LAUNCHING INNOVATIVE COSMETICS PRODUCTS TO LITHUANIAN MARKET

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Abstract. In this global marketplace, as products supply grow, product life cycles are shortened and consumer loyalty is declining. It is more important than ever for companies to bring new products to market in less time and periodically. This article examines the Lithuanian cosmetics industry and what difficulties a company face when introducing a new product to the market. The cosmetics industry in Lithuania is reviewed and the product development process is analyzed. Identify the factors of a successful product and the relationship between them. The paper presents the results of the surveyed companies involved in the development of cosmetics industry products. The reasons and key factors influencing product success are identified. Based on the results of the study, a model for the development of new products for the cosmetics industry is presented and conclusions and suggestions are presented.

Keywords: cosmetics industry in Lithuania, new products development, competition, product innovation.

Introduction

As a consequence of today’s increasingly dynamic markets, most companies are under pressure to develop new products in shorter times while maintaining a high quality (Rauch et al., 2017). To stay competitive in fast-paced markets such as high-tech, medical and consumer goods, product development (PD) has become crucial at the moment of setting up company strategies for long term survival, as development time and costs are becoming increasingly important (Tortorella et al., 2016).

Product innovation in Lithuania is not considered to be a strategically important area of business activity (Gelbūda, 2016). Companies do not measure the revenue and profits of new products, and responsibility for new products is often attributed to a relatively low-level employee. In foreign countries, product innovation is understood as a clear and distinct guide and budget for strategic business areas. Product innovation and new product launches are singled out as a key determinant of the long-term competitiveness of companies.

But many newly released products are doomed to fail. Philip Kotler (2018) writes in Principles of Marketing that “of the 30,000 new food, beverages and beauty products launched each year, an estimated 70 to 90% fail within just 12 months.” The first danger new development companies often face is not being able to support rapid growth should a product have great success (Smallwood, 2019). Also, the most common problem is not the unsatisfactory quality of the product or the specific features of the product, but the poor choice of product development model, in-depth market analysis, market size, high development costs, poor positioning, inappropriate channels or inappropriate advertising.

So, a company that wants to stay competitive must keep up and monitor the market situation, what new products are coming into the market, what is trendy. The competitiveness of a cosmetics industry company is determined not only by the product itself but also by how that product is advertised, what marketing tools are used, what innovations are offered, what kind of content is created in the virtual space.

New products are an import part of every company, so more attention should be paid to the development of new products in Lithuania. For companies, this is important because it helps to increase competitiveness and maintain or expand existing positions in Lithuania and foreign markets. In our daily business, it is imperative to create innovations in products and develop new products to stay in the market and compete with competitors or to gain competitive advantage.
The article analyzes the cosmetics industry and examines the factors that influence the success of a new product. It also analyzes the competitive product development model as a complex system and provides suggestions.

1. Introducing innovative product into the market: theoretical framework

These days, the cosmetics industry faces various challenges such as intense competition, product surpluses, shortening product life cycles, too fast market changes, and so on. These factors and challenges also directly affect the development of new products.

New product development (NPD) is a complete process of creating and bringing a new product to market. To make NPD effective, there should be a coordination between the manufacturing, engineering, research and development (R&D), marketing and purchasing departments (Gurbuz, 2018). New product development is the process of exploiting the market opportunity by turning it into a product or service available for sale. A good understanding of customer needs and wants, the competitive environment and continuous practices, and strategies to better satisfy the customer requirements and increase their market share regulate the development of new products (Kasuwar, 2018).

The success of a good and successful product depends on a product idea, strategy, comprehensive planning and support from top managers.

In a product launch process, the company's mission and objectives are defined by the company since the beginning of product planning. The goal of marketing is to create value for the customers and ensure a profitable relationship with the customers. To accomplish this, a marketing strategy is necessary. The marketing strategy defines which is the group of the customers' company will serve and how will it be served to this customer group Gluck (2012). So it is seen that marketing is an integral part of every cosmetic product.

Also, successful new product development requires an in-depth understanding of the customers, their situation, their needs and their wants (Lagrosen, 2005). This requires active interaction with the customers. An increasing number of companies are allowing customers to be actively involved in the new product development (NPD) process (Fang et al., 2006).

In an economy of rapid change, continuous innovation is a necessity. Companies that fail to develop new products leave themselves vulnerable to changing customer needs and tastes, shortened product life cycles, increased domestic and foreign competition, and especially new technologies (Kotler & Keller, 2016). According to Hong et al. (2012), companies involved in the development or implementation of innovation activities, because they seek to create a new or significantly improved product or process to increase profit and maintain or expand a market share.

Most cosmetics industry companies focus on incremental innovation, entering new markets by suggesting new products for new customers, using variations on a core product to stay one step ahead of the market. And these innovations can bring a new competitive advantage.

It is important to understand that in today's marketplace, companies and brands must develop products periodically and with innovations to stay in the marketplace.

2. Cosmetics industry in Lithuania

The Lithuanian cosmetics market is estimated at €278 billion in 2018. Reviewing 2019 year, there are no exact data, but the market is expected to be valued at €289 million (Euromonitor, 2020) and from this, it is seen that the market will grow by 3.8%. Every year, the market has the potential to grow, although very slightly.

According to Euromonitor data, the most popular from beauty and personal care is mass beauty and personal care (these products consist of everyday hygiene for everyone for low and medium prices) in Lithuania.

There are 5 companies in Lithuania that produce beauty products that we could classify as medium-sized companies, which will be questioned in the empirical part: Biok Laboratorija, UAB; Koslita, UAB; Limedika, UAB; Naujoji Ringuva, AB and Uoga uoga, UAB.

BiOK Laboratorija, UAB is an absolute leader in the market, which is rapidly changing with the market and offering innovative new products. Uoga uoga, UAB cosmetics are the leader of natural cosmetics. Limedika, UAB cosmetics are popular too because these products are manufactured and marketed in pharmacies, which builds customer confidence. Naujoji Ringuva, AB and Koslita, UAB are old companies with an old assortment, but also with a loyal customer base.

To sum up, the Lithuanian cosmetics industry is small compared to other countries in the world or even Europe (comparing with Germany, France or Italy) but in meanwhile we are the biggest in the Baltics.

Having and developing this industry creates new jobs, develops exports and leaves customers the opportunity to choose a product that is Lithuanian and authentic. Having in mind that Lithuanians have been more inclined to choose a Lithuanian product in recent years (Drūlienė, 2019). With this in mind, Lithuanian cosmetics companies should take this into account and increase the supply of products, as the results show that demand is growing.

3. Research methodology

The aim of this research was to analyze the cosmetic industry in Lithuania and to find out what difficulties companies face when introducing new products to the market.

The target group was Lithuanian cosmetic manufacturers also the focus was on mid-sized companies. The survey was sent to medium-sized and small-sized cosmetic manufacturers in Lithuania (there are 16 companies with 447 employees in all).

And 94 responses were received from 11 companies (5 companies medium-sized and 6 small-sized).
This research was based on received questionnaires from managers and specialists of this sector (mostly from the marketing field). The questionnaire was prepared to provide closed questions so that they understand questions correctly and do not leave room for interpretation. Respondents were provided with a computer-based questionnaire. Surveys were sent via Email, Facebook and Linkedin to all selected companies. The responses were collected using Google forms.

The survey consists of 27 questions related to product development. These questions are divided into four sections: basic information; product launch; marketing, barriers to entry the market.

Most questions are closed-ended to facilitate analysis and summarization of substantive results of the questions. Some questions have a 5 point grading system (5 – is very important/significant, 1 – is not important/insignificant).

The data was collected on Google Form platform and the data were processed and analyzed using Excel.

After this empirical research, conclusions and findings will be used to develop a new model.

The next section will present the empirical part which was made according to this methodology.

4. Analysis of empirical research

There are many problems in the cosmetics industry related to the development of new products. To reduce the number of unsuccessful products released and increase the number of successful products, it is necessary to analyze what are the factors and what are the reasons for this. This section will analyze whether companies have product development departments, what budgets for new products, or how often they launch new products, what internal and external indicators lead to the successful or unsuccessful launch of new products.

In order to investigate the factors of the release of new products in the cosmetics industry, companies in the cosmetics industry that are engaged in the development and production of new products were selected.

The research was conducted by interviewing Lithuanian cosmetics manufacturers, those specialists who are directly involved in product development and launch to find out the reasons for the success or failure of the products. Mostly from marketing, design and new products development departments. A total of 94 questionnaires were received. Almost all of the surveyed companies export to foreign countries, mainly to the countries of the European Union.

One of the most important factors is having a product development department because the companies which have – pay more attention to new product development because some employees are working on it day by day. Having a product development department in a company can be called a strategic step for a company, it is the first factor that leads a company to successful product launches.

It was found that 71% of the companies have a product development department, and 29% do not have one (Figure 2). Companies that do not have a product development department also develop new products but by those employees to whom it is currently assigned. It can be concluded that such products have very little potential. Because, first of all, the employee may not be a professional in this field and incompetently perform the assigned task.

It was also found that the following departments were most involved in product development: marketing, new product development, design, research and development, and manufacturing. The fact that the production department is involved in product development shows that many companies look at their employees openly and confidently and may have implemented kaizen. Those employees who stand in manufacturing day by day may also have good ideas. But on the other hand, some brands do everything by hand and their production workers are also product developers.

The cosmetics industry needs to release new products, and also have a fixed budget for new products development. The size of the set budget allows the company not to spend more money on products than it can. And provides the ability to release products periodically. Companies
then absorb that the development of new products is not an extra activity, but as important as other activities.

After this empirical research, it is estimated that the situation in Lithuania due to having a budget is as follows: 46% of respondents said that their company spends 6–7% on product developments and launches, 33% of respondents said that their company spends 0–2% on it (Figure 3). We can see a big gap between first and second place. Meanwhile, Kotler says that according to the current situation, each company should devote about 6–21% of its income to the development of new products. Only then can companies expect stability and profits that exceed expectations due to new products development. By allocating a budget to new products every year, one of the main activities becomes not only the production but also the development of new products, which means constantly developing new products, gaining a better understanding of the market, replacing obsolete products with new ones, customers becoming a very interesting sign and become loyal.

Budget for new products (Figure 2). Assessing the situation of the Lithuanian cosmetics industry, it can be said that the 0–2% of the revenue allocated to new products is too small for the company to expect high revenues from new products. Because it is possible that new products will not be good enough: not proper market analysis, no market tests, poor product advertising. But on the other hand, many companies spend about 6–7% on new products development, this amount may be appropriate given that the companies surveyed are medium-sized, that the products are for mass use and that this percentage is in line with the recommendations for new product development.

Importance of new launches (Figure 4). Another important factor is the launch of new products and the periodical launch of new products so that consumers do not lose interest in the brand. As mentioned earlier, a company must periodically release new products in order to be competitive. It was surveyed that 71% of respondents are constantly releasing new products and intend to release something new shortly, the other 29% release new products not according to the plan and do not intend to release new products in the near future. It means that companies are thinking about the periodical releases as a competitive advantage. It should also be mentioned that incremental innovations are most often launched in Lithuania, not a radical in the cosmetics industry.

It is also important to find out not only the context in which some products become unsuccessful and others successful. This section will explain what internal and external factors determine the success of a product.

An important factor for assessing the importance of a company’s product development – internal indicators (Figure 5). It shows the overall approach to product development.

Many responded (53%) that the organizational and technical resources from internal indicators are the most important to the development of the product. That means if you want to be successful and successfully bring a product to the market you need to have organizational and technical resources. Secondly, is the money, 27% of respondents said that the most important thing for successful product development is financial resources.

The insight could be that new products do not need the best marketing strategies, but people who are professionals and budget for new products development. A successful product is born in a company with the right atmosphere and culture.

It was also found that among the internal factors in the company that determine the development of successful products are: top management support, new product development teams. One of the most important internal factors in developing new products are people. It is proved once again that the company's greatest asset is the company’s staff. Every successful product project should have
the support of top management so that the project continues and motivation does not decrease. It’s also about new product development teams, new product development is a creative job that is usually done by a team, it’s very logical that employees on that team need to feel good in order to unleash their creative potential.

The success of a product is affected not only by external factors but also by internal ones. The first difficulties the product faces are not released on the market, but already within the company. Such as organizational resources, new product development teams, and top management support.

After the product encounters barriers within the company, barriers outside the market continue (Figure 6). Companies have stated that in order to be successful, a product must have a market orientation, a strong brand image and constant development. The market analysis must also be carried out properly and market segmentation must be carried out correctly, which will be used to develop the marketing strategy. It is also heavily influenced by the intense competition as there are plenty of cosmetic brands and products, so it is very important to stand out in its attractive packaging as it is the first impression of the product.

External factors that lead to a complicated or unsuccessful product pose can be divided into the following categories: market threat, product mistakes, poor marketing. Usually, people look for quality in the products as well, but in this case, most of the mass products are of sufficient quality as for such a price, so this criterion is not the most important.

So, when developing a product, it is important to take into account the following factors: the brand image of the product, in which market the product will be sold, what competition will arise for the product, appropriate market segmentation and attractive packaging.

A company cannot control market threats but can prepare with the right marketing strategy, this will not eliminate competition, but will single out and make the product visible among others.

Also, it is worth mention what features of new products can be the success guarantee. After the survey, it was found out that a product with these features is likely to be more successful, than a product without these features. 84 respondents said that it is innovativeness of the product, 77 said it is a product feature that solves a customer problem and 37 said it is attractiveness.

In summary, product innovation will potentially make the product more noticeable, because in this market where so many products we cannot add another product to the market without any special features.

Summarizing the survey of employees related to product development it can be concluded that the majority of respondents are aware of the significance of new products, competitive advantage, are active and work in medium-sized companies. Many companies have product development departments, which have a budget for new products but a small one. In our case, companies have indicated that their budget is usually between 6–7 percent. Marketing, new product development, design, manufacturing are directly involved in the product development process.

The survey also shows that product success often depends on marketing strategy, strong brand image, organizational and technical resources, new product development teams, proper market segmentation and product innovation.

A correlation matrix was used to check the relationship between these different attributes. The correlation coefficient shows the strength of the relationship between different elements. So after evaluating this coefficient from all survey results, there is a moderate correlation (connection) between these variables:

- The money spent on developing a new product to the market and product packaging (0.5736).
- An assortment and customers’ loyalty (0.5281).

To sum up, the average positive correlation between the variables under consideration indicates that it is necessary to spend money on successful product development of a new product (from 6 to 21% of the revenue is recommended), because not only does it need to spend money on launching it properly, but after the product is put on the market, it needs oversight. Product packaging is also very important because it is the packaging that gives the first impression. It is logical that when a company has a budget for new products, it also has a budget for product packaging. These two factors correlate, it is not a random correlation.

It is assumed that this is a very fair correlation because when we invest in a product, we focus on the product from product characteristics to product packaging. When a company has a budget for new products, it has a budget for packaging as well. The packaging is spot on time and financial resources, and because of that, it is easier to create more competitive packaging.

Also, it is important that customer will find what are they searching for and be sure that the quality of the product is normal and they can trust in that brand. It is assumed that customers are more confident with these brands which have a bigger assortment of products because they are likely to be on the market for a long period of time and have earned their trust.

![Figure 6. Indicators for unsuccessful launch in the context of the market (source: created by the author)](image)
5. Product development improvement model

A product development improvement model has been developed (Figure 7) to help cosmetics companies better manage and develop new products, making it easier to reject ideas that are unlikely to succeed.

It will be easier for companies to reject ideas that are not appropriate according to the criteria developed and to monitor the factors that influence product development based on the results obtained in the study. The core of this model is to facilitate and systematize the product development process, which would bring success to the product, thus increasing the company's profits and helping the company to become more competitive.

Lithuanian cosmetics companies, which developing their products requires a structured and clear model. This model is structured, clear, without successful completion of one stage, cannot go to another, each stage is carried out market analysis, assigned to the employee who is responsible for the respective stages. It also defines the main activities that are carried out during product development and the criteria according to which employees lead or do not go to the next stage (through the gate). In order to release only successful products if an idea is in doubt, it is rejected until the product development and testing phase or rolled back.

Stages of product development according to the proposed model:

**1. Idea discovery.** Development teams create suggestions, ideas for possible new products from internal and external sources. Teams also can select old ideas that may be relevant.

**2. Innovation criteria/screening.** Idea screening according to innovation criteria, selecting the best ideas from all.

**3. Concept development and testing.** The detail version of idea (with formula ingredients, packaging, design etc.), explained keeping in mind consumers' needs. A small group of customers is selected, given information about the product, and then analyzed their reaction to the product.

**4. Marketing strategy development.** Is a set of tools that will help promote and successfully place a product on the market. And according to cosmetics products and empirical research was developed 7 P’s by the author. The original is 4 P's (McCarthy, 1964), 7 P’s was created by Beems and Bitner in 1981. And the work and the model will use 7 P's created by the author.

**Product.** Quality, image, branding, features, design, packaging, size, variety. All of these aspects need to be considered and described and also all these aspects are related to the tangible and intangible characteristics of the product.

**Price.** It is the amount of money paid for the product. The price also has several variables: price strategy, pricing, ...

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**Figure 7. Proposed model for new products development (source: created by the author)**
discounts, free or value-added elements (samples), special offers.

**Place.** Channels, delivery methods, transportation, inventory, locations. Decisions and actions that select how goods are presented to consumers, the physical movement of goods from the manufacturing plant to the consumer is organized. Location and distribution must be most convenient for the customer.

**Promotion.** Digital marketing, product strategy, content marketing, marketing communications, sales promotion, branding, direct marketing. Decisions and actions aimed at informing consumers about goods and encouraging them to buy those goods.

**Packaging.** Shape, materials, size, colour, illustration, style, layout. Detailed and more clearly planned packaging appearance, because it is the main element that attracts attention, so it needs to be given more attention.

**People.** Individuals on marketing activities, recruitment, culture/image, training and skills. It is the human resources in the company which develops new products. Motivated people in a good atmosphere and culture creates new product better and faster.

**Participation.** Customer involvement in the product’s development, social media, presentation of the products. It is the involvement of the customer in the existence of the brand both on social networks and in the presentation of new products and even in product development. Research shows that those companies that tend to engage consumers are more successful and build the loyalty of their customer.

1. **Business analysis.** Assess whether the product meets the set objectives (profitability analysis).
2. **Product development and testing.** Product development refers to all of the stages involved in bringing a product from concept or idea, through market release and beyond. A new product is introduced to the market in small quantities if the product is successful, a larger quantity is introduced to the market, if the product does not receive attention, looking for a reason why returning to the product development or marketing strategy.
3. **Launch.** Market feedback and product monitoring, control. If the product is successful it is delivered in large quantities. A periodic report on the market performance of the product must also be carried out. Whether its sales are growing, whether the selected segment is buying it, whether production capacity needs to be increased and so on.
   It is also very important when creating a product to create criteria according to which we will compare whether we can go further with this idea or not. Criteria were developed by the author according to empirical research which was done also by the author. These criteria match the gate. The goal of these criteria is to create successful, innovative products which perfectly will fit into the market.
   Every component of the new development model should be disclosed in the context of innovation and a competitive market. This model is innovative because it was created 7P’s by the author (product, price, place, promotion, packaging, people, participation). Also, it was created criteria by which to decide to reject an idea or go further with the idea. The criteria of innovation, so all products must be a novelty. Also, market analysis is done at every stage because the market of cosmetics is a fast-changing, many and emerging product, so the market needs to be reviewed at every stage.

**Conclusions and suggestions**

As mentioned in the beginning, this research aimed to identify the difficulties that companies face when launching new products on the market and to create a model for new products project.

In order to investigate this, a market analysis of the cosmetics industry was performed to determine the real situation in Lithuania, and cosmetics industry companies were selected and interviewed about the development of new products.

The study found that to create a successful product, it is necessary to have a budget for new products, at least 6 percent of the revenue received to expect successful product development.

Also, the product development activity in the company must be supported and seen as one of the main activities and not an extra one.

Internal factors that influence product success was identified: organizational resources, top management support, new product development teams. And factors in the context with the market: market orientation, a strong brand image, the packaging appearance, competition, market segmentation. These factors usually determine whether a product will succeed in the market or not.

The features of the product that will make the product more successful are also named: innovation, product feature that solves the consumer’s problem and the appearance of the product.

It can be said that the product consists of internal and external factors and the product itself. For a product to be successful, it needs to be innovative, attractive, and solve a consumer problem. And make a plan as external factors such as competition to turn a product into a strength rather than a weakness.

Based on the research, a model for the development of new competitive products has been developed. The model is innovative: 7P’s (created by the author), go/no go criteria, criteria of innovation, market analysis at every stage.

Further research on this topic could be continued. Foreign cosmetics markets such as Germany, France should be studied and interviewed in order to discover the differences between the Lithuanian market and them. And get new ideas from it on how to better release new products because they are market professionals. And layout strategies for entering foreign markets according to the situation.
INOVATYVIŲ KOSMETIKOS PRODUKTŲ IŠLEIDIMAS Į LIETUVOS RINKĄ

I. Vaičiūtė

Santrauka

Šioje pasaulinėje rinkoje, augant produktų pasiūlymą, sutrumpeja produktų gyvavimo ciklas ir mažėja vartotojų lojalumas. Bendrovėms kaip niekad svarbu pristatyti naujus produktus į rinką per trumpesnį laiką ir tai daryti periodiškai.

Straipsnyje nagrinėjama, su kokiais sunkumais susiduria Lietuvos kosmetikos pramonės įmonės, pristatydamos į rinką naujus produktus. Apžvelgiant kosmetikos pramonės veikla Lietuvoje, nagrinėiamas produktų kūrimo ir išleidimo procesas, nustatomi sėkmingo produkto veiksniai. Straipsnyje pateikiamos bendrosios įmonės požiūrio į naujų kosmetikos produktų kūrimą ir išleidimą į rinką.

Remiantis tyrimo rezultatais, pasiūlyti išvados ir galutinio produkto veiksmingumo formuluojami įsitikinimai. Creations of innovative cosmetics products to Lithuanian market is important for companies, as it allows them to reach the market faster and maintain customer loyalty. Therefore, the aim of this article is to explore the challenges faced by Lithuanian cosmetic companies when launching new products into the market.

References


Reikšminiai žodžiai: kosmetikos pramonė Lietuvoje, naujų produktų vystymas, konkurencija, produkto inovacija.