

# **Are there possibilities for Latisse Eyelash Enhancer on the Dutch market?**



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## **Executive summary**

Allergan Inc is a specialty pharmaceutical company specialized in the development of products with aesthetic and medical solutions. The company's mission is to contribute in a positive way to people's life by innovating therapeutic advances which help them to live life to the fullest (Allergan Inc, 2010, "About us"). Although the company is internationally present, Latisse Eyelash Enhancer is only available in the United States. This research plan was written in order to answer the main question, which is: Are there possibilities for Allergan to introduce Latisse Eyelash Enhancer on the Dutch market and what does the company have to take into consideration for entering this market?

The internal analysis reflects the strengths and weaknesses of Allergan as a company. The major strengths are the high quality and safety of the products, the company's investments in research and development and its experience and great know-how within the specialty pharmaceutical industry. The internal analysis illustrates that there is a possibility for the company to enter the Dutch market. Although the brand and company name are unknown within the Netherlands, the company has enough international experience to enter this market.

The external analysis gives a reflection of the existing opportunities and threats within the Dutch cosmetic industry. Major opportunities within the field of cosmetics and eyelash enhancing products are based on the increase of the Dutch cosmetics market and the growth of consumer purchases. The high focus on physical appearance and the growing interest in eyelash enhancing products are in this case most important.

The potential buyers of Latisse are pharmacies, dermatologists and aestheticians. The potential end users are women of all ages who would like to lengthen their eyelashes for an aesthetic or medical purpose. There are several competitors within the eyelash enhancing industry. The most important ones are: Lilash, L'Oréal Lash Boosting Serum and Talika Eyelash Lipocils. Latisse's unique selling point is the active ingredient Bimatoprost which stimulates the increase of more and longer eyelashes. Allergan's corporate advantages are its leader position in the specialty pharmaceutical industry, its patent on the active solution and the product safety approval obtained from the United States Food and Drug Administration.

The internal and external analyses are compared to each other in the SWOT analysis. This comparison provides a better view of the strength, weaknesses, opportunities and threats in relation to one and another. The SWOT analysis leads to the confrontation matrix which provides a better view of the company's potential strategic options. With regard to Latisse, the best suitable strategic options are a sales agent, trade office and internet. A sales agent would be a good option because this is a person who helps the company in entering the market through his knowledge of the market and business contacts. Another option is a sales office; in this case Allergan is able to stay in charge of its own business activities and needs to have some knowledge about the market. The company should adjust its website to the Dutch potential customers in order to become known on the market.

The distribution analysis provides a clear description of the distribution possibilities and opportunities. The SWOT analysis formed the basis for the export marketing mix which provides an explicit description of product, place, price and promotional activities. There are several promotional activities available such as advertisements in print media and online which can be used to increase product and brand awareness. The chapter dedicated to product price, provides an overview of the expected product price and the expected amount of sales needed for the company in order to make a profit.

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## Introduction

The cosmetic and plastic surgical branches are a highly important and rapidly increasing market. A good physical appearance contributes to a confident and a pleasant professional look. These factors are important in daily life as well as in a business related context (Marketing Online, 2008, “Markt voor Cosmetische chirurgie groeit enorm hard”).

Throughout the ages, eyes have been an important aspect of female beauty. Large eyelashes are the key to a brighter, friendlier and younger look. According to Dr. Dominic Brandy, certified cosmetic surgeon and medical director of The Skin Centre Medical Spa in the United States “Long, dark, thick eyelashes become the focal point of the face and can help draw attention away from less desirable features” (American Health and Beauty, 2009, “FDA-Approved Latisse”).



Unfortunately not every woman is blessed with large perfectly curled eyelashes. Products such as eyelash extensions, eyelash curlers and mascara are invented in order to contribute to the creation of long and curly eyelashes. However, these products have a temporary effect and should be applied every day in order to give a positive effect. Eyelash extensions are an option in case of a special event or a party but are not easy to use on a daily basis. Mascara on the other hand is easy to use on a daily basis. However, it is everything besides permanent as it loses its effect and washes away with water.

The pharmaceutical company Allergan, which is famous for their introduction of Botox on the international market, thinks to have found the solution for a semi-permanent creation of natural longer, fuller and thicker eyelashes. This product is called Latisse Eyelash Enhancer and is a serum which is only available in the United States of America (Allergan, 2009, “Annual report”).

As Latisse is only available in the United States, I would like to investigate if there are any possibilities for expansion to the Dutch cosmetics market. In order to do so I am going to research whether there is any demand for such a product on the Dutch market, evaluate and compare the existing competitors and possible substitute products and make a comparison of the benefits and disadvantages of this specific product.

This subject is interesting in view of earlier research as the product is quite unknown on the European market but with regard to the female interest in eyelash enhancing solutions might have possibilities of worldwide expansion. Therefore, I would like to research if this product would have possibilities of success on the Dutch market by asking the following main question:

**Are there possibilities for Allergan to introduce Latisse on the Dutch market and what does the company have to take into consideration for entering this market?**

## 1. Company description

### The company

Allergan Inc. is a global orientated health care company specialized in the development of pharmaceutical and medical devices. The company wants to contribute to people's sense of well-being and happiness (Allergan, Inc, 2010, "Global in reach: Specialized in focus"). Allergan was founded in 1950 by pharmacist Gavin S. Herbert and is located in Los Angeles, California and Texas in the United States of America. As the company is globally orientated, it is also present in more than 100 countries worldwide. Its products are being sold in these countries by distributors and direct sales agents (Hoovers D&B, Inc, 2010, "Company description: Allergan, Inc.").

### History

The first product invented by Allergan was an anti-allergy nose drop named ALLERGAN<sup>®</sup> Nasal Drops. In response to this product, the company reformulated the nasal drops and created eye drops to treat allergic conjunctivitis which is also known as inflammation of the eye. The result was ALLERGAN<sup>®</sup>, the first antihistamine eye drop in the United States. The company achieved success by responding to the needs of its customers (Allergan, Inc, 2010, "Global locations").

### Mission

Allergan's mission is to contribute in a positive way to people's life by innovating therapeutic advances which help them to live life to its fullest. The company makes this possible by creating a better insight into the wants and needs of patients and investigating the priorities of medical treatments on patients (Allergan Inc, 2010, "About us").

### Vision

The main stimulators of Allergan's activities are innovation, development and commercialization. In addition, customer satisfaction is a major focus point. Therefore, the company carries out investigations with regard to the customers' wants and needs in eye care, skin care and aesthetic products (Allergan, Inc, 2010, "Global in reach: Specialized in focus").

### Goals

Allergan's main goal is to make a positive impact on people's lives. The company focuses on its science and innovative abilities in order to endeavour a positive influence on the health and well-being of customers (Allergan, Inc, 2010, "Company responsibility"). To this end, Allergan does not only produce treatments for medical conditions but also aesthetic solutions. Another important goal the company is attempting to achieve is providing a valuable contribution to science by illustrating its commitment to safe and healthful solutions (Allergan, Inc, 2010, "Company responsibility").

### Product range description

Allergan is a leading manufacturer in ophthalmic, dermatologic and neurologic products (Hoovers D&B, Inc, 2010, "Company description: Allergan, Inc."). In addition, the company also develops and commercializes products within the field of medical aesthetics, obesity and other specialty markets (LinkedIn Corporation, 2010, "Allergan company profile").

Allergan operates in two segments, Specialty Pharmaceuticals and Medical Devices:

- The Specialty Pharmaceuticals segment is directed to medical problems and aesthetic solutions with regard to the eye, face and skin area. Products in this range include; ophthalmic solutions for chronic dry eye and botox, for therapeutic and aesthetic applications (Allergan profile and business summary, 2010).
- The Medical Devices segment offers a range of medical devices in relation to overall body solutions such as breast augmenting and reconstructive surgery and obesity intervention products like the Lap-Band System (Allergan profile and business summary, 2010).

## 1.1 Market description of one product

### Latisse eyelash enhancer

One of Allergan's latest product inventions is Latisse Eyelash Enhancer. Latisse is the latest form of eye lash extension and was launched on the American market in 2009. Latisse's objective is the creation of natural longer, thicker, and more voluminous eyelashes. It is officially the first and only product created as a solution for inadequate or not enough eyelashes, with approval from the US Food and Drug Administration (FDA). At the moment, Latisse is only available in the United States (Donselaar, 2009, "Trends in Beauty"). According to Dr. Ramzi Saad, dermatologist at South Shore Skin Centre in Plymouth: "Latisse is a highly effective, unique product that is ideal for individuals with sparse eyelashes and for patients undergoing chemotherapy. It is a breakthrough beauty-enhancing product available only by prescription" (American Health and Beauty, 2009, "Approved Treatment for Eyelash Growth").

### Product history

Latisse is an attenuated version of Allergan's eye drop solution named Lumigan. Lumigan is a drug in eye drop form which contains the active ingredient bimatoprost which challenges the disease glaucoma (Gold, 2010, "As Cheaper Alternatives To Latisse Emerge, Experts Warn Of Safety Risks"). In case of glaucoma, the optic nerve of the eye is damaged which leads to irreversible loss of vision (Allergan, 2010, "Glaucoma"). The product is being used since 2001. Glaucoma patients who used the product, and doctors who prescribed it, noticed a positive side effect on the hair growth of the eyelashes of the users, as these started to grow longer and thicker (Segre, 2010, "All about vision"). The effect of the eye drop was the beginning of a new invention. Allergan transformed the drug from a medical solution into a cosmetic product. The attenuated version of Lumigan has the name Latisse and contains the same active ingredient, bimatoprost, but in a lower concentration (Segre, 2010, "All about vision").

### Market segment

As mentioned earlier, Allergan distinguishes two product segments namely specialty pharmaceuticals and medical devices. Latisse, the product Allergan would like to introduce on the Dutch market, forms part of the segment for specialty pharmaceuticals but will be introduced as a specialty cosmetics product (Allergan profile and business summary, 2010).

### Product positioning

Allergan has already established a branch office in the Netherlands. However, as Latisse is a new solution it is not known or introduced to the Dutch or European market yet (Allergan, Inc, 2010, "Global locations"). In order to investigate product possibilities on the Dutch market, Allergan should position its product and business activities. By taking a closer look at the customer group the company is able to create a specific view on their target group. The buyers are, in this case, independent and chain drug stores, pharmacies, mass merchandisers, hospitals, dermatologists and cosmetic organizations. These are the companies and institutions that buy the product and sell it to the consumers which are generally women with inadequate eyelashes or who do not have enough eyelashes and would like to have longer and fuller eyelashes. In addition, medical practitioners, aesthetic specialty physicians, and general practitioners can also be seen as significant potential consumers (Allergan profile and business summary, 2010).

## 1.2 Market definition

The market definition is an illustration of the business activities as it clarifies the borders of a company's activities. In this case Abell Model provides a clear reflection of a company's business field by dividing it in three dimensions. The three dimensions are: customer groups, customer functions and alternative strategies (Verhage, 2004, p. 97).

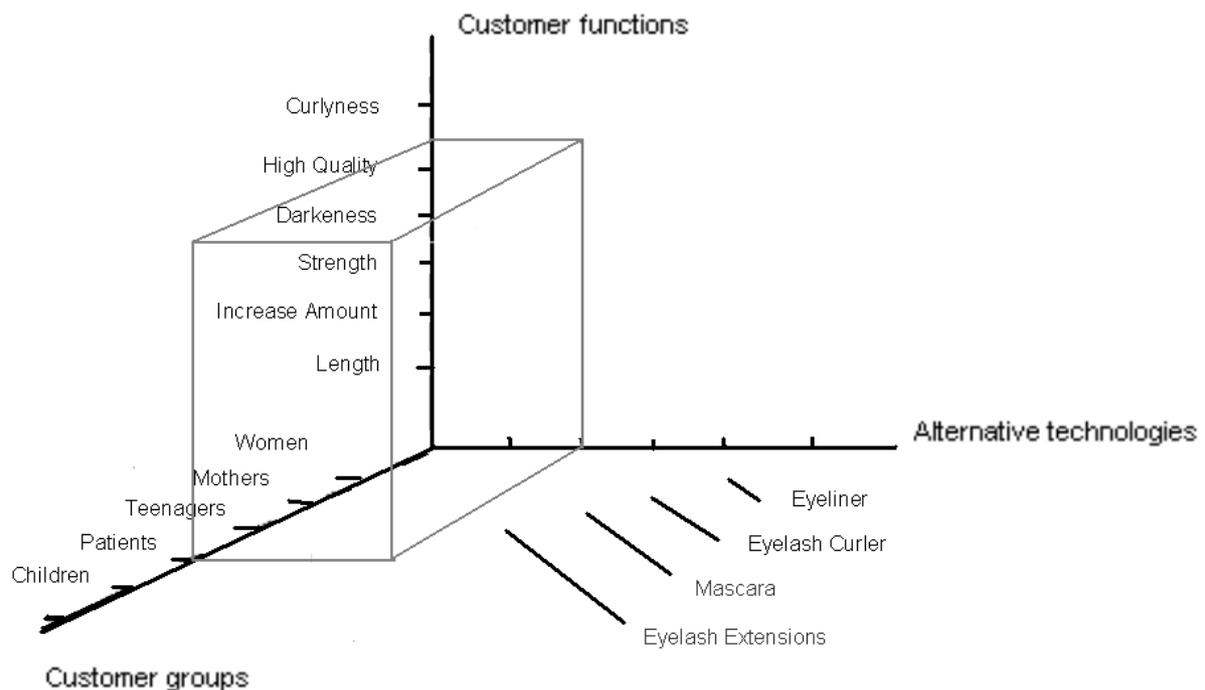


Figure 1.2: Eyelash Cosmetics Abell Model

The X-axis defines the different customer groups. The product is used by women with little, short or almost no eyelashes and women who want to increase their eyelashes in general. Customers and potential customers are women in the age group of approximately 18 to 65 years.

The Y-axis defines the customer functions or the needs the product fulfils. The product fulfils the need to create longer, stronger and thicker eyelashes while at the same time increasing the number of eyelashes.

The Z-axis defines the alternative technologies. Alternative technologies to create more and longer eyelashes are eyelash extensions. In case of creating thicker and darker eyelashes mascara is an alternative technology. Although, there are alternatives these do not have a long lasting effect.

## 2. Internal Analysis

The internal analysis provides an overview of the internal factors that characterize the organization. These are mainly factors which, on the long run, can be influenced by the organization. The purpose of the internal analysis is to create insight in the strengths and weaknesses of this specific organization (Verhage, 2004, p. 102).

### 2.1 Company Overview

Allergan is a specialty health care company that discovers, develops and commercializes innovative pharmaceuticals, biologics and medical devices (Allergan Inc, 2010, "Fast Facts: Company overview"). The company is best known for its eye care products, but has also made expansions into several different sectors of medical care, such as neurosciences, medical dermatology, medical aesthetics, obesity intervention and urologic (Allergan Inc, 2010, "About us"). The company is experienced in this market, as Allergan is active in these sectors for about 60 years. Allergan is responsible for its actions and work which reflects in the commitment to health, safety and well-being of its products and the people who buy and trust its products (Allergan, 2010, "Company responsibility").

### 2.2 Company structure

Allergan's corporate headquarter is located in Irvine, California, United States of America. Besides the corporate headquarter, Allergan has sales offices in about 100 different countries (Allergan Inc, 2010, "Fast Facts: Company overview"). The company's CEO and chairman of the board is David E. I. Pyott, who is responsible for governing the corporation along with six other men of the Executive Committee and a twelve membered Board of Directors (Allergan Inc, 2010, "Fast Facts: Company overview") (Allergan, 2009, "Annual report"). Until 2009, Allergan consisted of approximately 8,300 employees from which 51% female and 49% male with an average age of 36 (LinkedIn Corporation, 2010, "Allergan company profile"). However, in February 2009 the company had to restructure its business and reduce the global headcount by approximately 460 employees (5%) due to the recession, which primarily affected the European and United States economies (Allergan, 2009, "Annual report"). Allergan's main focus is directed at innovation of its products and customer satisfaction. By this means, over 50% of Allergan's employees are active within the field of research, development or sales (Allergan Inc, 2010, "About us"), (Allergan Inc, 2010, "Fast Facts: Company overview").

### 2.3 Operational Overview

Allergan is a global orientated health care company concentrated in specialty pharmaceuticals and medical devices (Allergan, 2010, "Global in reach: Specialized in focus"). With regard to sales, 65% of their products are sold in the United States and about 34% in Europe, Latin American and the Asia Pacific region (Allergan, 2007, "Annual report"). In 2008, the specialty pharmaceuticals segment accounted for approximately 79% of corporate sales. The medical devices segment accounted in this same year for about 20% of sales (Allergan, 2009, "Annual report"). With regard to Allergans market share, the company is, with a share of 85% of the global neuromuscular market, a leader in eye care and treatment of eye diseases. According to Allergans annual report, the company also owns a share of 28% in the derma filler market, about 16% of the shares in the ophthalmic market and has a share of approximately 38% in the global breast aesthetics market (Allergan, 2007, "Annual report"). Regarding manufacturing, Allergan was able to reduce the average production cost of its products by 4% in comparison to the cost of 2008, this due to the application of a set of new techniques such as renegotiating raw material contracts (Allergan, 2009, "Annual report").

## 2.4 Financial overview

Allergan is one of the world's largest new medical aesthetics distributors. Its revenues increased because of the high investments in the research and development department from about \$2.0 billion in 2004 to over \$3.9 billion in 2007. In 2007, the company also increased its research and development investments by 36% (Allergan, 2007, "Annual report").

In 2009, Allergan generated sales growth of 2.5% in U.S. Dollars. In comparison to 2008, there was a decline in sales of 4.7% in U.S. Dollars in the first half of the year (Allergan, 2009, "Annual report"). The company was able to obtain a much stronger growth of 10% in US Dollars in the second half of 2009, due to the recuperation of many economies around the globe and the weakness of the U.S Dollar in comparison to other currencies (Allergan, 2009, "Annual report").

In this same year, Allergan created a new market with the launch of Latisse in the United States. The company introduced the product with help of a national public relations campaign featured by Brooke Shields. Consumer interest in this new product category was proved by more than 871 million media impressions. Within only this first year, sales of Latisse reached to \$74 million (Allergan, 2009, "Annual report"). According to Allergan's annual report, the company believes Latisse has the potential to become one of its biggest products within the aesthetics range mainly because the product has a broad potential age group, demographic reach and performance characteristics (Allergan, 2009, "Annual report"). One of Allergan's strength is its patent on the active ingredient and the significant solution of Latisse (Kliniekoverzicht, 2009, "Wondermiddel voor langere wimpers, Latisse mag de markt op").

## 2.5 Sales channels

Allergan distributes its products to individual hospitals, doctor's offices, and clinics throughout the world (Allergan, 2007, "Annual report"). At the moment, Latisse is only being sold on doctor's prescription in pharmacies in the United States. When in possession of a doctor's prescription, it is also possible to buy the product online, on the official Allergan website (Allergan, 2009, "Annual report").

## 2.6 Strengths and Weaknesses

### Strength

- S1 Many years of experience and great know-how in specialty pharmaceutical industry
- S2 Allergan's patent on the active ingredient and Latisse solution Bimatoprost
- S3 Strong and innovative research and development department
- S4 Recognizable quality and safety due to FDA approval
- S5 Committed to health, safety and well-being of their products and consumers

### Weaknesses

- W1 Less attractive side effects of the product
- W2 Brand unknown in the Netherlands
- W3 Relatively high product price
- W4 Need of a doctor's prescription

### 3. External analysis

The external analysis focuses on the external environment of the organization. Therefore, an analysis of the Netherlands and the Dutch cosmetics market is given in order to illustrate Allergans possibilities of entering the Dutch market. External factors are factors which cannot be influenced by the organization but do have an influence on the products success. Some examples of external factors are the branch, the consumers and the competitors. This analysis will provide an overview of the market potential of the Netherlands and the threats and opportunities (Verhage, 2004, p. 103).

#### 3.1 DESTEP analysis

##### Demographic factors

The Netherlands is located in Western Europe and borders to the west with the North Sea, in the east with Germany and in the south with Belgium and covers a total land area of 41,543 km<sup>2</sup> (CIA, 2010, "The Netherlands"). The country is divided into twelve provinces and its capital city is Amsterdam. In 2010, the Netherlands had a population number of 16,715,999 inhabitants (CIA, 2010, "Country information: The Netherlands"). The life expectancy of the Dutch population is reasonably high. The expected life for newborn girls in 2010 is about 82.14 years and for boys approximately 76.8 years (CIA, 2010, "Country information: The Netherlands"). The Dutch population has a mixture of ethnical backgrounds such as Dutch, European, Turkish, Indonesian, Surinamese, Moroccan, Netherlands Antilles, Aruba and many others (CIA, 2010, "Country information: The Netherlands"). The Randstad is situated in the west of the country and possesses the four largest cities of the country: Amsterdam, Rotterdam, The Hague and Utrecht.

##### Ecological factors

Social responsibility and environmental awareness are highly important in the Netherlands. In order to contribute to the awareness and importance of the environment among its population, environmental organisations and the Dutch government are increasing the demand for more environmental friendly products and production methods (Science Daily, 2010, "Environmental Organizations Give Boost to Corporate Social Responsibility"). The Netherlands is also a leading country in recycling. The country is able to recycle about 64% of the total waste which is being generated into electricity. Separating waste is one of the most popular environmental care measures among the Dutch population as more than 90% of the total Dutch population separates their household waste (Feller, 2009). According to a survey of 2009, the environmental awareness amongst Dutch consumers is also increasing as more than 80% of the population is turning off the tap while brushing their teeth and about 75% of the Dutch people turn down the thermostat a few degrees (Feller, 2009).

##### Social-cultural factors

The official language of the Netherlands is Dutch and is the mother tongue of more than 80% of the Dutch population. In the northern province of Friesland, people speak besides the Dutch language also the Friesian language. More than 90% of the province inhabitants understand the Friesian language. Outside the province people in general do not learn this language at school (Holland, 2010, "The country and its people"). Dutch and Friesian are official languages in the Netherlands. However, there are many more languages spoken in the Netherlands. According to a religion related survey in 2006, about 30% of the Dutch population is Roman Catholic, 11% Dutch reformed, 6% Calvinist and approximately 3% of the Dutch inhabitants is Protestant. In 2006, about 5.8% of the population is attracted by the Muslim religions (CIA, 2010, "Country information: The Netherlands"). As the Netherlands is a cultural mix of backgrounds and nationalities the country also possesses several different religious beliefs such as Buddhists, Jewish and Hindu religion.

### **Technological factors**

The Netherlands is a highly developed country with regard to technology. The telephone system and innovations with regard to telecommunications are highly developed and well maintained. More than 7 million land lines and over 20 million mobile telephones are used. The Netherlands is in possession of more than 12 million internet hosts with over 14 million internet users (CIA, 2010, "The Netherlands"). Some of the most recognizable Dutch inventions and technological breakthroughs are for example the telescope, the microscope, the compact disc, the road-rule enforcement camera and the artificial kidney (Wikipedia, 2010, "Dutch inventions and discoveries").

### **Economic factors**

The economy of the Netherlands is characterized as an open and stable economy as it is the 16<sup>th</sup> largest economy in the world. Its nominal GDP was estimated at 3.9%, about \$799 billion in 2009. However, the unemployment level is rising, at the moment it is stated at 5% of the labour force which shows a small increase with regard to the 4% of 2008. With regard to the poverty level, 10.5% of the population lives below the poverty line (CIA, 2010, "The Netherlands").

The Dutch economy is based on economic growth and foreign trade. Regarding industrial activities, the Netherlands is a prominent leader in food processing with well-known and internationally developed companies such as Unilever and Heineken. The country is also an important player in the petroleum refining industry due to the company Shell. Philips is one of its most recognizable companies with regard to the electrical and machinery industry. Other industrial sectors which are important for the Dutch economy are the chemical, construction, microelectronics and agricultural sectors (Wikipedia, 2010, "The Netherlands").

In addition, the Dutch economy is also recognizable for its stable international relations. The Netherlands is one of the leading countries for attracting foreign investments and is one of the four largest investors in the United States. The Netherlands gained in 2009, \$397.6 billion by exporting commodities such as food products and ingredients, chemicals, fuels, machinery and equipment. Their main export partners are Germany, Belgium, France, the United Kingdom and Italy. In 2009, imports were provided \$358.9 billion for goods such as clothing, chemicals, fuels, food products and machinery and transport equipment. The main trading partners in imports are Germany, Belgium, France, China, Russia, the United Kingdom and the United States (CIA, 2010, "The Netherlands").

### **Political factors**

The Netherlands is formed a constitutional monarchy with a parliamentary system. Its government is based on the queen and ministers. The queen, Beatrix, is the monarch and the head of state and has constitutionally limited powers. The council of ministers, which consists of thirteen to about sixteen ministers, is considered the executive power (Holland, 2010, "The country and its people"). The Dutch parliament consists of the 150 members elected through direct elections and forms the basis of the House of Representatives. The senate consists of the 75 members which have legislative powers such as the rejection of laws. The government and parliaments are located in The Hague. As mentioned earlier, the Netherlands is divided into twelve regions. Each region forms its own administrative division with its own Governor also called a commissioner of the queen (Holland, 2010, "The country and its people").

### 3.2 Customer analysis

In order to estimate whether there are positive possibilities for Latisse Eyelash Enhancer on the Dutch market, it is important to find out who are the product's significant potential consumers. By dividing the total market for a product into several smaller segments one is able to name the significant characteristics of potential Latisse consumers and relate these to the Dutch population. Market segmentation is used because the different segments provide more specific information about the needs and desires of the potential consumers rather than those of the entire market. The different segments with regard to the consumer market are based on demographical, geographical, psychographical and behavioural criteria (Verhage, 2004, p.199).

#### Demographical criteria

In 2009, the consumption of cosmetic products in the Netherlands was an estimated amount of €157 per head of the population per year. This leads to a total registered consumptive spending of €2.6 billion (NCV, 2009, "Dutch cosmetics market annual report 2009"). Due to the variety of products, brands and prices almost everyone is able to buy some kind of cosmetics product suitable for their income. In case of mascaras and eye care products, there is a brand in almost every price category, from highly economic to highly expensive. In general, only the people with middle and upper level income are able to afford specialty and luxury cosmetics of well known and high standard brands. Students with a low income are also willing to pay a higher price for well-known and recognizable brands (The Find, 2010, "Mascara prices").

Latisse Eyelash Enhancer is a specialty and luxury product as it can be used as a cosmetic product and a medical solution. Latisse can be used by women of all ages in order to lengthen and thicken their eyelashes to create a brighter and younger look. With regard to a medical solution, Latisse can be used by women who suffer from medical diseases such as cancer in which case patients receive medical treatment and/ or gemo therapy to fight the disease which at the same time may cause hair loss. Patients who suffer from hypotrichosis, which is another name for having inadequate or not enough eyelashes, form a major part of the potential consumers of Latisse as these are looking for a specialty treatment which can help them grow their eyelashes back (Latisse, 2010, "About Latisse").

According to Allergan's survey on the introduction of Latisse, the eyelash enhancing product has a broad target range potential as up to 75% of the surveyed women, in the age group of 25 to 65 years, are interested in the concept (Allergan, Inc, 2009, "Introducing Latisse"). Test results showed that Latisse has the potential to appeal to a younger market which can lead to more potential long-term users from the age of 18 years (Allergan, Inc, 2009, "Introducing Latisse"). At the same time, results of Allergans survey showed that participating physicians believe that the Latisse might catch the interest of approximately 25% of the existing patients (Allergan, Inc, 2009, "Introducing Latisse"). In general, every woman or patient in the age of about 18 to 65 years with a suitable income can be interpreted as a potential consumer of Latisse Eyelash Enhancer.

#### Psycho-graphical criteria

Latisse Eyelash Enhancer is a luxury cosmetic and specialty medical product. The cosmetic and medical industries are ever changing businesses which rapidly develop oneself. Manufacturers improve their products constantly and reformulate at least 25% of their products every year in order to stay ahead of the competitors (European Commission, 2010, "Consumer affairs: policy professional's cosmetics"). With regard to personality characteristics, Latisse's potential customers are considered as self-conscience women who care about their physical appearance and have an eye for trends and taste. In 2010, Health and well-being as well as high focus on care and physical appearance remain important trends which lead to a willingness to buy cosmetics (NCV, 2009, "Dutch cosmetics market annual report 2009").

In addition, the trend of having longer and more voluminous eyelashes is growing every day. The last year, innovations in mascara, providing false lash effect, provided a mayor import push to the Dutch cosmetics market (NCV, 2009, "Dutch cosmetics market annual report 2009"). Latisse consumers for this matter are aware of the increasing trends and are willing to pay more for a product that is worth the money and at the same time benefits the value of their image. Therefore, Latisse's target consumers are women within a broad age group. The lifestyle of these target consumers can be classified as modern self caring women. Women within this category can be described as female trend followers and modern thinking appearance aware women. Different age groups related to this category are: teenagers, students, business women, modern mothers and patients.

With regard to benefit segmentation, people are divided in groups which share significant product advantages. The product advantages of Latisse are: image, quality, convenience and exclusiveness. Women who occasionally like to accentuate their eyelashes by darkening the colour or simulate longer and more voluminous eyelashes are not going to buy Latisse, but will choose less expensive temporary solutions such as mascara or eyelash extensions. However, women who like to increase the length and amount of their own eyelashes in a semi-permanent way for a relative economic price will choose Latisse.

### **Behavioural criteria**

At the moment Latisse solution is only available in the United States. The product will this year be introduced in the United Kingdom with after that possibility to future European expansion (Kliniekoverzicht, 2009, "Wondermiddel voor langere wimpers"). As Latisse is not available in the Netherlands, it is rather difficult to decide whether brand loyalty forms an important factor. Only women, who have purchased the product trough internet, would be able to judge it from their own experiences. However, there is a small possibility that people already tried Latisse Eyelash Enhancer in the Netherlands, as only a few people are aware of the existence of the product and a doctor's prescription is needed in order to be able to complete the purchase. In addition, only people who already tried Latisse and are convinced of the benefits will choose the brand based on brand loyalty. Considering that the majority of the people are not aware of Latisse or its possibilities, it is important to relate brand loyalty to the willingness of buying a rather unknown product. In the Netherlands, people who are willing to try new things mostly belong to the younger generation as these are trying to follow trends. In addition, well-educated people with relative high incomes are also more likely to try new products without being price limited.

### **Geographical criteria**

As mentioned earlier, the consumptive cosmetics spending in the Netherlands, per head of the population, are considered reasonably high as people focus a lot on pampering, care and well-being. Latisse's potential consumers are women with an average to reasonably high income, in the age of approximately 18 to 65 years. Based on these criteria, the potential consumers of Latisse Eyelash Enhancer are located in the larger cities of the Netherlands. Therefore, potential cities for product introduction are: Groningen, Amsterdam, Rotterdam, The Hague, Arnhem, Haarlem, Utrecht, Eindhoven and Nijmegen. The main reason for product introduction in the larger cities is that these cities have high population rates, are well-known and easy to reach while at the same time in possession of large shopping and business centres as also medical and beauty facilities.

To conclude, the potential consumers of Latisse are well-educated women and patients who care about their image and physical appearance. In general, this concerns women within the age group of 18 to 65 years, who would like to increase the length and amount of eyelashes while at the same time darkening and thickening the lashes to create a brighter and younger look. This is a broad profile category as women within this group can be described as teenagers, students, business women, modern mothers as well as patients who suffer from diseases such as cancer and hypotrichosis (Allergan, Inc, 2009, "Introducing Latisse").

### 3.3 Industry analysis

#### Pharmaceutical manufacturers market

Allergan is active in the pharmaceutical manufacturers market, which is highly competitive in both healthcare products and medical devices. The market is highly concentrated as there are approximately 1500 companies involved in this market of which the 50 largest companies control more than 80% of the market. Companies that dominate the market are Merck, Pfizer, Bristol-Myers Squibb, Abbott, and Eli Lilly (Premium Hoover, 2008, "Competitive Market"). A major component in the pharmaceuticals industry is dedication to research and development as new scientific knowledge influences the development of new and more effective products. Another strategy in this industry, is to buy or license products from other smaller companies with excellent research programs that have promising ideas for new products with increased profitability potential (Premium Hoover, 2008, "Competitive Market").

#### The global cosmetics market

With regard to Latisse, the global and Dutch cosmetics markets are also of a great influence. Although, Allergan is active in the pharmaceutical manufacturers market, Latisse as a product forms part of the cosmetics industry as well. Latisse is a drug based product as it is manufactured in order to treat eyelash hypotrichosis which indicates inadequate or not enough eyelashes (Latisse, 2010, "About Latisse"). However, Latisse can also be used by women without any eyelash diseases to contribute to longer, thicker and more eyelashes creating a brighter and younger look. Therefore, Latisse can be described as a product which is both a cosmetic and a drug. To this end, Latisse must comply with the requirements for both cosmetics and drugs (FDA, 2002, "Is it a cosmetic, a drug, or both"). Cosmetics are generally not approved by the Food and Drug Administration prior to sale. Although, if a cosmetics product contains drug properties, it must be approved as a drug (FDA, 2000, "Cosmeceutical").

The cosmetics market is characterized as being an innovative and highly competitive industry. Manufacturers improve their products constantly and reformulate at least 25% of their products every year in order to stay ahead of the competitors. The majority of the products have a lifespan of less than five years (European Commission, 2010, "Consumer affairs: policy professional's cosmetics"). Standards for the materials used in cosmetics products have recently been upgraded, with as a result that many of these products have the same or equal material specifications as products in the pharmaceutical industry (Primary Information Services, 2010, "Cosmetics Industry"). The dominant firms within this industry are located in North America and West Europe and account for approximately 86% of the sales, 43% for each region (Primary Information Services, 2010, "Cosmetics Industry").

According to an analysis of the global cosmetics industry, Europe's market size is due to its large population almost equal to those of the United States and Japan combined (Global Insight Inc, 2007). In 2006, the United States cosmetics market accounted for approximately €38.2 billion, while Japan's was estimated €23.7 billion and China's €8.2 billion (Global Insight Inc, 2007). At the same time, the total European cosmetics market was valued at €33.5 billion. With regard to the European cosmetics industry, Germany has the largest cosmetics market with a value of €11.7 billion (Global Insight Inc, 2007). Other countries with a significant large market value are France (€10.4 billion), the United Kingdom (€10 billion), Italy (€8.8 billion), and Spain (€7.4 billion) (Global Insight Inc, 2007). Regarding consumption, the average European cosmetics' spending per capita is €28 per year. The countries with the highest consumption of cosmetics products are Denmark and Sweden with spendings of €71 per capita per year. Greece and Portugal, with €21 and €104, are recognized as countries with lowest spendings per capita (Global Insight Inc, 2007).

### **The Dutch Cosmetics market**

In 2009, the Dutch cosmetics market increased 2.8% in terms of money and volume. According to the Dutch Cosmetics Association (NVC) the consumer turnover covered around 90% of the total Dutch purchases of cosmetics in the Netherlands. This led to a total registered consumptive spending of €2.6 billion in the year 2009. This reflected in a consumption amount of €157 per head of population per year (NCV, 2009, “Dutch cosmetics market annual report 2009”). With regard to manufacturers’ sales prices, the Dutch cosmetics market amounts to over \$1.5 billion. Regarding retail sales prices, the Dutch market represents almost \$3 billion (BNET, 2009).

Important factors in relation to consumptive developments are trends such as: health, convenience, enjoyment and physical appearance. Cosmetics can and do respond to these trends. Although, it is at this moment difficult to predict the future because of the economic recession, the NCV is optimistic and expects a challenging year with nevertheless a slight market growth. The willingness to buy and focus on pampering, care and physical appearance is expected to remain relatively high. In 2010, Health and well-being will remain important trends and tend to the willingness to purchase cosmetics (NCV, 2009, “Dutch cosmetics market annual report 2009”).

The submarket decorative cosmetic is based on lip, eye, nail and facial make-up products. In the Netherlands, this market represents a value of €321 million. In 2009, there was a 4% growth in this category due to the growth in nail and eye products. There is also a clear growth in the volume per product category. Innovation is the main stimulans in the decorative cosmetics market. The last couple of years, innovations in mascara with false lash effect provided a major import push to the market (NCV, 2009, “Dutch cosmetics market annual report 2009”).

### **Barriers to enter the cosmetics market**

The cosmetics industry is a monopolistic competition market which means that a large number of firms try to differentiate their products while at the same time intent to maintain a certain degree of control over their pricing. In general monopolistic competition is characterized by relatively low barriers to enter and exit the market. However, government regulations, mainly related to safety issues, the highly competitiveness within the market and distribution channels appear to be the most significant barriers to entry in the cosmetics industry (Global Insight Inc, 2007).

## **3.4 Competitor analysis**

Latisse's eyelash-growing drops are the first FDA-approved drug to grow and thicken eyelashes. The product was introduced about a year ago in the United States and is available for around \$120 for a 35 day supply in a 3 ml bottle. Financially, not every woman is able to afford such a product and is therefore looking for cheaper alternatives (Gold, 2010, “As Cheaper Alternatives To Latisse Emerge, Experts Warn Of Safety Risks”).

The market of drug based eyelash enhancing products is relatively concentrated. Especially, in the Netherlands there is a small range of products available. Most of the eyelash enhancing products are purchased through internet as these are manufactured in the United States. The most recognizable brands are: Jan Marini Lash Conditioner, Lilash, Talika Eyelash Lipocils and Peter Thomas Roth Lashes To Die For (Eyelash growth products reviews, 2010).

An eyelash enhancing product which is available on the Dutch market is: L'Oréal Concentrated Lash Boosting Serum and is used in combination with the Double Extend Lash Boosting Mascara. Besides these primarily competitors there is also the existence of substitute products such as Eyelash Extensions which claim to provide the same effect of longer, darker, thicker and larger amount of eyelashes (Eyelash growth products reviews, 2010). Although mascara does not create more

eyelashes, it can be admitted as a substitute product as it provides the consumer with darker and thicker eyelashes which can simulate a more voluminous look. As mascara does not have the ability to provide the user with a larger amount of eyelashes, this is not interpreted as a direct competitor. With regard to eyelash extensions there is a large amount of different types available. Prices of eyelash extending products may vary per product type. In case of semi-permanent eyelashes prices vary from €25 till €200 (Hair and Beauty salon, 2010, “Wimper extensions”), (Salon Haarlem, 2010, “Wimper extensions prijzen”). The prices for fake eyelashes which are available in local drug stores vary from €5 till €25. The lasting time in semi-permanent eyelashes is approximately 4 till 10 weeks. While the lasting time of the drug store eyelashes is about 1 or 2 days. With regard to, mascara prices can vary between € and €40 depending on the brand.

Figure 3.4A: Competitor comparison, gives a reflection of the general characteristics, strengths, weaknesses and differences between the Latisse Eyelash Enhancing and the competition as also substitute products within the eyelash enhancing industry.

The main characteristics of Latisse Eyelash Enhancer are stimulation of the natural growth of the eyelashes, growing them longer, stronger, thicker, and darker while at the same time stimulating the increase in amount of eyelashes. According to Allergan’s clinical trial, in order to assess the safety and efficacy of the product, persons who voluntarily used Latisse during 16 weeks experienced several positive results (Allergan, Inc, 2009, “Introducing Latisse”). Their eyelash length increased by 25%, the colour of the eyelashes was about 18% darker and the thickness and fullness of the lashes increased by approximately 106% (American Health and Beauty, 2009, “Latisse”), (Allergan, Inc, 2009, “Introducing Latisse”). See appendix 3: “Results of Latisse Eyelash Enhancer” for the test results. On the other hand, the product does have some less attractive side effects. In order to maintain the positive effect of Latisse continued use is recommended. The product stimulates the hair growth which means that once a consumer stops using Latisse the eyelashes will, within a period of months, return to their original state because the eyelashes return to the average hair cycle (American Health and Beauty, 2009, “FDA-Approved”).

In addition, Latisse is a drug based cosmetics product. In general, every product which contains the active ingredient bimatoprost has the possibility to give a temporary reaction to the skin such as darkening of redness of the skin (Gold, 2010, “As Cheaper Alternatives To Latisse Emerge, Experts Warn Of Safety Risks”). According to Allergan’s survey on the introduction of Latisse, 78% of the women who tried the product experienced a positive improvement in the overall growth of the eyelashes (Allergan, Inc, 2009, “Introducing Latisse”). Results of the survey showed that the most frequently reported minor side effects are decolouration or redness of the eyelid, itchiness, dry eyes and irritation symptoms. However, these side effects were only noticed by less than 4% of the consumers (Allergan, Inc, 2009, “Introducing Latisse”). Latisse’s unique selling point is the drug based ingredient Bimatoprost which contributes to the provided effect of the product and the obtained health and safety approval from the United States Food and Drug Administration (Latisse, 2010, “About Latisse”). Allergan’s corporate advantage is its leader position and international experience in the specialty pharmaceutical industry (Allergan, 2010, “Global in reach: Specialized in focus”).

As indicated in Figure 3.5A, the main similarities between Latisse and its competitors is that all products aim to enhance the length of the eyelashes. All products can cause irritation in and around the eye area especially when these come in contact with the eye. However, not all the above mentioned competitors provide the same advantage in encouraging the increase of a larger amount of eyelashes. Although, L’Oréal Lash Boosting Serum and Eyelash extensions have the advantage of availability in the Netherlands, these products do not provide benefits such as long lasting results and easy use application methods.

Brand	Price	Store	Results	Application	Visible Effect	Lasting Effect	Strength	Weakness
<b>Jan Marini Lash Conditioner</b>	\$150 €120	Internet Stores in the United States	Within 4 weeks  Minimal result	Once a day to the skin of the upper eyelid  Eyeliner	Stimulate growth of longer eyelashes	About 3 months	Based on natural ingredients	Grow eyelashes longer not thicker. Prolonged use can cause eyelashes to dry up and fall out
<b>Peter Thomas Roth Lashes To Die For</b>	\$150 €120	Internet Sephora store in the United States	Within 4-8 weeks  Reasonable high result	Once a day to the base of the eyelashes Eyeliner	Extend the length of eyelashes and encourages hair growth	/	Tested and approved by ophthalmologist and dermatologist	In extended use eyelashes may turn grey or white
<b>Lilash</b>	\$140 €110	Internet Stores in the United States	Within 4-6 weeks  High result	Once a day to the skin of the upper eyelid  Eyeliner	Lengthen, strengthen and increase of eyelashes	About 2 months	Chemically formulated ingredients, clinically tested	Ingredient Phenoxyethanol is known to cause irritation
<b>Latisse Eyelash Enhancer</b>	\$120 €95	On doctor's prescription pharmacies, doctors offices, specialty clinics, United States	Within 4-8 weeks  High result	Once a day to the base of the eyelashes  Sterile, disposable applicator	Growth of more thicker, darker and voluminous lashes	About 2 to 3 months	First FDA approved lash enhancer. Effective hair growth due to the active ingredient Bimatoprost	Consumers may be allergic to some of the ingredients which will cause unpleasant side effects.
<b>Talika Eyelash Lipocils</b>	\$40 €30	Internet Stores in the United States	Within 8 weeks  Minimal result	Twice a day directly to the eyelashes  Mascara applicator	Create longer, thicker and stronger eyelashes	/	Based on natural ingredients	Does not work as well as clinical-based enhancement products.
<b>L'Oréal Lash Boosting Serum</b>	\$20 €15	Cosmetic and drug stores; Kruidvat Douglas Etos The Netherlands	Within 4 weeks  Low result	Twice a day on the lash line and up to the eyelashes.  Mascara applicator	Creates thicker, softer and longer, eyelashes	/	Easy to apply, fast drying non sticky liquid which does not feel heavy on the eyelashes	Lóreal serum is a clear white liquid. Mascara does not entirely cover the white colour of the Lash Boosting Serum
<b>Eyelash Extensions</b>	Vary from € - €10  Or €25- €200	Cosmetic, drug, specialty stores. Also Hair and beauty salons The Netherlands	After application  Low till High result depending on the brand		Simulates the effect of having longer, more voluminous, darker and more eyelashes	1 or 2 days.  Or 4 till 10 weeks	One is able to decide when they want to create the effect of longer and more eyelashes.	Not as easy to apply as it needs to be applied to the eyelash line by use of liquid glue. No permanent or long time effect.

Figure 3.4A: Competitor comparison table. Sources Figure 3.4A: (Eyelash growth products reviews, 2010), (Products reviews, 2010, "Jan Marini, Peter Thomas Roth, Lilash, Latisse, Talika and L'Oreal").

The results in Figure 3.4A can be admitted as a general market and competitor overview. In addition, Figure 3.4B: Competitor score table, provides a better reflection of the value and importance of Latisse's main competitors. The competitiveness of these competitors is based on market position, product quality, effectiveness, price and availability (Gold, 2010, "As Cheaper Alternatives To Latisse Emerge, Experts Warn Of Safety Risks").

The provided scores in the table below are based on own findings and admitted by visiting product websites, comparing the brands and a research in relation to consumer satisfaction perceived from several different opinion and product review web sites. The percentages indicate the weight of each aspect and the numbers define the score per aspect and product brand. The different brand types received credits from 1 (bad) to 4 (good).

<b>Brand</b>	<b>Price</b> 20%	<b>Image</b> 15%	<b>Product quality</b> 25%	<b>Effectiveness</b> 25%	<b>Availability</b> 15%	<b>Totals</b>
<b>Latisse eyelash enhancer</b>	2 (40)	3 (45)	4 (100)	4 (100)	2 (30)	<b>315</b>
<b>Jan Marini Lash Conditioner</b>	1 (20)	3 (45)	2 (50)	2 (50)	2 (30)	<b>195</b>
<b>Peter Thomas Roth Lashes To Die For</b>	1 (20)	2 (30)	2 (50)	3 (75)	2 (30)	<b>205</b>
<b>Talika Eyelash Lipocils</b>	4 (80)	1 (15)	3 (75)	2 (50)	2 (30)	<b>250</b>
<b>Lilash</b>	1 (20)	1 (15)	4 (100)	4 (100)	2 (30)	<b>265</b>
<b>L'Oréal Lash Boosting Serum</b>	4 (80)	3 (45)	2 (50)	1 (25)	4 (60)	<b>260</b>
<b>Eyelash Extensions</b>	2 (40)	3 (45)	3 (50)	3 (75)	4 (60)	<b>270</b>

Figure 3.4 B: Competitor score table

Sources Figure 3.4B: (Eyelash growth products reviews, 2010), (Products reviews, 2010, "Jan Marini, Peter Thomas Roth, Lilash, Latisse, Talika and L'Oreal").

In reference to the above table, the main competitors are: Lilash, L'Oréal Lash Boosting Serum and Talika Eyelash Lipocils. Lilash and Talika Eyelash lipocils are eyelash enhancing serums of good quality, effective and reasonably priced. Although, the quality and effectiveness of L'Oréal Lash Boosting Serum is less positive than the other eyelash enhancers, it is the only product which is being sold for a reasonable price and is available in well-known cosmetics and drug stores in the Netherlands. The above mentioned brands are Latisse's main competitors within the eyelash enhancing sector as most of the well-known brands are purchased through the internet. Within the Netherlands, L'Oréal Lash Boosting Serum and eyelash extensions are Latisse's main competitors as these products are both available in national cosmetics and drug stores.

### 3.5 Five Forces of Porter

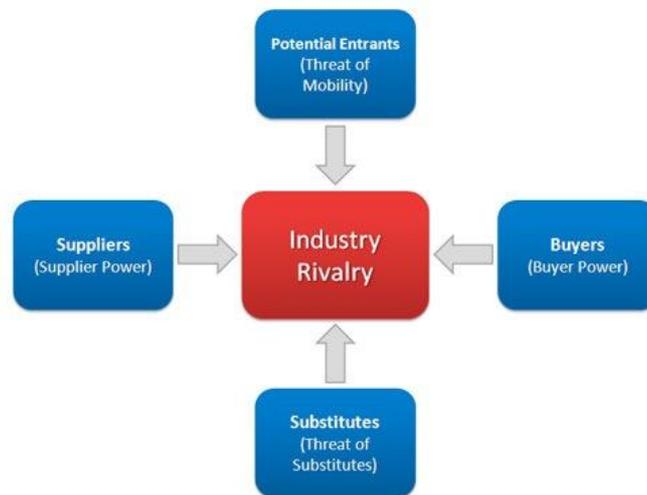


Figure 3.5: Porters' Five Forces Model

**Suppliers:** The bargaining power of suppliers is high because the active ingredient of the Latisse solution is the chemical ingredient Bimatoprost, a drug ingredient which is not everywhere or for everyone available. The mixture of ingredients used in Latisse is a one company formula. Allergan has a patent on the solution and approval from the Food and Drugs Administration regarding the safety and quality of the product.

**Buyers:** The bargaining power of buyers is high because the customer has a large range of choices in the same or similar product categories.

**Substitutes:** There are a lot of substitute products as there is a high amount of producers and suppliers of eyelash extensions, eyelash growth stimulating liquids or specialty mascara available. Although, these substitutes may not be as effective or safe as Latisse solution, the prices of these alternatives might be more economic.

**Potential entrants:** It is relatively difficult to enter the cosmetic market because of the safety regulations with regard to eyelash enhancing products and the competitiveness within the market. Due to high prices of the eyelash enhancing products consumers are willing to experiment but at the same time careful in choosing an unknown product or product based on unknown ingredients as it involves the health and well-being of their eyes and physical appearance.

### **3.6 Opportunities and Threats**

#### **Opportunities**

- O1 Increase of Dutch cosmetics market, growth of purchases in cosmetics
- O2 The high focus on pampering, care and physical appearance
- O3 The growing interest in eyelash enhancing products
- O4 Innovation and R&D

#### **Threats**

- T1 High amount of less expensive substitute products
- T2 Weight of governmental safety regulations
- T3 The highly competitive market
- T4 Carefulness in testing unknown products around the eye area

#### 4. SWOT analysis

The SWOT analysis provides a better understanding of the successfulness of a plan. This analysis is based on the strengths and weaknesses of the internal analysis in comparison to the opportunities and threats, which are pointed out in the external analysis. By positioning the results into a SWOT matrix and comparing these by making use of a confrontation matrix, it is possible to obtain a better perception of the most suitable strategies available in positioning a company and product activities (Verhage, 2004, p. 102).

##### 4.1 SWOT matrix

<i>Internal</i>	<i>External</i>
<i>Strengths</i>	<i>Opportunities</i>
S1 Many years of experience and great know-how in specialty pharmaceutical industry	O1 Increase of Dutch cosmetics market, growth of purchases in cosmetics
S2 Allergan's patent on the active ingredient and Latisse solution Bimatoprost	O2 The high focus on pampering, care and physical appearance
S3 Strong and innovative research and development department	O3 The growing interest in eyelash enhancing products
S4 Recognizable quality and safety due to FDA approval	O4 Innovation and R&D
S5 Committed to health, safety and well-being of its products and consumers	
<i>Weaknesses</i>	<i>Threats</i>
W1 Less attractive side effects of the product	T1 High amount of less expensive substitute products
W2 Brand unknown in the Netherlands	T2 Weight of governmental safety regulations
W3 Relatively high product price	T3 The highly competitive market
W4 Need of a doctor's prescription	T4 Carefulness in testing unknown products around the eye area

Figure 4.1: Swot confrontation matrix

## 4.2 Confrontation matrix

### Strengths and Opportunities

Allergan has many years of experience and great know-how with regard to the specialty pharmaceutical industry. The company is well-known for its high quality and safe products which in case of Latisse is recognizable by the product quality and safety approval from the Food and Drug Administration. To this end, Latisse's unique selling point is the active ingredient Bimatoprost which is rare. In addition, Allergan has a patent on the active ingredient as well as on the active solution for the increase of eyelashes. With these strengths Allergan has reasonable possibilities to positively introduce Latisse on the Dutch cosmetics market as the focus on physical appearance is growing, purchases of cosmetics on the Dutch market increased and there is a growing interest in eyelash enhancing products. The opportunities within this market are also based on product innovation which is positive for Allergan as the company is in possession of a strong and innovative research and development department.

### Strengths and Treats

Allergan has about 60 years of experience, is internationally presence and market leader within the segment of eye care and treatment of eye diseases. However, there are some threats on the Dutch market. Although Allergan has experience on an international level, its product and brand is unknown in the Netherlands. Therefore, the buyer can be anxious in purchasing and testing this new product especially as the eye area is a delicate area. The cosmetics market is a highly competitive market which provides a certain amount of less expensive substitute products. In addition, there are several rules and strict safety regulation issues of which the company has to be aware. Although, the product is approved by the United States Food and Drug Administration, the company should become familiar with the regulations for the introduction and safe sale of Drug and Cosmetics in the Netherlands.

### Weaknesses and Opportunities

Although the product and brand are unknown on the Dutch market there is an opportunity within this market as the focus on care and facial appearance is high and at the same time interest in eyelash enhancing products is increasing. Once the product becomes widely known the knowledge about the product will grow which will attend people on the possible side effects and make them see that these do not apply for everyone. Additionally the need for a doctor's prescription would also become more acceptable.

### Weaknesses and Treats

Since the company and the product brand are not known on the Dutch cosmetics market consumers might be cautious in trying a new drug based product around the eye area. The cosmetics market is highly competitive. Therefore, consumers might choose a more economic substitute product as the price of Latisse Eyelash Enhancer can be admitted as relatively high. There is a diminished amount of possible less attractive side effects as the consumer would need a doctor's prescription in order to purchase the product.

## 5. Distribution analysis

Distribution is one of the factors with major influence on a company's business strategy. A distribution analysis provides a company with a better perspective of distribution possibilities.

### Way of distributing

The product will be distributed from Irvine, California in the United States to the harbour in the Netherlands. The products will be transported by truck from Irvine to California's largest international sea port, the Port of Los Angeles, which is a distance of approximately 90 kilometres and will take about 50 minutes (CBP.gov, 2010, "Service Port Los Angeles") (Google maps, 2010, "Distance from Irvine to Port of Los Angeles"). Latisse Eyelash Enhancer will be sold to specialty clinics and pharmacies in the Netherlands. The introduction of the product will start in the larger cities in the Netherlands: Amsterdam, Rotterdam, The Hague, Haarlem, Utrecht, Eindhoven, Groningen, Arnhem and Nijmegen. See table 5A for the exact number of potential buyers in each city. (See chapter 5.2 Strategic options for more specific information about the potential buyers of the product).

Number of potential buyers per city				
	Pharmacy	Dermatologist	Aesthetician	Total sale locations
<b>Amsterdam</b>	27	13	15	55
<b>Arnhem</b>	5	3	7	15
<b>Eindhoven</b>	6	4	6	16
<b>Groningen</b>	6	5	4	15
<b>Haarlem</b>	2	3	8	13
<b>Nijmegen</b>	2	3	7	12
<b>Rotterdam</b>	3	12	13	28
<b>The Hague</b>	9	10	11	30
<b>Utrecht</b>	5	7	4	16
<b>Total</b>	<b>65</b>	<b>60</b>	<b>75</b>	<b>200</b>

Table 5A: Number of potential buyers in each city

Sources Tabel 5A: (Kring Apotheek B.V, 2010, "Mijn Kring Apotheek"), (NVDV, 2010, "Zoek een Dermatoloog"), (ANBOS Schoonheidsverzorging, 2010, "Ledenzoeker").

Therefore, the total estimated amount of potential buyers in these cities is 200. The estimated amount of packages per buyer depends on the demand. However, as an example the company could start with 15 end users per location for the first quarter of a year. This would be 15 times the total available store location times three as a consumer would need one package every month. In such a situation, approximately 9000 Latisse packages would have to distribute in the Netherlands. In addition, the company wants to store about 20% of the distributed packages in its warehouse to ensure customer satisfaction. In this situation, Allergan has to export about 10,800 packages of monthly supply of Latisse Eyelash Enhancer for the first quarter of a year.

Every monthly supply of Latisse contains a 3 millilitre bottle of Latisse solution and a box of 60 sterile applicators (Latisse Allergan Healthcare Professional, 2010, About Latisse). These are packed in a carton box with a length of about 25 centimetre, a width of 25 centimetres and a height of 22 centimetres. The total weight of each package is about 250 gram (Zooly box, 2010, "Packing Boxes"). The total weight of the example amount of packages (10,800 units) would be about 2.7 ton. The average distribution truck used by Allergan can transport approximately 5.5 tonnes per truck (Wim Bosman Group, 2010, "Transport Equipment"). Therefore, Allergan is able to transport about 30,000 units of Latisse Eyelash Enhancer per truck, depending on the truck type. The goods will be

transported by sea shipment to the largest international seaport in the Netherlands; Port of Rotterdam (Port information Netherlands, 2010, "Port of Rotterdam"). The containers used for shipment are standard 20' type containers with an inside length of 5.90 meter, an inside width of 2.35 meter and an inside height of 2.39 meter. The maximum cargo of each container is about 21,770 ton (SR International Logistics, 2010, "Standard container size"). The required documents for exportation are Bill of Lading, Certificate of Origin, Certificate of Quality, Commercial Invoices and Customs Valuation (Fedex, 2010, "Import clearance information").

With regard to import duties of the product, all merchandise coming into the Netherlands must be cleared of customs and is subject to customs duty assessment. Customs duties are an added percentage, which is applied to the transaction value of the imported goods based on the cost of goods, insurance, and freight charges (Fedex, 2010, "Import clearance information"). In addition, there are import taxes also known as valued added taxes (VAT). These taxes are generally imposed on all domestic and imported goods. The tax on imported goods is assessed based on costs, insurance and freight (CIF) duty paid value at the Port of Rotterdam in the Netherlands (Fedex, 2010, "Import clearance information"). Once the goods arrive in the Port of Rotterdam these will be transported by truck to Allergan's sales office in Eindhoven where products will be stored. This is a distance of approximately 110 kilometres and will take about one hour and fifteen minutes (Google maps, 2010, "Distance form Port of Rotterdam to Eindhoven").

As products will be imported to Allergan's national office in the Netherlands, this sales office will serve as the importer. In the Netherlands, it is job of the sales agent to promote and introduce the product among the potential buyers which are pharmacies, dermatologists and aestheticians located in the larger cities. These buyers are looking for the latest products in beauty and aesthetic performance and will resell the product to the eventual end users which are women within the age group 18 to 65 years who are looking for products that contribute to the enlargement of their eyelashes. The buyers will place their order by making use of telephone, internet, fax or email. If Allergan's sales office in Eindhoven is in possession of sufficient stock material orders can be transported by truck within the next working day. However, if the quantity of an order is larger than available it will take about one week before demanded products can be delivered.

### **Terms of payment**

Allergan Inc, in the United States exports Latisse Eyelash Enhancer to its branch in the Netherlands. To facilitate the distribution process within the Netherlands this branch will function as the import company. Arrangements and regulations between both parties are noted in a contract. The distribution and Inco terms of the product will be arranged based on CIF destination Rotterdam which means that the seller Allergan Inc United States must clear the goods for export. In addition, the seller is also responsible for the cargo insurance, cost and freight necessary to transport the goods to the named port of destination (Wim Bosman Group, 2010, "Incoterms"). The buyer Allergan Netherlands is responsible for the import customs clearance and other costs and risks such as risk of loss and damage of the goods (Export Department, 2010, "Incoterms"). Once Allergan Netherlands is in possession of the imported goods, it is up to its sales agent to introduce and sell the product amongst potential buyers. Allergan Netherlands is the importer and distributor of the product and is responsible for its relation with the sales agent and contract. The buyers of Latisse are retail stores such as pharmacies, dermatologists and aestheticians which will buy the product from Allergan Netherlands. Therefore, buyers have to pay the Dutch based company. Business will consist of different amounts of products as the retailers have to check product interest from part of the consumers. Once retailers gain confidence in Allergan and Latisse they might be willing to do business based on a fixed contract. This contract will reflect retailer's position, rules and regulations and agreements with regard to time, amount of products per month and terms of payment.

**Distribution function**

Distribution can be perceived as a functional contribution in offering and transporting goods and services to end users. Distribution is related to amount, time and delivered to places where a supplier expects their target group prefers to buy the product (Walters, 2001, "Internationale handel"). The functions of distribution are to diminish or facilitate the distance between the selling company and the final end users. In this regard distance can refer to place, quantity, time, knowledge and payment (Walters, 2001, "Internationale handel"). An efficient logistic system is necessary in order to diminish the distance and creates a well-functioning distribution system (Walters, 2001, "Internationale handel").

The geographical distance between the producer and the buyer of a product can be diminished by making use of physical distribution as products and services are brought closer to the potential buyers (Walters, 2001, "Internationale handel"). With regard to Latisse, Allergan could make use of physical distribution by attending special events, exhibitions and trade fairs related to the cosmetic industry. By this way potential buyers are able to visit these events and improve their knowledge about the product by attending product introduction meetings, asking questions and observing examples of product use and results. As there are similar products available at such occasion's buyers are able to improve their perspective on product options, compare the possibilities within the business and will be able to find an adequate product by making less effort in their search for a solution.

Another important factor in the distance between the producer and buyers of a product is production and distribution time. Unfortunately, the desired moment of product purchase rarely corresponds to the moment of production (Walters, 2001, "Internationale handel"). Allergan can make use of a product stock, in order to diminish the distance in distribution time. By this way, the company is able to assist the buyers, by delivering the requested products from stock which is beneficial as it diminishes the waiting time. A shorter waiting time leads to a more beneficial and efficient distribution process.

Additionally, there might be a distance in the knowledge and available amount of information of the product. The buyer might be looking for product related information while the producer is in need of market related information (Walters, 2001, "Internationale handel"). As Latisse is a new innovative cosmetic product, most people are not aware of its benefits and application methods. At the same time, Allergan is a pharmaceutical company and therefore not familiar with the cosmetics industry. In this regard, distribution can be helpful as the company can make use of a sales agent. A sales agent will work in name of the company and promote and introduce Latisse amongst potential buyers. The buyers are able to receive product information through promotion and introduction campaigns while Allergan is able to receive information with regard to the new market through the knowledge of the sales agent.

**Distribution structure**

There are different types of distribution structures which be divided by several criteria and into different categories. The appropriate distribution structure regarding Allergan in the Netherlands, is the classical dividation of wholesale and retail business (Walters, 2001, "Internationale handel"). The wholesaler collects industrial and consumptive goods from specialised manufacturers and redivides these goods in a smaller amount amongst retailers. The retailers will sell the goods to the end users also known as the consumers of the product (Walters, 2001, "Internationale handel"). In reference to Latisse, distribution structure would consist of a traditional wholesaler in combination with a funtional wholesaler, independant retailers and direct distribution methods as online sales options and specialty fairs (Walters, 2001, "Internationale handel"). A major function of the traditional wholesaler is to purchase products from the manufacturer and resell these to several retailers. Regarding Allergan in the Netherlands, the traditional wholesaler buys Latisse from its manufacturer Allergan Inc, in the United States. The key functions of the traditional wholesaler Allergan Netherlands is the collection of goods, storage of goods, stock control, and physical distribution. Additional functions are negotiating price with suppliers and buyers and promotion of the goods through advertisements or commercial

agents (Walters, 2001, “Internationale handel”). A commercial agent provides functional wholesale. Functional wholesale are the activities produced by a specialized intermediary and are mainly related to the informative and trading side of a business. To this end, functional wholesale can be interpreted as the activities related to product introduction carried out by a sales agent (Walters, 2001, “Internationale handel: van verkoop tot betaling en financiering”).

The traditional wholesaler sells the imported products to independent retailers. The independent retailers can be divided in different categories:

- Retail of food and mass products such as a grocery store which provides convenience goods and goods of relative low value.
- Specialised retailers are identified by their relatively high prices and service.
- Craft retailers are retailers with a certain level of productive responsibility such as a bakery or a butcher (Walters, 2001, “Internationale handel”).

In this situation Allergan sells its products to specialized retailers such as pharmacies, dermatologists and estheticians. These retailers deliver products and services of high quality and for relatively high prices. The Dutch pharmacies, dermatologists and estheticians are specialized retailers because they deliver specialty goods. Latisse is a specialty good because its solution and purpose are new, innovative and special. Major benefits of these specialty retailers are their strong connection with customers, usage of customized client service and product specialization (Walters, 2001, “Internationale handel”).

## 5.1 Distribution channels

A distribution channel forms the connection between the supplier and the buyer of goods and services. This can also be described as a number of channels which together contribute to the diminishment of the distance between the supplier and its target group (Walters, 2001, "Internationale handel").

Allergan reflects its presence in the Netherlands by the use of a branch office. Although, the company already has a limited office in the Netherlands, the new product Latisse is not known on this market and does not fully belong to the pharmaceuticals industry as it is introduced as both a specialty pharmaceutical and a cosmetics product. Therefore, there are several channels of distribution available to increase its presence and introduce its product.

Regarding Allergan and the introduction of Latisse Eyelash Enhancer on the Dutch market, the best suitable strategic options are an agent, trade office, production plant and internet. Allergan already has a limited sales office in the Netherlands which promotes the commercial interest of the originally American based specialty pharmaceutical company. By making use of a sales office Allergan is able to stay in charge of its own business activities while at the same time the company needs to have some knowledge about the market. With regard to market knowledge the help of an agent or representative can be useful. An agent or sales representative is someone who helps the company by entering the market through his specific knowledge of the branch and market. Although, Allergan already has a sales office in the Netherlands, the company could use the help of an agent in order to enter the specialty pharmaceutical and cosmetics market. In addition, an agent is also able to contribute to the introduction of a product by making use of his business contacts within the field and country of interest. By this mode Allergan is able to enter the cosmetics market with its new product through the use of qualified and experienced intermediaries. An important aspect with regard to this strategy is that Allergan remains in charge of all business activities.

The company could in a later stage start thinking about the opening of a potential production plant. A production plant is a base within the country of interest where production of the product takes place. This would be convenient once Allergan gained some market share as a production plant shortens transportation time and cost as the products can be produced within the country of interest. Once Allergan's business within the Netherlands is increasing, the company could start potential expansion of productivity by installing a production plant.

The length of a distribution channel is reflected by the number of levels needed to distribute a product from the producer to the end user (Walters, 2001, "Internationale handel"). In this situation Allergan makes use of a traditional distribution channel as the product will be transported from the producer through a supplier or importer and via special retail stores to the final consumer. In addition, Allergan uses a multiple distribution channel as the product will be sold in different types of stores such as pharmacies, dermatologist and aesthetician clinics.

### Focus and approach

Focus will be set on the sales agent who uses his experience, connections and will be participating on several exhibitions and trade fairs to introduce the product amongst the potential sales channels. A sales agent can be approached by placing job advertisements on specialty web sites such as the web site of the Dutch Association of Intermediaries (VNT). The VNT, has approximately 700 associated members who sell or act as intermediaries in the Netherlands (VNT, 2006, "Op zoek naar een agent"). Allergan could place advertisements on the NVT web site or in the organizations' bulletin in order to reach Dutch sales agents. The VNT Bulletin is published five times a year and sells about 1,000 copies per issue. (VNT, 2006, "Op zoek naar een agent") Costs for an quarter page advertisement in the NVT bulletin would be €30 per issue. Prices for online advertisement on the NVT web site are €80 for two months (VNT, 2006, "Op zoek naar een agent"). With regard to promotional activities, major focus has to be set on activities such as the introduction of its product on organizational and industry related events, exhibitions and trade fairs. The main point of these activities is to reach potential sales

channels which are the buyers of the product. Another focus point is the use of internet and e-commerce. As Latisse is not yet introduced in the Netherlands there is no information or advertising available on the Dutch Allergan web site. Therefore, the company should consider some small adjustments on its Dutch web site in order to appeal to the potential Dutch consumers. The company could think about product information in the Dutch language. In addition, the company could add extra value to the distribution process and web site by adding features such as sale true the internet.

### **Contract sales agent**

The company will use a commercial agent for product introduction and should make a contract and set of rules. The contract will be based on Dutch rules and regulations. This is possible as Allergans sales office will function as an importer, distributor and temporary store location. Latisse can be stored at Allergans Dutch office located in Eindhoven and further distribution to the Dutch retailers can be arranged from within the country. Therefore, the agent will be contracted by Allergans trade office and its contract will be based on Dutch rules and regulations.

The agent will have a series of tasks. One of the most important tasks is product introduction and usage of experience and connections in order to intermediate and negotiate with potential buyers. The sales agent will be responsible for the introduction of Latisse on several fairs, events and exhibitions. In addition, the agent will provide product information to buyers, answer their questions and handle potential complaints (Strick, 2010, "Handelsagenten: Agentuur-overeenkomst").

The agent has certain responsibilities towards Allergan Netherlands. In case the agent is not able to complete tasks due to illness, he has to call and advise the company as soon as possible about his physical condition and advice when he would be proceeding the tasks again. Regarding holidays, the agent has to advise at least 6 months in advance about his plans. With regard to the agents' tasks, the company will arrange monthly meetings to see if there are any changes and progressions related to product introduction and the cosmetic industry. In addition, the agent will also inform the company about his progressions by email (Strick, 2010, "Handelsagenten: Agentuur-overeenkomst").

In general, agents' salaries are based on commissions between for example 5% and 15%. In this case, a sales agent will receive a fixed amount of money every month in the first year of product introduction. As Latisse is a new, innovative and relatively unknown product it will be relatively difficult to sell a reasonable amount of products each month. Therefore, the agent will receive a fixed salary every month in the first year of contract. After the first year of contract the company expects to have a relative number of buyers and the contract will change in commission based payment. In addition, the agent will receive a compensation for travelling, hotel, event participation and other extra task related expenses (Koopman, 2010, "Handelsagenten"). In the first year of contract, the agent will receive approximately €500 per month.

### 5.2 Strategic options

Regarding the introduction of Latisse Eyelash Enhancer on the Dutch market, it is important to keep in consideration who are the buyers and the potential consumers and which are the most suitable cities for product introduction. In addition, consumer behaviour is important with regard to the type of channel through which the product is going to be sold.

Latisse will be positioned on the Dutch cosmetic market as a specialty drug based cosmetic product. As there are no real competitors on the Dutch market it is relatively easy to point out Latisse’s unique selling point in relation to similar foreign products and available substitute products. Latisse’s market position will be characterised by unique selling points such as: the use of the positive drug based ingredient Bimatoprost which contributes to the stimulation of the hair in length, strength, darkness and volume. This main characteristic will be supported by the safety, effectiveness and duration of the product (Latisse, 2010, “About Latisse”). In addition, Allergan’s corporate advantage is based on its leader position and international experience in the specialty pharmaceutical industry (Allergan, 2010, “Global in reach: Specialized in focus”).

As Latisse is positioned as a cosmetic product which can also be used as a medical treatment, it would be most convenient if the product could be purchased in facilities related to both market segments. Possible sales facilities with regard to the medical industry would be: hospitals, dermatologists and specialty clinics. In case of the cosmetics sector options for sale would be hair salons, aesthetician facilities, drug stores such as Etos, Kruidvat, Trekpleister etc and cosmetic stores as for example Douglas. In addition, pharmacies, aesthetician facilities and the company web site are possible sales options which are in line with both market sectors (See Figure 5.1 Optional sales facilities).

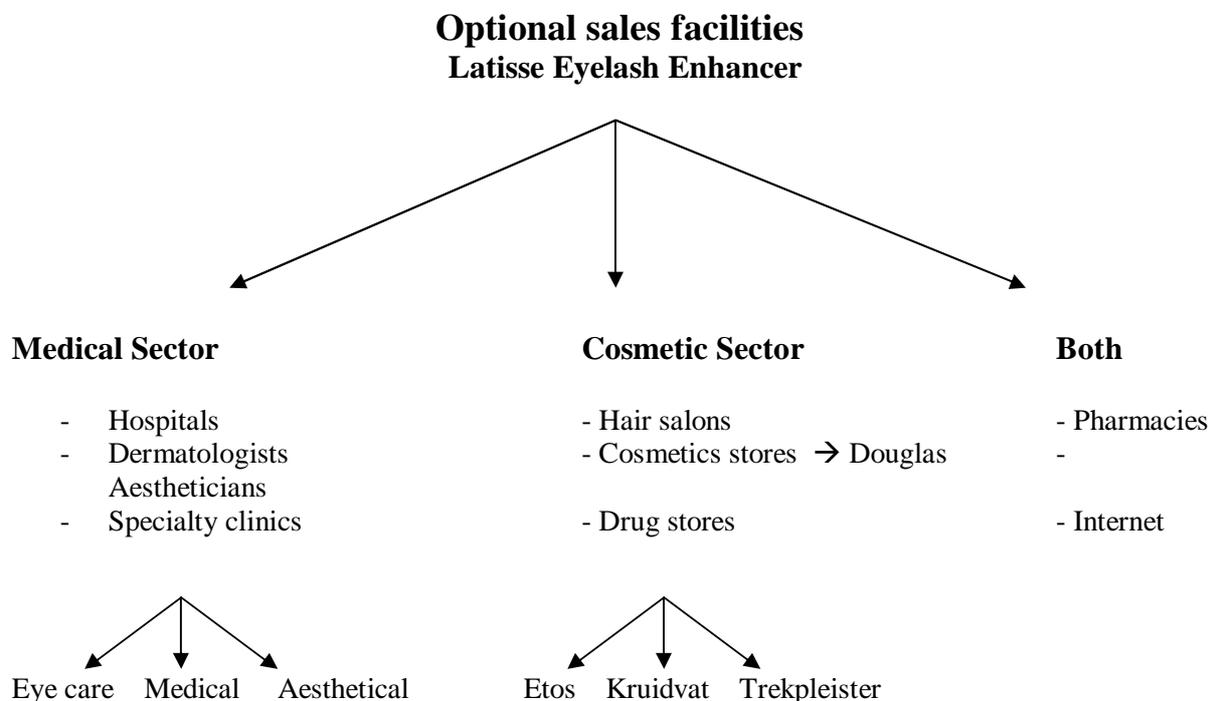


Figure 5.1 Optional sales facilities.

Determinants of store choice vary by market segment, product class and the knowledge of sales personnel (Blackwell, R.D, Miniard P.W, Engel P.F, 2006, p. 158 and p. 164). Latisse Eyelash Enhancer is positioned as a specialty cosmetic product which is aimed at a rather varied and large consumer group, women with an age between 18 to 65 years (Allergan, Inc, 2009, "Introducing Latisse"). Although, the aimed consumer group is rather large, not everyone is able to purchase the product due to its rather high price. Therefore, the store should be adjusted to the character of a product. Drug stores, hair studios and cosmetic stores do not contribute to Latisse's specialty and medical character. In addition, the product price insinuates the exclusiveness of the product which can not be compared to product prices in these types of stores and sales facilities, as these are rather economic priced.

The ability and knowledge of sales personnel is also an important determinant in sales facilities. Sales personnel should be aware of the product, usage, ingredients and special features. Due to the fact that Latisse Eyelash Enhancer is a drug based cosmetics product consumers have to be in possession of a doctor's prescription in order to purchase the product. Therefore, sales personnel should be able to inform consumers, have great knowledge about the product, its usage and possible side affects. In reference to a doctor's prescription and customer safety, sales personnel should be able to controlate and if necessary deny the sales of this product to a client. Hair studios, drug and cosmetic stores are not the best suitable options as products sold in these stores are sold to every consumer regardless medical or consumer prescriptions. As sales personnel should have perceived knowledge and expertise, hospitals, pharmacies, dermatologist and esthetician clinics would be better options. The most important sales facilities are pharmacies, dermatologists and estheticians clinics because these are in line with product position and related to both the medical and cosmetics industry.

The amount of potential retailers in the cities of interest is extremely large and relatively difficult to calculate. Therefore, the company should focus on retailers which are associated with a professional and highly appreciated national organization. Allergan could start by approaching pharmacies which are part of the Kring-Apotheek B.V. This is a national pharmacy unit with more than 350 members. The organization applies the same rules for every associated pharmacy (Kring Apotheek B.V, 2010, "Kring Apotheek Organisatie"). The advantage is that ones Kring Apotheek B.V is interested in Latisse, every associated pharmacy would be willing to buy Latisse.

Regarding Dutch dermatologists, Allergan should focus on the dermatologists which are member of the Dutch Association of Dermatology. This association has about 400 professional and educated members (NVDV, 2010, "Nederlandse Vereniging voor Dermatologie en Venereologie"). With regard to potential aestheticians, the company could concentrate on the ones who are member of the ANBOS. The ANBOS is an aesthetician organisation with almost 5.000 members (ANBOS Schoonheidsverzorging, 2010, "Brancheorganisatie"). By introducing its product to ANBOS related aestheticians, Allergan is assured of cooperation with diplomatic and professional estheticians. In addition, there are several types of aestheticians such as those specialised in massages, feed treatments, body treatments, nails and hair and facial treatments. As Latisse is an eyelash treatment, Allergan should specify there choice in aestheticians by focusing product sale and introduction on aestheticians specialised in facial treatment (ANBOS Schoonheidsverzorging, 2010, "Brancheorganisatie").

These sales facilities will be approached by Allergans sales agent through advertising and participating trade shows and exhibitions. Allergan could think about organisational associated events and fairs such as fairs organized by The Dutch Organisation for Dermatology, ANBOS and Kring Apotheek B.V. An example of a potential event would be the New Beauty trade fair. This event is directed to professionals within cosmetics and aesthetics related business sectors and provides information about the latest invention and technologies (Jaarbeurs Utrecht, 2010, "New Beauty event"). With regard to communication methods, suppliers and buyers are able to communicate through the use of internet, the companies' website, email and by telephone.

### 5.3 Rules and regulation

The cosmetics industry makes use of chemicals in order to create and produce products. For this matter there are governing bodies to control the chemicals in use of cosmetics products and the quality of allowable ingredients used within cosmetic products. The governing body in the United States is the FDA (Food & Drug Administration). The FDA is the government Department of Health and Human Services and is responsible for the safety regulations of different industries, as also the Cosmetics industry (Barton, 2008, "Cosmetics Industry Overview"). The most important laws with regard to safety regulations within the United States cosmetics industry are: the Federal Food, Drug and Cosmetic Act (FD&C Act) and the Fair Packaging and Labelling Act (FPLA). The FDA is under authorization of the law, responsible for the effectively enforcement of these regulations (FDA, 2005, "FDA Authority Over Cosmetics").

The cosmetics industry in Europe is governed by the European Union's (EU) Cosmetics Directive. This organisation protects consumers by ensuring that all cosmetic products on the European market are safe. In order to comply with the rules set by the Directive, companies have to fulfil specific tasks before introducing a product on the market. These tasks include among others a product safety assessment, provision of product information and product compliance with ingredient and labelling rules. With regard to cosmetics, the Directive's main requirement is that these may not be able to cause damage to human health when applied under normal or reasonably foreseeable conditions of use (The European Cosmetics Association, 2009, "Safety in Cosmetics").

In 2009, the Cosmetics Directive 76/768/EEC adopted the new Cosmetics Regulation which will apply directly into the 27 national laws without the need of transposition. The law was adopted before the end of 2009. However, this law does not enter into force for the next 3 years in order to give the cosmetics industry time to adapt (EU-Japan Centre for Industrial Cooperation, 2009, "Cosmetics Regulation"). The new cosmetics regulation is mainly introduced in order to simplify procedures, clarify product safety assessment and to add several new rules with regard to certain types of substances and new technologies such as nanomaterials (EU-Japan Centre for Industrial Cooperation, 2009, "Cosmetics Regulation"). Due to the new cosmetics regulation the definition of cosmetics is improved on a European level. Although, the definition of cosmetics is improved on a European level due to the new cosmetics regulation, it remains difficult to find an international definition that corresponds to the European and American definition of cosmetic regulations (EU-Japan Centre for Industrial Cooperation, 2009, "Cosmetics Regulation").

Cosmetics firms and manufacturers are responsible for the safety of its products and ingredients before introducing these on the market. Cosmetics manufacturers are in general able to use any ingredient in the formulation of a cosmetics product, with exception of colour additives and ingredients which are prohibited or restricted from use in cosmetics by regulation. On the condition that the ingredient and the finished cosmetic are safe and the product is properly labelled. In addition, certain types of cosmetics require warning statements on the label in order to prevent sales of misbranded and misleading products (FDA, 2005, "FDA Authority Over Cosmetics").

With regard to animal testing, the new cosmetics regulation stated that from 11th March 2009, cosmetic products tested on animals are officially forbidden on the European market (EU-Japan Centre for Industrial Cooperation, 2009, "Cosmetics Regulation"). Allergan shares the international goal of eliminating the use of animals in the testing procedure of cosmetical and pharmaceutical products. Therefore, the company makes use of the "3R's" principles which stands for refinement, reduction and eventual replacement of laboratory animals in product testing (Allergan Inc, 2010, "Corporate Statement on Animal Testing").

In the past few years, the company has made great progress in reducing the number of animals used for product testing. In 2006, Allergan received FDA and European approval for revised testing methods that enabled the company to reduce the number of animals used by about 78% (Allergan Inc, 2010, "Corporate Statement on Animal Testing"). Allergan has made significant scientific progress in developing an alternative assay to assure product safety that could entirely replace the current animal-based one. Although, it is a complicated technical challenge Allergan continues to invest time and resources in order to achieve its goal (Allergan Inc, 2010, "Corporate Statement on Animal Testing").

As mentioned earlier, product testing and market approval depends on the type of product and the ingredients used to formulate the final product. With regard to Latisse, the product has to be approved as both a cosmetic and a drug. Latisse Eyelash Enhancer can perfectly be used as a cosmetic by woman without any eyelash diseases in order to create a brighter and younger look by increasing the amount and length of the natural eyelashes. Although, as Latisse is a drug based product which is manufactured in order to treat the disease hypotrichosis which stands for inadequate or not enough eyelashes (Latisse, 2010, "About Latisse"). The product should be described as a product which is both a cosmetic and a drug, what means that it must therefore be tested as a drug in order to comply with the requirements for both cosmetics and drugs (FDA, 2002, "Is it a cosmetic, a drug, or both").

## 6. Export marketing mix

The export marketing mix is based on several essential components, which can also be described as the four P's. The four P's are product, place, price and promotion which together form an essential tool in order to create a suitable marketing strategy. A marketing strategy is a plan based to meet the needs and desires of a specific target market with as goal, to provide value to that target market in a better way than the competition (Blackwell, R.D, Miniard P.W, Engel P.F, 2006, p. 48).

### 6.1 Product

Allergan is a specialty pharmaceutical company with a wide range in pharmaceutical products. In this case, Allergan is looking for export possibilities for its latest product invention Latisse Eyelash Enhancer. Latisse is a beauty enhancing product which is ideal for individuals with sparse eyelashes and for patients undergoing chemotherapy (American Health and Beauty, 2009, "FDA-Approved Treatment for Eyelash Growth"). It is the first FDA-approved drug to grow and thicken eyelashes. Latisse solution is created to grow eyelashes in a safe, effective and long lasting way due to the active ingredient Bimatoprost. Although the precise mechanism of action is not known, research suggests that the growth of eyelashes occurs by increasing the percent of hairs in, and the duration of, the growth phase (Latisse, 2010, "About Latisse"). Lashes can grow longer, thicker and darker because bimatoprost can also prolong this growth phase (American Health and Beauty, 2009, "FDA-Approved Treatment for Eyelash Growth").

Therefore, the main product characteristic of Latisse Eyelash Enhancer is that it stimulates the natural growth of the eyelashes which contributes in growing eyelashes longer, stronger, thicker, and darker while at the same time stimulating the increase in the amount of eyelashes (American Health and Beauty, 2009, "Latisse"). According to a clinical trial, persons who voluntarily used Latisse during 16 weeks experienced several positive results. Their eyelash length increased by 25%, the colour of the eyelashes was about 18% darker and the thickness and fullness of the lashes increased by approximately 106% (American Health and Beauty, 2009, "Latisse") (Allergan, Inc, 2009, "Introducing Latisse"). Consumers chose to buy Latisse solution because of its long lasting effect and high quality in order to help growing their eyelashes longer in the most secure way (Latisse, 2010, "About Latisse").

However, the product does have some less attractive side effects. In order to maintain the positive effect of Latisse Eyelash Enhancer continued use is recommended. Latisse is a hair growth stimulator which means that once a consumer stops using the product, the eyelashes will eventually, within a period of months, return to their original state as they return to their average eyelash hair growth cycle (American Health and Beauty, 2009, "FDA-Approved").

In addition, Latisse is a drug based cosmetics product. In general, every product which contains the active ingredient Bimatoprost has the possibility to give a temporary reaction to the skin such as darkening or redness of the skin (Gold, 2010, "As Cheaper Alternatives To Latisse Emerge, Experts Warn Of Safety Risks"). According to Allergans survey on the introduction of Latisse, 78% of the women who tried the product experienced a positive improvement in the overall growth of the eyelashes (Allergan Inc, 2009, "Introducing Latisse"). Results of the survey showed that most frequently reported side effects are discoloration or redness of the eyelid, itchiness, dry eyes and irritation symptoms. However, these side effects were only noticed by less than 4% of the consumers (Allergan Inc, 2009, "Introducing Latisse").

## 6.2 Place

Latisse Eyelash Enhancer will be distributed from the Allergan headquarter and production plant in Irvine, California in the United States to Rotterdam port in the Netherlands from where the product will be transported to the hospitals, pharmacies and specialty clinics in the larger cities of the Netherlands.

It is recommended that Allergan makes use of an agent in combination with its already existing limited trade office which in this way can be expanded. The agent or representative is experienced in the specialty and cosmetics market and at the same time has several connections within the branch which can contribute to the introduction of the product. The benefit of an agent in combination with a trade office is that Allergan remains in control of all product related business activities. If Allergan does not have any preference in remaining in charge of all product related activities the company could choose to use a distributor or importer. By this mode Allergan would only be responsible for product export to the Dutch port. The benefit of this strategic option is that it minimizes risk and costs for the company as the importer or distributor is responsible for product introduction and export costs. An example of a potential distributor is Ultra Cosmetics B.V. This company is experienced in the distribution of new and innovative products within the Netherlands. The company was founded in 1996 by Sander Jensch and is located in Amstelveen. Ultra Cosmetics B.V. is a good option as the company is active in the same business field, is experienced as a distributor and strategically positioned to meet the customers' requirements (Ultra Cosmetics B.V. ,2010, "Importeur en distributeur in Nederland").

With regard to a sales agent, the agent will participate in several trade shows and exhibitions to approach sales options and distribute information about the product. In both situations, the company can make use of e-commerce in order to introduce its product. Another important factor with regard to physical distribution is the potential store location. For most consumers location is perceived in terms of time and hassle as well as actual distance (Blackwell, R.D, Miniard P.W, Engel P.F, 2006, p. 160). With Allergan's trade office being located in Eindhoven, most of the large cities within the Netherlands are relatively easy accessible by an efficient road and train network. The most suitable strategic option would be to start product sales and introduction in the larger cities. Cities of interest and potential places for product introduction are in this case: Amsterdam, Rotterdam, Haarlem, The Hague, Utrecht, Eindhoven, Groningen, Arnhem and Nijmegen. These larger cities have a relatively high population, are well-known, easy to reach and in possession of large shopping and business centres as well as medical and cosmetic facilities. Once the brand and product become well-known and appreciated on the Dutch market Allergan could start thinking about potential distribution expansion by selling Latisse Eyelash Enhancer also in the smaller cities. In addition, a certain amount of Latisse packages will be stored in Allergan's limited trade office which is located in Eindhoven. The benefit of this stock is that, whenever a sales location is in need of a refill or if consumers make their purchase online, their package can be sent from the trade office in Eindhoven to the consumers' home address or closest located sales option.

With regard to instore sales, Latisse Eyelash Enhancer will only be sold in pharmacies, dermatologist and esthetician clinics. These facilities are most appropriate as the product is based on a drug ingredient, is applied in the eye area and requires a doctor's prescription for purchase. Additionally, these sales options are aware and able to control and if necessary deny the sales of Latisse Eyelash Enhancer to a client. In addition, the ability and knowledge of sales personnel plays also an important role as sales personnel should be aware of the product, ones usage, ingredients and special features. Latisse Eyelash Enhancer is a specialty cosmetics and medical product which means that sales personnel should be able to inform consumers in the right way. Although, the aimed consumer group is rather large not everyone is able to purchase the product due to the rather high price. Therefore, pharmacies and specialty clinics are most suitable store choices as sales personnel is professional and product aware. At the same time, the store identity contributes to the price level and exclusiveness of the product.

### 6.3 Price

At the moment, Latisse Eyelash Enhancer is only available in the United States. A three millilitre bottle of Latisse equals to a monthly supply. The product manufacturing price is approximately \$60 (€45). The wholesale price of Latisse for retailer is about \$70 (€55). However, the standard sales price for Latisse in the United States is about \$120 on average (Realself, 2010, "Latisse price quote"). The reason is that Allergan sells its product to retailers such as dermatologists, physicians, plastic and aesthetic surgeons and many more who are able to charge their own price based on several factors such as staff time, mark up and compensation (Realself, 2010, "Latisse price quote"). Therefore, Latisse product prices in the United States differ per area and may vary from \$80 to \$150 depending on the mark up placed by provider (Realself, 2010, "How much does Latisse cost").

Allergan would like to introduce its product in the Netherlands and prices have to be converted into Euros. Allergan Netherlands is able to buy Latisse Eyelash Enhancer from the company's headquarter in the United States for the wholesale price of approximately €50. This price is based on manufacturing costs such as material costs, salary of personnel, profits including a small discount because Allergan Netherlands buys in large quantities and forms part of Allergan Inc, United States. However, this is not the price for which Allergan is able to sell its product to the Dutch retailers. Allergan Netherlands has to add certain additional cost such as taxes, distribution, promotion and a profit margin to the price in order to be able to make any profit. In addition, the company has to take into consideration that the retailers will also add a certain margin to the price. Therefore, Allergan Netherlands will add 20% margin to the price and is selling Latisse Eyelash Enhancer for approximately €60 to pharmacies, dermatologists and aestheticians in the Netherlands.

By introducing the product at a similar level as in the United States not every Dutch consumer might be able or willing to purchase the product. Therefore, the price reflects the product's high quality and exclusiveness. Consumers might consider the product price relatively high. Unfortunately, Latisse does not have any immediate competitors on the Dutch market. This can be seen as a benefit as similar eyelash increasing products are also of American origin and more or less equally priced or even more expensive. In addition, competitor products would need to be purchased through the internet which reflects in the price as shipping costs are charged for internet orders. Although, there are more economic priced substitute products available on the Dutch market, these do not provide the same benefits as Latisse.

#### Estimated product sales

With regard to total expected sales, there are about 200 potential retailers in the larger cities in the Netherlands. This number is based on the retailers who are member of highly appreciated and professional associations such as Kring Apotheek B.V, Nederlandse Vereniging Dermatologie en Venereologie and the ANBOS (See chapter 5 Distribution analysis for the exact number of retailers per city and chapter 5.2 Strategic Options for an explanation of retailers' choice). There are of course much more potential retailers in the cities of interest but as the amount is relatively large it is difficult to make a calculation of the exact number.

The estimated amount of packages per buyer depend on the demand. However as an example Allergan could start with 5 end users per location for the first quarter of a year. This would be 5 times the total available store locations times three as a consumer would need one package every month. In such a situation, approximately 3,000 Latisse packages would have to be distributed. In addition, the company wants to store about 20% of the distributed packages in its warehouse to ensure customers and end consumer's satisfaction. Therefore, Allergan has to export about 3,600 packages of monthly supply of Latisse Eyelash Enhancer for the first quarter of a year.

Allergan expects that at least a quarter of the total potential end users will be buying its product in the first year of product introduction. There are approximately 8,293,000 women in the Netherlands from which 61% in an age between 18 and 65 years (Wikipedia, 2008, “Bevolking van Nederland”). Therefore, the total number of potential end users of Latisse is 5,058,730. Allergan expects that more or less 25% of all women (approximately 1,264,682) will be interested to buy the product on a regular basis, in the first year of sales. As the first three months are mainly based on product promotion and introduction, end users will be purchasing the product during the 9 months of the first year, which means that every woman will buy 9 packages of Latisse Eyelash Enhancer. Therefore, the total amount of purchases products will be 11,382,138 in the first year.

### **Break-even point**

A break-even point is the point a company reaches when all costs are covered and the company is not making any profit or losses. Data such as total fixed costs, sales price and costs per unit are necessary in order to calculate a break-even point (Resources for Small Businesses, 2010, “Theorie Break-even point”).

Fixed costs are in this case:

Company location

- Company building: €10,000 a month

Salary employees

- Sales agent: €500 a month
- Employees: 7x €1,200 a month

Promotional activities

- Television commercial: €283,310 a month
- Print media: €18,00 a month
- Online advertisement: €36 a month
- Domain name: €90 a year
- Event and fairs: €15 a month

Therefore, Allergan’s total fixed costs are approximately €314,668, sales price is €60 and the costs per unit are €50. In order to calculate the Break-even turnover the company could make use of the contribution margin (Resources for Small Businesses, 2010, “Theory Break-even point”). The contribution margin is also known as the sales price (€60) minus the costs per unit (€50) which in this case is €10. This means that the company makes a profit of €10 to cover the fixed costs. The break-even point is reached when all fixed costs are covered and the company does not make any profit or loss (Resources for Small Businesses, 2010, “Theory Break-even point”). In this situation the company has to sell 31,466.8 products with a contribution margin of €10 to earn back the spent fixed costs. Therefore, the break even point is €1,573,340.

If the company is able to reach this target, they accomplish to cover the expenses made and can expand its target by trying to make profit. In general, it might be hard to reach a break-even point in the first year of sales. The major reason is that the company and the product brand are unknown on the Dutch market and need to make certain one time expenses such as expenses related to the search for an adequate sales agent and costs with regard to the adjustment of the company web site and the television commercial. In the first year of market entry it is more important to promote Latisse as a product, create brand recognition, attract and inform buyers in order to become loyal interested customers. If the break-even target cannot be reached the company could try to cut back in expenses related to promotional activities such as advertising not every month in print media or broadcasting the television commercial less times or on less expensive hours. If the proposed changes have been made, and the company is still not able to reach a break-even point Allergan could start thinking about lowering product price or offering special discounts for larger quantities according to holidays or special events such as Christmas and New Years.

## 6.4 Promotion

Allergan's company name and Latisse as a brand and product are relatively unknown in the Netherlands. In order to create name and brand awareness amongst the Dutch population the company should promote its product and company in a clever and strategic way. With regard to Latisse, focus can be set on product quality, safety and long lasting effect. As the target group is broad, the company has a variety of options in the selection of promotional activities such as television, internet and print media.

### Television

Television plays an important role in the Dutch households. About 40% of the Dutch population receive analog television, while the majority of the Dutch people, about 87% watch digital television (Radio.nl, 2010, "Tv blijft dominant in Nederlandse huishoudens"). Dutch people watch about 148 minutes of television on a daily basis (Goed Gevoel Magazine, 2010, "Huishouden moet wijken voor televisie").

In this case the company is already in possession of a Latisse commercial video. Therefore, the company could adjust the already existing video to the Dutch potential viewers. The commercial video takes about one minute and is featured by American celebrities such as Claire Danes and Brooke Shields. These television personalities are spokes models and advertisement models for Latisse in the United States. Associating a product with the right endorser can make the product seem more valuable. Well-known personalities are in this case an example as they can be seen as someone the consumer looks up to, can relate to and is able to trust (Blackwell, R.D, Miniard P.W, Engel P.F, 2006, p. 637). In order to make the commercial more suitable for the Dutch viewers, Allergan should translate it from the English language into the Dutch language. For the voice over, the company could hire Danique Bauer, a Dutch actress and freelance voice over professional (Voice Over Actrice, 2010, "Danique Bauer"). General adjustments which have to be made are translating the commercial into the Dutch language (€350), recording and synchronising the original voice (€550) and additional adjustments with regard to text and video and labour hours (€350). Therefore, the expected total price for adjusting the commercial will be about €1.750 (Voice123, 2010, "Prices you can expect").

Latisse Eyelash Enhancer is directed to women with an age between 18 and 65 years. Therefore, the most suitable television channel for a promotional advertisement video would be Net5. Net5 is a Dutch commercial television channel directed to relatively high-educated female viewers. The channel broadcasts a wide variety in series, reality shows and movies. As Latisse is aimed at the studying and working female society it would be best to show the Latisse commercial in the evening hours when women are back from work and looking forward to watch their favourite series such as Grey's Anatomy, Desperate Housewives, Cougar Town and many more. The commercial will take about one minute and the most appropriate time for publication depends on the television schedule per day. See figure 6.4A for more explicit information.

Overview commercial publication					
	Time	In between Programmes	Price per month	Price per half year	Price per year
Monday	20.10 21.45	Grey's Anatomy	€27,740	€166,440	€328,880
Tuesday	21.00 22.15	Desperate Housewives/ Cougar Town	€4,430	€26,580	€53,160
Wednesday	20.10 21.45	The Kardashians/ Got to dance	€29,610	€177,660	€355,320
Thursday	20.10 22.00	Net5 Movies	€6,340	€218,040	€436,080
Friday	20.10 22.00	Net5 series and movies	€7,210	€223,260	€446,520
Saturday	21.05 22.00	Ne5 Movies	€7,540	€65,240	€30,480
Sunday	21.35 22.30	Grenzeloos verliefd/	€70,440	€422,640	€845,280
<b>Total</b>			<b>€283,310</b>	<b>€1,699,860</b>	<b>€3,399,720</b>

Figure 6.4A: Time and price schedule promotional television commercial.

Sources Figure 6.4A: (Net5, 2010, "TV-Gids"), (Net5 Programming, 2005, "Tariefkaart Net5").

**Print media**

Print media plays an important part in advertising, as print media can be distributed in a variety of locations. The benefit of using print media is that these can be distributed in beauty and hair salons, medical aesthetical facilities, pharmacies and hospitals. Allergan could introduce Latisse Eyelash Enhancer by placing advertisements in beauty and fashion magazines. The benefit of advertisements is that these can be placed in well read magazines and reach potential consumers based on the products' cosmetic identity. By distributing a variety of advertisements a large group of potential consumers could be reached. With regard to the product and target group women in the age of 18 to 65 years, there are several potential magazines for advertisements such as Cosmopolitan, Glamour and Elle. These magazines are in general based on subjects such as fashion, beauty and lifestyle and are directed to women in the age category of 18 to 49. The best suitable option for advertisement is in this regard Glamour magazine because of the number of publication, customer reach and price per advertisement.

Glamour is a monthly published fashion magazine directed to women in the age of 18 to 45. The magazine has a total number of 2.4 million readers with an average age of 34 years. Its target readers are modern, young and self-confidence women. The majority of the readers, about 90 percent, is higher educated and receives an income just above average (G en J Uitgevers, 2010, "Profiel Glamour adverteren"). The magazine introduces 12 editions a year and sells about 157,994 copies a month. Glamour magazine has approximately 40,800 subscribers and an average customer reach of more than 325,000. In the last year, Glamour reached a number of 986,000 readers (G en J Uitgevers, 2010, "Cases adverteren Glamour"). In addition, about 60,000 women visit the Glamour web site on a monthly basis (G en J Uitgevers, 2010, "Adverteren Glamour Magazine").



The price rates for advertisements in Glamour magazine are the following:

<b>Page size</b>	<b>full color</b>
2/1 page	€22,400
1/1 page	€11,800
1/2 page	€7,100
1/3 page	€4,700

Sources: (G en J Uitgevers, 2010, “Glamour advertentie tariefkaart”).

In case of Latisse’s advertisement one would need a full page spread. Page measurements are 167 mm x 223 mm. (Glamour adverteren, 2010, “Technische magazine specificaties”). Therefore, prices in case of a full page color advertisement will be about €11,800 per month. Costs in Glamour magazine advertisements will be €35,400 per each quarter of a year. This will be a total cost in Glamour magazine advertisements of about €41,600 in the first year. By this way, Allergan is able to reach approximately 300.000 women per month (G en J Uitgevers, 2010, “Cases adverteren Glamour”).

### **Online advertisements**

The company could increase this amount with 60,000 women by adding online advertisements in Glamour magazine (G en J Uitgevers, 2010, “Adverteren Glamour Magazine”). Costs for online advertisements differ per type and size. In this regard, rectangle shaped advertising would be most suitable due to its price and position. This particular advertisement type has a size of 336 x 280 pixels. It is one of the most noticeable advertisement types and reaches the attention as it can be placed below an article or in the middle of a page, between the redactional content (Sanoma Uitgevers, 2010, “Rectangle type advertentie”). The price of a rectangle shaped advertisement is about €36 per month. Costs for each quarter of a year will be €108. The total price for 12 months of online advertisement in Glamour magazine would be about €432 (G en J Uitgevers, 2010, “Glamour tariefkaart Online adverteren”).

### **Internet**

In 2008, there were about 8 million computers connected with internet and approximately 12 million internet users in the Netherlands. About 80% of the Dutch population, in the age of 16 years and older, uses the internet on a daily basis. With regard to seniors approximately 65% uses internet while among youngsters in the age of 16 to 25 years the number increases to almost 100% (DWB Internet, 2010, “Internetgebruik in Nederland”). Therefore, online advertisements and company web sites can be seen as an important part of product promotion.

Allergan already has an informative and attractive American website which contains all the necessary product information such as usage details, ingredients and possible side effects. As Latisse is not yet introduced in the Netherlands, there is no information or advertising available on the Dutch Allergan web site. Therefore, the company should consider some small adjustments to its Dutch web site in order to appeal to the potential Dutch consumers. In addition, the company could think about information in the Dutch language and the use of sales through the internet. By this way consumers are able to make their orders online and collect their order at one's local pharmacy or let their order be delivered to his home address. Another way is by linking the web site to several pharmaceutical, medical, aesthetical and cosmetic web sites. These adjustments will take about 6 hours to complete. The labour price per hour for internet and web site adjusting are about €65 (Elbers, 2010, “Een goede website voor een goede prijs”). Therefore, the price for these technical adjustments will be approximately €390. Costs for having and managing a domain name are about €90 on annual basis (Elbers, 2010, “Een goede website voor een goede prijs”).

**A representative**

Another method of creating company and brand awareness is by making use of a representative. The representative investigates the market and promotes the product on behalf of Allergan by participating on events and expos which are related to the cosmetic and specialty pharmaceutical industry. The company could start by participating on cosmetic expos and medial aesthetic events in order to create name and product recognition. An example of a potential event is the New Beauty trade fair. This event will take place on the 12<sup>th</sup> and 13<sup>th</sup> of March 2011 in Utrecht. The New Beauty fair is directed to professionals within cosmetics and aesthetics related business sectors. Professional and consumers participate to the event in order to receive more information about the latest inventions and technologies and beauty advice from among others professional beauticians and cosmetical aesthetics. (Jaarbeurs Utrecht, 2010, "New Beauty event") The costs for event participation are about €40 for registration and €271 for a stand with a size of 3 meter x 0.70 meter (Verzamelaars Jaarbeurs Utrecht, 2010, "Kosten en Deelname").

In addition the company could also create a brochure with all necessary information about Latisse and distribute these to related companies and facilities as also potential consumers. The brochure will be printed in full colour on both sides of the paper. The paper will be about 135 g/m<sup>2</sup> with a size of 30, 1 cm x 21, 4 cm. (Drukwerkexpert, 2010, "Folders en goedkoop drukwerk bestellen"). There will be approximately 100 exhibitor and about 7.500 potential consumers and companies within this line of business visiting the event (New Beauty Beurs, 2010, "Bezoekers en Exposanten"). When taking in consideration that every participant and visitor might be a potential consumer, the total number of potential distributed brochures will be about 7.600. The company should take into consideration that more brochures might be needed if there are more visitors attending the event. Therefore, the potential number of distributed brochures will be about 8.000. The total price for the brochures will be approximately €304 (Drukwerkexpert, 2010, "Folders en goedkoop drukwerk bestellen"). The total costs for product introduction on the New Beauty fair will be about €615.

Product introduction and retailer connections are very important in the first year. Without appropriate retailers the company is not going to be able to introduce and sell ones product in a successful and adequate way. Therefore, the representative would at least have to participate 8 times on different events and on different locations. (8 times is about two times per three months) If assuming that costs are about the same for each event, total costs for event participation will be approximately €1,845 per each quarter of a year. The total costs for a whole year of event attendance and participation are about €7,380. Note, that within this price only brochure, stand and fair contribution costs are included. Additional costs for representative participation are mentioned and precalculated in the contract.

Table 6.4B gives a clear indication of costs per promotional activity and the final total costs.

<b>Promotional activities</b>				
	Month	Quarter year	Half year	First year
Television	€83,310	€849,930	€1,699,860	€3,399,720 + €1,750 commercial adjustments
Print media	€1,800	€5,400	€70,800	€141,600
Online advertising	€36	€108	€16	€432
Company website	/	/	/	€480
Events and fairs	€615	€1,845	€3,690	€7,380
<b>Total costs</b>				<b>€3,551,362</b>

Table 6.4B: Overview total costs promotional activities.

## 7. Conclusion

The aim of this report was to investigate the Dutch cosmetics and pharmaceutical market to answer the main question: Are there possibilities for Allergan to introduce Latisse Eyelash Enhancer on the Dutch market and what does the company have to take into consideration for entering this market?

There are possibilities for Latisse on the Dutch market as interest in physical appearance and the trend in eye cosmetics with regard to eyelash enhancing methods are growing. Allergan is a specialty pharmaceutical company with a wide range in pharmaceutical products. The company's strengths is its experience and great know-how within the specialty pharmaceutical industry. In this case, Allergan is looking for export possibilities for its latest product invention Latisse Eyelash Enhancer. Latisse is an eyelash enhancing product directed to women with inadequate or not enough eyelashes. Latisse solution is created to grow eyelashes longer, thicker and darker while at the same time increasing the amount of eyelashes in a safe, effective and long lasting way. The main product strengths are: quality, safety and effectiveness.

The company has to take into consideration that the product is drug based and a doctor's prescription is needed in order to purchase Latisse. Therefore, sales personnel have to be aware of the products characteristics in order to attend customers in the most effective way and provide clear and complete informational instructions and assistance. Although, the brand and company name are relatively unknown in the Netherlands, the company has enough international experience and promotional opportunities to enhance brand and name recognition. With regard to promotional activities Allergan could make use of television, internet, and print media. Allergan could also promote Latisse Eyelash Enhancer by attending specialty cosmetica events such as the New Beauty trade fair. This specialty cosmetics trade fair will be organized in March 2011 in Utrecht and is directed to introduce the latest inventions and technologies in cosmetics (Jaarbeurs Utrecht, 2010, "New Beauty event").

A recommended strategy for market entry is making use of an agent, trade office and internet. Additional information in regard to market entry can be found in the recommendation. The most interesting cities for product introduction are Groningen, Amsterdam, Rotterdam, The Hague, Haarlem, Arnhem, Utrecht, Nijmegen en Eindhoven. Mainly because these cities are relatively easily accessible, well known, highly populated and in possession of large shopping and business centres as well as medical, cosmetic and hair and beauty facilities. The best suitable sales channels are pharmacies, dermatologists clinics and aestheticians studios because sales personnel is professional and product aware while at the same time the sales channels contribute to the price level and exclusiveness of the product.

## 7.1 Recommendation

The best strategy to enter the Dutch market is a combination of several strategic options. The best suitable options for the introduction of Latisse Eyelash Enhancer on the Dutch market are an agent, trade office and internet. Once the company gained market share and the product receives brand and quality recognition, Allergan could think about the establishment of a possible production plant.

The company could start by making use of a commercial agent or representative. A commercial agent is someone who helps the company by entering the market through his specific knowledge of the branch and market. Although, Allergan already has a sales office in the Netherlands, the company could use the help of an agent in order to enter the cosmetics market. In addition, an agent is due to his business contacts within the field and country of interest also able to contribute to the introduction of a product. To this end, Allergan is able to enter the cosmetics market with its new product through the use of a qualified and experienced intermediary. An important aspect with regard to this strategy is that Allergan remains in charge of all business activities. In a later stage, after successfully introducing its brand in the Netherlands, Allergan could start expanding its productivity by installing a production plant. A production plant shortens transportation time and costs as the products can be produced within the country of interest.

A sales agent can be approached by placing job advertisements on specialty web sites such as the web site of the Dutch Association of Intermediaries (VNT). The VNT, has approximately 700 associated members who sell or act as intermediaries in the Netherlands (VNT, 2006, "Op zoek naar een agent"). Allergan could place advertisements on the VNT web site or in the organizations' bulletin in order to reach Dutch sales agents. With regard to the agents' promotional activities, major focus has to be set on activities such as the introduction of Latisse Eyelash Enhancer on organizational and industry related events, exhibitions and trade fairs. The main point of these activities is to reach potential sales channels such as pharmacies, dermatologists and estheticians as these are the buyers of the product.

As Latisse is not yet introduced in the Netherlands, there is no information or advertising available. An updated informational website would be a good strategic option as the website can be used to promote the product and inform buyers and consumers of product safety, ingredients and usage. Therefore, the company should consider some small adjustments in its original web site such as product information in the Dutch language in order to appeal to the Dutch consumers.

## **Appendices**

Appendix 1: Format of the survey “Are Dutch women interested in Latisse?”

Appendix 2: Results of the survey “Are Dutch women interested in Latisse?”

Appendix 3: Pictures of Latisse Eyelash Enhancer

## **Appendix 1: Format of the survey “Are Dutch women interested in Latisse?”**

### **Latisse Eyelash Enhancer on the Dutch market**

Dear Sir/Madam,

I am a student at the Hague university and for my final paper I am investigating if there is any demand for Latisse, an eyelash enhancing serum from the United States, on the Dutch market. Please be so kind to answer the following questionnaire. It will take about 5 minutes and would be of great help to me. Thank you in advance!

Latisse is an eyelash enhancing serum created by the specialty pharmaceutical company Allergan in the United States. Allergan is a company which is mostly famous for the creation and introduction of Botox. Latisse is the first eyelash enhancing product with health approval from the United States Food and Drug Administration (FDA). For positive results the product has to be applied on the lid of the upper eye, close to the hairline where you normally would apply eyeliner. Latisse is used once a day and creates fuller, thicker, darker and longer eyelashes in about 8 weeks.

- 1). Have you ever heard about Latisse Eyelash Enhancer before?
  - Yes
  - No
- 2). Do you believe in the effect of eyelash enhancing serums?
  - Yes
  - No
- 3). Are you interested in using Latisse as eyelash enhancing serum?
  - Yes, I would like to try it
  - No, I am not interested in using an eyelash enhancing serum
- 4). Where would you like to buy this product?
  - Internet
  - Pharmacy
  - Cosmetic store (e.g. Douglas).
  - Drug store (e.g. Kruidvat, Etos).
  - Hair and Beauty salon

A 30 days supply of Latisse costs around \$120,- which is about €5

- 5). Are you willing to pay this amount of money?
  - Yes, if it works its worth the money
  - No, I would look for another solution
- 6). What do you consider a reasonable price for such a product, monthly supply?
  - Less than €10,-
  - Up till €20,-
  - Between €20,- and €50,-
  - More than €50
  - Between €100,- and €150,-
  - Up till €200,- or more

## **Appendix 2: Results of the survey “Are Dutch women interested in Latisse?”**

### **Latisse Eyelash Enhancer on the Dutch market**

- 1). Have you ever heard about Latisse Eyelash Enhancer before?
    - Yes (14 out of 60 people)
    - No (46 out of 60 people)
  - 2). Do you believe in the effect of eyelash enhancing serums?
    - Yes (32 out of 60 people)
    - No (28 out of 60 people)
  - 3). Are you interested in using Latisse as eyelash enhancing serum?
    - Yes, I would like to try it (41 out of 60 people)
    - No, I am not interested in using an eyelash enhancing serum (19 out of 60 people)
  - 4). Where would you like to buy this product?
    - Internet (10 out of 60 people)
    - Pharmacy (12 out of 60 people)
    - Cosmetic store (e.g. Douglas). (14 out of 60 people)
    - Drug store (e.g. Kruidvat, Etos). (11 out of 60 people)
    - Hair and Beauty salon (14 out of 60 people)
- A 30 days supply of Latisse costs around \$120, - which is about €95,-
- 5). Are you willing to pay this amount of money?
    - Yes, if it works its worth the money (34 out of 60 people)
    - No, I would look for another solution (26 out of 60 people)
  - 6). What do you think is a reasonable price for such a product, monthly supply?
    - Less than €10,- (6 out of 60 people)
    - Up till €20,- (9 out of 60 people)
    - Between €20,- and €50,- (23 out of 60 people)
    - More than €50 (17 out of 60 people)
    - Between €100,- and €150,- (5 out of 60 people)
    - Up till €200,- or more (0 out of 60 people)

### **Conclusion of the survey**

I asked 60 women of all ages, between 18 and 65 years, about their opinion with regard to eyelash enhancing serums. The majority was not familiar of the existence of Latisse Eyelash Enhancer. Although, a small majority believes in the positive effect of an eyelash enhancer, a slightly larger majority is curious about the possibilities and would be willing to try the product. However, just a small percentage would be willing to buy Latisse for its current price. In general, women are interested but would like to purchase the product for a more economic price. The conclusion based on the outcome of this survey is that there is a demand for effective eyelash enhancing products in the Netherlands.

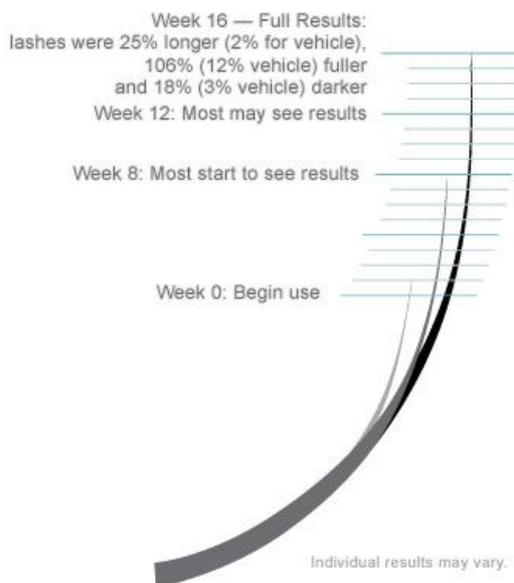
**Appendix 3: Pictures of Latisse Eyelash Enhancer**



**Latisse Eyelash Enhancer**



**Latisse application method**



**Latisse results after 16 weeks of use**



**Result: Longer, darker and more eyelashes**

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