

# Max Factor's Many Faces

By Lucille Craft

**V**ictor Harris, 60, has been in the cosmetics business for 39 years, most of that time devoted to managing production and sales in Asia for Max Factor, the Hollywood-based cosmetics corporation. During his tenure here, the Japanese subsidiary has known exhilarating success—capturing 10% of the then-developing Japanese cosmetics market in the early 1970s—and a heartbreaking setback, when misguided direction from the home office enabled the company's Japanese competitors to pull ahead. Under Harris's guidance, the Japanese subsidiary has managed to restore its share to 6%, and is the only American firm that sells more in Japan than in the U.S. Lucille Craft recently interviewed Harris at Max Factor Japan's head office in downtown Tokyo.

**Q:** *How has the Japanese cosmetics market evolved during Max Factor Japan's 33-year history?*

**A:** The industry at our beginning here was very small. There was little or no regular use of "color cosmetics," the non-skincare part of the business. Japanese women, for many, many years, have been using creams and lotions and take excellent care of their complexions. But the use of fashion products—the color products, for lips and eyes and nails—was really almost nonexistent, except perhaps in nightclubs and geisha houses. So we really brought to Japan the idea that every woman should and could be attractive, and in a very ladylike way, by using makeup, a word that was coined by (company founder) Mr. Factor. We actually went into the junior high and high schools to teach young women how to



Victor Harris, president of Max Factor K.K.

use makeup. We put schools into the stores; we started, developed, maintained and still do, as does the whole industry in Japan, huge numbers of highly trained makeup "artists," as we call them, who are out in the field teaching and demonstrating the proper use of the product. Very soon after we started these ideas, they were adapted by the rest of the industry, and became really the basis of the whole educational system in Japan as to how to prescribe and sell cosmetics.

**Q:** *How does your company distinguish itself in a market dominated by giants like Shiseido and Kanebo?*

**A:** Max Factor is the only company that can combine the two major marketing abilities, one of having been in Japan for over 33 years, and secondly, of being very prominent internationally in all the cosmetic and fashion capitals of the world. And those two things together really give us a plus that we have taken advantage of, and we're trying to continue to develop our business here based on our differences. . . . Our competition in every other country in the world is American and French and British. Our competition here is Japanese. We almost ignore all the non-Japanese here because they





Max Factor chemists at work

still amount to only a very small part of the business, and that's not changing. The Japanese excel in R&D; in product development, naturally; and in their advertising and the quality of their packaging. There are no weaknesses, certainly not on the surface.

## Little competition in skincare

**Q:** *So how do you compete?*

**A:** We look for niches. We try to predict the coming need for a product, or a shade, or a fashion or a look, which again, our experience overseas and presence in all of the fashion capitals of the world give us an ability to do; to try to predict what is going to be popular in Japan, what will be necessary in Japan. As an example, late last year we marketed, for the first time in Japan, a range of acne prevention care products for teenage skin problems. We market these in other parts of the world; everybody does. There had been no need for this kind of thing in Japan, because they have gorgeous complexions; they're born with them, they die with them. But among the wonderful things that America has brought to Japan is the fast-food craze, and young women in Japan now have, or soon will have, changing needs for skincare products. And we develop and market a range here which is excellent in a field, in which, at least initially, there's little or no competition.

**Q:** *How are your products manufactured, packaged and marketed to cater to local tastes and characteristics?*

**A:** Where we sell a brand and a product here which is the same brand that we sell in the U.S., there are no differences at all. The big difference in Japan and certain other markets is that because the industry product mix in Japan is different than in the U.S., we have started our own product development in Japan only for those products which we cannot look to the U.S. to help us with. We have several complete ranges of goods which we don't sell in the U.S., and for those, we've designed our own packaging, developed our own formulas, we've done our own product testing, our own research, our own advertising and marketing, quite separately. To summarize, we don't take something from the U.S. and say, well, it should be bigger or smaller, or it should be red instead of blue. We don't make minor changes like this. But in those brands and products we develop specifically for this market, then we create our own presentation from scratch.

## International appeal

**Q:** *Are celebrity promotions more successful in luring customers here than in other countries?*

**A:** I don't think Japanese customers are any more swayed by personality than customers of other countries. You get some differences in who is popular and who is not popular here. Diane (Lane, an American actress) is an excellent example. Diane is far better known and more popular in Japan than she is in the States. We've been using Jaclyn Smith of *Charlie's Angels* (an American TV show) in the United States. She's exactly what

we want and need in the U.S. It would have made great sense for us to use the same person here—it would be more efficient and less costly—but the target audience in the U.S. was a little older than we had identified here; the product range a little bit different. So in spite of the additional costs and time and effort we decided to use Diane and it's proven to be exactly right. It's now our third year with Diane; she's kind of the Max Factor Girl.

**Q:** *Why not use a Japanese model?*

**A:** Because we're an American company. And we think it's important to continue to tell that story—one, that we're an international company, and two, that we're a multinational kind of company with tremendous experience in the Japanese market. And I think even our Japanese competition tries, in their advertising and sales promotion, to use models who could be any nationality. They don't come out and say it, but in settings they do a tremendous amount of photography overseas, to lend an air of internationalness.

**Q:** *Are Japanese customers more loyal than those overseas?*

**A:** More so in Japan than in other major cosmetic countries, but again, it kind of breaks down. In the skincare part of the business in Japan—this is true of all our competition as well—you get tremendous loyalty. If a woman is using a skincare regimen that she thinks suits her, it's awfully hard to get her to change, as long as that maker keeps up to date on new trends and new science input. On shades, the fashion part of the business, young women—and I guess this is good for all of us—like to try anything that's new: a new shade, a new application idea, a new applicator, a new technique for putting something on, a new look. So among the major makers and particularly the younger girls, they'll change. And that's good for the business.

**Q:** *What are some other characteristics of this market?*

**A:** We try very hard to get customers for our products as young as possible in age. Women in Japan start caring for their skin years and years before women in America even worry about it. We say women in America start worrying about their skin when it's too late. Women in Japan worry about their skin when there's still plenty of time to care for it, years before they start using lipstick, shadow and liner. That's why we still do a lot of schooling of young girls to try and get them to be skincare customers at an early age. We do it in stores, hotels, in apartments, almost wherever we can gather a group of interested women. We still have



the program in high schools, teaching graduating students the proper use of makeup. We find the school faculties and families of the girls are delighted to have that kind of assistance. Because if the girls are going to use it, they might as well use it properly.

## Costly cosmetics

**Q:** How much more expensive are cosmetics here?

**A:** Close to double, at today's absolute dollar values. Also here there are no closeout sales of cosmetics, there are no cut prices in cosmetics. They never have a sale. In the U.S., most of the cream business that is done all year long by all of the major important quality houses is done in January with 50-percent-off sales. Every woman gets her department store mailing in December for the month of January. Can't do that here, never been done. There's no law, but you just don't do it. It's been tried, but it won't sell one piece. The same goes for pricing. You introduce an excellent product at too low a price and the market is suspicious of it. The consumer is terribly suspicious of it. (She thinks) it can't be any good if you can afford to sell it at that price. Quality and price in Japan in the cosmetic industry are the same thing. You can't separate them. We have four or five brand levels. But even the lowest-priced would be considered medium- to high-priced in

the U.S. There's a tiny bit of business in so-called budget brands, but it's almost insignificant. Which we think is good for the industry, because it enables the industry to spend more on R&D, to spend more on the raw materials they put in their products, so it brings to the consumer a higher quality standard. And the consumer doesn't get hurt by buying someone's cheap product that gives her a problem or really shouldn't be on the market at all. The standards here are perfection.

**Q:** Since the Japanese cosmetics market has "matured," where's the growth potential?

**A:** We look at the aging of the Japanese population as a tremendous growth potential for the industry. The woman who used to be a potential customer until she was 60 or 65 is now a potential customer until she's 80 or 85. This means, obviously, our customers are living longer. It also calls for additional product development, because the aging of skin or other requirements of a woman or man change up and beyond the 70s and 80s, so we're going to continue to look at products that are more lasting and will cover the changing needs of the aging population.

**Q:** How does that compare with other countries?

**A:** The fastest growing part of the business in Europe and the U.S. today, for the last five to 10 years, has been in fragrance, for men and women. In Japan there is no market at all—and it doesn't change. Tre-

mendous amounts of money, including some hard-earned Max Factor money, have tried to change the use habits of Japanese women. The average Japanese woman continues, at any age, to want to smell natural and clean and soapy. They bathe often but they don't want any artificial fragrance about them. Even in our basic products, we add far less fragrance than in other countries. It's so subtle as almost not to be there. Men are huge consumers of hair products, but they don't use aftershave lotion, they don't use men's cologne. A lot of Japanese tourists, they'll come back and have a huge bagful of French cologne they've bought at duty-free stores for wives and girlfriends. So you'll get statistics showing Japanese are buying a lot of perfume, and my boss will say, "I told you so, it's changing." But it doesn't change, because you can go into some Japanese lady's home and she's got 40 bottles of French perfume still totally sealed and never to be opened. And yet other fashions here change very dramatically and quickly. (Japanese fashions) are gimmicky, they're unique, they're cute, they're fashionable, they're modern and they're young, and the Japanese ladies just jump in and try all of these things. But fragrance is something like 2% of the industry, and even that figure is suspect—whether that amount is being used or just given as gifts.

**Q:** Any advice for other cosmetic manufacturers seeking to enter the Japanese market?

**A:** It's the second-largest cosmetic market in the world, after the U.S., but it's tough. It's terribly expensive to come into this market. Department stores are perfectly happy with the brands they have now. It doesn't matter what your reputation is somewhere else—what are you going to bring to the store and the consumer that makes it important for them to give you space? You've got to have a better product—cheaper won't do it here, you're not going to give bigger discounts to the stores, you're not going to do more advertising, so you have to have a reason to exist. If you really don't have a reason to exist that makes sense to the retailer and the consumer, stay out of here. You can't make it. It's also very long term here, in cosmetics or anything else. Don't come to Japan if you have to show your board of directors at home at the end of the first quarter that you made some money. And don't even promise them any money at the end of the first year, or maybe at the end of the first five years. But if you can offer something better, something special, then there's a place here for you. ●



A Max Factor counter in a Tokyo department store