

The Possibility of Pola to Enter the Kuala Lumpur Market

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ABSTRACT

Pola's current development goal is to access to the ASEAN market, and Kuala Lumpur, Malaysia is its best market choice. This proposal provides a theoretical and practical basis for entering the market by analyzing the market economy in Kuala Lumpur, which includes its consumer preference, product quality and safety standards, consumers' recognition and loyalty for products, and laws and regulations related to cosmetics. At the same time, this paper also provides relevant solutions to the problems and challenges that may be encountered when entering the market. Moreover, referring to the successful developments in Singapore and Bangkok, compared with other untapped markets in ASEAN, Kuala Lumpur is the most suitable target for Pola development at this stage.

1. Background

Malaysia's GDP in a growing trend in recent years, from USD 301.26 billion in 2016 grew by 17.6 percent in 2019 to USD 364.7 billion (Trading Economics, n.d. a)^[21], and the economic growth is likely to boost the country's domestic demand growth (Loganathan et al., 2017)^[13]. The capacity of this market in Malaysia will be expected to have some growth potential in the next few years. Also, the cosmetics market in Malaysia reached USD 407 million in 2013, and most of the market demand is met by imported goods (Hassali et al., 2015)^[10]. Based on this trend, it can be inferred that the local population will spend more money on consumer goods and cosmetics, which is an opportunity for Pola to enter this market.

In addition, Malaysia tourism industry is the one of its core industry, about 10 million arrives of tourists bring about \$86 billion MYR for Malaysia (Trading Economics, n.d. b)^[22], and its national policies also promote the

development of tourism in terms of material, social and economic factors (Anuar et al., 2013)^[2]. Besides the local population, more tourists will increase the spending power of this city, So Kuala Lumpur is expected to grow in the future.

Doing business in Malaysia also takes into account a number of objective factors, including its religious beliefs, trade rules, and its cosmetics regulatory system. As a large proportion of the population in this country has religious beliefs, these different religious beliefs will have a certain impact on the consumption habits and preferences of local consumers (Mokhlis, 2006)^[15]. This also led to the promotion of Halal Cosmetic products by local Muslim consumers in recent years (Hassali et al., 2015)^[10]. Malaysia's trading system is in a relatively open environment. As an economically export-oriented country, international trade plays an irreplaceable role in the country's economic development (Okafor & Teo, 2019)^[16]. This country regulates cosmetics and related industries mainly according to the regulations of Control of Drugs and Cosmetics Regu-

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lations 1984^[7].

2. Proposal to Enter the Kuala Lumpur Market

In recent years, with the continuous development and growth of the company, it had become the fourth largest cosmetics company in Japan in 2018. (Japan Products, 2018)^[12]. However, compared to the more top companies, such as Shiseido and Kao, Pola entering for the development of the international market is still very slow. As one of the fastest-growing markets. The size of the Asia-Pacific market has exceeded 70 billion US dollars (Hassali et al., 2015)^[10], so the growth trend of the Southeast Asian market has attracted the influx of many domestic and international competitors of the company, while Pola still only enters the two markets of Thailand and Singapore (Pola, n.d.)^[18] among the ASEAN member countries. The smooth development of Pola in these two markets has also laid a solid foundation for the company's comprehensive strategy to enter other Southeast Asian markets. Therefore, after a detailed analysis of the current economic situation of Malaysia and the development situation of the cosmetics market at the present stage, there is a proposal to enter the Kuala Lumpur Market has been developed.

This proposal will be divided into the following several parts: the survey of this potential cosmetics market, the challenges and risks that Pola will face when entering this market, recommendations for the company's board, and the introduction of stakeholders involved in developing this proposal.

3. Content of Investigation

3.1 Control of Drugs and Cosmetics Regulations 1984

The Cosmetics and related Industries Ordinance in Malaysia are implemented under the CDCR 1984. The main purpose of this regulation is to ensure that the safety, quality, and efficacy of cosmetics meet the testing standards of the Government of Malaysia. The Drug Control Authority (DCA) is the government agency responsible for overseeing the entire process from the manufacture to the sale of cosmetics. Besides, the cosmetics industry includes beauty salons, which are also regulated by the DCA (Control of Drugs and Cosmetics Regulations 1984).

3.2 Safety Issues

According to the existing reports, some cosmetics in the Malaysian market have quality problems and potential safety issues. To meet the needs of customers, some irresponsible companies provide some beauty products that

can achieve the maximum effect in a short time, but the production and sale of these products do not meet the requirements of the authorities, they will cause adverse effects on the human body. Moreover, some toxic elements are used in the manufacture and processing of non-compliant beauty products, such as Hydroquinone, Tretinoin, Mercury, and Diphenhydramine (Othman, Zakaria, & Aziz, 2020)^[17]. According to the research of Hashim (2003)^[9], two-thirds of the samples he surveyed were contaminated with these harmful elements, which is quite a large proportion.

In addition to these harmful elements, some cosmetic ingredients may cause skin allergies or other complications to the user. For example, Asian women generally have a certain degree of preference for whitening products, even if they know that some ingredients will bring side effects to the human body (Mansor, Ali, & Yaacob, 2010)^[14]. According to Thomas (2020)^[20], 80% of consumers pay attention to the ingredient list when choosing skin-care products containing whitening ingredients, and 78% of consumers know that some ingredients have side effects (Ho, 2017)^[11]. Although only 36.6 percent of consumers use these products without side effects (Ho, 2017), there is still a huge demand for whitening products.

This widespread safety and quality issue is an opportunity for Pola to enter the Malaysian and Kuala Lumpur markets. As the Japanese government has strict requirements on cosmetics quality and safety, Pola is confident that it can meet the requirements of DCA on cosmetics quality. In addition, Pola, as a brand with anti-ageing and whitening products as its main products, has a relatively rich product line, including internal health care products, skin care products, and cosmetic products for external use, which can meet the pursuit of the whitening effect of different consumer groups.

On the other hand, the regulation of DCA on beauty salons does not reach the level stipulated in the regulations, which leads to the operation of a large number of non-compliant beauty salons in the market, causing safety hazards to consumers' health. According to Chuo et al. (2018)^[6], 96.8 percent of beauty salons have not applied for the relevant license, with the common reason being that these operators do not know how to apply for certification. Although 70 percent of respondents had heard of the CDCR84 regulations, more than 80 percent of beauty salon operators were not aware that the regulations were relevant to their business. If Pola can apply for a salon license and sell cosmetics, it will have a strong competitive advantage in this market. High quality and safe service are what consumers in Kuala Lumpur desperately need right now.

3.3 Brand Value and Brand Loyalty

Consumers' recognition of the brand value and loyalty to a brand product is affected by many factors: product safety, product quality, product price, product design style, self-expressive value and perceived value of customers (Azuizkulov, 2013^[4]; Eze, Tan & Yeo, 2012^[8]; Aziz & Ngah, 2019^[3]). Moreover, consumers' satisfaction with products after use also determines their loyalty to this brand (Chan & Mansori, 2016)^[5]. Their acceptance of product price reflects their recognition of product value, and these two factors show a positive correlation. They sometimes do not mind paying higher prices for the same kind of cosmetics if the quality and efficacy of the products can meet their needs. Also, the popularity of the manufacturer and the prevailing trends in the market will influence consumers' brand recognition and product selection (Rani & Krishnan, 2018)^[19].

3.4 Religions and Halal cosmetic products

Not only do halal cosmetics contain ingredients that do not include alcohol, pork, carmine, or animal products, but the companies that produce them must have the same value, which means that they do not use animal testing and a range of practices that do not conform to Muslim values (Rani & Krishnan, 2018). Due to the large Muslim population in Malaysia, halal cosmetics make up a large part of the market. If a brand meets the requirements of Halal certification, it can not only gain recognition from a large number of Muslim customers but also show an attitude of the brand. However, as for Pola, its values and design philosophy do not conform to the concept of halal cosmetics.

4. Challenges and Risks

The biggest challenge Pola faced in entering the Kuala Lumpur, and Malaysian markets were the level of consumer preference for halal cosmetics in this market. If a brand meets the requirements of Halal certification, it can not only gain recognition from a large number of Muslim customers but also show an attitude of the brand. However, as for Pola, its values and design concepts are not consistent with the concept of Halal cosmetics. If Pola caters to the preferences of this part of consumers, it may lose the value of its brand itself. For example, some of the products produced and sold in Pola contain alcohol. If the ingredients list of products is deliberately changed, the effect of products may change, which will have a certain impact on product safety and quality assurance. Therefore, entering the Kuala Lumpur market should take into account the adverse factors in this respect. Fortunately,

while consumers religion to a certain extent, affected their choice for cosmetics, but there are reports of cosmetics is not as big as the impact on food, that is, refused to Muslim consumers for non-halal cosmetics is not absolute (Abd Rahman, Asrarhaghghi & Ab Rahman, 2015)^[1], Pola needs to focus on non-Muslims in the consumer market.

The second issue is how to build brand value and gain consumer recognition. To resolve the issue, the company must first understand the relationship between skin and usage of cosmetics and determine the market positioning of Pola, which is a high quality and efficient product at the top end of the market, and it is now demanded by the Kuala Lumpur market. Therefore, in the early stage of entering the market, Pola needs to gain customers' cognition through a series of marketing means and understand the products and services the brand can provide them. At the same time, a non-Halal label is necessary to help the Pola avoid moral hazard and help consumers have a clearer understanding of the brand's positioning. Finally, products need to remain loyal customers through the sensation and satisfaction of customer feedback.

5. Recommendations

Pola's mainstream businesses include skincare, cosmetics and beauty salons needed to enter the Kuala Lumpur market. First, it is an integral part of the company's future access to more international markets. Demand for high-end cosmetics in Malaysia, one of the more economically developed countries in the 10-member Association of Southeast Asian Nations, provides an opportunity for the Pola. This company has already entered Thailand and Singapore, and smooth development in these two markets has also helped to enter the Kuala Lumpur market. Singapore is so close to Kuala Lumpur to provide convenient transportation and technical support for the products. The economic and urban positioning of Bangkok in Thailand and Kuala Lumpur tend to be driven by tourism, which makes the development plan in Bangkok as an effective reference template for the development of the Kuala Lumpur market. Moreover, as a tourist city, Kuala Lumpur has not only local consumers but also a large amount of tourism consumption, which also increases the volume of high-end consumers in The Kuala Lumpur market.

Besides Kuala Lumpur, other markets are also potential targets in the company's future development plans. However, the economic development and geographical location of the Philippines, Vietnam, Myanmar and Laos are relatively weak compared with Malaysia, and the political and security conditions in India make this country not the best choice for the Pola at this stage. Therefore, at this stage, the best place to enter the ASEAN market in Kuala

Lumpur, Malaysia.

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