

# Product development based on Bernd H. Schmitt's 'Experience value'

Research case on the IGNIS Nature series

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**Abstract:** We research into a variety of successful-selling products has clarified that offering appeals to customers' sensibility values is the key to higher value-added products, rather than merely offering functionality and benefit. Thus, this quantification acts as a tool for analysis of difficult sensibility values. The analyses based on the concepts referred to as "experience value" by Bernd H. Schmitt have indicated, through a large number of examples, that they are perfect for communicating the superiority of the products. With the analysis of the competitive advantage held especially in the high-class goods market, notions regarding this experience value demonstrated a certain power and influence, and made it possible to clearly recognize the brand's superiority and more easily compare the differences between brands.

While the experience value concept was utilized as a tool for analyses of existing successful products, it is also thought crucial for creating successful products by theoretically conferring sensibility value upon them. Therefore, we investigated methods by which products' success rates could be raised by incorporating this concept of experience value into the IGNIS Nature series manufactured and sold by the ALBION Co., Ltd. Here, ALBION' Shirakami Laboratory adopted a value-added approach towards products by forming a framework for the same with plant extract compounds from various species of privately cultivated herbs. The result was an increase in sales volume.

**Keywords:** Experience value, Cosmetic

## 1. INTRODUCTION

Nagasawa et al. (2005, 2006, 2007, 2009) researched a large number of product studies based on the value experience concepts proposed by Schmitt (1999, 2003), the father of value experience marketing.

Advocating new marketing concepts, these investigations were conducted with the goal of injecting vitality into a sluggish Japanese economy. The aim is to break away from the model of so-called industrial society—that of low price, quick delivery and mass production—that supported Japan's post-World War II economic boom; we feel that it is the high value-added luxury brand products found in the US and European markets that embody Japan's goal of escaping the industrial society.

In order for a brand to be worthy of the label *luxury brand*, it has to do more than merely offer customers function and benefit. This is the accomplishment of a product family that has improved upon its level of quality from what might be called an “expected quality” to an “alluring quality.” The way in which this alluring quality is theoretically analyzed, as well as its incorporation into the product, is important and here, sensibility engineering or affective science plays a crucial role.

With extremely laborious affective value analysis tools, the authors used the experience value concepts proposed by Bernd H. Schmitt to analyze many top-selling products and luxury brands.

For this research, tests based on those proposed concepts, especially those of Bernd H. Schmitt's experience value, were carried out to maximize the value added by the theoretical incorporation of affective value—considered indispensable in high-price goods—into cosmetics products manufactured by the Albion, and were put into practice in the IGNIS series. The resulting consistently positive market evaluations are reported here in this product development research case study.

To this end, Nagasawa and Someya (2007) used a case study of a Japanese luxury brand in a traditional and well-established industry, the brand Toraya, positioned in the traditional confectionary industry. Rather than using the case study to simply analyze the value added of Toraya products in the framework of experience value, based on the stable growth of technology-based manufacturing, we proposed two new concepts of management, to add to the existing management notions:

- (1) Management of core technology that is the essence of technology operations, and
- (2) Product-centered experience value, which also provides added value.

With these concepts in practice, we also asserted that this could be a crucial success factor even for ordinary, relatively new businesses.

In this study, we report on case studies of product development using the concepts proposed above, and Bernd H. Schmitt's notion of experience value in particular, putting them into practice with the IGNIS series of cosmetics, manufactured and sold by the ALBION.

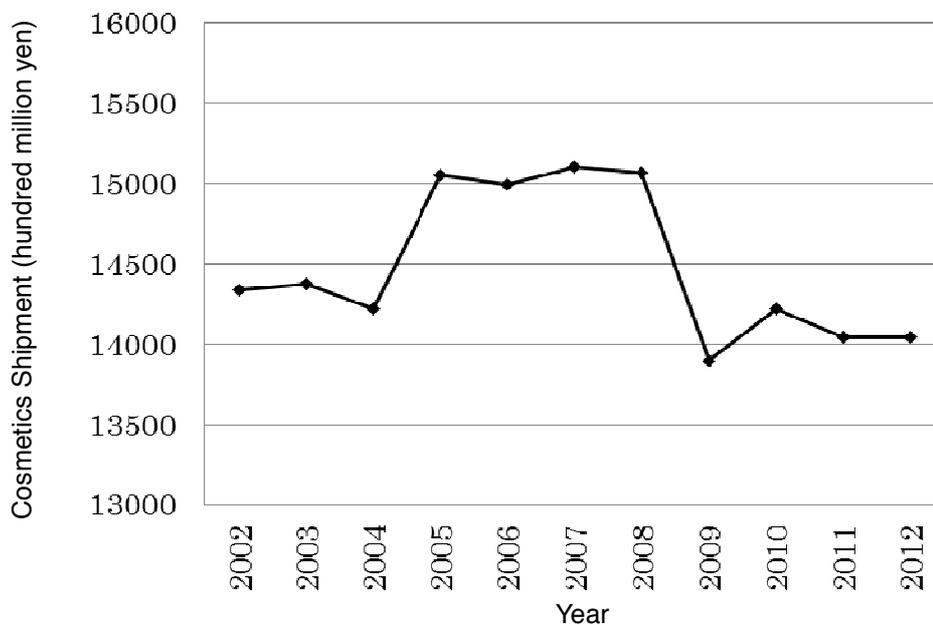
## 2. ALBION AND IGNIS PRODUCT LINES

### 2.1. The Cosmetics Market in Japan

As shown in Figure 1, over the past few years, the total domestic shipment of Japanese cosmetics has plateaued, a characteristic typical of a saturated market. Specifically, while shipment

revenues have stagnated, the number of shipments has tended to rise, and hence, the unit price of each item can be said to be trending downward.

Since the start of the so-called bubble burst in 1990, the conceptual equating of cosmetics with high-end items ceased to be the prevailing mode of thought. Distribution channels centered on specialized boutiques and department stores have also undergone dramatic changes, diversifying to include drugstores, convenience stores, and even mail order and internet sales. In this changing environment, Japanese cosmetics manufacturers have brought about a diversification of distribution channels and are making the shift from conventional large-scale frameworks of distribution (price-maintained product manufacturers, door-to-door sales, and wholesale distribution manufacturing) to crossover-type markets through multiple distribution policies within each sector and industry and multiple branding policies that respond better to each cosmetic brand's market conditions. Interestingly, in recent years, rather than adopting a stance of merely adjusting domestic sales to match the declining Japanese population, they have entered into other Asian markets. We are seeing an active expansion into overseas markets, and in particular, into the emerging markets of China.



**Figure 1:** Cosmetics Shipment Revenue

(Source: Ministry of Economy, Trade and Industry, cosmetics shipment statistics)

## 2.2. Overview of ALBION

ALBION is a medium-sized cosmetics manufacturer that saw sales of 44.2 billion yen in the fiscal year 2012. Since the firm's inception in 1956, the management philosophy has been 'ALBION: Spreading the circle of reliability and integrity around the world by continuing to provide customers with authenticity as the leading name in high quality cosmetics'. It, as a rule, relies upon what is called consultative selling, in the form of a price-maintained product manufacturer, which is limited to specialty cosmetics shops and department stores on a foundation of face-to-face sales. In the sales environment of foreign markets, ALBION is entering certain high-fashion, licensed cosmetics niches with a focus on makeup products but for its domestic policy, centered on skin care (beauty creams), the emphasis is on selling such products instead.

This has its basis in the thought of ALBION President Kobayashi, quoted as saying, 'There are still many points to tackle in the domestic market. There is no hope for us overseas as long as we have not acquired an overwhelming positioning in the Japanese home market (Otsuka, 2010).

### 2.3. IGNIS Nature Series

IGNIS is one of ALBION's lines of skin care cosmetics. Within ALBION, there is the 'ALBION line', which deals in all the distribution channels the company utilizes, and the IGNIS line, which targets only specialty boutiques with limited distribution. While the ALBION line is representative of the company as a whole, in order to avoid competition between the IGNIS and ALBION lines, the IGNIS line aims to appeal to peoples' inner sensitivities by promoting an image of nature and environmental friendliness.

Hence, while the ALBION line can be explained in terms of the long-held functions and results of the cosmetics industry, basing its philosophy on the beauty in science, the IGNIS line prioritizes not only a philosophy of beauty but also the pleasure in its use and the sense of satisfaction in real results. This family of products communicates these ideas directly and immediately to the customer to gain their understanding. According to this definition, one could say that even compared to the rest of the ALBION family, this product series stands out the most for its valuation of aesthetics and sensibilities. Figure 2 is a representative sampling of the IGNIS nature series.

Within the IGNIS line, the Nature series, which went on sale in 2009, comprises a product line that includes compounds made with the essential ingredients of the traditional Japanese medicinal herb mugwort. It is not an exaggeration to say that the communication of the properties of mugwort as the active ingredients utilized is crucial to the product profile. Figure 3 shows mugwort (yomogi).

With the debut of new products in the market, we introduced the idea of experience value marketing and conducted product research and development accordingly.



Figure 2: IGNIS nature series



Figure 3: Mugwort (yomogi)

## 3. EXPERIENCE VALUE MARKETING IN COSMETICS

Originally, the price of cosmetic products was determined by function and usefulness. Departing from traditional marketing, which is dependent upon supply and demand, this product appeals to the senses and emotions. In short, this merchandise embodies 'Kansei products'—emotional or affective products that consider the user's psychology and emotions for product design (Nagasawa et al, 2002)

In this context, the factors contributing to making a hit product include obvious results for the skin,

a comfortable usability that will make one want to use it on a daily basis (the starting point of habitual use), and an addictive fragrance. These are the elements that give a product affective or emotional value, with package design and marketing, advertising, and the atmosphere of the point-of-sales environment itself also being essential factors. It is truly important to provide value from the point of consideration of the purchase to the actual purchase and throughout the product's useful life until its disposal. Accordingly, it is not that the customer is paying for function and convenience; rather it is more appropriate to think that the customer pays for all the experiences with the product, beginning with first coming across the product up to finally discarding it, and up until the next purchase.

According to this definition as well, analyses of value-added products that are based on Bernd H. Schmitt's experience value marketing can be said to illustrate effective product development methods. As a result, when new products were rolled out in 2011, in addition to performing analyses of existing products from 2009 and new ones under the paradigm of experience value marketing, similar investigations into the creation of new values in terms of experience value concepts were conducted. The value addition achieved was proactive and thorough.

#### 4. ANALYSIS OF EXPERIENCE VALUE IN EXISTING PRODUCTS

Table 1 shows the results of analyses on the experience value already acquired by the IGNIS Nature series upon the sale of its existing products in 2011.

In 2009, this product family's development preceded the introduction of experience value marketing, and the experience values shown here have always been recognized as valid results.

**Table 1:** Experience Values of IGNIS Nature series (sales of existing products in 2009) based on Bernd H. Schmitt's Strategic Experiential Module

Category	Customer Experience of IGNIS Nature series (sales of existing products in 2009)
SENSE	<ul style="list-style-type: none"> <li>• Unmistakably feeling results upon use.</li> <li>• Unique fragrance reminiscent of nature.</li> <li>• Colour, shape, and materials of packaging.</li> </ul>
FEEL	<ul style="list-style-type: none"> <li>• The view of nature/reproduction employed on the sales floor.</li> <li>• The sense of special worth that comes from limited distribution.</li> </ul>
THINK	<ul style="list-style-type: none"> <li>• An advertising message that appeals to the 'blessings of nature' and towards a common understanding and acceptance.</li> </ul>
ACT	<ul style="list-style-type: none"> <li>• Conversion to a lifestyle that is in balance with nature.</li> </ul>
RELATE	<ul style="list-style-type: none"> <li>• Acting in concert with and making exchanges with others who are knowledgeable about an environmentally friendly existence.</li> </ul>

##### 4.1. SENSE(Sensory-Based Experience Value )

SENSE (Sensory-based experience value) elements of marketing are seen in the usability, fragrance, and packaging of the IGNIS Nature series.

###### 4.1.1. Usability

The end-purpose of using cosmetics is to maintain the skin's health. Hence, unlike with pharmaceutical products, the smoothness and even spread at the time of application along with the gentle and moist feeling afterwards have been called the 'primary sensations' and are crucial

elements in its continued use. In short, it can be said that these makeup products are already positioned around the idea of providing SENSE.

It is understood that the high quality of primary sensations in the IGNIS Nature series can be fully felt beginning not just immediately after application, but continuing to the next morning, and even more so over continued use, leading to skin improvement at higher and higher levels.

#### 4.1.2. Fragrance

This series appeals to living in harmony with nature, and fragrance is an important factor in its pursuit. Nevertheless, the mere scent of generic nature is not enough to deliver impact to consumers; hence, the venture into creating individualized scents in the IGNIS Nature series, giving birth to a more personalized world that distances itself from stereotypical ideas about makeup and creates a unique view of nature.

#### 4.1.3. Packaging

Views of nature are manipulated through a basic theme of light green coloring for packaging, materials, and patterns, bottles of minimalist design, and a similarly colored box with a more natural paper surface texture.

### **4.2. FEEL (Affective Experience Value)**

The FEEL (affective experience value) of the IGNIS Nature series confers a feeling of the exceptional through the reproduction of nature at the point of sale and through its limited distribution.

#### 4.2.1. Point of Sale Environment Production

Not just the products but the production and design of the sales space itself communicate IGNIS's philosophy by evoking the imagery of its coexistence with nature.

#### 4.2.2. A Sense of Uniqueness Owing to Limited Distribution

ALBION limits its distribution to specialty boutiques and department stores, but a further whittling down to only specialty boutique transactions results in an even more limited distribution. Hence, an aura of the extraordinary and hard-to-obtain is created—this product cannot be picked up just anywhere.

### **4.3. THINK (Intellectual Experience Value)**

A sense of common understanding and approval of 'the blessings of the plant' that are appealed to in its advertisements is promoted with the IGNIS Nature series THINK (intellectual experience value) marketing.

Appeals to visuals of plant life are the centerpiece here, with advertising efforts taking great pains to not rely on detailed scientific accounts regarding the product's efficacy. These efforts have led to positive feelings of empathy and approval of consumers regarding the benefits of plants.

### **4.4. ACT (Action-Oriented Experience Value)**

ACT (action-oriented experience value) marketing in the IGNIS Nature series is seen in the sense of change towards a way of living that is in balance with the natural environment.

Various proposals and advertising campaigns with keywords recalling nature and balanced lifestyles are being conducted, along with customer proposals for a shift towards lifestyles that are more in tune with nature.

#### 4.5. RELATE (Relational Experience Value)

The RELATE (relational experience value) marketing element of the IGNIS Nature series can be seen in the examples of people who engage in balanced, natural living and are active in interpersonal exchange and solidarity actions. In order to see a future in which this is possible, the essential factor is to focus solely on face-to-face sales in specialty boutiques.

ALBION originally restricted distribution to specialty boutiques and department stores; IGNIS is available in boutiques only and has been further narrowed down to directly managed stores. This is because in this environment, adequate consultation that results from guaranteed face-to-face sales is a guiding principle. Consequently, each store's sales staff thoroughly introduces and explains the product so that a relationship between the consumer and sales staff can be firmly formed.

### 5. TAKING ON EXPERIENCE VALUE MARKETING IN NEW PRODUCTS

As indicated earlier, analyses of experience value held by existing products were performed, but upon the release of new products, we investigated the additional products of the IGNIS Nature series individually with the five modules proposed by experience value marketing.

Specifically, ALBION established facilities in Fujisato, Akita Prefecture as part of an expansion of its research capacity. At Shirakami Laboratory, also part of ALBION, and the attached pilot farm, mugwort is cultivated. This is the central and essential ingredient in the IGNIS Nature series, greatly contributing to the products' added value. Following this, investigations into each of the following modules were conducted from this standpoint of private cultivation of essential components. Figure 4 shows ALBION Shirakami Laboratory, and Figure 5 is of their associated pilot farm.



Figure 4: Shirakami Laboratory



Figure 5: Shirakami Pilot Farm

#### 5.1. Investigations into SENSE Marketing

As regards SENSE marketing, from the start it appeared that these cosmetics were of good quality and were highly refined. This is why it was thought that there would be no need to make large-scale changes. However, when it came to packaging, because the focus was on mugwort as the essential component (as described later), in order to further and palpably bring out the greenness of the mugwort, its light-green shade was changed to bluish green instead, although the basic design was retained. This had the effect of differentiating it from other IGNIS products while simultaneously driving home a sense of its debut onto the market.

## **5.2. Investigations into FEEL Marketing**

For FEEL marketing, appeals are made to the Shirakami Laboratory as an entity in itself. Shirakami Laboratory rented a public preschool that had fallen into disuse and renovated its interior for their current facilities. By leaving the exterior unchanged from its days as a preschool, it made possible the expression of a characteristic of gentleness with the cosmetics company, even while being run as a laboratory. Efforts were made at every opportunity to communicate this to the customer.

## **5.3. Investigations into THINK Marketing**

Focusing on THINK, appeals were made to the peace of mind and sense of safety that comes from home-grown essential ingredients. The communication of ideas recalling safety and peace of mind with customers was performed in a way that was easy to understand due to longstanding quality guarantees and the direct explanation of the company's organic farming. Trends regarding food safety and peace of mind can be seen in the cosmetics industry as well; we are entering an age in which the ingredients used in cosmetics are assumed from the start to be safe and healthy and are subject to the same standards as food products in terms of their traceability. Although in the current situation, the various ingredients are subject to strict testing upon production with structures that do allow for safety and peace of mind, we think the easiest way to communicate this information permanently to customers is through a concise message such as 'Grown Organically in our Own Fields'.

Moreover, Shirakami Laboratory is located at the foothills of the Shirakami Mountains, an area registered as a natural world heritage site. These factors immediately communicate a natural grandeur and the importance of nature conservation to customers.

## **5.4. Investigations into ACT Marketing**

For ACT marketing, Shirakami Laboratory strived to transmit season-related information to customers. In particular, during winter in the Shirakami region, dramatic changes in the natural environment are visible in the period in which snow falls. Even during the time that snow covers the fields, plant observation is carried out to see how the plants are surviving the winter, and once again upon the melting of the snow, in the springtime budding period. This type of information was carefully communicated to the customer, conveying a sense of the changing seasons. Out of this came sincere efforts to lend a sense of seasonality to customer lifestyles through the products.

## **5.5. Investigations into RELATE Marketing**

For RELATE marketing, the challenge was to shrink the distance between the product and consumer by communicating to them, through all available media, the efforts being made in ALBION Shirakami Laboratory.

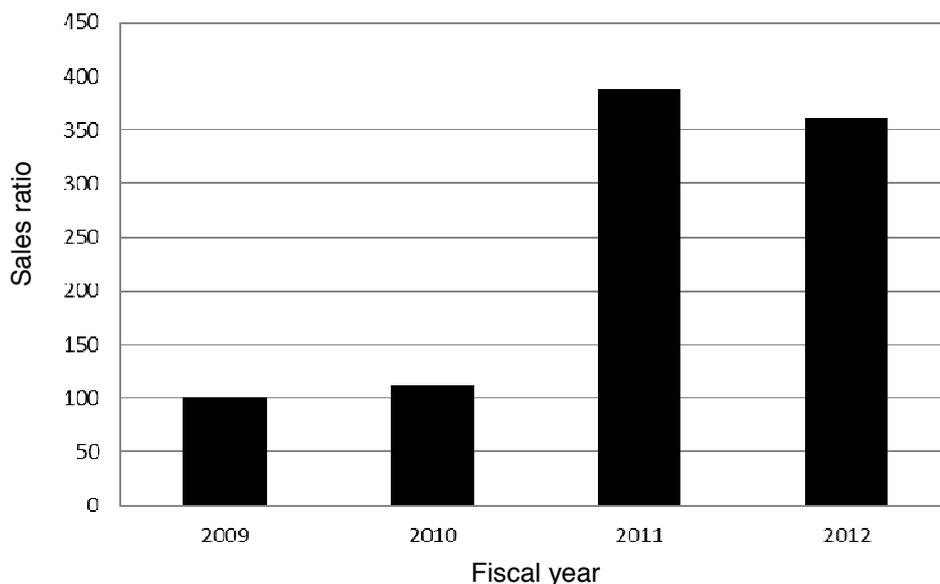
At ALBION especially, the consultation performed during face-to-face sales of all products is essential. It is the approach taken not only with customers, but also with developers in R&D. Active study and training programs were conducted for the staff termed as beauty advisors (BAs), who make the face-to-face sales at the counter, and for the management staff, responsible for business operations, at Shirakami Laboratory and the attached pilot farm; they later communicated the highlights of these operations and activities to customers. As a further step, Shirakami Laboratory also held expanded study sessions and on-site observation programs for client businesses. Figure 5 shows staff study and training at Shirakami Laboratory.



**Figure 6:** Staff Study and Training at Shirakami Laboratory

## 6. RESULTS

Figure 7 presents the changes in the sales volume of the IGNIS Nature line from its inception in fiscal year 2009 up to the fiscal year 2012, during which new products based on additional investigations into Bernd H. Schmitt's experience marketing were introduced. It should be noted that on this graph, the total series sales revenue for the 2009 fiscal year was set at 100 for use as an indexation criteria.



**Figure 7:** Trends in IGNIS Sales (2009 benchmarked at 100)

We see from the results that since fiscal year 2011, when new products based on Bernd H. Schmitt's experience value marketing were researched and introduced, sales almost quadrupled and definite product revitalisation was achieved. Ups and downs are to be expected, and it cannot be positively asserted that the contribution was solely due to experience value marketing in the strictest sense, but it is thought that as an applied example, there is an obvious contribution to sales improvement here, which proves the efficacy of this concept.

The GNIS Nature line provides the customer with the experience value outlined above, and the customer has responded by appreciating and supporting that experience value.

In this case study, we investigate the points of success in the creation of experience value. It can be said that for many cosmetics, especially in the field of high-quality cosmetics, many products already possess ① SENSE (sensory-based experience value), ② FEEL (affective/emotional experience value), and ③ THINK (intellectual experience value). This means that the primary quality is expected to be present, and even the secondary quality is in the process of becoming an expected factor. The GNIS Nature line of cosmetics is not assumed to be one of “alluring quality” but through the company’s offering of peace of mind and safety, by growing their own cosmetics ingredients, the expectation of “a quality that moves you” is achieved, which increases its value considerably.

Nevertheless, the more that experience value is centered around maximizing sensibility value, the more complicated the customer behaviour, business, and product networks become, and the harder it is to communicate the product’s sensibility or affective quality to the end users. One advantage that can be highlighted is the fact that the IIGNIS Nature line operates in a unique distribution system that offers the following points of customer contact: ④ ACT (action-based experience value) and ⑤ RELATE (relational experience value). The developers use these elements to communicate to the customer the amount of thought put into the product, through company and customer points of contact, instead of stopping at merely providing high performance as experience value at a level that sends the message "you'll notice the difference when you use it." In short, the message, "hear about it and be convinced" is thought to be added to the message, "use it and be convinced."

Following these concepts, sensibility and affective product values have increased in the field of high-quality cosmetics (a field in which it was previously difficult to use experience value to incorporate theoretical values of sensibility into products), and it can be said that a product that appeals to the emotions of the consumer has been fully realized. As a result, these products are considered to have undergone a successful revitalization.

## 7. CONCLUSION

We harboured doubts about the mass production, low price, quick turnaround, and industrial manufacturing-type elements of the so-called traditional marketing, and hence, conducted research studies centred on the luxury brand models of the United States and Europe. It was in this milieu that we came across Bernd H. Schmitt’s experience value marketing. We have now arrived at the present situation in which this excellent theory is well researched and supported by Japanese examples. We also restructured this theory to fit the specific circumstances of this research.

This study adds to the body of existing case studies. We have undertaken methods for actual product development and have put theory into practice, obtaining results of remarkable significance. In the future as well, we would like to introduce product development and theory of this type, continuing to bring to light the efficacy of experience value marketing.

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