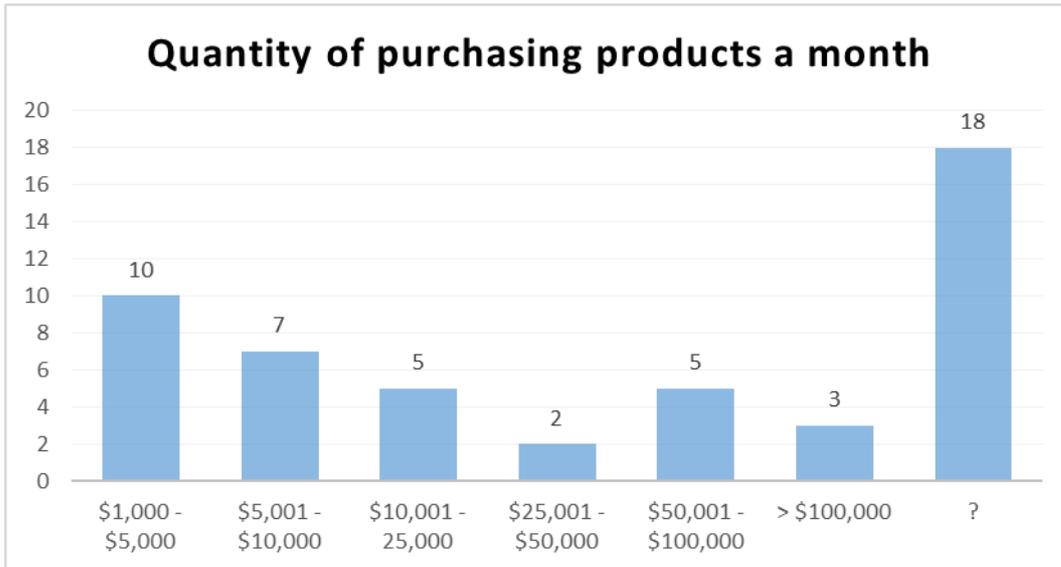


Figure 22: average amount of purchased products per month in MXP\$

It can be concluded that the target group is consistent regarding ordering products.

According to a report on the Mexican hair care market, "Hair colouring services sustain salon sales in recession-hit Mexican salons" (Wood, 2009). Figure 23 shows an overview of the most used products in the salons. The respondents were allowed to tick more than one option. Color is by far the most frequently ticked box. 46 of the 50 respondents indicated using color as one of their most used products, which is definitely convenient for Keune, as one of Keune's strengths is color.

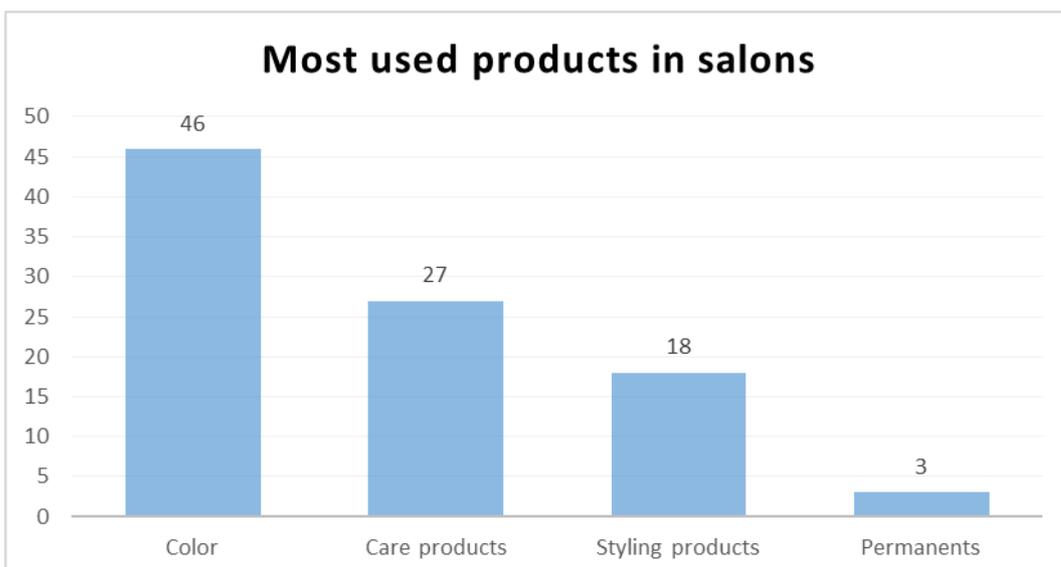


Figure 23: the most used products in Mexican hair salons

Figure 24 sketches more or less how much customers pay for a color treatment. An average color treatment is much more expensive in the Netherlands, which means that one color tube can be sold for a higher price to Dutch clients. To be competitive in Mexico, Keune should adapt by lowering its price per color tube there.

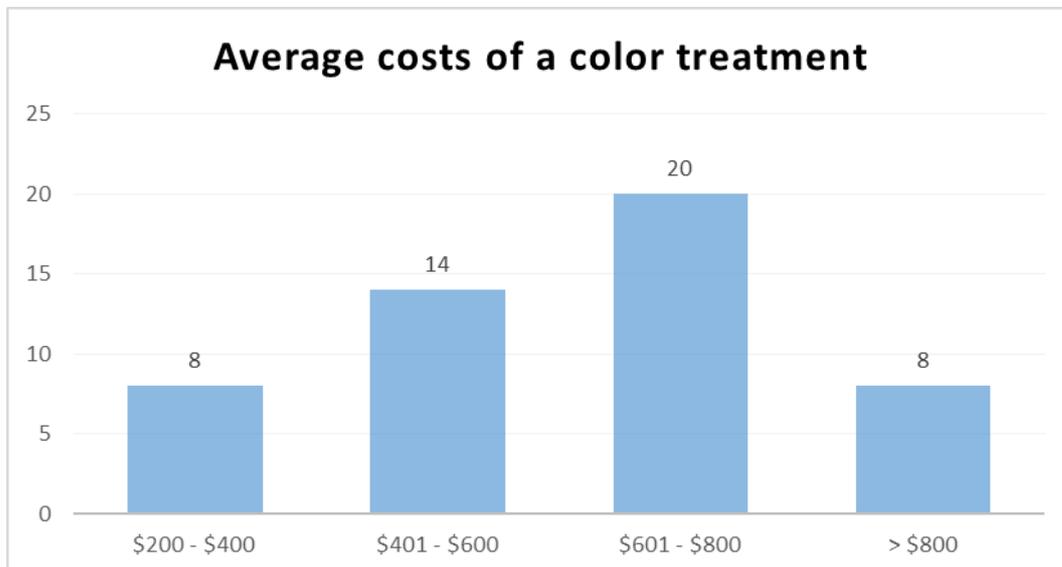


Figure 24: the average costs of a color treatment in a Mexican hair salon

Figure 25 is more specific about this. It shows how much a hairdresser pays to a distributor for one color tube. The majority pay between MXP\$50 - MXP\$100 per piece.

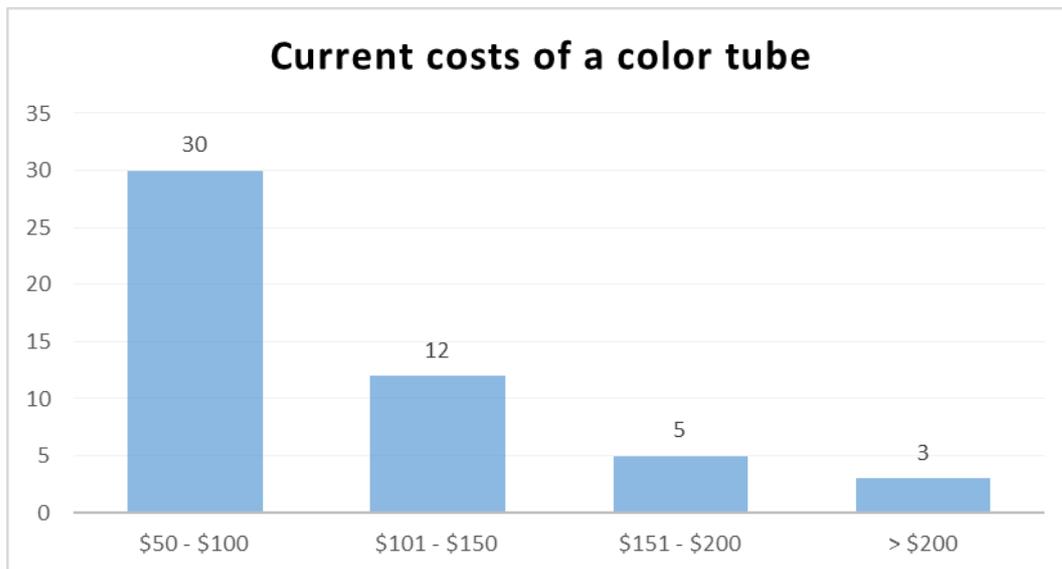


Figure 25: target group's current costs per color tube

However, according to the results in Figure 26, ten respondents (20%) are willing to pay more than they currently do.

Out of 30 people that indicated currently paying between MXP\$50 - MXP\$100 per color tube, nine are willing to pay more. Furthermore, six would ascend one price category, which means that they would pay between MXP\$101 - MXP\$150, and the respondents would even ascend two price categories, which means that they would pay between MXP\$151 - MXP\$200 for a color tube.

From 12 people that indicated currently paying MXP\$101 - MXP\$150, one person is willing to pay more, namely between MXP\$151 - MXP\$200.

According to P. Berlijn, Keune could be compared with the market leader, L'Oréal Professionnel, regarding price (personal communication, October 9, 2015). This means that one color tube would cost between MXP\$50 - MXP\$100, which is convenient as Keune delivers high quality for a price that everyone is willing to pay.

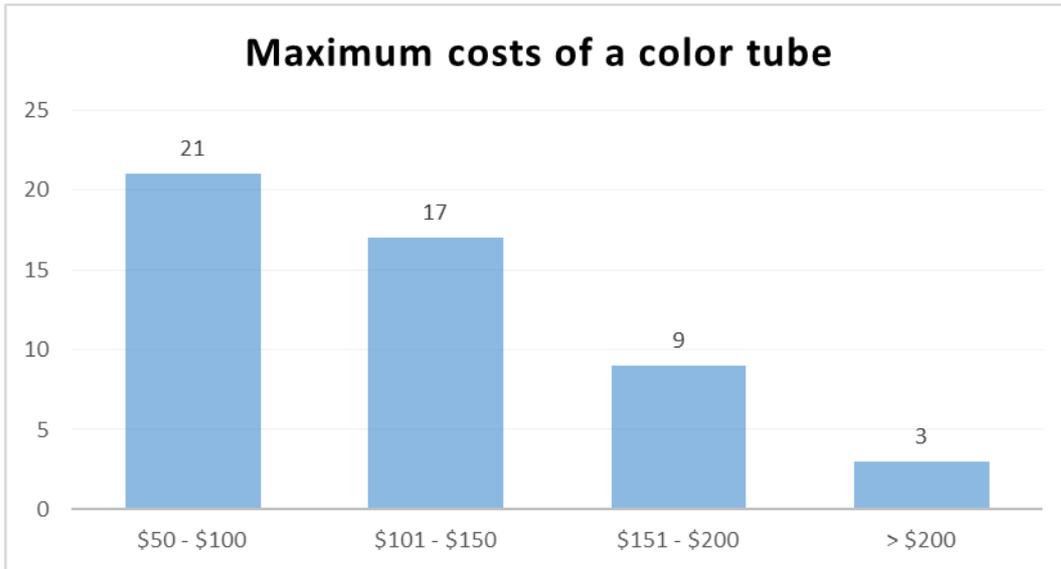


Figure 26: the maximum price that hair salons willing to pay per color tube

According to the results of a study by Groupon, Mexico is a vain nation. 46% of women and 40% of men indicated believing that physical appearance is of great importance (Saracho, 2015). The vanity of Mexicans can also be discerned in Figure 27, which outlines the frequency of salon visits for a color treatment. About half of the respondents indicated that their frequent customers return more often than every four weeks and 40% indicated that they return around every four weeks.

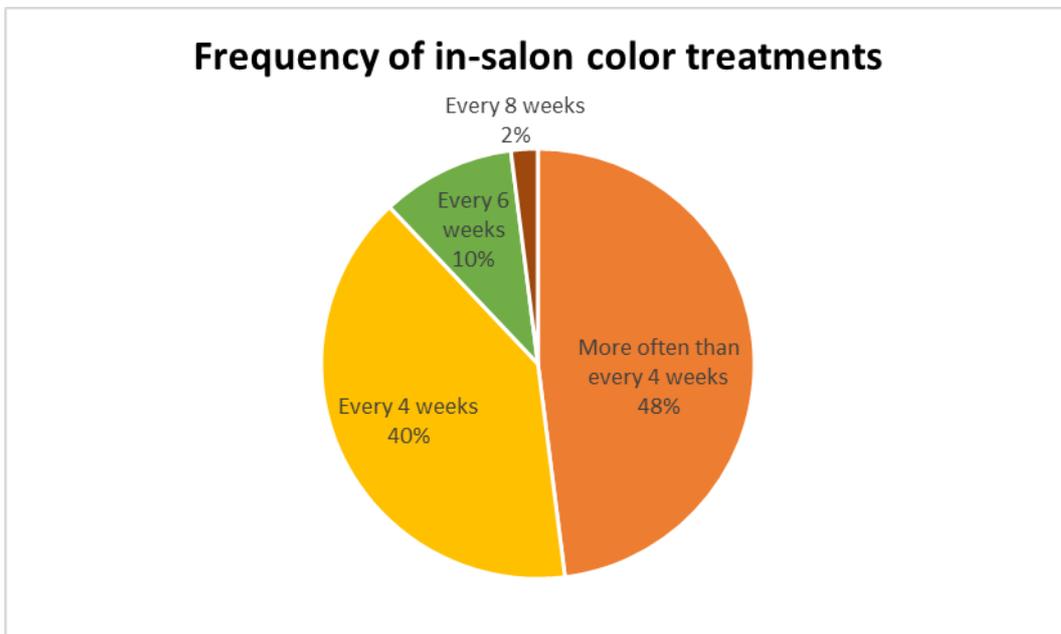


Figure 27: frequency of in-salon color treatments

The high demand for color treatments is definitely convenient for Keune.

In summary, the results of this survey are highly positive, especially the fact that participants are open to new brands and Keune meets several of the target group's criteria. Also, regarding price, Keune would not have any problems.

2.4 Distribution analysis

When entering a foreign market, it has to be determined how to enter. Keune has several years of experience regarding the international market. There are three entry strategies that Keune uses to enter (foreign) markets, namely:

- Joint venture
- Own enterprise
- Distributor

(Keune report, 2015)

Keune is active in about 70 countries with three owned enterprises in the USA, the Netherlands, Belgium and France, and two joint ventures in Croatia and Switzerland.

Each entry strategy will be outlined in order to ascertain which one is the most suitable for Keune when entering the Mexican market. One of Keune's requirements concerning entering this market is to start as soon as possible (personal communication, September 24, 2015).

Own enterprise

Entering a foreign market through a fully owned enterprise takes much effort. This entry strategy is the most expensive and the most time-consuming. It requires many investments and as a result, Keune will not see any profit from it for the first couple of years. However, this entry strategy also has great advantages. To illustrate, an owned enterprise means that the company has 100% control of the work activities and the profit is completely its own, as there is no intermediary. Nevertheless, it is only convenient for Keune to adopt this strategy when the market offers many opportunities, as well as when the company has enough time and money to invest.

In short, the advantages of an owned enterprise are:

- Profits are 100% for Keune
- 100% control

Disadvantages:

- Expensive
- Time-consuming

As previously mentioned, Keune wants to enter the Mexican market as soon as possible if there are enough market opportunities. Taking this into consideration, an owned enterprise would not be the best strategy for Keune to enter this market.

Joint venture

A joint venture is a cooperation between two companies from different countries. This is convenient for Keune, for instance, when a foreign market has many opportunities, but an appropriate distributor that wants to take the risk cannot be found. In this case, according to P. Berlijn, Keune can opt to start a joint venture (personal communication, September 24, 2015).

In short, the advantages of a joint venture are:

- Low risk (risks are shared with another company)
- Less expensive than an owned enterprise (costs are shared with another company)
- The other company has a great knowledge of the local market

Disadvantages:

- Sharing profits
- Risks are also shared by Keune
- Costs are also shared by Keune
- Control is not 100%

A joint venture is not the most recommended entry strategy because a distributor would be less risky regarding costs.

Distributor

Entering a market through a distributor is the most common entry strategy for Keune. According to P. Berlijn (personal communication, September 24, 2015), this is an efficient entry strategy since it does not consume much time. This means that once Keune has found an appropriate distributor, the products can be delivered in a very short term. That is to say, for example, within one week.

A potential distributor has sales experience, marketing experience, financial assets, and significant knowledge regarding the market, which are great advantages for the company.

Moreover, the relationship between Keune and a distributor is often strong, as Keune attaches much importance its relationship with distributors. This is reflected in, among other aspects, the yearly distributor meeting at the headquarters. As mentioned in the internal analysis, P. Berlijn also regularly visits the distributors abroad to discuss business. That being said, Keune works on close relationships with its distributors and enhances their loyalty to Keune.

When a distributor does not agree on Keune's prices, the company can negotiate, based on the people's income in the particular country and prices of other competitors active on that market. When both parties come to an agreement, Keune delivers the product to the distributor and receives its money. Another advantage of working with distributors is the purchase of goods on their own account. Once goods have arrived, it is completely the distributor's responsibility to distribute them among the salons (B2B). Other tasks that belong to the distributor are ensuring storage room as well as hiring agents if required.

This entry strategy also comes with disadvantages. For example, the quality of different distributors is not always the same. Some distributors have more experience in the field than others. Also, there are multi liner distributors, which are distributors that work with more than one brand. This is not convenient for Keune, because the company strives to work with distributors that focus 100% on Keune.

Working with a distributor also means that the company has to give a certain amount of its power away; therefore, the company will not have total control.

Another disadvantage is that a distributor is an intermediary between the company and the hairdressers, which means that profits are shared.

In short, the advantages of a distributor are:

- Superior market knowledge
- Time-saving
- Own account purchasing (low risk for Keune)

Disadvantages:

- No 100% control
- Sharing profits

In conclusion, entering the Mexican market through a distributor would be the most recommendable and suitable entry strategy for Keune, as the company wants to start as soon as possible in Mexico. In addition, Mexico is an entirely new market for the company. This makes it even more recommendable to work through a distributor because of his or her superior market knowledge.

2.5 Opportunities and threats

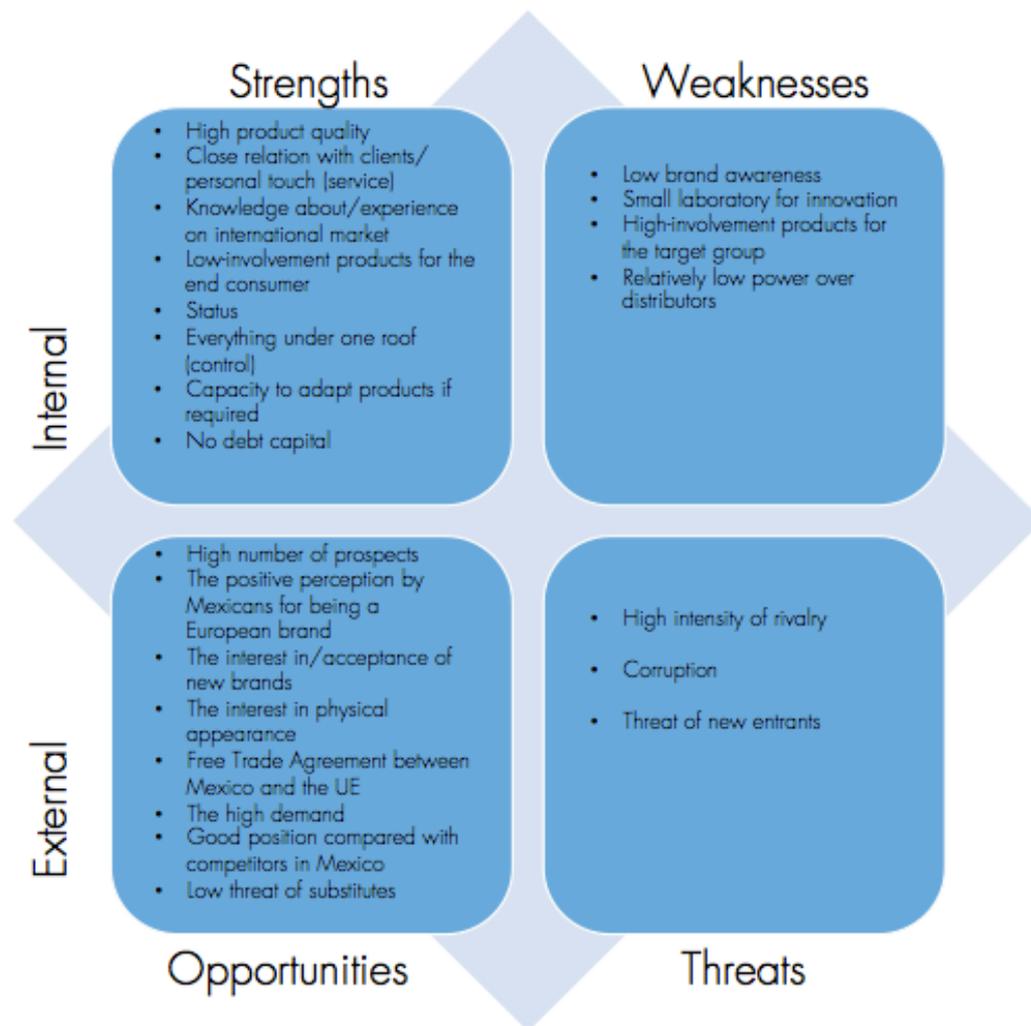


Figure 28: opportunities and threats for Keune Haircosmetics in Mexico

Reflecting the whole external analysis, Figure 28 offers an overview of the company's opportunities and threats in Mexico. These are factors upon which the company does not have any influence.

3. Confrontation matrix

In this part of the report, the external and internal analyses are connected in order to develop an export strategy. However, first the strengths, weaknesses, opportunities, and threats are connected and assessed (see Figure 29). Only the top three factors of the SWOT-analysis are included in the confrontation matrix.

		Opportunities			Threats		
Strengths	S1. High quality	++	+	++	+	0	+
	S2. Close relationship with clients /personal touch (service)	+	0	+	+	0	+
	S3. Knowledge about/experience on international market	0	0	0		-	0
Weaknesses	W1. Low brand-awareness	-	+	-	-	0	-
	W2. Small laboratory for innovation	0	0	0	-	0	-
	W3. High-involvement products for target group	-	++	0	0	0	-

O1. High number of prospects
 O2. The positive perception by Mexicans for being a European brand
 O3. The interest in/acceptance of a new brand
 T1. High intensity of rivalry
 T2. Corruption
 T3. Threat of new entrants

Figure 29: confrontation matrix for Keune Haircosmetics in Mexico

++	The points are strongly connected and fortify each other positively
+	The points are connected positively
0	The points do not influence each other/there is no connection between them
-	The points are connected negatively
-	The points are strongly connected and fortify each other negatively

1. How can Keune use its strengths to take advantage of the opportunities?

Strong connection

(S1) High quality	(O1) High number of prospects
(S1) High quality	(O3) The interest in/acceptance of a new brand

Less strong connection:

(S1) High quality	(O2) The positive perception by Mexicans for being a European brand
(S2) Close relationship / personal touch with clients	(O3) The interest in/acceptance of a new brand
(S2) Close relationship / personal touch with clients	(O1) High number of potential customers

Questions:

- How can Keune prove its high quality to encourage prospects/distributors to choose Keune?
- How can Keune prove its high service to encourage distributors to choose Keune?

2. How can Keune use its strengths to reduce the impact of the threats?

Less strong connection:

(S1) High quality	(T1) High intensity of rivalry
(S1) High quality	(T3) Threat of new entrants
(S2) Close relationship / personal touch with clients	(T1) High intensity of rivalry
(S2) Close relationship / personal touch with clients	(T3) Threat of new entrants
(S3) Knowledge/experience on international market	(T2) Corruption

Questions:

- How can Keune prove that its products are of higher quality than its competitors'? (Similar to first question)
- How can Keune prove that its service is of higher quality than its competitors'? (Similar to second question)

3. How can Keune improve upon its weaknesses to not miss out on opportunities?

Strong connection:

(W1) Low brand awareness	(O1) High number of prospects
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Less strong connection:

(W1) Low brand awareness	(O2) The positive perception by Mexicans for being a European brand
(W1) Low brand awareness	(O3) The interest in/acceptance of a new brand
(W3) High-involvement products for the target group	(O1) High number of prospects
(W3) High-involvement products for the target group	(O2) The positive perception by Mexicans for being a European brand

Question:

- How can Keune create higher brand awareness among the prospects?

4. How can Keune improve upon its weaknesses to avoid threats becoming reality?

Strong connection:

(W1) Low brand awareness	(T1) High intensity of rivalry
(W1) Low brand awareness	(T3) Threat of new entrants
(W2) Small laboratory for innovation	(T1) High intensity of rivalry

Less strong connection:

(W2) Small laboratory for innovation	(T3) Threat of new entrants
(W3) High-involvement products for target group	(T3) Threat of new entrants

Question:

- How can Keune create higher brand awareness among the prospects? (Same question as the one mentioned before)

To conclude, these are the most important questions that came out of the confrontation matrix:

1. How can Keune prove its high quality to encourage prospects/distributors to choose Keune?

One of Keune's best product lines is its hair coloring products. Some hairdressers mentioned during the research that Mexicans' grey hairs are difficult to cover and that they are always looking for the best cover. If Keune focuses on exporting hair coloring products to Mexico, a statement would be made that Keune's products are the best products by demonstrating to the target group the brand's high quality. This will have a positive influence on Keune's reputation, which will most probably increase the demand for its other products, such as care and styling products.

2. How can Keune prove its high service to encourage distributors to choose Keune?

To prove that Keune has a high level of service, it is recommended that Keune visits Mexico personally and discusses business with interested distributors so that the distributors can see with whom they would be dealing. This is how Keune already works.

3. How can Keune implement its international experience to deal with Mexican corruption?

Corruption is a factor on which a company cannot have any influence. Therefore, it is recommendable for Keune to work with Ex Works in Mexico. The buyer will be responsible for the customs procedure.

4. How can Keune create higher brand awareness among the prospects?

As Keune will be a completely new brand in Mexico, it is recommended that it uses promotion in order to not lag behind competitors. This can be done through sales-promotions, as well as through advertising in specialist journals available in Mexico, for example *Estetica Mexico*.

4. Export marketing mix

Product

When approaching foreign markets, it is essential to consider product adaptation. Regarding Keune's product packaging, no adaptations are required. During the research, positive feedback on packaging emerged. Figure 30 (Keune Haircosmetics, 2014), gives an impression of Keune's product packaging design.



Figure 30: Keune Care Line Satin Oil product range

Furthermore, the products also come with a product label that includes a Spanish description. Moreover, concerning Keune's name, there will not be any difficulties. The name does not mean something else in Spanish and is not offensive in Spanish.

Keune has a certain luxurious image in the world that must also be maintained in Mexico. There is already an enormous number of competitors in Mexico that all provide almost identical products from the target group's perspective. For this reason, it is recommended for Keune to differentiate its image in order to create a different perceived quality. This could be done through after-sales care and promotional investments. The disadvantage of image differentiation is that it generates high costs, as it requires investment in promotion.

Place

As mentioned in the demographic part of the DESTEP-analysis, Mexico City is one of the most populated cities in the world, with no less than 8,854,600 habitants (Secretaría de Gobernación, 2015). One of the factors that makes a market attractive to Keune is a high number of habitants.

As mentioned above, Keune counts one hair salon for every 100 habitants, which is the equivalent of 88,546 hair salons in Mexico City. This makes it recommendable to approach the Mexican market by starting in the capital.

According to the conducted survey, 90% of the interviewees belonged to categories B or C (see Figure 7), which is the equivalent of 79,691 hair salons. As Keune's main focus is on salons from categories B and C, it may be assumed that there are 79,691 prospects.

The selling points for Keune's products will be, as usual, exclusively hair salons.

There are several ways to transport the goods. Keune already has much experience in this field. According to P. Berlijn (personal communication, February 7, 2016), maritime transport is used the most when transporting outside of Europe. Within Europe the most common method is road transport by truck. Air transport is only used in emergencies. In Veracruz, a city in Mexico, there is a large harbor where goods arrive daily via maritime transport (Sea Rates, n.d.).

As mentioned in the price part, Keune will work with Ex Works, which means that the buyer (distributor) is completely responsible for the costs and risks regarding packaging, storage, loading, and transporting from the seller's location to the desired place.

Price

Regarding price, it is important to note that Keune has set a general fixed product price for its distributors. However, as P. Berlijn explains, price could differ among different distributors because it is negotiable (personal communication, October 9, 2015).

As mentioned above, Keune's products can generally be compared with those of L'Oréal Professionnel when it comes to price. L'Oréal Professionnel hair coloring products cost between MXP\$50 - MXP\$100 per color tube. According to Figure 26, which reflects the maximum of

how much hairdressers are willing to pay for one color tube, each customer is willing to pay the price. Twenty-nine respondents are even willing to pay more.

Keune works with the incoterm Ex Works, which means that the buyer is completely responsible for the costs and risks regarding freight, insurances, packaging, loading and transporting from the seller's location to the desired place. For this reason, distributors have a significant influence on the selling price to hair salons, as they carry the risk of costs and transport. That is to say that they are free to decide the wholesale price, and the hair salons are free to decide the retail price. However, Keune recommends selling prices, according to P. Berlijn (personal communication, February 17, 2016).

Promotion

Although Keune does not focus on marketing and promotion, it is an essential part of the marketing mix, especially for building brand awareness and creating interest among distributors and the target group on the new market. As mentioned in the confrontation matrix, it is recommended that Keune promotes its products through sales promotion in order to increase consumer demand, and also through advertising in specialist journals to increase hairdresser demand.

Additionally, it is also of high importance to make use of online marketing. A Mexican Keune website has to be created as well as some social media channels, including a Mexican Keune Facebook page and a Mexican Keune Instagram account. These social media channels are essential and must be frequently updated in order to create interaction with clients. An advantage of these media is that they do not necessarily generate high costs. However, it is recommended that Keune advertises on Facebook, which does generate costs. Nevertheless, this is a highly effective way to reach the target group because there are currently at least 55.3 million Facebook users in Mexico (Statista, 2016).

The employees of Keune are extremely important when it comes to export. The ones that are most in contact with new markets and prospects abroad are G.M. Keune and P. Berlijn. They have much experience regarding export and negotiating.

5. Financial analysis

Keune does not have any debt capital, only equity assets. This makes it a financially healthy company. Every possession at Keune's headquarters actually belongs to the company and is not leased because Keune has been in business for 94 years during which time it has grown slowly into a multinational without accruing debts.

Taking this into consideration, as well as Keune's years of experience in the field of export, it is reasonable to assume that the company is capable of exporting to Mexico.

5.1 Payment

According to Van Putten (personal communication, February 12, 2016), Export Desk Manager at Keune, payments are usually realized through international SWIFT transfers, "a type of international transfer sent via the SWIFT international payment network" (TransferWise, 2016).

The majority of countries work with a thirty to ninety-day term for payments. New clients are required to pay for at least the first two orders in advance, yet they can later also negotiate the term of payments.

This type of payment is risky and sometimes it does go wrong, according to Van Putten (2016). However, Keune has a preference for this type of payment because the company attaches much importance to its relationship with its clients. This helps to build strong relationships based on trust.

Nevertheless, it is recommended for Keune to take into consideration that Mexican people are anything but punctual (Cramer, 1998). This is mainly reflected in time management, but it could also become a problem when it comes to payments. This could cause significant risk to Keune's international SWIFT transfers. For this reason, it is highly recommended that Keune considers another type of payment that reduces the risk, for instance, blank payment.

5.2 Financial projections

As mentioned in the introduction, Keune's aim is to reach a market share of 5% within five years. To provide an idea of how much this is, it is essential to analyze the total market value.

According to a report about the professional hair care market in Mexico, the market is expected to increase by up to MXP\$240.2 million in 2020, which represents a growth of 5.8% compared to 2014 (Matthews, 2015). This means that the market value in 2014 was MXP\$227 million and that the average yearly growth was 1.2%.

Assuming that this growth will persist, the market value will be around MXP\$243 million in 2021. If Keune wants to reach a market share of 5% by this year, the company has to possess MXP\$12.6 million, which is around €600,000.

Conclusions & recommendations

The aim of this report was to answer the following central question:

Which entry strategy is recommended for Keune Haircosmetics to successfully enter the Mexican market?

To answer the central question, the first step was figuring out whether there actually are market opportunities in Mexico for Keune.

Based on the results of this report, it can be concluded that this is definitely the case, which means that Keune is most likely to succeed. Although there are some disadvantages to the country such as corruption and a high number of competitors, the advantages outweigh the disadvantages. The most important results of this report that make Keune's goal achievable are:

- High number of prospects;
- Importance of physical appearance in Mexican society;
- High acceptance of potential new brands among the target group;
- Positive prognostications on industry growth for the next few years;
- Keune's products would be affordable for the target group;
- Mexico has a relatively stable economy.

Keune's aim is to start as soon as possible in Mexico. This makes entering the Mexican market through a distributor the most recommended and suitable entry strategy. Additionally, since Mexico is an entirely new market for the company, it is even more recommended to work through a distributor because of his or her superior market knowledge.

It is recommended that Keune starts in Mexico City, as this city has a high number of hair salons.

Due to the high number of competitors in Mexico that all provide almost identical products, it is highly recommended that Keune differentiates its image in order to create a different perceived quality. This could be done through after-sales care and promotional investments.

Furthermore, starting with hair coloring products would be the most recommended way to approach the Mexican market. These are Keune's best products as well as the most used and important products in hair salons in Mexico. Once Keune notices that business is going well and

when it has created some brand awareness, it is recommended for the company to implement the next step, which is introducing the rest of its product lines.

Additionally, the type of payment should be given very careful consideration because international SWIFT transfers could be a risk for Keune in Mexico. It is recommended that the company chooses a type of payment that provides more payment certainty, such as blank payment.

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Appendices