Yin Wang

Probing of Consumer Orientation Based On Service-Dominant Logic
By Empirical Study of Cosmetics Companies

Service Science
E-Level Thesis

Date/Term: Autumn/09
Supervisor: Lars Huglund
           Erik Sundström
Opponent:  Chen Junwei
Abstract

With marketing concept being maturely developed, many firms are encouraged being customer-oriented. However, as firms pursue advanced technology development which is in order to meet customers’ various needs and being competitive, the furious competition of products innovation and development is raising which leads to time and people consuming blindly for firms, and the space of being competitive is condensed. In such case, a new logic is advocated which is to ask firms to lay down the separated line with consumers, and start to consider about interaction with consumers and other value network entities, it is time to get rid of single side supply and to advocate two side collaborate. This paper argue the customer orientation should be reconsidered with transmitting into service-dominant logic, through demonstrating from several primary theory foundation, it argued that interaction and collaboration of manufacturing companies and consumers is a new features for firms to find another outlet to being competitive. Even though this mindset is not prevail, it has already started in IT sector, and gradually it will expand to others, because information technology is seen as a good facilities for interaction between companies and consumers, it will be reflected in further practical study.

Key words: consumer (customer) orientation, service-dominant logic, consumers’ self-service process, collaboration, interaction, cosmetics manufacturer
Words of Gratitude

As a student at Karlstad University to study Service Science master program, I have felt honored and grateful. I’m willing to take this opportunity to express my deepest gratitude to my tutors Mr. Lars. Huglund and Mr. Erik. Sundström. Not only can I make my thesis completed by getting their patient instruction and help, but also learn the valuable thing towards academic study which is from their humble and strict attitude for the discipline study. I feel respectful for them and respectful for the field I studied.

Another specific gratitude I would like to send to my family. I cannot deserve this great study without their support, and it would be difficult to keep moving in some troubles during the study period without their encouragement. And at the same time I would like to thank my friends and classmates who worked together and supported to each other during the academic study term.
1. INTRODUCTION ................................................................................................................................. 6

1.1 PROBLEM ........................................................................................................................................ 7
1.2 PURPOSE ......................................................................................................................................... 7
1.3 LIMITATION ...................................................................................................................................... 8
1.4 BACKGROUND OF STUDY ............................................................................................................. 8

2. METHODOLOGY .................................................................................................................................. 10

2.1 CHOICE OF THEORY ....................................................................................................................... 10
2.3 EMPIRICAL STUDY .......................................................................................................................... 10

3. THEORETICAL FOUNDATIONS AND KEY CONCEPTS ..................................................................... 11

3.1 CUSTOMER ORIENTATION ............................................................................................................. 11
   3.1.1 What is customer orientation? .................................................................................................. 11
   3.1.2 The way of executing customer orientation ............................................................................ 12

3.2 SERVICE-DOMINANT LOGIC INVOLVED IN MARKETING ............................................................ 14
   3.2.1 Goods-dominant logic vs. Service-dominant logic in marketing .............................................. 15
      3.2.1.1 Goods-dominant logic (GDL) .............................................................................................. 15
      3.2.1.2 Service-dominant logic (SDL) ............................................................................................ 15
      3.2.1.3 Consumer’s self-service process and firms’ role ................................................................. 16
   3.2.2 Customer orientation based on GDL ........................................................................................ 19
      3.2.2.1 Diversifying products’ attributes ....................................................................................... 19
      3.2.2.2 Consumers’ behavior on purchase and repurchase ............................................................. 23
   3.2.3 Customer orientation based on SDL ......................................................................................... 27
      3.2.3.1 Consumer’s value ................................................................................................................. 27
      3.2.3.2 Consumer’s practice process ............................................................................................... 30
      3.2.3.3 Interaction ........................................................................................................................... 35

4. EMPIRICAL MATERIAL ...................................................................................................................... 37

4.1 INTRODUCTION OF MACROSCOPIC ENVIRONMENT ................................................................ 37
   4.1.1 The products ............................................................................................................................... 38
   4.1.2 The consumers ............................................................................................................................ 39
   4.1.3 The regulations ............................................................................................................................ 40
   4.1.4 The development trends ............................................................................................................ 41

4.2 BACKGROUND OF THE LEADING COMPANIES ......................................................................... 43
   4.2.1 L’Oreal ....................................................................................................................................... 43
   4.2.2 Estee Lauder ................................................................................................................................. 44
   4.2.3 Shiseido ..................................................................................................................................... 44

4.3 ANALYSIS ......................................................................................................................................... 45
   4.3.1 L’Oreal ....................................................................................................................................... 46
   4.3.2 Estee Lauder ................................................................................................................................. 48
   4.3.3 Shiseido ..................................................................................................................................... 49

4.4 DISCUSSION ...................................................................................................................................... 50

5. CONCLUSION ................................................................................................................................... 52

6. REFERENCE LIST ............................................................................................................................... 54

7. APPENDIX ....................................................................................................................................... 57
1. INTRODUCTION

Marketing concept has been developed from production concept through sales concept until now when firms are encouraged to be customer-oriented. Nowadays lots of firms see itself as being customer-oriented which is do research on customers to acquire customers’ information and generate products to meet customers’ needs. However in fact it is not easy to be real customer-oriented for firms, one reason is in production process to advocate standardization and effectuation is essential rule for engineer and is crucial element to influence firm’s production quality and cost, therefore in a scale production to adjust products’ design and standard time to time is challenge for firms’ benefit. Another one reason is customers’ needs and want vary time to time and their selection is enlarging. In addition some of them become profession of consumption of products, so they have different opinion to use the standard products in various ways. Based on these two reasons to create standard products to meet various customers’ needs is out of normal and it is challenge for firms to being real customer-oriented. Even so there is always a way going out.

Even though customers’ needs vary constantly eventually it would be limited, in this way, the firm can try to innovate products, and through developing advanced technology to create value-added products to meet customers’ needs. However products (goods and services) are seen as operand resources which are used up soon and finite, in such case, collaboration is advocated among companies and shareholder, service-dominant logic is on the way to transmit goods-dominant logic.

Due to this paper focus discussion on collaboration and interaction between manufacturers and consumers, the theory foundation will be rested on customer orientation as being an outlet, and followed by discussion of service-dominant logic involved in marketing through citing (Vargo and Lusch, 2004&2008) s’ overview of marketing evolution. Later on by discussion of comparing between GDL and SDL in marketing elicit argument of customer orientation based on GDL and SDL. In final sector I will collect empirical materials and study them with theory, the purpose is to make a thorough inquiry on practice and identify the companies developing trend in future. Furthermore it is necessary to note that since the “consumer” (end user) belong to “customer”, but in this paper it will see both of them as one meaning with the end user, it is in order to easily cite literatures and books which sometimes use “customer” to switch “consumer”.

The value of this study is to make companies strengthen their realization of SDL and use it to direct their marketing activities. And the empirical study of marketing strategy in cosmetics companies is used to identify and reflect development trend of the new concept and the situation of the way of thinking transmitting which can be seen as an intimation or clue for other industry and company.
1.1 Problem
To talk about collaboration and interaction between companies and consumers is myth in the past, since the only thing can connect them is for value exchange, each of them do exchange for acquire benefit, so there is always an boundary line between companies and consumers, in other words, companies have limited understanding on consumers, because they thought consumers’ consumption behavior is a black box which is complicated to understand, and most of time to do consumer research just for products selling purpose, so to profoundly understand consumers is unnecessary with people and time consuming. And vice versa for consumers, they thought to conversation with enterprise is a kind of remote thing, and what would be kindness, they thought, is as long as those business men do not use any stimulate tricks to induce them to buy more stuff. Since to be customer-oriented has been encouraged and prevailed among enterprises, so it would be a challenge to do business if the enterprise still stays with production-oriented or goods-dominant logic.

Nowadays with new service-dominant logic development, the identity of customer orientation become vague, companies will be encouraged to involve into consumers’ practices which is not just superficially to do consumer research, in addition consumers will be guided to interact with companies but not be induced to buy products. Nevertheless since there is a boundary line between companies and consumers, so the questions are how do companies involve into consumers’ practice and how do they do interaction. The answers will be found in the following discussion.

1.2 Purpose
Since internet technology developed into mature stage, people can acquire times of information by them self through internet than before, in other words the traditional marketing strategy with “push-pull” strategy become limited, in which consumers’ information acquirement is passive, and companies’ information acquiring from consumers is lack of activated.

Accordingly, a new marketing concept is being advocated. Based on theory foundation of marketing and key concept of service-dominant logic, this paper tries to probe a way of insight into marketing involved with service-dominant logic with getting rid of traditional thinking of marketing. Furthermore to demonstrate a trend that SDL will gradually replace GDL is the main line in this paper. The study with two purposes, one is to uncover the new logic involved in marketing concept of consumer orientation step by step, and to conclude some elements which reflect excellence features of consumer orientation based on SDL; another one is to testify developing tendency of the new logic for cosmetics companies’ marketing concept which are widespread consumer-oriented.
1.3 LIMITATION
Due to the methodology of this study only includes empirical study by collecting industry and companies’ information from literatures, website and companies’ annual reports, so the result of study lack of strong proving information support which should have tried one more qualitative analysis by using the real data collected from companies directly. Furthermore, the empirical materials selection was not defined as typical case selection, therefore it cannot be representation for any enterprise and reflect general problems, but rather just reflect a situation of the way we think in another logic. All in all, due to the general theory was discussed in the beginning part still being critical among some scholars, therefore the following discussion of empirical study is also critical too.

1.4 BACKGROUND OF STUDY
Today most firms have adopted marketing concept to operate their business, which is a flexible philosophy of being customer-oriented instead of product-oriented. “A business ought to view itself not as selling goods or services but rather as buying customers, namely, managers should think about what people will buy, and why.” (Levitt, 1977) In 1776 in The Wealth of Nations, Adam Smith wrote that “the needs of producers should be considered only with regard to meeting the needs of consumers”, and “this argument was not adopted widely until nearly 200 years later. In order better to understand the marketing concept, it is necessary to make a reviewing other concepts that once predominantly emerged in business sector.” (www.netmba.com/marketing/concept)

When the industry revolution started the production concept prevailed, the idea was that to produce most efficiently and standardizationally should be focused by firms, in addition supplying low-cost product will bring increased demand is also primary in this concept.

According to materials collecting from the website (www.netmba.com/marketing/concept), I make a brief summary that is in the past, the production concept worked fairly well, because the goods that were produced were basic necessity and largely demanding and there were few producers in the market. Therefore virtually everything that could be produced would be sold easily through a sales team whose job it was simply to execute transactions at a price determined by the cost of production. The production concept prevailed into the late 1920's.

“By the early 1930's however, the resource showed that mass production had become commonplace, competition increased, and there was little unfulfilled demand.” (www.netmba.com/marketing/concept) “And then firms began to practice the sales concept (or selling concept), under which companies not only would produce the products, but also would try to convince customers to buy products through advertising and personal selling. And the sale concept emphasized to enlarge market share with little regard to customer satisfaction. At that time, many managers came to associate marketing with hard selling. Even in currently, still
many people use the word "marketing" when they really mean sales.”
(www.netmba.com/marketing/concept)

After World War II, new technology invented and prospered in different manufacturing areas, with tendency of economy increased, each industry attracted lots of competitors to enter, which leaded to variety products and services increased. In addition, with increased discretionary income, customers’ needs moved up from basic needs satisfaction to enjoyment and luxury needs. Therefore, the hard selling no longer be a good way to explore market share, in other words, those selling stimuli tools no longer work efficiently to attract these discerning customers.

To respond this issue, firms are encouraged to adopt the marketing concept, which is “focusing customer needs before developing the product, aligning structure of the company to focus on customers’ needs and put this change as a long-run target.”
(www.netmba.com/marketing/concept)

Currently products that are designed hardly being sake of meeting customers’ needs and want, however for manager it is not just simply to understand which products or product attributes can meet customers superficial desire, but rather to get and meet customers’ latent needs. Michael D. Johnson argued in his book that “to collect customers’ information and acquire customers’ latent needs is first step to execute customer orientation for company”, by doing this way firms are encouraged largely to be customer-oriented to create products with meeting customers’ latent needs, and this marketing concept was prevail in end of last century in academic and business field.

However nowadays there is a company which generates advanced technology products with large worldwide market share transformed its business structure suddenly, and still acquired big success. According to SWOT analysis of it from Datamonitor.com, the company does not have any weakness to analyze. It is IBM (International Business Machines) Corporation, the company with being well known brand of manufacturing personal computer has been primarily from a hardware vendor successfully transitioned into services and software, by doing so, it has moved from being a point product vendor to end-to-end solution provider. Today IBM Global Services which is business division of the IBM Corporation has became the largest business service company in the world, with wide range of technical and business consulting service offerings, the company has managed to build the scale of $54,144 million in financial year 2007.

Lots of scholars were attracted by the IBM successful breakthrough service business. They consider it is a new concept coming which can instead of marketing concept by naming as service concept. Plenty of literatures about service concept or service definition have been published, among them Stephen L. Vargo & Robert F. Lusch’s service-dominant logic vs. good-dominant logic point of view generated breakthrough contribution for the service study. Even though those scholars are standing with different view point about service concept, most of them approve that service era is coming by penetrating not only services organizations but
manufacturer firms. Gradually service concept study is expanded into marketing and management area.

2. METHODOLOGY
Due to the paper was mainly divided into two parts, one is general theory discussing, the other one is empirical study in specific discussing, so the method of study is specifically fallen into the two parts, the illustration is following.

2.1 CHOICE OF THEORY
Since this paper mostly focus on theory discussion and reasoning, the theory selection and application is primary in the demonstration process. Based on the topic the theory foundation is composed by five principal literature references: a book from (Michael D. Johnson, 1998) with name of “Customer Orientation and Market Action”, a book from (Peter and Olson, c2008) with name of “Consumer behavior and marketing strategy”, a simulation model by using IT technology to study about how companies create and design their products to meet customers’ various needs which is cited by (Peter Loos, 2002) in his literature, (Vargo and Lusch, 2004&2008) ’s literatures about service-dominant logic deduction and demonstration of consumer self-service process from (Grönroos, 2006&2008). The way of discussion and analysis is from entirety to pieces, such as it is from the overview of marketing concept evolution, the theory frame of customer orientation, concept of GDL and SDL in marketing to specific pieces with including way of executing customer orientation and way of executing customer orientation based GDL and SDL.

2.3 EMPIRICAL STUDY
The empirical material collection is beginning with introduction of macroscopic environment where cosmetics companies stay in. The method of presenting of the three cosmetics companies is according to the basic 4Ps marketing discipline and citation of SWOT analysis from Datamonitor.com for each company. The aim is in order to make readers realize the companies’ marketing and competitive elements situation.

In the analysis for each company, the theory elements are used to combine the company’s real activities, and analyze the company’s dominant logic to operate business and judge the trend of the company being service-dominant logic with success and challenge.

All the empirical information is collected through internet and journal article, the three companies’ information illustrating came from their each annual report and webpage.
3. THEORETICAL FOUNDATIONS AND KEY CONCEPTS

3.1 CUSTOMER ORIENTATION

3.1.1 WHAT IS CUSTOMER ORIENTATION?

Success in the marketplace is not to rely on a firm’s ability of controlling finance crisis, neither of producing high technology and good quality products, but is to rest on a firm’s capacity to attract, satisfy, and retain its customers. With marketing concept developed and fiercely competition raised among firms, and lots of them are initiative to focus customers, try to realize and meet their needs and want. Accordingly, customer orientation as a term frequently emerge on marketing management literatures and there are different explanations of customer orientation from scholars. The following are some definitions of customer orientation which are found from a literature. (Kwaku Appiah-Adu & Satyendra Singh, 1998)

“The dissemination of information about customers throughout an organization, formulation of strategies and tactics to satisfy market needs inter-functionally and achievement of a sense of company-wide commitment to these plans (Shapiro, 1988)”

“Customer orientation represents the degree to which customer information is both collected and used by the business unit. (Kohli and Jaworski, 1990)”

“…the organizational culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers. (Narver and Slater, 1990)”

“this orientation as the degree to which the organization obtains and uses information from customers, develops a strategy which will meet customer needs, and implements that strategy by being responsive to customers’ needs and wants. (Ruekert, 1992)”

“the set of beliefs that puts the customer’s interest first, while not excluding those of all other stakeholders such as owners, managers, employees, in order to develop a long-term profitable enterprise. (Deshpande etal., 1993)”

To reference above authors’ view points about customer orientation, it can be summed up with two aspects -thought and action- for customer orientation, which is understand and satisfy customers.

The most important thing has to be mentioned is though customer orientation as an approach which can bring firms positive attitude and direction, it cannot be seen as an omnipotent approach. Even though the term of market orientation and TQM (Total Quality Management) seems not as fresh as it, it cannot stand for that those approach and perspective are too old to be used. In fact, customer orientation has close relationship with them. The market orientation focuses equally on customers and competitors in business decision making and strategy development, accordingly customer orientation can be seen as one part of it, or we can say the
most important part, because competitors may come and go, strong or weak, but without customers there is no market to orient on. Furthermore, even though TQM is seen as internal process, its “total” means all process should be continuously improved, which include customer focus, if we take week force on this part, the “total” meaning will lose its real essence. Accordingly customer orientation is not singly to take customers into account with being myopia, but it is a view to get through the whole organization and connect to each worker in this organization. The following part will describe specific about customer orientation.

3.1.2 THE WAY OF EXECUTING CUSTOMER ORIENTATION
Michael D stated in his book that there are two themes for managers use to improve product and service quality and customer satisfaction, which are to obtain an accurate set of customer specifications for the target market segments and to have a production and services or maintenance process that achieves conformance to these desired specifications. (Michael D, 1998) According to his book in first chapter, there are three conceptually distinct goals that managers should consider and make action on it for the both themes, and provide a philosophical foundation for the development of a customer orientation. In this paper, the three goals will be used as three phases to being customer orientation. It is a sequential process happened on each phase: 1) to attain customer information; 2) to disseminate that information; and 3) to implement product and service improvements. (See figure 1)

![Figure 1: Three conceptually distinct goals (Michael D. Johnson, 1998)](image)

In order to attain customer information, firms “need to understand customers’ needs and values, how they served by current products and services, and how they will likely be served by future products and services.” (Michael D. Johnson, 1998) as this work is highly connected with customers, we should enlarge our view to different dimensions which related to customers, the
end purpose is to get specific customer information. In Michael’s book, he suggested an integrated approach which is to integrate three perspectives: manager’s perspective, economist’s perspective and psychologist’s perspective. As marketers attain customer’s information, they have to rest on the three perspectives. Since managers make business decision, not only customers’ information they need to consider, but the information about competitors, employees, corporate strategy and technology and so on still need to integrate, accordingly, marketer should be aware about manager’s perspective which is what particular customer information is needed which can make effective decisions. Since marketers integrate this perspective is more about organization internal, they need to be aware about external, the economy environment and customers’ behavior, character, culture and so on. The economist’s perspective is about “what market or market segment behavior is probable and why?” (Michael D. Johnson, 1998) by doing this way, marketer have to rest on target market which is influenced by the economy environment it stay on, such as what kind of economy elements influence the target customers’ level of wage, job and consumption tendency and so on. In addition, the psychologist one is about “what types of individual and group behaviors are possible and why?” (Michael D. Johnson, 1998) even if marketer can get information from economy elements influencing on the target market, inside the target market there is more specific information from different categorization of people, such as gender, age, and different worker class. After to integrate these perspectives, marketers will be relatively correct to locate and do customer research, and get customer information.

After managers attain customer information, they need to disseminate it, and to prepare the entire organization to translate customer needs into effective actions. In the book, Michel suggested managers should understand the “whole picture”, “the highest managers must balance a variety of perspectives, from customers’ perspectives to the firm’s financial perspective to an internal process perspective to a learning perspective. This work is sort of internal management, however, if we are regardless of it with just concentrating to the external customers’ information, the whole project for being customer orientation will be destroyed.

The third one is implementation in which “managers need to follow through and provide customer with new and improved products and services.” (Michel D, 1998) When the internal works are done, the managers will use marketing tools to communicate with customers, to let them know and buy.

According to above overview of customer orientation concept cited from Michael D. Johnson, firms being customer-oriented are encouraged to follow with the mode: 1) to attain customer information; 2) to disseminate that information; and 3) to implement product and service improvement. However, nowadays as the service-dominant logic mindset prevails, this concept is re-thought. Since Vargo and Lusch argue that the service-centered view of marketing is customer-centric but is not simple consumer orientation, in other words, the customer orientation concept is outdate, since from GDL to SDL is a sort of logic transiting, we can try to use these
different mindset to review marketing about the consumer orientation concept, and then try to probe an upgrade one which can be a new outlet for companies to make new ideas.

3.2 Service-Dominant Logic Involved in Marketing

Vargo and Lusch analyzed in one of their literature that in beginning of the 1980s it’s probably due to the emergence of services marketing as a sub-discipline, many new frames of reference that were not based on the 4P’s and were largely independent of the standard microeconomic paradigm. Gradually, scholars challenged to make it “break free” from product marketing and recognized the inadequacies of the dominant logic for dealing with services marketing’s subject matter. (Vargo & Lusch, 2004) in their article, they cited different scholars’ point of view in marketing which is from different phases. (See Appendix 1) They tried to show that marketing as a discipline does not stop to change itself when it was born in the beginning of last century.

At present, they demonstrated that marketing concept has shifted much away from logic of exchange of tangible goods but towards logic of exchange of intangible, specialized skills and knowledge, and processes (doing things for and with), which is named service-centered view or service-dominant logic. “It is worthwhile to note that the service-centered view should not be equated with (1) the restricted, traditional conceptualizations that often treat services as a residual (that which is not a tangible good); (2) something offered to enhance a good (value-added services); or (3) what have become classified as services industries, such as health care, government, and education. But rather, we define service as the application of specialized competences (knowledge and skills) through deeds, processes, and performances for the benefit of another entity or the entity itself.”

In the article, they used perspective on resources to help comprehension about the new dominant logic of marketing. “Thomas Malthus (1798) concluded that with continued geometric population growth, society would soon run out of resources that humans draw on for support.” In here this kind of resources is named as operand resources which include acting on the land, animal life, plant life, minerals, and other natural resources. Due to these resources are finite, humans consider wealthy by possessing them. A goods-centered dominant logic developed in which the operand resources were considered primary. To compare with this type of resources is operant resources which are considered as infinite, intangible resources like skills and knowledge. The definition of operand resources and operant resources is cited from other scholars in the article. “Constantin and Lusch (1994) define operand resources as resources on which an operation or act is performed to produce an effect, and they compare operant resources with operand resources, which are employed to act on operand resources (and other operant resources)” in other words, the tangible stuff (operand resources) cannot produce effects directly and by themselves, and so the intangible resources (operant resources) either, they need to combine together. Furthermore, the operant resources can collect and arrange operand resources to produce effects and try to produce optimized effects, so it is the reason why many
scholars argue it would be a trend of shift from good-centered dominant logic to service-centered dominant logic. The ever popular term of “factor of production” will be instead by using the term of “collection of productive resources.”

The next part is overview of goods-dominant logic and service-dominant logic in marketing by citing Vargo and Luschs’ literatures before to further discuss the customer orientation with these two logics later on.

### 3.2.1 Goods-dominant Logic vs. Service-dominant Logic in Marketing

#### 3.2.1.1 Goods-dominant Logic (GDL)

According to the article in which Vargo and Lusch demonstrated the orientation of goods versus services, we get a point that the traditional exchange based on goods has already been upgraded to base on service, and goods just can be seen as distribution mechanisms for service provision. They argued that the traditional sense of marketing focuses largely on operand resources, primarily goods, as the unit of exchange. The postulates of goods-centered view are demonstrated by them: (Vargo & Lusch, 2004)

1. The purpose of economic activity is to make and distribute things that can be sold.
2. To be sold, these things must be embedded with utility and value during the production and distribution processes and must offer to the consumer superior value in relation to competitors’ offerings.
3. The firm should set all decision variables at a level that enables it to maximize the profit from sale of output.
4. For both maximum production control and efficiency, the goods should be standardized and produced away from the market.
5. The goods can then be inventoried until it is demanded and then delivered to the consumer at a point.

To look into these points of view, managers probably think that are not they good enough? Because in order to offer superior value to customers, they focus on customers and improve products and services quality, and in order to maximize production control and efficiency and generate standardized output, they endeavor to improve technology. However, customers no long add to good quality and standardized products even though they are very necessary, and the high technology cannot continually be a competence any more as firms to use it as an exchange or share to serve and benefit to each other.

#### 3.2.1.2 Service-dominant Logic (SDL)

In the article, Alderson’s (1957, p.69) advice is cited “What is needed is not an interpretation of the utility created by marketing, but a marketing interpretation of the whole process of creating utility.” The word of “process” (doing things for and with) is a key to realize service-centered view, and in the process the knowledge and skills to drive entity get benefit by self or exchange
among entities for benefitting to each other. The view is stated by them as follows: (Vargo & Lusch, 2004)

(1) Identify or develop core competences, the fundamental knowledge and skills of an economic entity that represent potential competitive advantage. (2) Identify other entities (potential customers) that could benefit from these competences. (3) Cultivate relationships that involve the customers in developing customized, competitively compelling value propositions to meet specific needs. (4) Gauge marketplace feedback by analyzing financial performance from exchange to learn how to improve the firm’s offering to customers and to improve firm performance.

The distinctness of goods-dominant logic and service-dominant logic falling into different dimensions is described in a table (Appendix 2), which is from the article as well. Due to this paper concentrate to talk about customers, hence from the table we catch up the word of customer. As the table showed, customer is seen as co-producer with firms, and they are primarily an operant resource with participating in relational exchanges and co-production. No doubt customer is seen as a resource in the whole process of creating utility. During this process customer do exchange with firms, but this exchange is not that customers get products or services, and firms get money, but rather customers get help and resolution of problems from firms and firms get knowledge or skill from customers. As Vargo and Lusch argued in the article that “the service-centered view of marketing is customer-centric and market driven, this means more than simply consumer orientation, it means collaborating with and learning from customers and being adaptive to their individual and dynamic needs. The service-dominant logic implies that value is defined by and co-created with the consumer rather than embedded in output.”(Vargo & Lusch, 2004) Therefore before to rest on this transition, firms need to study customers, but it is not simply to do customer research to attain their information, the purpose is to interact with them.

3.2.1.3 Consumer’s self-service process and firms’ role
According to above overview of compare of GDL and SDL in marketing from Vargo and Lusch, we might have a structure of SDL in mind with different elements from GDL. The main point of SDL for marketing is firms should be encouraged to interact with consumers actively, but the difficult point is how to do the interaction, and this is being a core discussion among different scholars, but before rest on the interaction activities, an outlet or a way need to be explored to go. Due to this paper focus consumers and manufacturing firms to discuss with the new mindset, in this section the service logic will be penetrated further to discuss consumers and firms which will be on a citation from Gröroos’s view point.
Consumers’ self-service process

In the last century there was a perspective for consumer’s behavior which is “people do not buy goods or services, factories or systems, they buy the expectation (or promise) of solving problem, even the promise of avoiding a problem.” (Levitt, 1976) “The famous examples of this truth are that people buy ¼-inch drill bits but need ¼-inch holes, and people buy cosmetics but want “hope” - thinking personal enhancement will solve deep seated problems of life.” However, this perspective was ignored by the academic community as well as by marketing practitioners owing to people concentrated tangible products (goods-dominant logic) for many years, but now it has been re-cited by another scholar, “people do not buy goods and services for basically different purposes, but rather they buy them in order to use them to assist people themselves with a series of service activities that should create value for themselves.” (Grönroos, 2008)

In the 1990s, there was a view which voiced that “from a consumption and value creation perspective, there may not be any fundamental differences between goods and services.”(Grönroos, 2008) accordingly, Grönroos argued that regardless of whether it is goods or services consumption from consumers, there is always a self-service process emerged with purpose of which is to provide value for consumers self, in fact consumption is basically self-service process. In this process, Gröroos identify that “consumers need to combine together with the main products which they bought from firms, other extra resources if needed and consumers’ own knowledge and skills, the aim is in order to get their own hope or to create value for them self.” In other words, women buy cosmetics in order to get their face shine and skin beauty, but it does not mean that as long as they buy cosmetics products, they will get 100% of promise to get beauty, there are some works need them to do with their own knowledge and skills before achieving the hope. Furthermore it is the same case with when people consume services. Such as when people with friends eat in restaurant, the hope they might hold is having fun, warm relationship with friends, comfortable environment and tasty food, even though there will be a full-service offered by restaurant, they still need to work in their own self-service process to get their own aim, so it also does not mean so long as you go to restaurant you will get those needs you want, no matter how famous the restaurant is, because in this process what you need to do by yourself is reserve a seat if necessary, park car, communicate with reception table and servers, order meal, payment and leave, if there is something bad happen in this process you might probably cannot get what you expect to get, such as a bad attitude waiter, a wrong accounting on payment, or the meal is offered too slow and so on. Gröroos stated that “consumers are not primarily interested in what they buy and consume, but in what they can do with what they have in their possession. They use resources in self-service processes in order to “get something out of it” in other words, they use resources to get something value for themselves.” Such as women bought cosmetics is in sake of getting beauty value, and by looking into this way, firms should try to reconsider about consumers’ value and behavior which will be discussed further in following section.
As above mentioned that from value creation perspective there is not distinctive between consumption of goods and services for consumers, however from being consumer centric perspective, the way to contacting consumers is different between services enterprise and manufacturing firm. As Grönroos demonstrated “the consumers’ consumption process is an ‘open system’ for the service provider, and likewise the production of service is an open system for the consumers” (Grönroos, 2006), in addition, the services production and consumption happen at the same time, accordingly the service providers have an opportunity to engage themselves in consumers’ practices and interact with consumers on face to face frequently. However “according to goods marketing models, the goods are delivered to consumers and the consumption of goods is a “closed” system” for goods manufacturing firms, in other words “the firm does not know what the consumer is going with the goods, therefore consumption is as black box for the goods maker.” (Grönroos, 2006)

Due to the different character between services provider and goods manufacturer and there is common way in consumption for consumers which is self-service process, Grönroos stated that the goods manufactures should rest their mindset on service to penetrate consumers in their self-service process but not just focus on their purchase behavior and reflection result of products.

**Firms’ role in consumers’ self-service process**

“Both goods and services are consumed as services in consumers’ self-service process, Grönroos argued that, firms should not be distracted by existing goods or services in their market offerings, but focus on understanding their customers’ everyday practices and value generating processes where goods and services are used. To take this as a starting point, firms can focus on understanding how they can assist customers’ value creation by supplying goods or services that support customer’s value in use.” (Grönroos, 2008)

There are six methods that Grönroos conclude specifically for firms with the new logic:

- To focus on well-defined customer practices (activities and processes in the customers’ everyday practices).
- To focus on assisting those everyday practices in a value-supporting way.
- To gear goods and services, and new goods and services to be developed, towards the customers’ everyday practices.
- To include interaction that occur between the firm and its customers in its market offerings, which enables the firm to engage itself in its customers’ consumption and value-generating process and thereby to directly and actively influence these processes.
- By engaging itself in the customers’ value creation the firm develops opportunities to co-create value with its customers, and
- By doing this, the firm is no longer restricted to making value proposition only, but can engage itself in customers’ value fulfillment as well.
There are several keywords from these methods, which are customers’ practices, consumption process, value creation, value co-create, interaction, accordingly firms are not only encouraged to be consumer oriented, but also should try to see themselves as consumers or see consumers to be a part of them. However there still be most of goods manufacturing firms getting vague with this new mindset, because they believe they will get success as long as they create different innovative products with high technology and good quality to meet consumers’ various needs, and at the mean time offer some other extra services which also according to consumers’ needs, like maintain services, delivery services and so on, nevertheless this perspective lose glory gradually, as above Lucsh and Vargo argued that goods production is seen as operand resources has limited capacity.

The following section will continue to discuss the difference between GDL and SDL under customer orientation concept, and it will try to help eraser vague for firms with complementing marketing strategy based on the new logic.

3.2.2 CUSTOMER ORIENTATION BASED ON GDL

According to Vargo and Lusch made a conclusion of marketing’s evolution, the customer orientation concept and marketing academic theory have been emerged in the last half twentieth century, as the service-dominant logic is developing nowadays, the concept is reviewed and discussed afresh. This section is composed by two parts, one is products attributes and consequences by citing Peter Loos’s argument on the concept of customer orientation, and another one is consumers’ behavior on purchase and repurchase through quoting some view points from a book “Consumer behavior & Marketing strategy”(Peter, 2005), the aim is to identify concept of customer orientation based on GDL, the discussion is coming along with the view point of GDL which was demonstrated by Vargo and Lusch.

3.2.2.1 DIVERSIFYING PRODUCTS’ ATTRIBUTES

As the goods-dominant logic defined about role of customer showed that “customer is the recipient of goods, marketers do things to customers with segmenting them, penetrating them, distributing to them and promoting to them.” (Vargo & Lusch, 2004) Since nowadays the way of consumption changed dramatically which is because people can handle more rest wage than before, consumers’ needs and want for products vary diversely and speedily, in other words, firms also need to create diversity products which would adapt and meet consumers’ needs. Peter Loos in his article cited that “the success in customer orientation will be granted in adaptation of customers’ needs to products and /or services, therefore it is important to measure the personalization from the view of the customers (cf. Picot, 1991)”. “At this point we need parameters which describe the customers’ felt adaptation” (Peter Loos, 2002)
“A suitable parameter is the degree of individuality. It describes the orientation of the output to a customer’s individual need according to his personal situation. The individuality arises with the individual content or value of an output.” (Peter Loos, 2002) In other words, customers’ needs and want is complex, and companies should adjust and design the outputs (products and services) to become complex and diversity for meeting customers’ needs. And in order to resolve this problem of complexity and diversity, Peter Loos cited a model (See figure 2) in his article which is used to classify the degree of complexity based on sort of output. Complexity depicts, Peter Loos explained, the output from a multi-layered basis. It describes the variety of different features of an output. Accordingly, output will be the core discussed in the model.

![Figure 2: Relation between customer’s need, output, feature and value (Peter Loos, 2002)](image)

The feature in here describes all parts (e.g. products attributes, price, and color) of the output which make a difference to a customer. As the figure showed, the feature is not just consisted of colour, so the flow will be many which are presented as “n” on the figure. In addition, the value is described followed by features, and it is not just consisted of one element as well, so the “n” parameter is used to present the number of flow. As the “n” parameter stands for uncounted number, so it is the reason why to use complexity to explain the output offered to customers. Based on companies’ perspective, customers’ choose is diversity which makes the output being complexity. Peter Loos use “individuality” and “complexity” as two dimensions to reflect customers’ perspective based on output. (See figure 3)
The “individuality” parameter depicts the number of allocate-able values of one feature, and the “complexity” parameter describes the number of allocate-able features of the output. As the coordinate showed, there are different degrees of complexity and individuality. The specific content will be displayed in the following Table 1 (Peter Loos, 2002).

<table>
<thead>
<tr>
<th>Individuality</th>
<th>Complexity</th>
</tr>
</thead>
<tbody>
<tr>
<td>No individuality: the value of a feature is fixed and cannot be changed (e.g. one unchangeable colour of a car)</td>
<td>No complexity: no feature can be chosen (e.g. interior, engine and colour of a car are not assignable)</td>
</tr>
<tr>
<td>Limited individuality: the value of a feature can be chosen from a <em>pre-defined</em> selection which offers more than one values (e.g. 5 colours are selectable)</td>
<td>Limited complexity: the features can be chosen from a <em>pre-defined</em> selection which offers more than zero features (e.g. mutual dependent specification of colour and interior).</td>
</tr>
<tr>
<td>High individuality: the product is unique, there are no restrictions for the specification of the value (e.g. self allocate-able colour)</td>
<td>High complexity: there are no restrictions for the design of features. The customer can determine the features (e.g. the construction of the car can be designed).</td>
</tr>
</tbody>
</table>

Table 1 source: Dipl.-Betriebswirt (FH) Christian Scheer , Prof. Dr. Peter Loos (2002). Concepts of customer orientation- Internet business model for customer-driven output.

To look on to the coordinate, the goods-manufacturing firms are mostly located in the middle, which is limited complexity and limited individuality, and the services offering companies are mostly located in right-up of the coordinate.
According to the table presented, the limited complexity and limited individuality are commented as the features can be chosen from a pre-defined selection which offers more than zero features and the value of a feature can be chosen from a pre-defined selection which offers more than one values. In other words, customers choose products in a fixed range which has been pre-defined by companies at first, and this pre-defined set in line with customers’ information, even so, it is still limited and it is impossible for customer feel free to choose a colour or a function that the product do not have. Accordingly, the manufacturing companies have to try hardly to renew the product or being innovative time to time for decreasing the limited to make customers have diversity selection, or we can say to meet customers’ diversity needs. However, the manufacturing is basis with machine facility to generate products which is benefit with standardization and quality, and it is un-benefit to renew products time to time. In order to resolve this contradiction, Peter Loos cited a view point from other scholar in the article which is to extend the standardized product or service with additional value-adding services. (Peter Loos, 2002) Accordingly by resting on this limited complexity and limited individuality area, the way of customer orientation taken by companies are either renewing products and innovation or offering additional value-adding services, and due to products renewing and innovation have to be launched at next round after collecting and analyzing customer information and getting feedback from the market about the old one, so the whole process needs time to be with. In addition, the customer research executed by companies generally is not in regular time, sometimes it happen just because companies got an operating problem in marketplace. So the problems we got here are 1) the renewed and innovative products or services also get high risks to launch into market, what if they are failed to get customers’ favourit, so always to try hard to create innovative products or service is not a reasonable way to get success, but a way to beat with competitors. 2) as for the value-adding services which is seen as an assist for standardized products which cannot meet customers’ needs directly, it is doubtful with its cost which is supposed to pay by companies or consumers? In general, even though the extra services are paid by companies, consumers think that they are tricky from companies which is used to stimulate them to buy more, so most of time they feel negative for it. Otherwise the extra services are really useful, and consumers are charged for them, there will be nothing change, it means consumers will not get any surprise value from them, and will not have any special experience or impression for the company, so it will be the same to do it or not do it.

Furthermore, in the right-up of the coordinate which is high complexity and high individuality (mostly fell into services companies), Peter Loos defined it as “A customer-driven output” which makes customers to feel free to choose or order what they want from companies. “…the customer-driven output with a high individuality has to be manufactured in a crafted customization (also called single item production or engineer-to-order production). It realizes an assignable degree of individuality which can’t be offered by standardized outputs, variants or pre-defined options [cf. Reichwald and Dietel (1991), p. 406; Piller (2001), p. 184-185]. The crafted customization uses order-specific processes to realize individual outputs [cf. Reichwald and Dietel (1991), p. 406, 436]” (Peter Loos, 2002) To base on this explanation, the companies
cannot supply the pre-defined products and services directly until get customers’ specific order, in addition, due to the high complexity and high individuality bring big challenge to single companies’ production with limited resources, they are recommended to collaborate each other to supply the products and services. Accordingly, Peter Loos introduced internet business model to resolve this problem. In this model, customers’ selection is no longer limited, and the companies can organize and collaborate together freely to produce and supply products and services with according to customer’s specific order. Based on such mode, it is more possible for services enterprises to implement, because inside of companies the structure of production is more flexible for services enterprises than manufacturing firms, however even so companies cannot be seen as a magic lamp which can meet anyone’s wishes, any companies have their own routine to keep their cost and receiving getting balance, the changeable and random specific orders from consumers are seen as a routine breaker for them, so this mode is disputed to be used in practice.

In all, the Peter Loos’s customer orientation model is coincidence with what Vargo and Lusch define for goods-dominant logic, which is companies see consumers as a recipient of products and services. Furthermore basing on description of the model, it imply that producers and consumers are separated, and companies singly try hard to create innovative products to meet consumers’ needs, at the meantime, it also imply that companies do not quite understand the goods or services they purely offered cannot bring value to customers directly, what can really bring value to consumers is consumers’ own consumption practice process. In such case, some problems raised as previously discussed about implementation of model, even though they are not seen as significant problems for companies, the space of exploring competitive advantage will be condensed if the companies still focus on product driving.

**3.2.2.2 CONSUMERS’ BEHAVIOR ON PURCHASE AND REPURCHASE**

Consumers’ purchase and repurchase are crucial all along for marketer, as they are directly related to sales volume, so it is not exaggeratedly to say that they are the fundamental aim of firm to create products. Since customers have been defined as one of threat forces to companies by Michael E. Porter, there is always a boundary line between consumers and companies, and in order to struggle with this kind of “force”, companies try hardly to study consumers’ behavior, which is as generally saying that to realize opponent and self better will not be danger of defeat in hundreds of struggle. In addition, some scholars also go deep into study consumers’ behavior, such as Peter and Olson contributed a book which discussed consumers’ behavior from three dimensions: consumers’ affect and cognition, consumers’ overt behavior and consumers’ environment, and the core point they center to discuss is product with aim to make marketing strategies which can influence consumers’ thinking and behavior to purchase and repurchase products.
There in the section of consumer’s affective and cognition Peter and Olson argued that “product attributes is important for marketing strategy and marketers need to understand what consumers think about product attributes and related benefits.” and analyzed that “consumers have different levels of product knowledge from more abstract to less abstract, which they can use to interpret new information and make purchase choices”, based on this statement we realize that everyone does have affective and cognition by himself/herself which is sort of human nature for any stage he/her works in, and Peter and Olson focus very much on people’s before buying stage which is such as what people think once they contact with a product front of them. By doing this way, they center product and study what the product can make what consumer think about, and what affective and cognition consumer have on the product, so that they can create various ways for marketing to stimuli consumers’ buying behavior. Hence consumers’ product knowledge is being a part of important view points for them to study marketing strategy. They argued that, “consumers can have three types of product knowledge which include the attributes or characteristics of products, the positive consequences or benefits of using products, and the values that product helps consumers satisfy or achieve.” To take Nike brand as an example, the attributes of Nike running shoes thought by consumers are arch support, tread design, $89.95 and lacing pattern; what positive consequences thought by consumers about Nike running shoes is long-wearing, stabilize heel and run faster, and the value satisfaction on it is be physically fit, good for health and living a long life, these information can help company to make a suitable marketing strategy, according Peter stated that “the more complete understanding of consumers’ product knowledge provided by means-end analysis helps marketers devise more meaningful and effective advertising, pricing, distribution, and product strategies” in this way, Peter strengthen 4Ps marketing concept by advocating to focus on consumers’ product knowledge. The 4Ps marketing concept is very basic marketing methodology which is like a concrete foundation for building architecture, in other word if a firm operates its marketing, it needs 4Ps concept as a basic structure, at least right now it is still not changed for most of firms, however, the way of concerning about consumers’ product knowledge seems is losing its usefulness. First of all, in this point of view, consumers’ knowledge of product attributes and consequence only reflect some superficial facts of product which is company want consumers to know and then purchase its product through various marketing communication, in other words, the result just can reflect whether it is success or not for firms marketing communication but little thing to do with consumers’ real practice in consumption, because when consumers are asked questions with centering product, they will passively answer what the product can bring to them but not what they can use the product for, as consumers’ value creating and problems resolving emerge in consumer’s self consumption practice but not directly come from product, for example even though most of consumers all know Nike running shoes has arch support, tread design and lacing pattern, there are still various product consequence emerged which is some consumers got as what the products’ attribute mean, but some of them were failure in experience, and others maybe create another way to use and innovate a new thing by combining with those attributes, the point is the one who use product is consumer but not company. Therefore just to focus on
consumers’ product knowledge without consumption practices for company is not completed which may lead company to create product technology blindly with source wasting. Secondly, as production technology has been developed in mature, most of products’ attribute and function created by different companies tend to be similar, except brand or brand culture, such as Nike running shoes has similar functions and attribute with Adidas running shoes, in other words consumers will probably have similar answer of product knowledge for different brands, in this case companies will try to make other difference on product in order to help consumer to distinguish, such as advertising, packaging, distribution, pricing and so on, because they focus on products and try to make consumers to notice their own brand and get consumer’s repurchase, however it so because of these diversity superficial changes on product which make consumers get confused, hardly to make decision and switch to one brand to another lead companies to stick in a trap of marketing strategy with centering product endlessly. Finally, consumers do have desirable functional consequence, such as people all want their clothes get clean after using cleaning powder of some brand, so there will be several activities in their mind to think: categorizing clothes, turning on cleaning machine, adding cleaning powder and so on, however any one of those activities might probably make failure for consumers to get what they want, such as if they did not make right categorizing for clothes without taking out the easily fading clothes, or if they put too much cleaning powder but little water offered from the machine and so on, they will not get their clothes clean as they expected for the product. Nevertheless the company is not concern with those consumers’ practices activities but focus on offering powerful cleaning powder with special chemistry ingredient to meet consumers’ desirable functional consequences, it results in even if the company promise the product will definitely bring clean clothes, and it really does, consumers still be hesitate and switch from one brand to another, because as above discussed product’s capacity is limited which cannot totally help consumers to get what they want, it must need consumers’ own practices.

Beside to deep study consumers’ affective and cognition with related to products Peter and Olson also concentrate on consumer’s behavior by centering round purchase which includes pre-purchase, purchase and post-purchase. Therein pre-purchase and purchase are identified as information contact, funds access, store contact, product contact and transaction, and post-purchase is connected to consumption and disposition and communication. As we can see, the first both stages: pre-purchase and purchase reflect consumers’ overt behavior which company can easily contact and stimuli with an aim of achieving consumer’ purchase and repurchase, such as for the information contact in which consumers get information from different channel, and company use various marketing communication to get consumers’ attention for its product; as for the store contact, company also can make some attractive difference design in the store to influence consumer’s thinking and action, and it is the same way for product contact in which company can create fresh difference on the surface of product, so that consumers can pay attention in their first seeing. As for the post-purchase, however, consumer’s behavior is seen as black box for company in which company cannot watch consumers how to use the product in private, in other words when the product bought by consumers in hand then company will lose
control of it, but consumer take over the control of it instead, hence it is not easy for company to encourage consumers to repurchase through product advocating in this post-purchase stage, based on this point product is significant bridge for company to use to contact with and encourage consumers to purchase and repurchase, therefore in the pre-purchase and purchase stage company can perform as good as possible to encourage and influence consumers through various kind of contacts (information contact, store contact, product contact and so forth). But in the consumption and disposition stage, there are limited ways for company to perform to influence consumers’ thinking and action. Peter and Olson argued that “consumption and use would seem to be very simple behaviors to delineate, they are not because of the vast differences in the natures of various products and services, for example, and automobile purchase usually involves several years of consumption or use, in addition, periodic services is required, and additional complementary products such as gas must be purchased. Finally, an automobile maybe disposed of in several ways (selling it, junking it, or trading it), and at present, little is known about the process by which consumers dispose of durable goods.”(Peter and Olson, P208, 2005) Based on this point, we get to know that consumers’ consumption and disposition behavior is simple and common, and company does not have to concentrate it as much as consumers’ purchase behavior, as the product can be created into more vast difference which can meet consumers’ various needs, so the crucial point for company should focus on is product’s creation and consumers’ purchase and repurchase. As Peter and Olson stated, “… a primary marketing concern is increasing the probability of repurchase.”

By doing this way most of companies stuck on consumers’ purchase behavior which is from consumers’ thinking to activities, and marketers implement various marketing tactics to stimulate consumers to purchase and repurchase through getting rich knowledge of consumers’ thinking and behavior on the product and purchase, however they ignore one thing which is no matter how vast different the product has been created and how fresh the marketing tactics have been created and applied, consumers still switch from one brand to another, the basic reason is consumers have their opinion to consume product but not depend on product to consume, therefore with consumers gradually getting numb for those marketing tactics, the knowledge of consumers’ thinking and behavior centering round product and purchase will lose its help to work effectively for marketers. Since consumers’ purchase is a way of exchanging value with company, which is all along a correct direction for company to make benefit, however, as new logic is advocated, the value-in-exchange is switched into value-in-use and the direction of company is still not changed with pursuing benefit making.
3.2.3 Customer orientation based on SDL

As Vargo and Lusch argued “the service-centered view of marketing is customer centric and market driven, which is more than simple consumer orientation...” (Vargo & Lusch, 2004) in other words, the simple consumer orientation concept can be upgrade with becoming as service-centered view of consumer orientation. Even though the traditional consumer orientation is marked as consumer centric, it is defected by looking around in another way, because according to above discussion it is product driven to create product as many (as new) as possible to meet consumers’ diversity needs, but not collaborating and learning from customers and being adaptive to their individual and dynamic needs. By basing on some scholars’ view points, this paper argues and probes the customer orientation which is based on service-dominant logic; it means companies should try to transit their mindset into service-centered view which is to lay down the borderline with consumers. In order to indentify this concept, there are three elements, which are used to compare with above discussion of customer orientation based on SDL. The first one is to discuss about consumers’ value which is seen as an important beacon to direct companies move to a correct direction; the second one is to study customers’ practice process which is based on Grönroos’s point of view that is firms should involve into and how to involve into customer’ practice process to assist them getting value; the last one is interaction between companies and consumers which is based on Vargo and Luschn’s view points, they argue that customers should involve into production, in addition, other shareholder should collaborate with firms to create common value. These three elements will be discussed further in the following sections.

3.2.3.1 Consumer’s value

Value of consumer is always important element for studying consumers by scholars. In the book of “Customer orientation and market action” Michael D. Johnson categorized consumers’ satisfaction of product attributes in different level which from very satisfied to very dissatisfied, and the product attributes are also categorized into three kinds, which includes basic or expected attributes, performance or spoken attributes and surprise and delight attributes, therein interpreted that the basic attributes of product cannot reach the very satisfied level, and the surprise attributes of product can avoid down to the very dissatisfied level, as for the performance attributes, it has two possibility with going to very satisfied or very dissatisfied, so in other words, companies should be encouraged to create product with surprise attributes or performance attributes for achieving consumers’ very satisfied level, but how to get on this way? Michael D. Johnson argued that consumers’ latent needs and value can direct company to create surprise or performance attributes products to meet consumers’ very satisfaction, by doing this way, consumer reactive research, stated by Michael D. Johnson, cannot reflect consumers’ root needs and value but only can measure consumers’ responses to concrete prototype in superficially, therefore in order to gain an insight into customer’s value Michael D. Johnson introduced six consumer research methods which include History and fundamental national
factors; Unobtrusive measures; Value segmentation; Laddering; Comparing non-comparables and Projective techniques. In a word, the crucial aim is to create superficial or performance attributes products.

In addition, a book of “Consumer behavior and Marketing strategy” stated that consumers’ product knowledge can help marketer to develop effective marketing strategies, therein Peter and Olson argued that product can be seen as value satisfiers in consumers’ product knowledge, which emphasized product creation is significant for bringing value to consumers or satisfying consumers by achieving value.

Based on reviewing the scholars’ study on consumers for marketing strategies, it’s not difficult to find out the key words: product attributes and consumers’ value, and the product attributes has a close connection with consumers’ value. However with the new logic developing, the most being discussed is value-in-use, consumers are seen as value creator, companies are value co-creator, and somehow consumers are seen as value co-creator too, the product attributes is emphasized in less, but the direction does not change for company which pursue benefit in maximum. But what is about consumers’ value?

“Values are people’s broad life goals (I want to be successful, I need security), values often involve the emotional affect associated with such goals and needs (the strong feelings and emotions that accompany success).” Peter and Olson stated, “there is a useful scheme identifies two types or levels of values: instrumental and terminal. Instrumental values are preferred modes of conduct, they are ways of behaving that have positive value for a person (having a good time, acting independent, showing self-reliance). Terminal values, on the other hand, are preferred states of being or broad psychological states (happy, at peace, successful). Both instrumental and terminal values (goals or needs) represent the most personal consequences people are trying to achieve in their lives.”(Peter & Olson, 2006, P79) As nowadays the production developed into more and more mature, it means that most of populations in the world achieve the maximum satisfaction for matters, in addition, consumers is more sophisticated than ever, and they have a world of information at their fingers, in other words, production developed is walking into a limited space, and consumers’ demanding no more increase by depending on various products’ attributes stimulation. Actually consumers are working for their value all the time, product cannot bring value to them directly, and most of time product can only satisfy consumers’ physiologic needs momently, such as new product always are able to bring people fresh and comfortable feeling, however it does not mean consumers will get value by owing the product, as Grönroos argued that consumer is value creator, and product is just one element in the value creating process. For example, I got compliment is not simply because I’m wearing that silk shirt, but rather depend on how do I wear that silk shirt with my activities, therefore there is a distance from product to consumers’ value, in which consumers’ practices is being the connection between them. But most of marketers ignore consumers’ practices, consumption and disposition activities, instead to focus on consumers’ thinking and knowledge of product, which is easily to lead to a distorted image that product can resolve any problems consumers got, and
the over exaggerating for product makes consumer misunderstanding company which bring lots of pressure for company to create so called product which can resolve so-and-so problems. But in fact products do not have such power as human being.

Accordingly, product attributes development cannot directly depend on consumers’ thinking and value, but should base on consumers’ practices for getting value. There is a table being showed on Appendix 3, in which it illustrates the instrumental and terminal value of Americans, it is difficult to image what kind of product attributes can bring those values to Americans directly, but it is not fussy to image that I wore a pair of Nike running shoes in a suit of Li Ning sportswear and run for 20min in everyday morning at 6 o’clock, that make me feel fresh, comfortable for the morning fresh air and sense of accomplishment for getting a good habit. As above cited from Peter and Olson that “both instrumental and terminal values (goals or needs) represent the most personal consequences people are trying to achieve in their lives.” Therein the words of “people are trying to achieve” is people’s initiative actions to try to get their goals, therefore the company should consider about value connected to consumers’ activities but not just product attributes.

There is a successful case on IKEA Company. As well known, IKEA’s product is composed of a bunch of common furniture and family facilities, however the successful and different way of it is connection with consumers’ daily practices activities, such as people need to take furniture and install furniture by their own after buying from IKEA store, which change the concept to see furniture as heavy and un-easy moved goods, and the goods cannot be assemble and disassemble freely; another example is IKEA’s experience room which show consumption experience to consumers, and the consumption experiences also come from consumers them self, hence when consumers get IKEA furniture they receive knowledge of the products’ structure at the same time, and use their hands to create value for them self, by doing in this process company is seen as value co-creator to support consumers by offering knowledge tips and experience showing, and in return consumers can also be seen as value co-creator for company, such as consumers’ assembling and consumption activities on furniture make company find out some ideas to create new product attributes, furthermore typical consumers’ consumption activities can be seen as the good resources for experience room offering for the company.

Based on above discussion, it can be concluded that consumers’ value comes from consumers’ real action or practices, and the development of product attributes are according to consumers’ practices to create value, and consumers’ thinking and value imagining about products cannot help to develop product attributes but only can being a help to develop marketing stimulation tricks.
3.2.3.2 Consumer’s practice process

According to customer’s self-service perspective argued by Grönroos, we get to know that customers create value for themselves by combining resources offered by companies and activities from their own knowledge and skill during their self-service process. In addition, Grönroos stated that in this process companies can assist customers to get value, to support them by resolving problems for them which cannot be resolved by tangible products mainly offered from companies. Nevertheless how companies identify this self-service process and what is outlet for companies to get through it. As this paper focus manufacturing companies to discuss customer-orientation based on SDL, the probing of consumers’ self-service process will lean to goods consumption. The following part will demonstrate specifically the identity of consumers’ self-service process.

There is a process analysis methodology proposed by Shostack (Shostack, 1982, 1984) which is service blueprinting. “The proposed blueprint allows for a quantitative description of critical service elements, such as time, logical sequences of actions and processes, also specifying both actions and events that happen in the time and place of the interaction (front office) and actions and events that are out of the line of visibility for the users, but are fundamental for the service.”(wikispaces.com) the blueprinting gets an explicit way to involve into consumers’ self-service process in consumption of services. We can also consult the service blueprinting to look for a way for goods consumption case. Even if we cannot handle the goods consumption’s time and space, the logical sequences of actions and processes we can ponder. For instance, what customers are going to do after buying a product, and what kind of things they would like to do before they purchase a product? And what customers used to do or would like to do when they use a product? And after finish a product what thing they are going to do? By the logical sequences of actions and processes, there is always something happen before buying, during and after their consumption for a product. Therefore, the customers’ self-service process is divided into three stages, before buying, during consumption and after consumption.

**Before buying stage**

According to human naturism, before buying a product some activities must happen, which includes collecting information, searching, asking, looking and paying also. Therefore marketer can try to focus these steps and find which part can offer a favor to consumers and impress them. However, there is one thing we should notice, those activities from customers generally emerged in the retailer’s store, therefore retailers can be easier involve into those customers’ activities and interact with them, it is as the services offered companies of which front employees contact to customers directly, it’s more beneficial for them to interact with customers on times and spaces. To compare manufacturing companies is quite different, because people they directly contact is retailers most, so those consumers’ activities they probably can get is just when consumers collect products information by searching their website on internet, but sometimes it is not seen
as an efficient way, if they much focus on their retailers or wholesalers and ignore the channel of products’ information delivery on internet. On the other hand, the common way they realize their consumers is through consumer research, and generally it is happened after consumption from consumers. Accordingly, during the process of before buying in which the manufacturing companies can involve is just when the consumers collect products information, or else the companies can step over the retailers to contact consumers directly by opening own stores. Due to selling products to retailers is one of marketing strategies of distributing products broadly for getting more consumers to know about the products or making consumers to get products easily, so in general the manufacturing firms will not open too many own stores for cost benefit. So seems in before buying stage the channel that manufacturing companies contact with consumers directly is limited, however the way that the companies involve into consumers’ practice process is multiple. Let’s continue.

Even though most of companies study consumer behavior, in fact they hold different purpose. The reason why they are concerned about consumers’ purchase behavior (e.g. what is their affection, cognition) is because “marketing managers of high-market-share brands may try to discourage extend search behaviors because the behavior may result in a shift to another brand”, so those companies try to reduce consumers’ search by promoting their products in brilliant features via ads, such as Heinz ads its ketchup in thicker, richer while depicted other brands in thin and unsavory. However, to be opposite, the low-market-share brands want to increase the search behavior, so that they can use other tactics such as promotion, price discount and so on to attract consumers’ attention and make them to search more. Accordingly, we get to know that, the purpose of companies studying consumers’ affection, cognition is in order to stimulate their senses to aware of the products and buy them. (Peter & Olson, 2008) Nevertheless, the way companies take, we should realize, is marketing tactics during the hard sales period, we cannot judge it is good or bad, as long as it can work effectively no matter how the way is used. But such situation depends on the products’ character, like the instantly consuming products will adapt to use hard promotion and ads, which is effectively to stimulate consumers to buy over and over, however if it is durable products like higher-priced, more visible, and more complex products, will be different, for instance people do not buy a car just for the brilliant ads reason or price discount reason, but people buy breads probably for promotion or campaign from companies.

Accordingly, we get to know the way of marketing communication with purpose to stimulate or persuade consumers’ affection and cognition is gradually lose its effect which was very popular before, because nowadays consumers can get various information easily through internet, and they get used to search information via internet before decide to buy a product. Furthermore the channels of information collecting have different grade of reliability. There is a table showed that the reliability extent of different sources where consumers get information from.
<table>
<thead>
<tr>
<th>Source</th>
<th>Effort Required</th>
<th>Believability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal (stored experiences in memory)</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Personal (Friends, relatives)</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Marketing (advertising)</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Public (Consumer Reports, other studies)</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Experiential (examining or testing product)</td>
<td>High</td>
<td>High</td>
</tr>
</tbody>
</table>

Table 2: A comparison of Information Sources (Peter & Olson, 2008, P200)

As the table implied, customers do not think marketing (advertising) is reliable, even if it is easy to contact. But the source of internal and personal is believable by consumers and can be got by consumers easily as well. As for two others, public and experiential which are two high believable sources can be achieved hardly. In this way of thinking, we transfer to companies’ position, to discuss what things the companies can do to support consumers in their self-service process.

To look into the table, for consumers to get public source or experiential source is relative hard, but for companies it will be different. Companies have rather enough energy and technology to collect information than consumers do, hence the companies can support them to get the both high reliable source. But for sure that company tries to avoid some harmful information on offering to consumers, try to be win-win by offering the truth for consumers. This method is breaking the traditional way of boasting how great the products’ functions they have in a way of one-side, and being scare to offer some truth which will destroy their brand and market share they thought. However, consumers need truth to get confidence to make a decision.

Furthermore, as to the first both: internal and personal, they are subjective from consumers, and once consumers accept them, it will bring high confidence for consumers to make purchase decision. They are easy for consumers to contact, however, what about companies? Can they involve into the both process of consumers to assist them? The internal content more connect to consumers’ experience and memory, such an experience of some goods or services consuming (e.g. people live in Hilton hotel or drive a car of BMW), an experience of some goods or services shop buying (e.g. people walk and shop in IKEA by viewing their experience room and using the self-service payment system) and an experience from a TV ad watching (e.g. Honda’s parachute jumping with the theme: difficult is worth doing, very impressive). Accordingly companies need to catch up consumers’ deep value and make them have special experience with standing for companies’ own culture and brand. So in order to leave a deep memory behind to consumers, the conscious company needs to focus and do something in consumers’ practice but not just perform front of them. Moreover, not only the information from friends and relatives is rather reliable for consumers, but employee can also inform as well, as long as they tell consumers the “truth” with professional knowledge. In a word, companies in the before buying stage can offer reliable information to assist consumers to get confident to make a purchase decision.
Consumption stage

There are very few words to interpret the consumption of tangible products process in marketing books, in fact it is really difficult to get this area by owing to the complication that each consumers has their own way to use the product in different time and different area, so marketer thought to take much focus on this area is inefficient and few harvest to deserve. However if we try to transfer our logic into SDL, that will be different.

Consumers take a product after paying and start to use it to do self-service and to create value for themselves. According to Grönroos’ demonstration for consumers’ self-service, which is consumers do self-service by combining the main product and other different resources with personal skill and knowledge to create value for themselves, we cannot difficult to take some instance that people buy a computer for attaining data storing, internet surfing or game playing and so on, but if people do not know how to save data or do not have internet connection or game software, those purposes are not going to be attained. In addition, to have internet and applying skill is not enough, for example most students use computer above 12 hours a day, not only they use computer to work but also for entertainment, so computer is part of their life, due to their computer is used overload time to time, hence in order to make the computer live longer and avoid it broke someday suddenly, they have to back-up their important documents time to time or maintain their computer somehow. Accordingly we realize that consumers in order to get the value they expect, they can create lots of different activities with using the main product. However, sometimes some of them are failed to get value in their own activities, but some of them are not, for instance, somehow computer make noise when it has been used in some phase, in order to resolve this problem, some people keep cleaning the computer from screen to keyboard, and anyplace where computer is put on, but the noise problem is still not fixed, however some other people directly open the computer’s cover to clean the fan and keyboard inside, then the noise stop instantly.

Based on these presentations of consumers’ diversity activities, companies may think that it is still complicated and un-benefit to involve into these mass and various consumers’ activities, but Grönroos stated that it is possible and even necessary for firm to engage in consumers’ consumption and value-generating process. But how to do? it is impossible for computer manufacturer to supply internet connection to consumers or teach them how to install game, however it is pretty possible for firms to offer some cleaning tips to consumers, such as how to open computers’ cover to clean fan. Furthermore we should notice that the person who clean fan is not firm but consumer, so firm should offer tips in consumers’ style, but how to get consumers’ style? That is “interaction” which most scholars advocated recently, it will be further discussed in another section. In this demonstration, it imply that firms can engage into consumers’ consumption activities through offering something in consumers’ style which is easily to get.
Scania group is a successful firm to engage into consumers’ consumption activities and being a key supporter for consumers’ value creation. As being a truck making expert, Scania not only supply high quality and good function products but also offer special consumers’ style services, and those view points of offerings are from its consumers not other else, and they bring much benefit for them with building a strong interaction relationship with its consumers. In line with the definition of self-service that is consumer need a drive license (skill) and oil (other resource) to drive a truck (main product), in addition, they drive truck for making money, so they not only use truck to work for their business all the time, but also consider how to manage their truck finance which can bring maximum profit for them. By involving consumers’ self-service Scania realize clearly what its consumer expect is money saving and working efficiently, by doing so it supply a spectrum of services to assist consumers to solve problems and get purposes. For instance, there is a package of consultant to business for consumer which includes the Scania driver training, the Scania oil, the fleet management and financial services. The purpose from Scania is to help consumers get maximum profit on their business and at the same time they get benefit by offering unique consumers’ style products and services.

All in all, consumption process is composed by consumers’ various activities, main products and related products, but no matter how complicated and mass they are, consumers have common expectancy and value, (the value will be further discussed in following section), accordingly firms can easily find a favorite position in the consumption process.

Disposition stage

“…an automobile may be disposed of in several ways (selling it, junking it, or trading it in another model). At present, little is known about the process by which consumers dispose of durable goods.”(Peter & Olson, 2008, P205) In this stage consumers’ activities of disposition of products are ignored by most companies, actually it is as important as two front stages in which companies can find a favorite position to get involved in consumers’ practice process. For instance, durable goods which are used by consumers for months or for years are probably kept by consumers as a memory or reused in another way. Furthermore, some durable electric instruments or heavy machines which are used up by consumers still can work in some parts of their body, however consumers just do not exactly know how to cope with, because most of them are not professional enough to reuse these stuff, and most of them think that it is wasteful to trash some still useful things. These consumers’ activities may evoke some ideas for companies to involve into them.

In fact, there are lots of needs and want from consumers emerged in this disposition process, since people own the subjective initiative by themselves, they have different ideas on disposition of the product but lack of professional skill and knowledge. For example most of people reuse empty plastic bottle to take something fluid, however there are different kinds of plastic
composed by different chemistry elements, which means some of them cannot be reused, due to some chemistry elements are bad for human health, however few consumers notice these knowledge, but companies are aware of them clearly. Furthermore, some consumers would rather keep their too old to work laptop than trash it as a garbage, they see it as an “old friend” and want to keep it, but cannot find a good way to keep it, in this case, companies may probably know the good way, and other consumers may know a better way too, so why do not they go together to exchange their ideas. Accordingly, what companies can do in this process is broadly, as long as they step over the borderline with consumers and interact with them. Scania group have already found it self’s position in this process, “Sometimes it just doesn’t make sound financial sense to replace a worn-out part with a brand-new one – especially on older vehicles; trying to repair a broken component can take more time in the workshop than you can afford.” The replace old to new services offered from Scania make their consumers do not have to worry about the trashing of worn-out parts or repairing of broken one.

On the other hand, to involve into consumers’ disposition practice not only can bring new ideas to companies to make special advantage offers, but also it is much significant for companies to evoke some ideas to protect earth environment and be much concerned of human health. Since nowadays more and more people have started to attend CSR (Corporate Society Responsibility) program, the recycled trash, natural ingredients and environment lovely production become a big part of responsibility for manufacturing firms, so it is necessary for firms to collaborate with consumers in this disposition stage.

3.2.3.3 Interaction
In general, “interaction is a kind of action that occurs as two or more objects have an effect upon one another.” (Wikipedia, http://en.wikipedia.org/wiki/Interaction) the essential concept of it is two-way effect which is different with communication that emphasizes on information transmitting for understanding each other. In other words, interaction more concentrates on action for influencing to one another. In marketing communications companies try to get right customers by transmitting right information through different channels, such as advertising, branding, graphic design, packaging, sponsorship and so forth. Each of them perform as single side communication to customers, it means customers are passively to attain those information from the company, because customers are not as company to have such standardized channel to transmit their information. However, in the interactive marketing it will be different.

The definition of interactive marketing comes from John Deighton at Harvard, who says “interactive marketing is the ability to address the customer, remember what the customer says and address the customer again in a way that illustrates that we remember what the customer has told us.” (Wikipedia.com, interactive marketing) Accordingly, there will be channels for customers to speak, and also will be a place to record customers’ words, at the same time company will respond them in real time. In other words, we can realize such interactive way as
conversation, but interaction not only includes conversation but also action. It means company makes conversation with customers and at the same time offers useful methods to assist customers to get value, on the other hand, those customers who had conversations with the company will assist company to develop new products or to create innovative products. Mostly the internet technology is seen as a useful facility in the interaction process, company not only can collect what customers have said on line, but also make a conversation with customers with applying internet chat tools. There is an excellent online interaction example which is Amazon.com records and arranges customers’ preferences, and then uses them to set books selection for customers which matches not only the customers’ preferences but also their recent purchases.

<table>
<thead>
<tr>
<th>Elements of concept</th>
<th>Consumer-orientation based on GDL</th>
<th>Consumer-orientation based on SDL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orientation</td>
<td>Consumer</td>
<td>Consumer</td>
</tr>
<tr>
<td>Goal</td>
<td>Maximizing benefit</td>
<td>Maximizing benefit</td>
</tr>
<tr>
<td>Primarily considering</td>
<td>Products’ attributes</td>
<td>Consumers’ value and action</td>
</tr>
<tr>
<td>Study</td>
<td>Consumers’ behavior on purchase and repurchase</td>
<td>Consumers’ practices process</td>
</tr>
<tr>
<td>Mode</td>
<td>Producer and consumer are separated</td>
<td>Producer and consumer interact to each other</td>
</tr>
<tr>
<td>View point</td>
<td>Product driving to get value</td>
<td>Practices driving to get value</td>
</tr>
<tr>
<td>Relationship</td>
<td>Products and consumers</td>
<td>Company and consumers</td>
</tr>
</tbody>
</table>

Table 3 Different elements between Consumer-orientation based on GDL and SDL

According above discussion of two logic concepts with connecting to consumer orientation, there are some key elements which are demonstrated before and showed in a table (see table 3). Even though customer-oriented companies all stand in the same orientation and set the same goal to maximize benefit, their other way of management and study are different if they base on different logic. If they are good-dominant logic, they more probably exaggerate product’s power to resolve consumers’ any problems and try hard to create products’ attributes singly; in addition, they much focus to study consumers’ behavior on purchase and repurchase, because only in the purchase stage they can stimulate consumers to repurchase easily with using various marketing tricks by the product. The mode they operate is to see consumers as value exchanger with them, hence consumers are one of forces for them, and they much focus on product which is seen as the crucial way to contact with consumers. However, if they are service-dominant logic, they will start with consumers’ value and action and then to create products’ attributes, in addition, consumers’ practices process also can be stimulate to repurchase also, hence it is not necessary to stick in the purchase stage. Furthermore, producer and consumer can be value co-creator to each other; they collaborate with consumers by interacting to each other and keep relationship with consumers with not only by products but also other activities closely connected to consumers’ practices.
Nevertheless, it is easy to argue thing clearly with theory perspective, in practice it is different and mass. The following section will discuss empirical material on cosmetics manufacturing companies, which is in order to verify theory by matching practices.

4. EPIMICAL MATERIAL

In this section I would like to choose cosmetics companies to study. Because firstly it is not an industry to create simple products to meet consumers’ basic needs, it means what cosmetics companies challenge is consumers’ high up desire. Secondly, the cosmetics industry is a big potential profit making industry, the competition is furious among hundreds of cosmetics companies in the world, and most of them are multinational character. No matter how hard environment the companies struggle in, there are always leading company emerging, and it is so because of the challenged environment, the companies own a character of being customer-oriented instinctively. Therefore the option is easy to match this paper’s primary discussion of SDL transmitting to GDL in marketing concept with foundation of being customer-oriented.

Furthermore choice of companies is falling into the leading companies in the world, therein three of them are used to analyze in this paper, which hold different characters: L’Oreal Company is No.1 leading company with owning plenty of brands and acquiring hundreds of other word wide enterprises, Estee Lauder Company sell their products in high stage and dynamically devote in e-store and e-marketing, Shiseido is the most famous company from Asia which hold typical eastern thinking to operate business. Those different characters can bring a track to this study and make it easy to detect their development trend with heading for transmitting to service-dominant logic.

4.1 INTRODUCTION OF MACROSCOPIC ENVIRONMENT

Before making profound analysis for firms in their real marketing operation, I would like to introduce the macroscopic environment where the firms stay and contact. As generally saying the exterior environment can be seen as key elements to make thing change, therefore they would be a foundation to influence firms’ direction to go. The following content will include description of cosmetics products in category and character; cosmetics consumers with common thinking and behavior; and regulations from government and public agencies.
4.1.1 THE PRODUCTS
In general, we mention about cosmetics, it is mostly connected to makeup. However, in fact the category of cosmetics is large, which does not just include makeup. According to (Kumar, 2005), who sum up a family of products in the whole cosmetic industry, we will find some products we are used to use in daily are include in the cosmetics family, such as hair care. Let’s start with the following figure.

![Classification of industry products and global market size in 2001](image_url)

Based on the figure, the data showed us that the revenue made from each cosmetic family is far more than a billion dollar in 2001, and Kumar said that it is a significantly vital industry to contribute to global GDP. However, the fact behind these products is not as positive as what those numbers showed. Some authority websites gradually uncover the fact of toxins in cosmetics, and deeply analyze ingredients of products in detail, even though most of them have already passed security test, some expert claim that those tests are not enough ensure the cosmetics product can being safe in long term for human health. As an article from safecosmetics.org website exposure that “cosmetics manufacturers has tested the ingredients they uses only for determining if the chemicals cause rashes, swelling or other acute reactions, but exclude to determine if they cause long-term, negative health effects, such as cancer or the inability to have a healthy child.” (Toxins-in-Cosmetics, website) Furthermore, there is another negative truth showed that even though most companies admit that the ingredients do stay with toxins, they said they are just too small to matter and very far away from cancer, however, the true is none of us just use one kind of products in daily, the article warn us to think about how many products we use in a single day—from toothpaste to soap, shampoo, hair conditioner, deodorant, body lotion, shaving products and makeup—and how many products we use in a year, and over a lifetime. Accordingly small amounts of toxic chemicals add up and can
accumulate in our bodies, which can lead to the event of chemicals linked to cancer and birth defects happen.

To take fragrance as a case, which are widespread used in every category of cosmetics products. In daily fragrance has belonged to part of air to support people’s breathing, however the true behind of it is not that great. According to an authority report from the safe cosmetics website, some products that contain synthetic fragrance own some hidden hazardous ingredients, such as Phthalates which is banned in Europe. However, in January of 2007 “Consumer Reports ShopSmart” magazine found the phthalates in each of eight popular perfumes tested, following up in 2008, another report “A Little Prettier” indicated that some leading companies are now using very fewer phthalates than 2002, though these companies still deny that phthalates may pose a health risk. (www.safecosmetics.org/article.php?id=222). Accordingly, the revealing of negative truth behind cosmetics products makes force to company, and promote them to try hard to research and generate nature and without risk to health cosmetics product, but not just develop skill to against those defects which result from unhealthy lifestyle, such as drinking, smoking, unhealthy diet and so forth.

### 4.1.2 The Consumers

Based on product itself, cosmetics products also are used to be called beauty products, and then spontaneously we will refer it to female audiences. However in fact, nowadays the market explored by companies dose not just include female but also male, in addition they are categorized with age from baby to adult, so the consumer market for cosmetics companies is large, and it is not exaggerated to say that you must use cosmetics as long as you are a human being.

Even though the consumer market is large, the female consumers are still seen as the primary consumers group. In fact women make or influence around 80% of consumers purchase today (don’t think pink), with their social identity varied and their wallet become bigger and bigger, the concept of their consumption are notable for managers from different industries, particularly for cosmetics industry. According to the Avon Global Women's Survey, “Most women (77%) agree that beauty products are a necessity, not a luxury, and two-thirds of women say they put a lot of effort into always trying to look their best.”(Popcorn report) it is unquestioning that women are the dominant consumers in the cosmetics industry, on the other hand, women as being a wife, girlfriend or mother can profoundly influence consumption of cosmetics for men and cosmetics production for baby.

Therefore women are the majority consumers for cosmetics company to follow closely. However recently such situation is gradually changed which women are seen as a good information transmitter, and being a motivation for company to create various beauty products to meet their beauty needs. As internet media developed, the thing changed is not just people can connect to
each other easily, but uncover plenty of information which is used to be kind of secret. Accordingly women are not the only one can being good at transmitting information, and the beauty product are no more seen as good as what they were used to be, in other worlds the cosmetics company should transfer to follow closely the information which come from people and influence people at the same time. “A brand agency manager said modern consumers are more educated and more demanding, which means they expect more and more from their products and are likely to question product claims and examine ingredient lists.”(Guy Montague-Jones, 2007) Accordingly the internet media become the best tool for them to claim and inform to anywhere that is not in expected. Therefore some rumours will be bad for companies and also being a force to make company to note risk free ingredients or list them in details on label, and to become open with the ingredient using in production. The point is the beauty product is not just being beauty but also being healthy and good for environment.

4.1.3 THE REGULATIONS
Since the human society became more and more civilized the various rules and regulations arise everywhere, no exception for cosmetics industry. In fact, food and cosmetics industry are regulated by more rules and agencies than others, so what agencies regulate the cosmetics industry? Maybe most of consumers have less knowledge of this, but for the manufacturers are not just aware of them but also have a profound understand and execute them in reality. Some agencies will be listed in here to being a glance of regulations in cosmetics industry.

They are The US food and Drug Administration (FDA); The US Federal Commission (FTC); The US Environmental Protection Administration (EPA); The US Occupational Safety and Health Administration (OHSA) and The government bodies of the European Union, individual European governments, Japan, Mexico, Canada and Australia. (Barker, 1996) Let us take look several examples by showing that how do the agencies work to regulate the industry.

“In 1995 the Tokyo metropolitan government took action to against a local retailer found to be selling two well-known brands of American cosmetics that a foundation makeup product allegedly contained formalin which is prohibited in Japan, and that a skin cream exceeded the Japanese government limit for salicylic acid.” However the retailers reacted that Japanese already have used such products for long time and nothing problems receipt. But the products attained was questioning in the channel, because there was not label in Japanese in the products instruction. Finally the products were removed by the retailers from sale in its store.

“In October 1995, the FDA sent a warning letter to a New York state based cosmetics manufacturer by citing its dandruff shampoos for failure to conform to the OTC Dandruff, Seborrheic Dermatitis, and Psoriasis Drug monograph, because labels did not declare the active ingredients and did not bear statements of identity, warning labels, or directions for use.” “A second New York state manufacturer was cited for an antiseptic marketed with “false and
misleading” claims for the prevention of acquired immunodeficiency syndrome and other sexually transmitted disease”, and furthermore “a Virginia-based manufacturer had 20,000 dollar worth of a hand cream seized after making claims that the products, marketed under the brand name Aidex, would instantly inactivate the human immunodeficiency virus as well as hepatitis and herpes viruses.” Moreover “a Connecticut based manufacturer, after receiving a warning letter from the FDA, agreed to reformulate an athlete’s foot remedy containing aloe vera, salicylic acid, and sub monograph levels of tolnaftate. The FDA warned the manufacturer that statements concerning the “healing or penetrating benefits of aloe vera” created a misleading “impression of value” for the ingredient.” There is a face wash and acne treatment product generating with new ingredient manufacturer from California, which is tea tree oil based products, the FDA declared the products were not to be unapproved new drugs. The tea tree oil is not listed as an approved ingredient in the OTC Topical Acne Drug Products final monograph. But this new ingredient was considered by FDA to include in the topical antiseptic monograph.” (Barker, 1996)

By looking into these examples we get to know that the regulations in cosmetics industry are rigorous and fastidious which make a high barrier to external industry, those new manufacturers who intend to enter this industry are very necessary to notice more about the rules before getting in. In addition, inside the industry for all manufacturers, the consumers and regulation agencies are big challenges all along.

4.1.4 The Development Trends
People feel low uncertainty to have a prediction for the future, like the weather forecasting would assist you to make a good plan. People get used to predict future in line with current situation, even though it is quite tough to make correct prediction, it is better than nothing to do and nothing to know with high uncertainty anxiety. Therefore many scholars and experts also tried to foresee the development trends in the field of cosmetics and skin care products. Most of them discussed and analyzed by resting on products self development such as the composed ingredients, the skill improving which is mostly based on two values: natural and safe. And few of them referred to information offered to consumers which should be specific, useful and helpful.

An executive from Clinique co.’s R&D department introduced that the penetrating skill from skin care product will be improved, which is “there are several classes of liposome- like vesicles with extremely different penetration characteristics, and it can be surmised that they will be developed in the near future.” And he also noted that skill of pigment adhesion on skin to last longer time will be worked out, in addition the knowledge of the optical properties of the skin is dramatically improved. Furthermore the executive argued that “the classical makeup products, synthetic polymers are likely to be the heroes of the future. On the other hand, for skin care
products it is a safe guess to say that the trend will be to a return to bioactive, ethno-botanical, safe, natural products.”(Wolf, 2001)

A scholar from Glasgow said that “I expect that more cosmetics of folk and traditional origins will be in greater use in the future. This includes Arabic kohl, henna, and natural fruits that contain glycolic acids. Natural fruits, which contain glycolic acid such as green apples, sugarcane, mangoes, and citrus fruits, are expected to be used directly on the skin. The art of tattooing and, in particular, the modern method of micro-pigmentation will be more popular.” And other scholars argued that “it’s important to underline that active principles from nature should be carefully tested and controlled and not simply vegetal extracted and used. The number of safety tests will increase and will demonstrate not only the proper efficaciousness of cosmetic products, but mainly their safety.”(Wolf, 2001)

Moreover beside they made a lots of foresees on products development, some were referred to consumers also, such as “The terms “hypoallergenic” and “fragrance-free” won’t be sufficient or the long term, because some of them are already obsolete and untrue. Consumers have to learn how to read the composition reported on the labels of all cosmetic products and try to understand the meaning of the different ingredients used. This is also true for dermatologists who should try to link the labeling to the real activity the product is supposed to exhibit as reported on the indications or by commercial advertisements.” and “A consumer hot-line should be initiated that allows them to report any unwanted or unexpected defect of the cosmetic. For the dermatologist: Never prescribe cosmetics with undetermined substances or that have unlabelled ingredients.” (Wolf, 2001)

Based on above illustration of the environment to cosmetics companies, it is not a comfortable environment. First of all, due to the character of cosmetics product self which own chemical property, the company have to be warned time by time with risk of ingredient using for human’s health; secondly, with consumers’ activities become more and more critical for the product, question and examine product with ingredient list, in addition the internet media is more or less like wiper to make window clear and make people are able to see inside. Firms have no more chance to cover any dark and try to be clearer to avoid rumors; thirdly, the regulars come from government and agents can freely stop any cosmetics product’s sales and production with reasons of being harmful for human health and environment; the final one is that most of people expect and foresee the cosmetics product should be and will be nature, organic and good for human health. To stay in this uncomfortable environment, cosmetics companies not only struggle against it, but also compete to each other. Some leadings arose and got success, however if intent to keep moving forward in a long term, they should consider to collaborate with someone else and keep fighting for being leading.
4.2 BACKGROUND OF THE LEADING COMPANIES

As above mentioned, there are a couple of leading companies in this industry who own a significant worldwide market share. The following is the presentation of background from three leading cosmetics companies.

4.2.1 L’OREAL

It is a France based company which was established in 1909. L’Oreal has engaged in manufacturing and marketing of range of perfume, make-up, hair and skin care products, although it ever was a hair products operator. After World War II until currently the company acquired and merged hundreds of cosmetics companies in the world and operated business over 130 countries. The company recorded revenues of $25,810 million during financial year December 2008 and the net profit was $2886.6 million. A table will be used to overview fact of the company. (See Table 5)

<table>
<thead>
<tr>
<th>Business</th>
<th>Cosmetics, The Body Shop and dermatology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product</td>
<td>Professional products focuses on professional hairdresser by supplying hair care products</td>
</tr>
<tr>
<td></td>
<td>Consumer products focuses on mass market by supplying make-up, hair and skin care, and perfume</td>
</tr>
<tr>
<td></td>
<td>Luxury products focuses on high scale market by supplying skincare, make-up and fragrance</td>
</tr>
<tr>
<td></td>
<td>Active cosmetics includes dermo-skin care product sold through pharmacies and specialist retailers</td>
</tr>
<tr>
<td>Brands</td>
<td>L’Oreal Paris, Garnier, Maybelline, SoftSheen Carson, CCB Paris, L’Oreal Professional, Kerastase, Redken, Matrix, Mizani, Lancome, Biotherm, Helena Rubinstein, Kiehl’s, Shu Uemura, and Giorgio Armani etc.</td>
</tr>
<tr>
<td>Distribution</td>
<td>Hair salons, hypermarkets, supermarkets, drugstores, selective stores, department stores and e-stores</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>$854.07 million dedicated in 2008, 18 research centers and 628 patents filed in 2008</td>
</tr>
<tr>
<td>Global market share</td>
<td>North America (18.2%), Latin America (12.1%), Western Europe (22.7%), Eastern Europe (16.6%), Africa &amp;Pacific (14.3%) and Asia (10.9%) without Japan</td>
</tr>
</tbody>
</table>

Table 5 Source: L’Oreal 2008 annual report and Datamonitor.com

According to Datamonitor.com SWOT analysis, the company’s strong brands and strong R&D capability fall into strength, in other words, L’Oreal contributes very much on the two parts. The company holds a high passion on research and technology exploring such as they are proud of an amazingly effective active ingredient, Pro-Xlyane™, the successful work which was lasting 7 years and now it is used in the product as a new-generation anti-age ingredient. On the other hand, the strong brands reward is not only composed by good products quality but also adequate marketing communication with customers, such as “in March 2009, the French association for the development of industrial and corporate sponsorship, Admical, presented L’Oreal with its 26th Oscar in recognition of the company’s contribution to society.” (Datamonitor.co) However, global increasing competition brings it threat and challenge.
4.2.2 Estee Lauder
Since it was founded in 1946 Estee Lauder Company has been controlled by the Lauder family. The company has wholly owned or majority-owned and operated offices in 43 countries and territories, and the products are sold in over 140 countries. From 1964 to 1990 the company built itself five additional brands, and later on acquired some companies from other countries and territories. According to annual financial records the company gained revenues was around $7910.8 million in 2008, and the net profit was around $473.8 million. (See Table 6)

<table>
<thead>
<tr>
<th>Business</th>
<th>Cosmetics</th>
</tr>
</thead>
</table>
| **Product** | **Skin care:** Moisturizers, creams, lotions, cleansers, sunscreens and self-tanning products  
**Make up:** Lipsticks, lip glosses, mascaras, foundations, blushes, eye shadows, nail polishes and powders. Also compacts, brushes and other makeup tools  
**Fragrance:** Eau de perfume sprays, colognes, lotions, powders, creams and soaps based on particular fragrances. Also bath and aromatherapy products  
**Hair care:** Shampoos, conditioners, styling gels and creams, hair coloring products and hairsprays |
| **Brands** | Estée Lauder, Aramis, Clinique, Prescriptives, Lab Series Skincare for Men, Origins, Tommy Hilfiger, M·A·C, Kiton, La Mer, Bobbi Brown, Donna Karan, Aveda, Jo Malone, Bumble and bumble, Michael Kors, Darphin, American Beauty, Flirt etc. |
| **Distribution** | Upscale department stores, specialty retailers, upscale perfumeries and pharmacies, professional hair salons, freestanding company stores, spas, direct responses television, stores on cruise ship, in-flight, duty-free shops in airports and cities and the internet. |
| **R&D** | Melville, New York; Blaine, Minnesota; Oevel, Belgium; Tokyo, Japan; Ontario, Canada; Shanghai, China; Colombes, France; Petersfield, U.K |

Table 6 Source: www.Elcompanies.com and Datamonitor.com

According SWOT analysis the strength of the company includes research and development and wide brand and product portfolio, in fact, there is one point should be added onto, which is the developing information technology online service for consumers. As the e-marketing, e-tailer and e-stores are on the way to boom today, the company has tried to make some cutting-edge experience for their consumers through internet, in which the e-store is not only used to sale products and to serve consumers how to buy products, but also offer them different information such as skin test, make up tips, even label introduction and so on. Nevertheless the threat to the company is also global increasing competition.

4.2.3 Shiseido
Shiseido is a Japan based company which was founded in 1872 and started as a pharmacy business selling pharmaceuticals in Japan. Nowadays it has 15 manufacturing facilities and 12 research and development facilities across Europe, North American and Japan, its products are marketed in 70 countries spanning Asia, America and Europe. Revenue the company gained in 2008 was approximately $6352.2 million, and the profit was around $311.3 million at the same year. (See Table 7)
<table>
<thead>
<tr>
<th>Business</th>
<th>The domestic cosmetics, the overseas cosmetics, medical-use drag, the sale of clothing and accessories, restaurant operation and real estate management and sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product</td>
<td>Cosmetics division: cosmetics and cosmetics equipment</td>
</tr>
<tr>
<td></td>
<td>Professional division: products and services in hair and beauty salon</td>
</tr>
<tr>
<td></td>
<td>Healthcare division: food products and over-the-counter drugs</td>
</tr>
<tr>
<td></td>
<td>Frontier Sciences division: cosmetics ingredients, medical-use pharmaceuticals, beauty therapy cosmetics</td>
</tr>
<tr>
<td>Brands</td>
<td>Shiseido, Aupres (China) and Pure &amp; Mild (Malaysia)</td>
</tr>
<tr>
<td>Distribution</td>
<td>Upscale department stores, specialty retailers, professional beauty salon, stores on cruise ship, in-flight, duty-free shops in airports and cities and the internet.</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>China, Europe, Southeast Asia, the United States and Japan</td>
</tr>
</tbody>
</table>

Table 7 Source: Shiseido.com and Datamonitor.com

In SWOT analysis strong orientation towards research and development activities is one of the company’s strength. In addition, the company has its own idea and concept to identify its corporate activities doing with stakeholders. It defines the corporate mission as “we seek to identify new, richer sources of value and use them to create a beautiful life style” (Shiseido.com), and its way to reach its customers is: “Through the creation of products possessing true value and exceptional quality, we strive to help our customers realize their dreams of beauty, well-being and happiness.”

4.3 Analysis

Based on above overview of cosmetics industry, it is instinctively to think about security, such as the government agencies set rigorous regulations to against risks of damage on human health and environment, the consumers choose product critically by looking out ingredients and functions and scholars critically evaluate that if the products are created for consumers’ value or just for chasing profit. Accordingly under this rigorous environment, the cosmetics companies have to be customer-oriented to create their products’ attributes with aiming of first one to meet consumers’ needs, second one to commit by using safe ingredients in the products and third one to make benefit in this lucrative market, therefore they have to collect consumers’ information of reaction for their products, and make sure the product with high quality to meet consumers’ needs. As beauty is one of significant value for human being, and nowadays the demanding for beauty products raise up not only in female group but also male, the market demanding for cosmetics companies is raising. However, there are hundreds of cosmetics companies competing in the world, and most of them are multinational, hence the market is not only lucrative but also competitive furiously. Some of cosmetics enterprises got success by using their own business model, as above presenting of the four leading companies in this industry which showed that their marketing strategy is very successful to make their brands being well known through many countries. Nevertheless, if these successes can be kept in the future or which one of them may lose its market if without making change on its own manage and business mode in the future?
The following sections will used the discussed concept of consumer orientation based on GDL and SDL to dissect the four cosmetics companies’ mode of operation.

4.3.1 L’Oreal

L’Oreal is a consumer-oriented enterprise. First of all, the company collects and attains consumers’ information from different ethnic groups and territories; secondly, it creates diversity products to meet consumers’ needs. “In order to be attuned to all of the world’s consumers, it is essential to fully understand all of their different needs. Brands that originate in different countries with different cultural and geographic characteristics, and products that are often adapted to the different markets effectively respond to the multiple demands.” (L’Oreal.com) the company advocates diversity in which it creates diversity product attributes, and has employees and consumers from diversity culture and geography, by doing this way it has to attain diversity consumers’ information for working on its products.

However, there are some traces which reflect it is a company with goods-dominant logic. First of all, as the company acquired hundreds of brands, they categorize the products into different groups, and each group includes several brands or even tens of brands. In most of time, these brands compete to each other in the same market segment, because their products have similar function and attributes, so the situation is the similar products with different brands can be bought by a retailer in the same time, but a consumer probably does not buy the similar products with two or three brands at the same time, in such case the company tends to being more concerned with their distribution channel than their consumers, “offering the best of our brands in all our distribution channel” this is their saying for doing business. Accordingly, they just much focus on consumers’ behavior in purchase stage and ignore consumers’ practices in other stages. Secondly, they emphasize value added in product which can bring competitive price for their product, which just like their consumer product division stated that “…the added value of its innovations enable it to highlight its excellent value for money.” (L’Oreal.com) Furthermore, to make them being very confident about value added product with innovation is their Research and Development center which is wide open to the world, constantly drumming up myriad innovations. And as the company is being global, the research departments are working into global level too. The research teams “have taken on a more international look and feel, regularly collaborating with experts from every corner of the planet. Multidisciplinary, with a wide variety of backgrounds and approaches, the teams form a brilliant think-tank, a vibrant pool of skills. Optimal conditions for precise and effective response to local needs. Hair and skin differ greatly from one geographic area to the next, and require well adapted products.” (L’Oreal.com) in other words the research teams have become the main source to create product attributes, and working in these teams are more than 3000 researchers, so even though they are from any corner of the earth, they still lack of competitive strengthen if without collaborating with their consumers, because their rivals are doing the same work with them, and there are still not any channel to interact and collaborate with consumers from them. Thirdly, due to the company owns a bunch
of elite brands which include different categories of cosmetics products, so they are fully confident with “each elite brand in tune with the changing tastes of the consumers. Through their products, they bring increasingly high-tech, sophistication to the market. Each of them mastering a certain area of expertise, a specific territory and together, they cover all the world’s needs.” (L’Oreal. com) in other words, the elite brands and high-tech research on products bring success to the company, however since its rivals also owns these advantages, and information communication tool developed and being prevalent among people, such as people use internet to index and trace information, these advantages based on goods-dominant logic cannot last any further. Let’s check if it has any trend to have a change.

By looking into the company’s website, there is a panel which is specially made for consumers. People will see a list of brands the company owns at the firs webpage when they get in, which means its each brand has own webpage independently. Therein the company’s original brand: L’Oreal Paris offers rather completed information to consumers. First of all, the consumers’ value is caught up tightly which is beauty and health, there are lots of beauty and health faces emerged on the page, but the point is how to get the value. Consumers can find some tips for using products from spokesmodels, however the spokesmodels are a bit different with the general consumers, such as profession, spokesmodels needs the perfect beauty for themselves, but for general consumers they just want to become better or common beauty in their own profession area, hence spokesmodels’ tips cannot suit to all consumers. Secondly, some experts’ suggestions and essays are published on the page, in fact these information are pretty authoritative for consumers, because they are rather objective to describe the products and not easy to get by consumers in usual. However, most of them evaluate products’ attributes and suggest utilization of products in single side, in addition they much emphasize the brand’s high-tech which can help consumers to achieve what they expected. In fact, in consumers’ real consumption practices, the product’s using is just a part of the process, if other parts cannot coordinate in a good way, the aim to use the product will easily get failed. For example the Derma Genesis product can help consumers recover protein which flow away from skin with age getting older, however if the consumer smokes, or has a bad habit with less sleep, or use another make up product and lead to different ingredient react and get allergic, she will be difficult to get what she expect from the product. Hence the experts should connect to consumers’ activities to evaluate the products and make suggestions, furthermore even though the product is involved into high-tech, it does not mean once consumers use it they will all get younger, because consumers’ practices always the key for them to get value they expect. Thirdly, the company is always heading innovation, as it advocates diversity in the work place, so lots of innovative ideas come from the company’s employee’s team or recruitment team, however the employees and recruitment are not enough to stand for the general consumers, and maybe part of them do not know how to use beauty products or not being better than the consumers’ skill, therefore to interact and collaborate with consumers is rather necessary.
Now we can get a conclusion that L’Oreal Company is heading to being service dominant logic, however there is still long way to go, such as it needs to integrate its numerous brands systematically, otherwise it will be difficult to create a concentrated relationship between the company and consumers.

4.3.2 Estee Lauder

As above demonstrated most of cosmetics companies are consumer-oriented, and Estee Lauder’s consumer-oriented character can be showed in its concept of strategy: Imaging, Integrating and Innovating; therein employees are encouraged to imagine what consumers’ needs and work for meeting their needs, which just like the company’s annual report stated “Estee Lauder Company’s employees spend every day working to understand the aspiration of our consumers…Whether imagining a breakthrough skin care technology to stop time in its tracks, or creating work of fantasy and color for a consumer who lives in the moment, we cultivate and encourage our employees to imagine what our consumers need, and more importantly, what they desire.” (Estee Lauder Company 2009 annual report)

Furthermore, basing on the report we can find some traces which show that the company is being on the process of transiting from goods-dominant logic to service-dominant logic. First of all, the company got a similar way with L’Oreal Company to get success which is it also invests hardly in research and development centre which cover the three main continents: Asia, Europe and America, and a bunch of elite brands well known throughout numbers of territories and countries. The research department is also heading to create innovative products, and each employee is encouraged to collaborate with it “…to further foster integration among employees, we have provided them enhanced collaboration and communication tools to share ideas and learn from each others’ experiences.”(Estee Lauder Company 2009 annual report) Accordingly there is still a clear line between the research centers and consumers’ practices, in fact some consumes’ intelligence and skill can be a good resource for innovation. Furthermore, the company also tries to integrate its multiple brands which are categorized into four clusters, “To better integrate our brands, we have organized them into four clusters according to channel and consumer segmentation. This enables our brands to draw upon their great strengths and share their deep knowledge with each other.” (Estee Lauder Company 2009 annual report) Even though the different brands are hard to integrate into a whole entity, at least they tend to being more standardized than L’Oreal Company which loses balance to organize the numerous brands with being multifarious webpage design. Secondly, the company evolves a High-Touch approach to meet their consumers’ preferences, “…one of the ways we do this is by adapting our brands to meet consumers’ changing tastes and needs” they said in the report “For example, at Clinique’s new Dermatological Concern display tower, products are grouped together according to one of four common skin care concern, these ‘grab and go’kits allow the consumers to decide the level of services she would like to receive which is from a full consultation to express, self service.” This approach is a bit connected to consumers’ practices, as during daily consumption of
cosmetics products, consumer not just use one kind of product but rather various products with
different functions being combined together to use, so the company just group the products and
offer tips, and make consumers serve themselves. Thirdly, as above mentioned that due to
nowadays the internet has already been very common for people, which is an essential element in
the life, and people get used to use index and trace information on line very often. Under this
way, the company in order to cater consumers’ activities on initiatively searching information,
they provide a range of options for them to learn about and buy products through a wide array of
digital experiences. This is a way break through the traditional marketing approach to stimulate
consumers’ affection before purchase, in such case consumers are passively to get information,
but now they can freely search and realize what information they want. Furthermore, they stated
that “The online universe is rapidly expanding with a number of exciting marketing initiatives,
particularly in the growing realm of social media. On sites like Twitter, Facebook, and
YouTube…” accordingly, one of brands in the company is using this social media to interact
with consumer online, “Our Bobbi Brown brand, which speaks directly to women about beauty
and self image, launched a Twitter profile (@AskBobbiBrown) which allows the brand’s
makeup artists around the world to answer questions and communicate with consumers directly.”
It is an innovated way for company to interact with consumers, and it will be better to store
consumers’ information and show return to them for references after being organized, because
completed information is one of crucial element for consumer’s value creating process.

In all, even though the company does not has a scale as big as L’Oreal which owns 18 research
and development centers hundreds of brands across the world, to masterly implement internet
skill bring them much benefit and make them being more competitive in the market. However, it
is just a process for the company to pass, every aspect does not become mature yet, in addition
the company runs a bit higher on the cost, so there is still rough road for them to walk.

4.3.3 SHISEIDO
Shiseido is an Eastern company from Japan, so it is much different with above two companies
which are from Western countries. Since the way of thinking is different between Eastern and
Western countries, the concept of running business is also different among companies. In
Eastern, the society’s belief system is primarily charged by Taoism or Hinduism, and most of
populations live in north eastern or south eastern are influenced by Taoism in the way of
thinking. Taoism views humans and nature staying in a circle and interacting with each other,
based on this concept people’s thinking tend to be complexity and interrelation, which means
attempting to understand the object without appreciation of its context is doomed. Accordingly,
in Shiseido’s research and development division, they “not only make the skin beautiful, but also
pursuing benefits that reach all the way to people’s mind”, as its annual report stated that
Shiseido was the first to scientifically prove the effect of psychological stress on skin, in
addition, the research is also revealing the effect of scent on the autonomic nervous system, the
endocrine system and immunity.” (Shiseido annual report, 2008) it is not difficult to find that
basing on Eastern traditional thinking, the company’s way of operating is different from L’Oreal whose research and development center study profoundly human’s skin and invented many patent technology that no one can compare right now. However which dominant logic it belong to? Or does it tend to be service-dominant logic?

Even though the company found out in order to make skin beautiful people not only can work from outside by using cosmetics product on the skin, but also can nurse inside human’s body, in other words, besides people can use cosmetics products to nurse their skin from outside, and they also need to do some activities to nurse their inside body’s various system which influence skin’s growing activity. However the company does not thoroughly study consumers’ practices activities but rather to “enrich people’s sprits through interactions between customers and products.” (Shiseido annual report, 2008) in fact such concept should be traced to the Eastern thinking which is to realize an object in high context, however product themselves cannot enrich people’s sprits, and they are not capable to interact with consumers, because they are lifeless, but if they are hung with beauty consultant, they will get ability to enrich people’s sprits. Beauty consultants (BC) are one kind of employees in the company which have to undergo three months training and practical experience before officially working at store, and they are seen as the “essential face of Shiseido to convey the value of the company to customers everywhere.” Accordingly, we can judge that the company is moving towards the direction of service-dominant logic, when the Beauty consultants offer services in store for consumers, they will get details information from consumers and help consumers to resolve problems, therefore it is not singly related to products which is seen as a powerful problems resolver with high-tech added. However since their business concept is a bit influenced by the traditional eastern thinking, which means people were not much concerned about truth and objects but rather “chi” magic and fancy, therefore they image to use products or BC related products to enrich consumers’ mind, in fact consumer get mind enrich from their practices and experiences, and products are just one part in their practices or experiences process. Accordingly, BC team should involve into these practices process and study from consumers, which is like above discussion the way of interaction to store consumers’ information and use them to serve consumers in return.

4.4 Discussion

As above discussed there is a trend that service-dominant logic will replace goods-dominant logic, the three leading cosmetics companies can show a bit phenomenon with this trend. According to the comparing discussion of elements of customer orientation based on SDL and GDL, in practices the three leading cosmetics companies have broken through the traditional marketing by singly stimulating consumers’ mind to make repurchase. Such as besides they emphasize the sale force for their products, they offer some tips of make-up or how to use cosmetics products online in their webpage, and also a tool to help consumers test skin style of self, in this way we can see it as company involving into consumer’s consumption stage.
However those activities are far from being service-dominant logic. Firstly, they still ignore consumers’ self-service practices and maintain relationship with consumers by products; Secondly, they still play solo performance and lack of interaction with consumers.

Since nowadays the internet technology is getting mature, and around over half of world population touch internet in every minute, many people see internet is their part of life. Based on this situation, the cosmetics companies seize the opportunity to offer some extra services through internet, such as e-store, real time consultant, make-up tips, skin simulation test and so forth. However without interaction with consumers, the companies will never know these information services offering is not enough for consumers’ needs, especially for women consumers whose character is taking long time to purchase, once before they buy a product they search information on internet many hours, and jump page to page to browse one BBS (bulletin board system) to another. Based on such situation, the companies suppose to consider collecting and arranging those information for consumers, even though it will be an extra work and make some cost, however during the collecting, companies will find consumers’ latent needs. For instance, there is an office lady wrote in a forum, “I love beauty and I cost a lot on cosmetics product every year, however I’m not profession on make-up and skin care, the multi-steps of make-up and mass and complicated products application confused me…” due to this writing from consumer is under voluntary without question being responsible to answer, so it’s more reliable than special purpose consumer research. In addition, during information collecting company can learn some knowledge from consumers as well, such as there are some skillful consumers can offer how to distinguish fake products and true products, and in another way around company can use this knowledge to help other consumer. This is typical interaction through internet, in fact the point is company should consider lay down the boundary line to consumers, however it is critical to drive it due to the company have to care about some sensitive information uncover to competitor which is harm for own benefit, therefore they have to set some limited to protect private, in a word there will be a space for interaction between companies and consumers.

Furthermore, according to some scholars and executives’ predictions for the cosmetics industry in the future, there are three main directions which were stated commonly, 1) the cosmetics products will be developed more and more nature and environment like; 2) the composed ingredient of cosmetics products will be uncovered clearly for public, and consumers will get the ingredients and functions of products knowledge orderly; 3) as the Shiseido company got a research result that the attributes to influence skin getting beauty is not only from outside environment and skin itself, but also from inside of human body the various physiological system. Based on these three directions, even though the company own the best high-tech patent, it will probably gets success hardly if without consumers’ support, therefore to collaborate consumers is also a direction for the company to head for.
5. CONCLUSION

“The greatest danger in times of turbulence is not the turbulence, it is to act with yesterday’s logic.” And the yesterday’s logic, Vargo and Lusch argued, “focused on separating the producer from the consumer which was done for maximum production control, efficiency and profit maximization and usually accomplished by standardizing the product and producing is away from the market.” (Vargo & Lusch, 2008) Accordingly the trend of service-dominant logic instead of goods-dominant logic will become real, the point of it is in order to reach optimization of production and utilization of earth resources through collaboration and interaction among different entities which include suppliers, consumers, customers (in B2B business), employees, shareholder and so forth.

In practice nowadays the collaboration mostly emerged in B2B business, such as outsourcing which requires different complementary corporations work together to generate products or offer output. Furthermore with information technology developing fast today the collaboration become easily, there is no industry limited for each, they can cross from manufacturing to service sector. The collaboration bring much benefit to entities of doing B2B business, gradually it is advocated to enter into B2C business. Even though currently there is few practice cases of interaction between companies and consumers, it will expand fast in future, as the advanced internet technology is becoming a good platform for interaction between firms and consumers.

Furthermore, as above long discussion of the theory, we get to know that to be customer-oriented is a methodology for company to work better with customer’s relationship, but to be service-dominant logic is not a theory method that company can consult in a fixed frame, but rather it is a mindset that people think in another way. Therefore we can get a conclusion with an example that the general customer-oriented company interview customer merely about the information which is do they like or dislike the products or services, what kind of products or services they expect, or what method can help company to make the products or services getting better, however some special customer-oriented companies will try another way to think which is how can we solve problems for our customers by using our products or services, or what ways that our customers will use to solve their problems by using our product or services. Basing on this way of thinking, the company will care about that if their products can make its customers live well and feel better, but not just focus on the way of it trades with customers and how much benefit it can get from the trade and if the customers can get the equal benefit from the trade also. So it shows a trait for us to distinguish what is value-in-use and value-in-exchange. All in all, we said to be customer-oriented base service-dominant logic is not to follow our customers, but rather to explore a road to help them walk easier.

According to above analysis and discussion specifically for the empirical study about cosmetics companies, we can find the companies’ trend of development is positive growing, even though most of them still stay with traditional marketing concept, however gradually they will find it is not useful enough for their growing business activities. Even though most of them can
completely do the right market segmentation, and shoot the right customers, they still find it is difficult to move ahead in a big step; therefore they have to consider another way to go. Actually it will be the same situation happened on other industries’ company, because customers will not still being deadish acceptors and divided and segmented by companies into different groups. Maybe the companies should start to consider more about value-in-use, such as if they want to get customer’s respect, they have to respect themselves and their own products first, the products generated from them should not be seen as crap by them after being sold out and value destroyed by customers. Companies should still take responsibility for the products until eventually they leave from customers, rather than cut off the connection with them when the exchange was done at the beginning. In that case, companies are not just once to get attention from customers in the trading, but in the end when the products are threw away by customers and companies can show up and say, “these trash were generated by us, not you, we can take care of them so that they will not make any pollution to the environment you live.” As generally saying, if you want to get respect from people, you should respect yourself first, so companies will get customer’s respect, because they do not see their products as garbage that no one to care when the value were completely destroyed by customers. Therefore to be interesting to further study for companies would be how to observe customers in another way.
6. Reference List


Estee Lauder Companies Inc., The. Datamonitor.

L'Oreal S.A. Datamonitor.

Avon Products, Inc. Datamonitor.


Ellen Groves (2004). “Top 100 beauty companies report”.

Estee Lauder Company

www.ELCompanies.com


http://www.cosmeticsdesign-europe.com/Products-Markets/Cosmetics-consumers-looking-for-reassurance


Johnson, L. (2004). “Don't think pink: what really makes women buy--and how to increase your share of this crucial market”.


L’Oreal Company


Marketing concept

www.netmba.com/marketing/concept


Peter, J.P. (c2008). “Consumer behavior and marketing strategy” / J. Paul Peter, Jerry C. Olson.


Shiseido Company

http://www.shiseido.co.jp/e/index.htm


7. APPENDIX

7.1 APPENDIX 1

<table>
<thead>
<tr>
<th>Timeline and Stream of literature</th>
<th>Fundamental Ideas or Propositions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Classical and Neoclassical Economics (1800-1920)</td>
<td>Economics became the first social science to reach the quantitative sophistication of the natural sciences. Value is embedded in matter through manufacturing (value-added, utility, value in exchange); goods come to be viewed as standardized output (commodities). Wealth in society is created by the acquisition of tangible “stuff”. Marketing as matter in motion</td>
</tr>
<tr>
<td>Formative Marketing Thought (Descriptive: 1900-1950)</td>
<td>Early marketing thought was highly descriptive of commodities, institutions, and marketing functions: commodity school (characteristics of goods), institutional school (role of marketing institutions in value-embedding process), and functional school (functions that marketers perform). A major focus was on the transaction or output and how institutions performing marketing functions added value to commodities. Marketing primarily provided time and place utility. And a major goal was possession utility (creating a transfer of title and/or sale). However, a focus on functions is the beginning of the recognition of operant resources.</td>
</tr>
<tr>
<td>Marketing Management School of Thought (1950-2000)</td>
<td>Firms can use analytical techniques (largely from microeconomics) to try to define marketing mix for optimal firm performance. Value “determined” in marketplace; “embedded” value must have usefulness. Customers do not buy things but need or want fulfillment. Everyone in the firm must be focused on the customer because the firm’s only purpose is to create a satisfied customer. Identification of the functional responses to the changing environment that provide competitive advantage through differentiation begins to shift toward value in use.</td>
</tr>
<tr>
<td>Marketing as a Social and Economic Process (Emerging Paradigm: 1980-2000 and forward)</td>
<td>A dominant logic begins to emerge that largely views marketing as a continuous social and economic process in which operant resources are paramount. This logic views financial results not as an end result but as a test of a market hypothesis about a value proposition. The marketplace can falsify market hypothesis, which enables entities to learn about their actions and find ways to better serve their customers and to improve financial performance. This paradigm begins to unify disparate literature streams in major areas such as customer and market orientation, services marketing, relationship marketing, quality management, value and supply chain management, resource management, and network analysis. The foundational premises of the emerging paradigm are (1) skills and knowledge are fundamental unit of exchange, (2) indirect exchange masks the fundamental unit of exchange, (3) goods are distribution mechanisms for service provision, (4) knowledge is the fundamental source of competitive advantage, (5) all economies are services economies, (6) the customer is always a co-producer, (7) the enterprise can only make value propositions, and (8) a service-centered view is inherently customer oriented and relational.</td>
</tr>
</tbody>
</table>

Source: “Evolving to a new dominant logic for marketing” Stephen L. Vargo & Robert F. Lusch, 2004
### 7.2 APPENDIX 2

<table>
<thead>
<tr>
<th></th>
<th>Traditional Goods-Centered Dominant Logic</th>
<th>Emerging Service-Centered Dominant Logic</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary unit of exchange</strong></td>
<td>People exchange for goods. These goods serve primarily as operand resources</td>
<td>People exchange to acquire the benefits of specialized competences (knowledge and skills), or services. Knowledge and skills are operand resources</td>
</tr>
<tr>
<td><strong>Role of goods</strong></td>
<td>Goods are operand resources and end products. Marketers take matter and change its form, place, time, and possession</td>
<td>Goods are transmitters of operand resources (embedded knowledge); they are intermediate “products” that are used by other operand resources (customer) as appliances in value-creation processes</td>
</tr>
<tr>
<td><strong>Role of customer</strong></td>
<td>The customer is the recipient of goods. Marketers do things to customers; they segment them, penetrate them, distribute to them, and promote to them. The customer is an operand resource.</td>
<td>The customer is a co-producer of service. Marketing is a process of doing things in interaction with the customer. The customer is primarily an operand resource, only functioning occasionally as an operand resource.</td>
</tr>
<tr>
<td><strong>Determination and meaning of value</strong></td>
<td>Value is determined by the producer. It is embedded in the operand resource (goods) and is defined in terms of “exchange-value”</td>
<td>Value is perceived and determined by the consumer on the basis of “value in use”. Value results from the beneficial application of operand resources sometimes transmitted through operand resources. Firms can only make value propositions.</td>
</tr>
<tr>
<td><strong>Firm-customer interaction</strong></td>
<td>The customer is an operand resource. Customers are acted on to create transactions with resources</td>
<td>The customer is primarily and operand resource. Customers are active participants in relational exchanges and coproduction.</td>
</tr>
<tr>
<td><strong>Source of economic growth</strong></td>
<td>Wealth is obtained from surplus tangible resources and goods. Wealth consists of owning, controlling, and producing operand resources</td>
<td>Wealth is obtained through the application and exchange of specialized knowledge and skills; it represents the right to the future use of operand resources.</td>
</tr>
</tbody>
</table>

Source: “Evolving to a new dominant logic for marketing” Stephen L. Vargo & Robert F. Lusch, 2004
### 7.3 APPENDIX 3

**Instrumental and Terminal Values of Americans**

<table>
<thead>
<tr>
<th>Instrumental Values</th>
<th>Terminal Values</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(Preferred Modes of Behavior)</strong></td>
<td><strong>(Preferred End States of Being)</strong></td>
</tr>
<tr>
<td><strong>Competence</strong></td>
<td><strong>Social harmony</strong></td>
</tr>
<tr>
<td>Ambitious (hard working)</td>
<td>World at peace</td>
</tr>
<tr>
<td>Independent (self-reliant)</td>
<td>Equality (brotherhood)</td>
</tr>
<tr>
<td>Imaginative (creative)</td>
<td>Freedom (independence)</td>
</tr>
<tr>
<td>Capable (competent)</td>
<td>National security</td>
</tr>
<tr>
<td>Logical (rational)</td>
<td>Salvation (eternal life)</td>
</tr>
<tr>
<td>Courageous</td>
<td></td>
</tr>
<tr>
<td><strong>Compassion</strong></td>
<td><strong>Personal gratification</strong></td>
</tr>
<tr>
<td>Forgiving (pardon others)</td>
<td>Social recognition</td>
</tr>
<tr>
<td>Helpful (work for others)</td>
<td>Comfortable life</td>
</tr>
<tr>
<td>Cheerful (joyful)</td>
<td>Pleasure (enjoyable life)</td>
</tr>
<tr>
<td>Loving (affectionate)</td>
<td>Sense of accomplishment</td>
</tr>
<tr>
<td><strong>Sociality</strong></td>
<td><strong>Self-actualization</strong></td>
</tr>
<tr>
<td>Polite (courteous)</td>
<td>Beauty (nature and arts)</td>
</tr>
<tr>
<td>Obedient (dutiful)</td>
<td>Wisdom (understanding)</td>
</tr>
<tr>
<td>Clean (neat, tidy)</td>
<td>Inner harmony (no conflict)</td>
</tr>
<tr>
<td></td>
<td>Self-respect (self-esteem)</td>
</tr>
<tr>
<td></td>
<td>Sense of accomplishment</td>
</tr>
<tr>
<td><strong>Integrity</strong></td>
<td><strong>Security</strong></td>
</tr>
<tr>
<td>Responsible (reliable)</td>
<td>Taking care of family</td>
</tr>
<tr>
<td>Honest (sincere)</td>
<td>Salvation (eternal life)</td>
</tr>
<tr>
<td>Self-controlled</td>
<td></td>
</tr>
<tr>
<td><strong>Love and affection</strong></td>
<td><strong>Personal contentedness</strong></td>
</tr>
<tr>
<td>Mature love (sexual and spiritual intimacy)</td>
<td>Happiness (contentment)</td>
</tr>
<tr>
<td>True friendship (close companionship)</td>
<td></td>
</tr>
</tbody>
</table>