MENDEL UNIVERSITY IN BRNO
Faculty of Business and Economics

Consumer behaviour in the market of beauty products

Diploma Thesis

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Brno 2016

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Consumer behavior in the market of beauty products

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In Brno, 23rd May 2016 _________________________

Acknowledgement

I would like to express my gratitude and thanks to Mgr. Ing. Naďa Birčiaková, Ph.D., the supervisor of my diploma thesis, for providing me with all necessary information and for helpful advices, impulses, constructive criticism and patience throughout the whole elaboration of this thesis. Also I would like to thank to all respondents who have participated in the research.

Abstract

Sukeníková, E. Consumer behavior in the market of beauty products. Diploma thesis. Brno: Mendel University in Brno, 2016.

The diploma thesis deals with the consumer behavior on the market of beauty products in the Czech Republic. It focuses on the identification of factors which influence the consumer behavior as well as their needs and preferences and describes their purchase decision-making process. The main source of information for the analysis was a questionnaire survey conducted in February and March 2016. The research works with the sample group of 604 respondents, complemented by in-depth interviews (n=11). The research results were formulated into marketing recommendations for retailers operating on the beauty product market.

Keywords

Consumer behavior, beauty products, marketing research, questionnaire

Abstrakt

Sukeníková, E. Správanie spotrebiteľa na trhu s dekoratívnou kozmetikou. Diplomová práca. Brno: Mendelova univerzita v Brne, 2016.

Diplomová práca sa zaoberá správaním spotrebiteľa na trhu s dekoratívnou kozmetikou v Českej republike. Zameriava sa na identifikáciu faktorov, ktoré ovplyvňujú správanie spotrebiteľov, ich potreby a preferencie a opisuje ich nákupný rozhodovací process. Hlavným zdrojom dát bolo dotazníkové šetrenie realizované vo februári a marci 2016. Výskum pracuje so vzorkou 604 respondentov doplnenou hĺbkovými rozhovormi (n=11). Výsledky výskumu boli formulované do marketingových odporúčaní pre maloobchodníkov pôsobiacich na trhu s dekoratívnou kozmetikou.

Klúčové slová

Správanie spotrebiteľa, dekoratívna kozmetika, marketingový výskum, dotazník

Content

1 Introduction

Makeup is not a recent invention. Both women as well as men used to wear makeup in the ancient cultures, such as Egypt already. Beauty has been described and depicted through pictures and concepts penetrating our minds. Beauty has varied throughout the time, various cultures and the vast different perceptions of the world. Despite cultural variation, a few physical characteristics are generally considered universal signs of beauty. These are mainly physical characteristics linked to reproductive fitness - youthfulness, for example, is a generally reliable cue for fertility, potentially explaining why it is considered attractive. Likewise, skin homogeneity and facial similarity, both signs of good health, have wide appeal. To a lesser extent, other features associated with sexual arousal, e.g. plump lips, may be perceived as beautiful.

One may not believe how much beauty and personal care influence our daily lives, certain studies consider it even an addiction. For somebody it is a mean to look younger, for some to look older or simply to enhance the attractiveness. All in all, it has to do a lot with the self-satisfaction, positive emotions and confidence.

The beauty market is constantly developing and so does the beauty product offer in the Czech Republic. However, standing in the beauty store and being surrounded by countless makeup variations, which one would you go for? Is it the packaging that draws your attention or rather the price significantly lower than in the store across the street? Would a catchy TV commercial make you buy the product? These and plenty more understandings are key for the marketers in order to win the never-ending fight against the competition on the market. And this is exactly the focus of the thesis which will further reveal the above mentioned topics and analyze the findings about the consumer behavior on the market of beauty products.

2 Objectives of the thesis

The aim of this thesis is to understand consumer behavior on the market of beauty products in the Czech Republic and provide reasonable recommendations for marketers and distributors of such products, who could then better target their commodities. The main aim will be achieved via partial objectives, which are set as:

- To identify the market leaders in the cosmetic segment in Europe
- To define demographical characteristics of the beauty products consumers in the Czech Republic
- To specify how often consumers purchase beauty products and what are their main motives
- To monitor the consumer spending development between 1999-2014
- To find out what are the main purchasing places and specify a typical customer of the selected purchasing place formats
- To compare shopping behavior online with behavior in the physical stores
- To find out what factors influence customers the most while purchasing beauty products
- To evaluate which informational channels are preferred in case of beauty products

3 Literature overview

3.1 Consumer behavior

The aim of marketing is to meet and satisfy target customers' needs and wants better than competitors. Successful marketing therefore requires companies to fully connect with their customers. Marketers must have a full understanding of how consumers think, feel, and act and offer a clear value to each and every targeted consumer. Kotler and Keller (2012) explain that adopting a holistic marketing orientation means understanding customers - gaining a complete view of both their daily lives and the changes that occur during their lifetimes so the right products are always marketed to the right customers in the right way.

As we all are consumers, we simply use or consume on a regular basis food, clothing, transport, education or services. However, as Schiffman and Kanuk (2004) specify, we are not realizing the essential importance which the consumption itself accompanies - we are playing a crucial role in the health of the economy: the purchase decisions we make affect the demand for basic raw materials, for production: they affect the employment of workers and the deployment of resources, in other words, the success of some industries and the failure of others. And here the significance of consumer behavior emerges. (Pelsmacker, 2010)

According to Hoyer, Macinnis and Pieters (2013, p. 3) consumer behavior is defined as: "*Consumer behavior reflects the totality of consumers' decisions with respect to the acquisition, consumption, and disposition of goods, services, time, and ideas by human decision-making units*." The expanded view of consumer behavior embraces much more than that, as clarified by Solomon (2013). It also focuses on how marketers influence consumers and how consumers use the products and services marketers sell. Lancaster and Reynolds (2002) add that this process simply form a system in which the individual consumer is the core, surrounded by an immediate and a wider environment that influences his or her goals.

3.2 Consumer decision-making process

To understand the desires and wishes of customers inevitably belong also knowledge of the buying processes of particular commodities. Over the years numerous models of consumer behavior process have been identified. All of them have a common goal, and so to analyze every potential step of consumer' decision- making action. With minor differences most of them cover the following parts: (Baines, Fill, Page, 2013) (Kotler, Keller, 2012)

- Problem/need recognition;
- Information search;
- Evaluation of alternatives;
- Purchase;
- Post-purchase behavior.

Surprisingly, despite the potential significance of the problem recognition phase, it continues to be an area of limited research (Lantos, 2011) although its importance is recognized in most models of consumer behavior. (Vysekalová, 2011). On the other hand, to the purchase action is being paid the most attention and it keeps remaining to be the most analyzed step of the process. (Schiffman, Kanuk, 2004) As seen in the process sequence, the initial purchase precedes several “preparation” phases as Kincl (2004) calls them. Keeping in mind, the buying behavior continues even after purchase action in a form of post purchase evaluation. However, slight deviations in the models have been discovered too. This applies especially in case of daily habitual shopping, when the consumers normally skip the searching and considering the alternatives phase and head to the action immediately.

The traditional decision-making perspective, however, emphasizes the rational, information-processing approach to consumer purchase behavior. On the contrary to Kincl, there are Bell, Corstens and Knox (2010) who explain that according to the approach, consumers move through each of the stages in a linear fashion. The steps begin with a conscious recognition that a problem exists. The consumer then moves through an extensive search process for information. (Lancaster, Reynolds, 2002) In the alternative evaluation stage attitudes are formed about the various brands based upon the beliefs about the attributes of purchase alternatives. Thus, attitudes result from the standard learning hierarchy. Choice was viewed as a complex process resulting from a detailed comparison of the alternatives. (Berkowitz, 2000)

With the arrival of experiential perspective of decision-making process, importance of emotions has come up too. The experiential perspective argues that in certain instances consumers make purchases in order to create feelings, experiences, and emotions rather than to solve their problems and needs only. (Bell, Corstens, Knox, 2010)

3.3 Buying behavior and factors affecting it

Consumers confront a daily barrage of marketing information. Jay Walker-Smith (2013) states that from being exposed to about 500 promotional messages a day back in the 1970s, average consumer is nowadays exposed to as many as 5,000 every single day. Clearly, consumers do not actively process all of these messages. Vazquez et al. (2014) found that consumers are aware of only 15 % of the daily promotional activity in their environment. This suggests that consumers process many promotional messages with minimum levels of involvement. (Erasmus, Donoghue, Dobbelstein, 2014). Their perception is evidently very selective, consumers simply screen out the inconvenient and irrelevant messages that fail to address their needs and desires.

Consumer's buying behavior is influenced by number of factors, usually categorized into cultural, social, psychological, and personal factors. Of these, cultural factors exert the broadest and deepest influence, see the Figure 1. (Kotler, Keller, 2012)

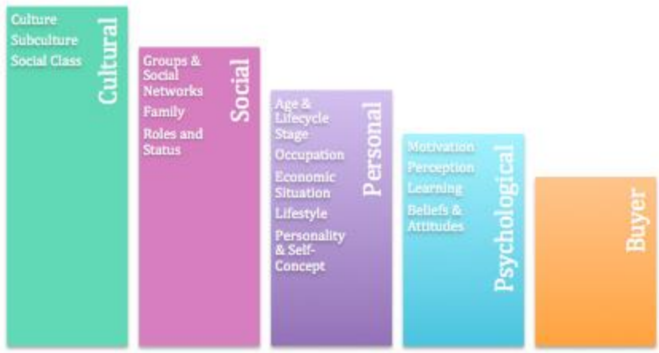

Figure 1: Factors Affecting Consumer Buying Behavior
Source: Kotler, Keller (2012), modified by the author

Some of researches mention group of situational factors too. (Kincl, 2004) However this category slightly differs as it can be directly impacted by marketers on the contrary to the factors classified earlier. Other classification is defined by Kardes, Cronley and Cline (2011). They specify that consumer is impacted by both micro and macro environment. Whereas micro environment covers communication process, interpersonal relations, reference groups, family life cycle and situational influences, macro environment deals with cultural and subcultural influences, social class, or economic environment. (Wright, 2006)

The following sub-chapters more in details describe certain interesting topics related to the factor categories defined above: consumer involvement and impulse behavior (representing the situational factors), role of globalization (cultural factors), power of celebrities (social factors) or development of online world in the marketing environment. All of them are considered as important drivers towards consumer behavior.

3.3.1 Buying situations and consumer involvement

Buying processes naturally vary between products and between individuals. A number of categories of buying situations can be identified and so impacting buying behavior. Palmer (2004) suggests the following ones:

- Routine rebuy
- Modified rebuy
- Completely novel

In case of a *routine rebuy*, the buyer makes a purchase decision in these situations almost instinctively, without giving the process any thought. Simply said, it is an automatic choice. Other sides, Solomon (2013) explains that the situation of *modified rebuy* occurs when consumer wants to repurchase a product or service but also desires to make some minor modifications. The buyer may be familiar with the class of product, therefore he/she is likely to engage in limited search processes to identify and evaluate alternatives. Lastly, a *completely novel* is characterized as a buyer who has no previous experience of buying this type of product, so the search process is likely to be longer, with a greater range of information sources being consulted. (Palmer, 2004)

In addition, the sophistication of the buying process is influenced by the level of involvement that a buyer has in the product being purchased. In other words, how much time and effort the buyer dedicates to the initial buying process. (Vysekalová, 2011) With high-involvement products, buyers have a close relationship with the product. The manner in which the product is used has the capacity to deeply affect their happiness and they cannot easily ignore the product. Berkowitz (2000) summarizes that high-involvement products typically have at least one of the three characteristics: the item to be purchased is expensive, can have serious personal consequences or could reflect on one's social image. On the contrary, low-involvement products have lower consequences for individuals' psychological well-being. If a mistake is made in choosing an unsuitable product, a buyer will not worry about it unduly. Evidence suggests a regular consumer has low involvement with most low-cost, frequently purchased products. (Kotler, Keller, 2012) (Wright, 2006) Involvement is closely associated with risk too. As Palmer (2004) says high-involvement purchase are seen as being more risky in terms of their outcomes, so buyers are likely to spend more time and effort in trying to avoid a bad purchase for such products.

3.3.2 Impulse buying, effect of emotions

As the experiential perspective of decision-making process was applied, another type of purchase was categorized, and so the so-called impulse buying. (Bell, Corstens, Knox, 2010) Some researchers use the term impulse buying interchangeably with unplanned purchase. However, according to Hawkins and Mothersbaugh (2010), the notion of unplanned purchase is divided into two components: reminder buying and impulse buying. Buying a product when seen in the store that is out-of-stock at home is not defined as impulse buying (Darrat, Amyx, 2016) but reminder buying (Hawkins, Mothersbaugh, 2010). The present study aims to focus on impulse buying. Impulse buying is a sudden, immediate urge to purchase (Bhakat, 2013) with no pre-laid intention or plan to buy the product (Baumeister, 2002). According to Punj's (2011) study impulse buying occurs when a consumer experiences a sudden, often powerful and persistent urge to buy something immediately.

Impulsive buying behavior is a common phenomenon but the topic has so far received little academic attention. (Liang, 2012) Given that impulse buying is a persistent issue for many consumers, it is intriguing that little research has investigated its consequences. Although it is generally acknowledged that feelings of excitement and stimulation experienced at the moment of impulse buying are subsequently replaced by feelings of remorse and ambivalence (Sunghwan, Baumgartner, 2011). Impulse buying behavior moreover seems to imply some of the more negative thoughts, such as spending money excessively, making impractical purchases, bearing uncertainty and risks in terms of product quality and functions, and even harboring a sense of guilt or social nonidentity (Bush, Martin, Clark, 2001) Baumeister (2002) connects the trend of impulse behavior with a lack of self-control too. All in all, impulse purchasing behavior is often considered irrational, immature, or highly risky. (Liang, 2012) (Stilley et al, 2010)

Impulse buying occupies a crucial place in consumer behavior research. Fully three-quarters of decisions to buy are made on store premises (Liljenwall, 2004). Research has proved that up to 62 % of total supermarket sales by value, and for some product lines, as much as 80 % of sales by value are impulse purchases (Strack et al., 2006). Thus, most consumer purchases may be unplanned either at the point of purchase or in the store (Bell et al., 2011) Thus, there are factors aside from the in-store context, for example, impulse buying tendency and pre-purchase mood that encourage unplanned buying (Bell et al., 2011). Understanding these factors may help guide marketing strategies and ensure customer satisfaction. (Ozer, Gultekin, 2015)

3.3.3 Culture versus Globalization

The impact of culture is so natural and so ingrained that its influence on behavior is rarely noted and often taken for granted (Schiffman, Kanuk, 2004). Hassan and Kaynak (2013) therefore explain that ignoring it or giving it a low priority is surely a path to failure and moreover could drastically ruin marketing efforts or jeopardize years of product development. Since culture is the principal explanation of consumer behavior disparities across countries, Cleveland et al (2015) suggest that a research on the impact of globalization on culture is essential.

Since the early 1980s, marketing literature has highlighted the homogenization of consumer needs and desires across the globe and suggested that companies might address this homogenization with a standardized global product or service (Keillor, D'Amico, Horton, 2001). Vysekalová (2011) even discusses the idea whether the globalization will ever in the future lead to category of a „universal "consumer as the evolving globalization could possibly make us behave and perceive in a similar way across the countries. In recent decades, many international companies have followed the recommendation of standardization and altered their brand portfolios in favor of global brands. As a result, using globalized strategies can help multinational companies create consistent brand images worldwide and use their resources more efficiently (Steenkamp, De Jong, 2010).

One of the interesting impacts of globalization that works well for small businesses is the rebirth of the local industry. Product labeling that identifies a product's country of origin has simply increased consumer awareness of the extent to which foreign made commodities have replaced those produced in America or in other Western countries. (Cleveland et al, 2015) According to Metcalf (2015) globalization leads to an increased competition. This competition can be related to product and service cost and price, target market, technological adaptation, quick response, quick production by companies etc. When a company produces with lower costs and sells cheaper, it is able to increase its market share. (Milberg, Sinn, 2008)

A number of related studies however indicate that cultural differences may lead to critical issues for international marketing, communications and promotions (Le Meunier-FitzHugh, Piercy, 2010). Even when evaluating the public opinion about the globalization itself, recent studies suggest that 20 % of consumers worldwide are against globalization (Dimofte, Johansson, Bagozzi, 2010) and that even 10 % of consumers avoid global brands if local alternatives are offered (Holt, Quelch, Taylor, 2004). Moreover, the process of globalization and its attendant consequences may lead to stripping away of culture identity. (Doku, Asante, 2011) Other studies emphasize the continued desire of many consumers to maintain local culture and to reject influences perceived as global. Indeed, it is clear that many people prefer local consumption imagery because they more easily identify with local lifestyles, values, attitudes and behaviors (Crane, 2002). As to mainly cultural changes that have resulted because of globalization, there is debate whether the impact of globalization is indeed positive or negative. (Doku, Asante, 2011)

3.3.4 Effect of Internet sources

The advance of information and communication technology has profoundly changed people's way of life. With the widespread use of internet, more and more people choose to shop online. Online shopping, or more often categorized as e-commerce, has been increasing dramatically during the past decade. (Zhou, Wang, 2014)

It is a well-known fact that consumers search for information prior to making a purchase in order to handle the perceived risk involved in purchase decision-making (Pappas, 2016). Economic theories state that consumers will search for information as long as their perceived benefit from doing so is larger than the cost involved (Jepsen, 2007). The Internet provides a new opportunity for consumers to find product information, and research has shown that consumers indeed use the Internet when searching for this type of information (Peterson, Merino, 2003).

With the development of Internet new terms have been added to the marketing terminology, such as "showrooming" and "web rooming". This refers to the system how consumers collect relevant information for their choices and where they finalize their decisions and are definitely important for the future marketing. Showrooming is a situation when shopper visits a store to check out a product but then purchases the product online from home. This occurs because, while many people still prefer seeing and touching the merchandise they buy, many items are available at lower prices through online vendors. As such, local stores essentially become showrooms for online shoppers. (Khan, 2014) Webrooming, opposite to showrooming, is researching products online before going to a physical store to make a purchase. As SmartFocus CMO Jess Stephens (Fierce Retail, 2015) explains, webrooming consumers enjoy the in-store shopping experience but are increasingly price savvy, researching prices online and then asking for these prices in-store. A study of Columbia Business School (2013) points out that concerns about showrooming have been further expanded by the increasing number of web-enabled smartphone devices. In December 2010, the Wall Street Journal even published a story entitled, "*Phone-Wielding Shoppers Strike Fear Into Retailers,*" in which discussed the potential threat that industry players and experts saw once price-comparison shopping could be done in the palm of one's hand.

With the wide spreading use of Internet sources, the key importance of social networks is being discussed too. Through social media, marketers can interact in two-way communications with existing and potential customers and gain rich, unmediated consumer insights faster than ever before. (Hudson et al, 2015) Marketers also see the value of social media networking, brand referrals and information sharing. When people hear about a product or service from a friend, they become a customer at a 15 % higher rate than when they find out about it through other means (Radwanick, 2011). A complex study of PwC (2013) however discovers that it is unlikely that social media itself will in the foreseeable future become a major retail channel. The power of social media is, however, not recommended to be underestimated due to their supportive function. Membership of the reference group, communication, public figures or even a simple friend whose taste is close to ours, are powerful influences that sellers of goods and services can use off. Social media is becoming more popular every year and as users share their opinions and attitudes about products and services through them, they are ultimately important drivers of buying across all channels, not just online.

Additionally, online environment gives retailers the opportunity to offer customers personalized messages and implement strategies based on customers' individual preferences, with the intention to convince him or her to buy a certain product or service (Ho, Bodoff, 2014).

This strategy can be hardly copied by the physical stores which therefore need to rely on the „one size fits all“ marketing strategies. (Noar, Benac, Harris, 2007)

3.3.5 Celebrities as opinion leaders

Opinion leaders are people who are seen as likeable, trustworthy and influential, and celebrities or publicly well-known individuals are definitely considered so. Since celebrities have a huge following, their behavior is important in determining the rate of adoption of an innovation in a system.

According to Crutchfield (2010) firms spend 50 billion USD annually on celebrity endorsements due to their positive impact on sales and consumer attitudes. (Ilicic, Webster, 2013) (Chung, Derdenger, Srinivasan, 2013). Celebrity endorsement is however always a two-edged sword and it has a number of positives - if properly matched it can do wonders for the company, and if not it may produce a bad image of the company and its brand. The arguments are explained below.

Consumers often evaluate brands on whether they are able to deliver a particular benefit. Aware of this predisposition in consumer behavior, brand managers attempt to highlight specific brand benefits in their advertisements in order to create competitive points of difference and encourage ease in consumer decision-making. As a result, brand managers create advertisements that contain relevant information, useful for consumers in making their own judgments. However, brand managers also endeavor to draw attention to their advertisements using means that are not always relevant to the brand or the brand's benefits. (Zamundio, 2015)

The use of celebrity endorsers provides a means by which brands are able to capture attention, helping the brand stand out from the clutter. (Ilicic, Webster, 2013) Today consumers recognize celebrities as human brands since celebrities employ branding techniques such as managing, trademarking and licensing their names, launching their own product lines and agreeing to product endorsements to enhance their perceived value and brand equity. (Parulekar, Raheja, 2006) (Thomson, 2006)

When celebrities feature in advertisements as co-branding partners, their well-known attributes and image associations may also be important to the product brand endorsed providing relevant information about both brands. Or it could be potentially assisting consumers when making judgments about their product benefit beliefs, attitudes and purchase intentions. However, celebrity co-branding partners arguably provide irrelevant information that may in fact impair consumer judgments, when they play purely a peripheral role in the advertisement and provide unrelated brand partner information, mentioning neither the brand nor brand benefits. (Zamundio, 2015)

There have been numerous critiques that the role of celebrities as opinion leaders bring irrelevant information to the consumers. For example, although the role of a celebrity may be simply to grab attention, consumers may in fact use information about the celebrity's image and transfer the meanings that reside within the celebrity onto the endorsed brand. (Zamundio, 2015) (Spry, Pappu, Cornwell, 2011) Consumers simply tend to identify rather with the personality of celebrities than with the product itself which strongly influence their buying behavior. This could potentially be also a key driver to worsen the brand reputation in the future. The other downside is that if a celebrity badmouths a product, it can mean a significant drop in that product's sales. (Business Pundit, 2014)

3.4 Branding, power of brands

One of the most valuable intangible assets of a firm is its brand, as Kotler and Keller (2012) explain. For decades brands have been crucial for building relationships with consumers assuring long-term business success.

A brand is a name, term, symbol, or any other element that serves to distinguish the goods and services of one seller from other vendors (American Marketing Association, 2013). Brand itself is not created by logo, visual style or by a concrete product only, but also by services and consistency of communication it brings with over the time. (Vysekalová, 2011)

A brand influences both consumer decision making and purchasing behavior. Brands often have clearly defined images, or "personalities", created by advertising packaging and other marketing strategies. (Solomon, 2013)

3.4.1 Role of the brand

Strong brands help establish the firm's identity in the market place and develop a solid customer franchise (Fawzy, Dworski, 2011) as well as providing a weapon to counter growing retailer power (Jain, 2003). Individual brands have a number of important functions that become even more critical in this new environment. The brand name can be protected through registered trademarks, manufacturing processes can be protected through patents, and packaging can be protected through copyrights and proprietary designs. These intellectual property rights ensure that the firm can safely invest in the brand and reap the benefits of a valuable asset. (Kotler, Keller, 2012) Some of the other key functions a brand serves to a firm are following:

- Establish an identity for the company's product or products;
- Serve as a symbol that is easily recognized by consumers;
- Guide and simplify consumer choice;

- Differentiate one product offering from another.

Besides serving to firms have brands a major impact on a consumer behavior itself too, which might be seen as much more important in terms of marketing focus. Bhattacharya, Sen (2003) clearly emphasize the importance of consumers' identification with a brand, as well as its relation to consumer behavior and branding. The results brought by Tuskej, Golob, and Podnar (2013) show that congruity of consumer and brand values tends to have positive influence on consumers' identification. Simply said, consumers who identify themselves with a brand, tend to commit stronger to a brand and generate positive word of mouth, greater consumer satisfaction and a higher possibility of future repurchase (Kuenzel and Halliday, 2008). Brand perception is what drives customers to a brand and is, ultimately, the main driver of profitability.

Additionally, as Gonzalez-Benito, Martos-Partal and San Martin (2015) conclude, brand become more significant in online than in offline channels. As discussed in chapter 4.3.4, online environment shows an enormously growing tendency which naturally touched the existence of brands too. This is caused as a consequence of the intangibility or lack of physical contact in online purchasing processes. In such cases, brand associations can compensate for the limitations associated with the need for touch and the lack of access to the physical product during the buying process. This advantage however does not have equal importance across all product categories. Consumers simply use brands as signals to infer quality and other desired benefits when they lack previous experience or cannot conduct an evaluation of products. Clearly, significance of brands should not be underestimated. (Ubilava et al., 2011)

Although previous studies on brand perception provide important insights, a key limitation is obvious. And so, despite acknowledgments of the importance of consumer brand identification as a key antecedent to consumer behavior (Lam, 2013), research knows only very little about its initial drivers. (Marin, De Maya, 2013) Although building strong relationships with consumers likely enhances their favorable attitudes and behaviors toward the brand, consumers' motives for entering into this long-term and enduring relationships with brands still remain unclear.

3.4.2 Drivers toward global branding

Going global is a successful strategy to leverage a brand's equity, in part, because global brand is synonymous of quality for consumers. (Milberg, Sinn, 2008) Global branding and advertising can help managers market their commodity in various countries around the globe. Even though global branding and advertising used to require huge budgets, the latest emerging communication techniques, like social networks and similar, are now able to make global campaigns affordable for companies of each and every size. (Linton, 2015)

There is a range of forces in the environment that are fostering and facilitating the emergence of global brands. These include the following:

Increased standard of living: consumers in both the developing and the developed world can afford to purchase an expanded range of products. This opens up markets and makes it feasible to develop global brands.

Consumer mobility: consumers are world travelers and are being exposed to products in different countries. They expect to be able to obtain the same products wherever they travel. Mobility also takes the form of immigration, where new residents look for familiar brands in their new surroundings. (Craig, Douglas, 2000)

Rising media costs: at the same time media costs are increasing worldwide and firms are eager to economize on these costs as well as leverage established images worldwide.

Shifts in power relationships: increasingly manufacturers are finding themselves at the mercy of retailers. As retailers have grown in size and power, they are dictating the terms and conditions of sale. In many cases retailers are creating their own brands. To provide shelf space for these ‘store brands’ they are dropping weak manufacturer brands. To retain distribution, manufacturers need to have strong brands with identities that span multiple countries. (Crane, 2002) (Bhattacharya, Sen, 2003) (Esch, 2012)

These factors and many others have created a climate that facilitates marketing over a broad geographic scope. In embarking on a global marketing strategy, there are many important issues facing marketers, however, the most central one is branding. Coupled with the highly visible success of some global brands such as, Coca-Cola, Sony, McDonalds, and Levi’s, many firms aspire to develop their own global brands. That means brands that consumers will instantly recognize and buy in countries throughout the world. (Craig, Douglas, 2000)

3.4.3 Adopting an innovation

As touched in the previous chapters, building brands incredibly creates value for companies and corporations. Unfortunately, as much the company can benefit from the power of a strong brand, the vulnerability of brands cannot be left out either. The brand reputation can be easily destroyed by badmouthing or incorrectly targeted marketing campaign. (Barta, Bartova, 2009) In the world in which brand matters more than ever before, brand damage can be devastating. As Earl and Waddington (2012) clarify, one can never have a complete control over the brand reputation. Kapferer (2008) says a brand will only survive in a long run if it can demonstrate its relevance with regard to the latent or expressed changing needs of a market which is in a state of a constant evolution. In other words, a continuous innovation is crucial.

Adopting an innovation is a complex process. Research demonstrates that innovation acceptance depends on both the innovation itself and on the individual who adopts or rejects such an innovation. (Arts, Frambach, Biljmolt, 2011) For instance, compatibility, relative advantage and complexity can influence innovation adoption speed. Likewise, innate innovativeness product class knowledge and involvement determine which individuals will adopt innovations earlier than others. (Reinhardt, Gurtner, 2015) (Im, Bayus, Mason, 2003). Talukder (2014) suggests the latter depends on the broad categories of variables, mainly on training, managerial support, incentives, perceived usefulness, enjoyment with an innovation, personal innovativeness, prior experience, peers and social network. The theory on diffusion of innovations by Rogers (2003) can help to classify consumers into groups according to the time they normally take to adopt the innovation. The theoy distinguishes five consumer segments and provides a rough estimation of the size of each segment:

- Innovators
- Early adopters
- Early maturity
- Late maturity
- Laggards

As Solomon (2013) defines, "*Innovators*" are the first to adopt an innovative product, and are expected to represent 2,5 % of the group adopting the innovation. They are characterized as consumers who dare to take risks in their adoption decisions and are well informed about developments in the relevant product domain. The somewhat larger is the group of "*early adopters"* and is believed to comprise about 13,5 % of the adopter population. Early adopters envision potential advantages of innovations. (Noppers, Keizer, Bockarjova, Steg, 2015) New-product marketers typically aim at early adopters because these groups can be reached by specific media and tend to be respected. Early adopters are generally known to have the highest degree of opinion leadership and help trigger a critical mass (Im, Bayus, Mason, 2003). Moreover they are less price sensitive and simple willing to adopt the product if a personalized solutions and good service support is provided. (Kotler, Keller, 2012) The category of "*early majority*" defines consumers who need to believe that the innovation has considerable advantages before they adopt, and are expected to represent about 34 % of adopters. On the contrary, the "*late majority"* group consists of consumers who are skeptical and cautious, and only adopt an innovation when it has been on the market for some time and offers obvious advantages. They are believed to comprise about 34 % of adopters. Finally, "*laggards"* are characterized as risk-averse consumers who dislike changes, and only adopt an innovation when conventional alternatives are no longer available. They represent about one-sixth of adopters. (Noppers, Keizer, Bockarjova, Steg, 2015) The research on laggards has been very scant so far. This is likely driven by the assumption that their resistance to change is so strong, and that the point in time in which they ultimately adopt is so late, that for all practical purposes, one might as well consider them a lost market that only adopts when having no other choice. (Zauberman, 2003) (Goldenberg, Oreg, 2007)

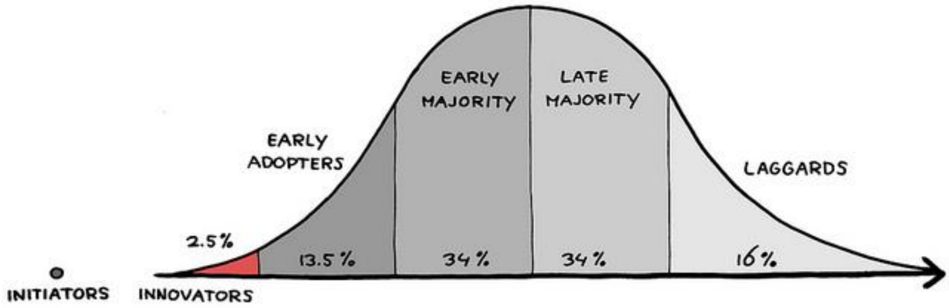

Figure 2: Adopter Categorization on the Basis of Relative Time of Adoption of Innovations
Source: Based on Rogers (1962)[1]

3.5 Cult of beauty and its application to marketing

As well as showing us products, advertisers also present us with values, ideals and social standards. They draw upon major personal themes such as beauty, happiness, love, companionship, sex, and self-image. One say a positive but unrealistic light to promote their product. According to Wan et al (2013) this issue of idealized images in advertising is so prevalent in society that especially young females have little chance of escaping messages that communicate these idealized images. As a consequence, these adverts are potentially shaping us towards mental states, which are in fact, quite inhibiting, insecure, and unhealthy. (Swami et al., 2010)

Our satisfaction with the physical image we present to others depends on how closely we think the image corresponds to the ideal our culture values. Solomon (2013) defines ideal of beauty as a particular model, or exemplar, of appearance. Ideals for both men and women may include physical features as well as clothing styles, cosmetics, hairstyles, skin tone, and body type. Moreover, outward signs of status often come to be seen as beautiful or attractive. (Stearns, 2013) For instance, bodily signs of privilege like a slim body or a light skin are widely considered beautiful. Around the world people try to achieve such prestigious looks, often with the help of the ever-growing cosmetic and beauty industries. (Mears, 2011)

Recent research evidence (Jayson, 2011) confirmed the assumption that beautiful people are generally happier than the average- or below-average looking people, and economics calculate that about half of that boost stems from the fact they make more money. The similar result comes from the study of Hamermesh and Abrevaya (2013), better-looking people simply achieve more desirable educational, health and labor-market outcomes (higher earnings) and do better in the marriage market too (including obtaining higher-income spouses). This bias affects both

[1] Available at: http://startfast.net/2015/06/how-to-get-your-first-1000-or-500000-users/

men and women. Men with above-average looks earn about 5 % more than those of average appearance, and those who are below average in appearance make an average of even 9 %t less than the norm. (Varian, 2003) Parrett (2015) also claims that more attractive people have better negotiation skills and are more confident.

3.5.1 Beauty and purchases

Beauty is however about more than aesthetics only. We use cues such a skin color and eye share to make inferences about a person's status, sophistication, and social desirability. (Jawahar, Tamizhjyothi, 2013) Solomon (2013) even explains that people in less powerful cultures tend to adopt the standards of beauty prevalent in dominant cultures. Our desires to match up to these ideals for better or worse drive a lot of our purchase decisions.

Cosmetics are traditionally been confined to female consumers, and mainly have been used to control their physical appearance and, presumably, their physical attractiveness. It has been researched by Hemapatil, Bbakkappa (2012) that found women to express a more positive body image and self-image when wearing makeup compared to when not wearing makeup. The growth of cosmetics and beauty products markets has become significant as consumers are increasingly becoming aware of appearance, beauty, grooming and the choice of personal care products, simply said the expanding cult of beauty discussed earlier.

It is evident that the cosmetics industry is dominated by several large companies that market multiple brands on different levels. (Aidnik, 2013) Though many of their respective products are relatively similar, all of these product lines must be packaged and advertised differently to reflect the setting at which they are sold. To remain competitive on the beauty products market, manufacturers must innovate constantly to discover new ingredients, utilize existing ingredients in new applications, and continue creating products. Consumers benefit from intense competition through greater choice and efficacy. (Cosmetics Europe, 2013)

3.5.2 Beauty trends

As discussed earlier, globalization is today a one of the key drivers behind the rise in product consumption also in the cosmetic industry. The increasing demands for beauty products in the cosmetic industry are because of the history of reputation of cosmetics brands such as Estée Lauder, Avon, L'Oréal and others, which successfully meet consumers' needs. (Ramli, 2015)

Furthermore, the stereotype of the cosmetic industry being associated only with women has changed, owing to the existence of several men production lines in the market. According to Euromonitor International (2015) and Lennard (2010), men's grooming is one of the fastest-growing production lines in beauty and personal care and contributed approximately 4 billion

USD to the global value size (27 billion USD) in 2014. Innovation in promotion and advertising among cosmetics brands has a big impact, especially in the emerging market.

Over the years to come, the cosmetic and personal care industry is expected to record gains across the board, with particularly strong growth predicted for sun protection and anti-aging products. This is due to the fact that consumers are becoming increasingly aware of the impacts of the sun exposure and are much more worried about keeping a youthful appearance. (Statista, 2014) Global cosmetic companies will therefore continue to focus their efforts on product innovation in order to attract new consumers and keep existing consumers loyal to their brands and product lines.

3.5.3 Beauty in terms of health hazard

Many research studies have come to a conclusion, that the cult of beauty has also negative effects on mental and physical health of girls and women. Mental problems are beginning to reduced self-esteem, causing feelings of insecurity and inferiority, and often result in depressive states. (Fox, Montgomery, Lodish, 2004) These feelings accompany many women throughout the entire life. Especially those identity and self-esteem was built primarily on the physical appearance, confirm the growing feeling of inferiority and depression with the growing age. (Cvikova, 2012)

Emphasis on extreme thinness makes girls and women perceive their real body weight distorted. (Retail Planet, 2004) According to the studies 80 % of women believe that has overweight, although the actual overweight is a problem of only 25 % of them. Even 45 %t of women with underweight thought that they are actually fat. (Wolf, 2000) (Anitei, 2014)

Furthermore, numerous research studies have provided results, which put in relation the images presented in the media with eating disorders - anorexia and bulimia. These diseases affect girls and women especially in adolescence, with the most dangerous part of the age between 12 and 18 years of age. But in recent times there have been multiply cases of women in their forties having the same eating disorders. (Van Lin, Gijsbrechts, 2015) Having in mind, this age is another period after puberty when the shape of the female body is changing as a result of natural hormonal changes, the results are no more that surprising. All in all, anorexia and bulimia seriously threaten the health and often life of women.

Another consequence of the negative impact of exaggerated beauty demand is a growing number of artificial and drastic surgical interventions to the body. Such interventions are mainly in the form of cosmetic surgeries that not only stand a considerable amount of money, but are often questionable also from the health perspective, e.g. discussion whether silicone breast implants could potentially lead to breast cancer, etc. (Wolf, 2000)

4 Methodology

The submitted diploma thesis deals with the beauty segment and consumer behavior in the Czech Republic. In order to evaluate the overall situation on the market, particular aspects will be compared with the performance in the European Union. The methodology of the thesis is divided into several interconnected stages.

4.1 Secondary data analysis

Main sources of secondary data, which will be used in the orientation analysis, are databases of the Czech Statistical Office (CSO), Euromonitor International, Eurostat, Cosmetics Business and other specific databases providing with the information corresponding to the cosmetic segment.

In order to start with a sufficient overview of the cosmetic market in the Czech Republic and in the EU as well, information on e.g. categorizing cosmetic product and its percentage of popularity, market shares, or identifying the leading geographical areas of the segment, etc. will be collected. Subsequently it will be worked with the data related to the annual consumer spending on the cosmetic product and personal care and its development over the time. This will cover the period of 1999-2014 and the area of the Czech Republic only. Based on the data the spending will be described by the trend line:

$$T_t = \beta_0 + \beta_1 \mathrm{t}$$

Where *β0* is the beginning value of the trend line, *β1* the trend slope and *t* reflects the monitored time period. In order to find the numerical parameters the method of ordinary least square (OLS) will be used. A similar trend analysis will be performed also in case of number of Internet users and its development in 2004-2015 and development of CPI over the time (1999-2015). In specific cases the aim will be also to estimate predictions for next 5 years based on the secondary data available (expenditures on cosmetic products and price development).

As a part of the secondary data analysis it will be analyzed also the relationship of cosmetic spending towards GDP per capita, and so through the regression analysis. The input data for the analysis will be the data as of the previous available year. The dependent variable will be the amount the country spends on a cosmetic products and the independent one will be GDP per capita in the country. This relationship can be described as:

Cosmetic spending= f (GDP per capita)

A scatter plot of the analysis will be created too. To be able to select the best regression model between several alternatives, the ANOVA as well as the coefficient of determination R^2 will be calculated. The greater the value of the R^2, the better explained the model is. In order to find the numerical parameters again the method of ordinary least square (OLS) will be used.

The prices of cosmetic products will be more in details inspected in terms of how sensitive consumers are to the particular product changes. For this purpose the price elasticity of demand of selected product categories will be calculated, and so via formula below:

$$E_{PD} = \frac{\Delta Q}{\Delta P} x \frac{P}{Q}$$

The *Q* parameter represents the change in product quantity demanded in respect to the previous year and *P is* the product price and what has the nominal price change since the previous year. Based on the calculated value the products category will be then labelled by the associated sensitivity level. If the price elasticity of demand is equal to zero, demand is perfectly inelastic. Values between zero and one mean that demand is inelastic, the value equaling to one indicates the unit elasticity and finally, if the value is higher than one, the product demand is affected to a greater degree by changes in price, and so is perfectly elastic. The analysis of secondary data will be conducted in MS Excel, Gretl software and Statistica 12.

4.2 Primary data analysis

4.2.1 Analysis of the quantitative data

For the purpose of primary data collection the quantitative method of questioning survey will be conducted. Before the final draft of the questionnaire will be created, an informal focus group of 6 participants will be established. The aim is to let the selected representatives of the target group to share their opinions and thoughts towards beauty products marketing as well as acquire their detailed feedback on the initiated draft of the questionnaire. Based on the feedback the original questionnaire may be efficiently completed by important aspects in terms of beauty products marketing which might have not been previously considered by the author.

The questionnaire will be created via Google Forms application and distributed electronically, either via email or through social media. Questionnaire will consist of 28 questions: 11 closed, 2 semi-closed, 8 semi-closed with more options followed by 7 identification questions. Before launching the questionnaire a final pre-test will be done in order to identify whether the concept of the questionnaire and the questions are understandable and clear enough. The pre-test will be undertaken by 3 persons in the presence of the author.

The questionnaire will be live during the period of February and March 2016. In order to collect as representative sample of respondents as possible, the quota sampling based on the age will be applied too. Based on the available secondary data, 3 main age groups were identified, assuming they respresent different economic activities, and so: 15-19 (high school students), 20-24 (university students) and 25-30 (labour force). For the purpose of quota determination, the statistical data of Czech Statistical Office for 2014 will be taken as a baseline. Representation of targeted respondent sample in terms of the quota sampling is depicted below.

Age category	Absolute value in CR	Relative value in CR (%)
15-19	225 919	24.0
20-24	304 955	32.4
25-30	410 246	43.5
Total	**941 120**	**100.0**

Table 1: Structure of population in Czech Republic aged 15-30 as of 31st Dec 2014
Source: CSO (2015)

As the basic descriptive methods of evaluating the results the relative and absolute frequencies will be used. Given results will be entered into the selected graphs of frequencies classifications. Afterwards the relationship between certain variables will be tested and so with the help of contingency analysis. The dependencies, or eventually independencies between two qualitative variables were tested by the Chi-quadrate test where the null hypothesis stated that there is zero interaction between the analyzed variables. Based on the comparison of achieved statistical results, and so the p-value with the 5 % level of significance, was concluded whether there is an existing dependency or not. In case the p-value was calculated as greater than significance level of 0.05, the null hypothesis was confirmed. On the contrary, the hypothesis was rejected in case the value is lower than 0.05, proving the existing relationship of these two variables. The contingency ranges between 0 (no relationship) and 1 (perfect relationship). For this purpose the Pearson and Cramer Contingency coefficients will be applied, as the most common used ones. The strength of the correlation will be evaluated as:

- *Small correlation* *<0-0.3)*
- *Medium correlation* *<0.3-0.5)*
- *Strong correlation* *<0.5-1.0)*

In the next step the factors influencing the consumer behavior will be analyzed. Besides the methods mentioned above the evaluation of factors and the potential relationship between then will be tested by a cluster analysis.

The cluster analysis is grouping a set of objects in such a way that objects in the same group, called a cluster, are in some way more similar to each other than to those in other clusters. The results of the cluster analysis will be shown in a dendrogram (Figure 3), which lists all of the samples and indicates at what level of similarity any two clusters were joined. The smaller is the distance, the more similar are the factors to each other. The analysis will lead to interpretation of key factor groups which could be considered as dependent ones.

The methods of analysis of the primary quantitative data will be performed with a help of MS Excel and Statistica 12 software.

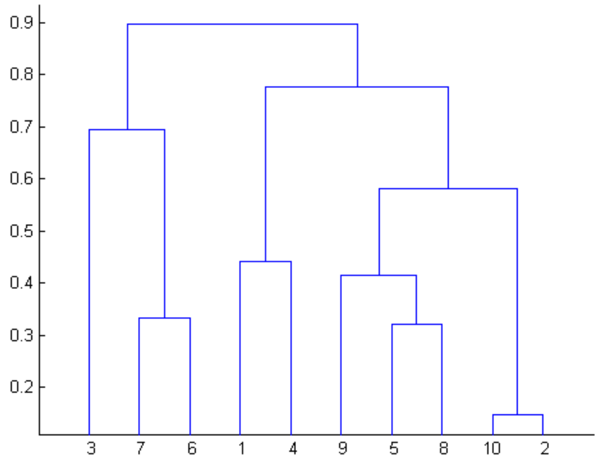

Figure 3: Cluster analysis dendogram
Source: Mathworks (2016)

4.2.2 Analysis of the qualitative data

The primary data will be additionally collected also from the in-depth interviews with experts from the given industry as well as with several consumer representatives. Experts eligible for the interviews are entrepreneurs leading the business with the main focus on the cosmetics segment, sales representatives or owners of beauty salons. At least 10 experts will be addressed for this purpose. On top of this, 2 consumers of each age category will addressed too in order to gain detailed insights about the shopping deciding-making process. These interviews will be made throughout the months of March-April.

The interviews will be structured based on the characteristic of the interviewed person. In case of beauty experts, questions will be focused more on the selling and marketing steps, distribution channels or customers' product preferences. In case of consumers, rather questions related to the shopping channels or decision-making factors will be asked. As a part of the interviews, the psychological-association methods will be applied too. Respondents will be asked to match the selected cosmetic brands with the pre-defined list of adjectives which the best describes the given brand in their opinion.

The entire interview will be recorded and subsequently rewritten into the text form. The results will them serve as a material to broaden the view on the given topic and to complete the questionnaire survey research.

5 Practical part

5.1 Structure of respondents

The questionnaire was being published during the period of 18th February until the 10th March and a total of 626 answers were collected. Before the analysis of results, it was necessary to accomplish a data control. Due to the incompleteness of the identification questions, 22 respondents had to be removed, which caused the decrease of about 3 % entries, finalizing in total of 604 valid answers for the further analysis.

The demographical structure of respondents is depicted in the Table 2. As for the age categorization, a little less than 20 % belong to the 15-19 years old respondents, 33.4 % represents 20-24 and 47 % the 25-30 age group. Since there are only slight differences between the quota baseline mentioned in the chapter 4.2.1 and the collected sample, it can be summarized that the age quotas of respondents were sucessfully reached and the sample is representative.

As for the gender distribution, the 97 % of the sample are women. Women are in general claimed to be more willing to participate in marketing research. This research moreover deals with the cosmetic and beauty products considered to be highly “women products”, therefore this gender was the major target group to be analyzed.

Majority of respondents (57%) have obtained either partial (Bachelor Degree) or full (Master Degree or above) university education. Having in mind that two of the key age groups are university and high school students, it is correct to estimate that they have been aiming to complete the education eventually and so their completed education level might change in the future. As for the community where the respondents live, the half of them claimed to be resident in the middle-sized town (3 001-90 - 000 inhabitants.).

Keeping in mind the targeted age structure, it is obvious that majority of the respondents (almost 53 %) belong to students. Together with employees they cover 94 % of the sample in terms of occupation. The minor 2.4 % is represented by self-employed, 2% by unemployed and 1.3 % by women on the maternity leave.

The next identification aspect of the research was the monthly income in terms of its net value. The 23 % of respondents answering “*no monthly income*” which is again referring to students category, preferably high school students who have been sharing the households with their parents and therefore usually do not dispose of any regular income yet. Several respondents from this age group indicated to obtain little money in form of pocket money from parents, these respondents were placed to the second income group, “up to 3400 CZK”, as it is estimated they receive the money on a regular basis and so are fully in charge of its spending.

Category	Identification indicator of respondents	Absolute value	Relative value (%)
Gender	Male	16	2.65
	Female	**588**	**97.35**
Age	15-19	118	19.54
	20-24	202	33.44
	25-30	**284**	**47.02**
Highest education obtained	Primary school	62	10.26
	High school with final exam	176	29.14
	High school without final exam	15	2.48
	College	8	1.32
	Bachelor Degree	106	17.55
	Master Degree	**215**	**35.60**
	Postgradual Degree	22	3.64
Community size	Less than 3000 inhabitants	173	28.64
	3 001-90 000 inhabitants	**305**	**50.50**
	90 000 and more inhabitants	126	20.86
Occupation	Employee	251	41.56
	Self-employed	15	2.48
	Student	**318**	**52.65**
	Unemployed	12	1.99
	Retired	0	0.00
	Other	8	1.32
Net monthly Income	None	141	23.34
	up to 3 400 CZK	75	12.42
	3 401-20 000 CZK	**302**	**50.00**
	20 001-35 000 CZK	70	11.59
	35 001 and more	16	2.65

Table 2: Demographical structure of respondents
Source: Own market research, 2016, n= 604

The income categorization was based on the actual economic trends in the Czech Republic. Taking into account the level of living minimum[2] (approximately 3 400 CZK[3]) as well an average net income in Czech Republic in 2015 which stands close to 20 000 CZK (OECD, 2014), the income intervals have been set accordingly. The aim was mainly to determine what percentage of the sample earns an amount above or below the national average, or eventually below the minimal amount to cover the basic existential needs. Results show that exactly half of the sample earns amount between below the average and the average one, and still the amount greater than the

[2] Living minimum is a socially recognized minimum level of income to ensure sustenance and other basic personal needs. It is regulated by the Act No. 110/2006 Coll., on Living and Subsistence Minimum. (MPSV, 2013)

[3] Living minimum set for a single person set by the Government Decree No. 409/2011 Coll. on indexation of living minimum and subsistence minimum (MPSV, 2013)

minimum set by the law. Close to 15 % seem to collect monthly income greater than the average value, 2.6 % out of them even far above the average when confirmed at least 35 000 CZK as the net value on a monthly basis.

Field of occupation	Relative value (%)	Field of occuppa-tion	Relative value (%)	Field of occuppa-tion	Relative value (%)
Education	**14.24**	Psychology	2.15	Manufacture	1.16
Health care	**12.75**	Trade	2.15	Automotive	0.99
Student	**12.25**	Biology	1.99	Finance	0.99
Languages	**7.45**	Tourism	1.99	Beauty	0.66
Social services	**5.96**	HR	1.82	Non profit	0.66
Marketing	3.81	Law	1.82	Design	0.50
Economics	3.48	Science	1.82	Ecology	0.50
IT	3.15	Graphics & Arts	1.66	Agriculture	0.33
Journalism	2.81	Management	1.49	History	0.33
Administrative	2.32	Public sector	1.49	Quality	0.33
Chemistry	2.15	Architecture	1.16	Engineering	0.17
None	2.15	Gastronomy	1.16	Geology	0.17

Table 3: Demographic structure of respondents - field of occupation
Source: Own market research, 2016, n=604

The table above refers to *"Field of occupation"* as to the last identification criteria covered in the questionnaire. As seen above, great variety of industries were provided. Although students represent the majority of research group, only 12 % of respondents claimed it as the area of their main activity. We can assume the rest simple referred to the field of their preferred or currently studied field. The top most repetitive answers are from the area of education - representatives of teachers, or university workers. To the health care occupations (12.7 %) belong mostly doctors, nurse attendants or assistants as together with pharmaceutical staff.

5.2 Cosmetic market overview

The U.S. the Food and Drug Administration (FDA) (2009) defines cosmetics as articles intended to be applied to the human body for cleansing, beautifying, promoting attractiveness, or altering the appearance without affecting the body's structure or functions. According to Euromonitor (2015) cosmetics and toiletries are divided into 11 categories which are baby care, bath and shower products, deodorants, hair care, color cosmetic, men's grooming products, oral hygiene, fragrances, skin care, depilatories and sun care. Many other views keep the division simpler and distinguish only major ones - skin care products, haircare, make up, perfumes hygiene and oral cosmetics. Skin care is being incomparably the largest one out of them in all monitored geographical segments, accounting for 35.1 % of the global market in 2014. The share of the major beauty categories is depicted in the Figure 4.

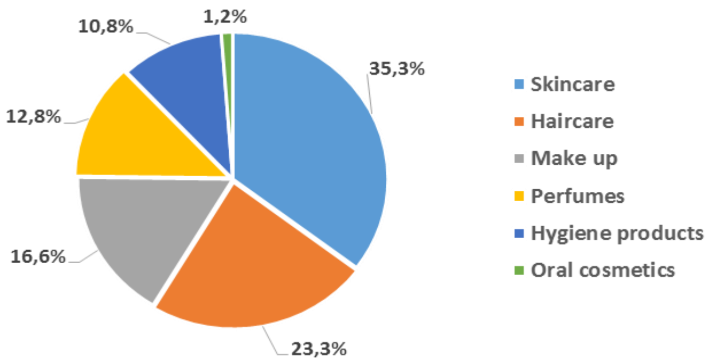

Figure 4: Breakdown of the cosmetic market worldwide in 2014 by product category
Source: Statista (2015), modified by author

This trend is due to the extended use of sun care products as consumers tend to behave more responsibly in terms of sun care protection. Due to the absence of climate conditions, sun-tanning products do well, as heavily tanned skin is a current beauty trend. Moreover, anti-aging products are expected to keep their popularity too. The promise of erased wrinkles, lifted sagging skin, or banished dark circles make women to stick to the anti-aging packages significantly. (U.S. Commercial Service, 2014) (Eurostat, 2015) Another aspect is worth mentioning. Study of Women's Marketing (2015) notifies that as women lead nowadays increasingly busy lives, products that do double or triple functions appeal to them greatly. Make-up products that have e.g. moisturizing effects as well as brightening properties or any other combinations which in the end can multi-task are among the trends that will continue to attract women in the future again.

Figure 5: Growth of the worldwide cosmetics market from 2005 to 2014
Source: L'Oréal annual report (2014)

As statistics indicate, in last few years consumers have been spending larger levels of disposable income on cosmetics than they ever had in the past. Unfortunately the global financial crisis has put a damper on the market and during those years, more affordably priced merchandise became key in the beauty market. Furthermore in recent years as Generation Y[4] has really entered the job market, they have become a big driver of the cosmetics market. (Statista, 2015)

Europe is traditionally the leading market in cosmetics, representing nearly half of the global market, followed by USA and Asia. European cosmetics market had a value of approximately 72.5 billion euros in 2014 (Statista, 2015), experts consider it as signs of recovery after the economic recession impacted the European market since 2008-2009. Since 2009, the continent has seen a 10 % increase in the SME', while giving jobs to approximately 1 7000 000 people, of which 25 000 are scientists. (Yeomans, 2015) (Cosmetics Europe, 2015) The overall statistics of individual countries and how much they contribute to the European cosmetics market are depicted in Figure 6. Germany is the obvious leader on the market with the market volume exceeding 13 billion EUR. On the contrary, all Baltic countries together with producers in Slovenia contribute the least to the aggregate value. The overall growth of the market is in average 3% every year with an increasing trend. (Statista, 2015).

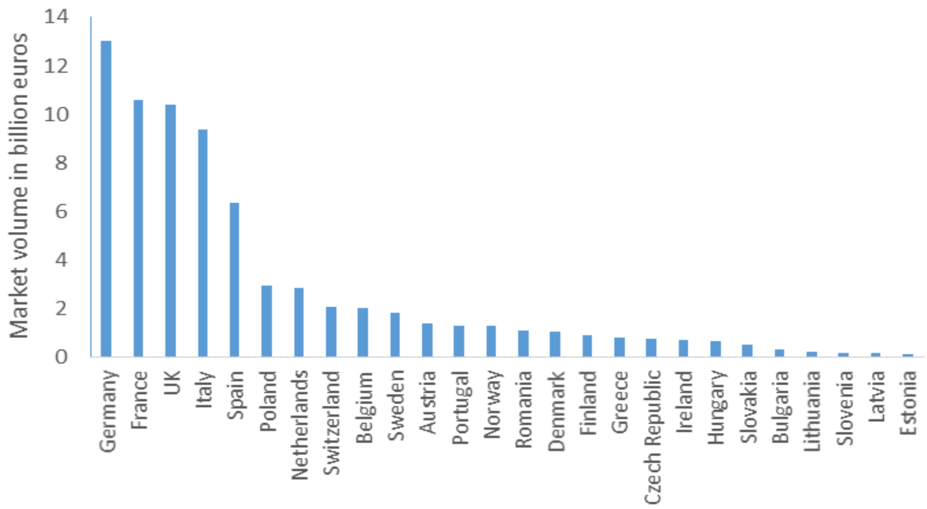

Figure 6: Market volume of cosmetics in Europe in 2014 by country (in billion EUR)
Source: Statista (2015), modified by author

Europe is also the world's largest cosmetics exporter, with 62% of its cosmetic products being marketed out. (Roubalikova, 2012) (EC, 2015). These statistics do not seem very surprising when applying the basic EU principles of free movement of goods or focus on the harmonized EU legislation which simplifies and unifies an entry to the market. (EUR-Lex, 2013) Similarly as in the previous case, the same three countries are taking the leadership, and so: France (export-

[4] Generation Y refers to people born during 1980s and early 1990s. Because children born during this time period have had constant access to technology (computers, cell phones) in their youth, they have required many employers to update their hiring strategy in order to incorporate updated forms of technology. (Business Dictionary, 2014)

ed 5 813.1 billion EUR in 2014), Germany (2 863.6 billion EUR) followed by Great Britain (1 412.6 billion EUR). (Cosmetics Europe, 2015)

5.3 Basic characteristics of beauty product customers

From the primary data collected it has resulted that overwhelming majority of respondents is using cosmetic, and so the beauty products, totally 569 out of 604 respondents. That represents 94, 2 % of the sample. Important to remember that the research was aimed at women sector specifically, so the 5 % not using beauty products refers fully to men sample participated in the research plus very few female representatives.

As for the age distribution, we may assume that the high school students are the most represented, as according to the GfK study (2015) there is some lean towards teenagers being most self-critical about their looks, and so more willing to follow beauty trends. This group is also considered the most influenceable in terms of the advertisements. According to the own research this assumption was however rejected, the greatest percentage of beauty products users belongs to the age category 25-30. More than 45 % of the users is of the oldest age category, which represents 96 % of all representatives above 25. Almost one third of the respondents using beauty on a regular basis belong to 20-24. The youngest users in the research (15-19) are represented only by 18.4 %, totaling in 88 % of this age category. We may assume that although youth is in general highly keen on cosmetics, there might be restrictions, such as financial or social, which are seem to be a limiting factor.

In terms of the net income, it is interesting to observe that 63 % of people not using beauty products at all answered to be still a student with no or the lowest monthly income. This could be taken as an indicator, that women omit using cosmetic products not only because they do not believe in its importance but because they simply do not dispose of sufficient resources to buy it regularly. In case of the highest education reached, the prevailing is the master degree followed closely by the school leaving examination.

As for the community size, it can be estimated that people living in the bigger cities would behave more fashion-consciously and so be more familiar with the actual beauty and lifestyle trends too. This awareness could possibly result in higher interest in beauty products. The winners in the research are indeed the biggest-sized communities and so with the population of more than 90 000 inhabitants, where 96 % of their inhabitants use beauty products regularly. Results however do not differ dramatically from the other community types, where the ratios are only slightly below 94 %. We can conclude that the size of the city does not have such significant impact on the fact whether cosmetics is consumed as there are only minor differences between the categories.

Women globally spend on average of almost five hours a week on personal grooming (bathing, shaving, dressing, hair, and makeup), while men need just over three hours, says the study of GfK (2015). In the Czech Republic, the number is even greater - almost 5 hours a week in case of women and little more than 4 hours when it comes to men. Among the researched countries, the greater dedicated time than in the Czech Republic was observed only in the USA, France and Italy. As expected, Czech teenage category of 15-19 years old indicates the above-average results, and so, the highest grooming time spent among all age categories. A survey conducted by YouGov and the Huffington Post (2013) found that one-fourth of men (25 %) and around one-fifth of women (21 %) take longer than 30 minutes to get ready each morning.

It is important to concern about how often the beauty products are used and purchased, which was the subject of the next question. The Beauty Company (2014) reports that between the ages of 16 and 65, a typical women shops for cosmetics at least five times each year.

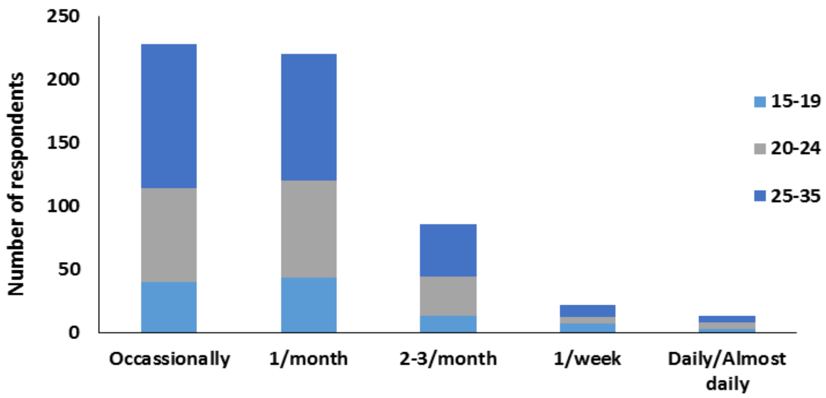

Figure 7: Frequency of purchasing beauty products according to the age
Source: Own market research, 2016, n=604

The results of the own research are not very far from this study. The most of respondents selected the option that they buy on an occasional basis that means with no clear frequency. This was selected by 228 respondents, which represent about 40 %, prevailing mostly by 25-30 aged respondents. The second most frequent answer was "*once a month*" with 38 %, respondents aged at 20-24 represented at the highest ratio. Only 6 % respondents have mentioned beauty shopping on a very frequent basis - and so either weekly or daily. The results are graphically depicted in the Figure 7. Employees as well as entrepreneurs prefer in average to do shopping once a month, students seem rather more often, and so approximately 2-3 times a month. In terms of community size in which respondents live, people from countryside and lowest-inhabited locations do occasional beauty purchases whereas middle-sized and cities above the population of 90 000 inhabitants confirmed to do the beauty shopping once a month at least.

In the context of the results above, it is appropriate to analyze the correlation between frequency of buying beauty products and selected identification criteria. As for the age, with the help of chi-square test surprisingly no correlation was found. It was concluded from the result of the chi-square test 0.121 which is greater than the level of significance 0.05 and therefore the null hypothesis of no correlation between variables was confirmed. As for the other identification indicators, only income and education level seem be significant, only in relation with these two indicator the correlation was found. Income resulted in 0.0010 and the Cramer coefficient of 0.313 is indicating a medium correlation. In case of highest education reached, chi-square test came out with the value of 0.0012, however according to the Cramer coefficient (0.086) referring only to small correlation with the frequency of beauty purchases.

In respect to how often the beauty products are purchased, it was also analyzed, what was their major impulse for such a shopping. Women have plenty of reasons and intentions why to use beauty products on a regular basis. For example Nikola D. during the interview confessed: "*Putting makeup on makes me feel ready for the day*" or "*It is unbelievable how it increases my self-confidence once I am wearing a make-up. I also feel a bit more mature*," as Petra B. says. Results of the primary research are depicted in the Table 4. From the table it is obvious that most of respondents buy beauty products because they have simply run out of the product they normally use and they need to refill the product. Almost 74 % have selected this option. This is a reference to a habitual behavior; respondents do purchase mostly products they have a personal experience to. It might refer also to the overall satisfaction of the purchased products and therefore no need to search for alternatives. Although beauty products do belong to the daily-used products for great number of women, we can observe that they buy new products relatively rarely - majority of women refill their beauty product supply on a rather occasional basis.

	Occassion ally	1x month	2-3x month	1x week	Daily	Total
Have run out of product	196	169	42	9	5	421
Impulsive decision	21	30	31	10	1	93
Change of product/brand	8	10	6	1	2	27
Try out an innovation	1	10	7	2	3	23
Others	4	1	-	-	-	5
Total	**230**	**220**	**86**	**22**	**11**	**569**

Table 4: Reasons for beauty purchases in relation with frequency of its purchases
Source: Own market research, n=604

Other frequent answer was an impulsive decision at the place of purchase. Although women tend to follow their habitual instincts, it seems situational influences are in place too. In other words women are influenceable by e.g. attractive prices at the store or catchy marketing slogans. Such a reason to purchase was answered by 16 % of respondents. On the contrary, the Shopper

Engagement Study conducted by POPAI in cooperation with research agency Ipsos (2015) claims that almost 87 % of all buying decisions are done at the place of purchase. More than 59% of shopping is even unplanned.

The need to change the product or brand women are currently using is an impulse for 4% of beauty purchases. Similar results are in case of beauty novelties, 4 % of women have claimed they buy beauty products because of trying out an innovation on the market. A study of the University of the Basque Country found out that people buy cosmetic and beauty products primarily for emotional reasons. The study, published in the African Journal of Business Management (2011), shows consumer satisfaction is greatest when the cosmetics brand helps strengthen positive emotions through the perception of "caring for oneself" and removing feelings of worry and guilt about not taking care of one's appearance. Paradoxically, for the brand to provide such positive emotional experience, it must first cause consumers to have negative feelings about themselves, such as concern about and dissatisfaction with their appearance, the study says. (United Press International, 2011) (FECYT, 2011)

5.4 Consumer spending on cosmetic products

The research study performed by the Beauty Company (Rawes, 2014) says, that a typical women between 16-65 years old shops for cosmetics at least five times each year, spending around 43 USD on a regular trip. This means, that over the course of a year, she is spending around 215 USD and over a lifetime, which makes even 15 000 USD on makeup and cosmetic products. According to the data of Eurostat (2015) the European Union population has in 2014 spent more than 1, 2 million EUR on personal care and cosmetic products. The greatest share belongs to Germany, where inhabitants dedicated about 10 % of their annual expenditures to this category products.

We may suppose that the amount each country spends on the personal care & cosmetics purchases is affected by many different factors, e. g. as macroeconomic, so does numerous additional marketing influences. Consumption is financed primarily out of our income, therefore real wages will be an important determinant. Other influences may include income tax rate, ease of borrowing money, consumer confidence, interest rates or the country level of GDP. GDP per capita is a traditional way how the standards of living of a specific country is expressed. GDP is normally determined by individual consumption, investments, government spending as well as by net export. In order to better understand the individual countries' spending behavior, the regression analysis was made. The analysis below shows the correlation of the statistical expenditures on cosmetics products in relation with the GDP per capita in the EU countries. It is assumed that with the increasing GDP per capita, the average spending will grow too.

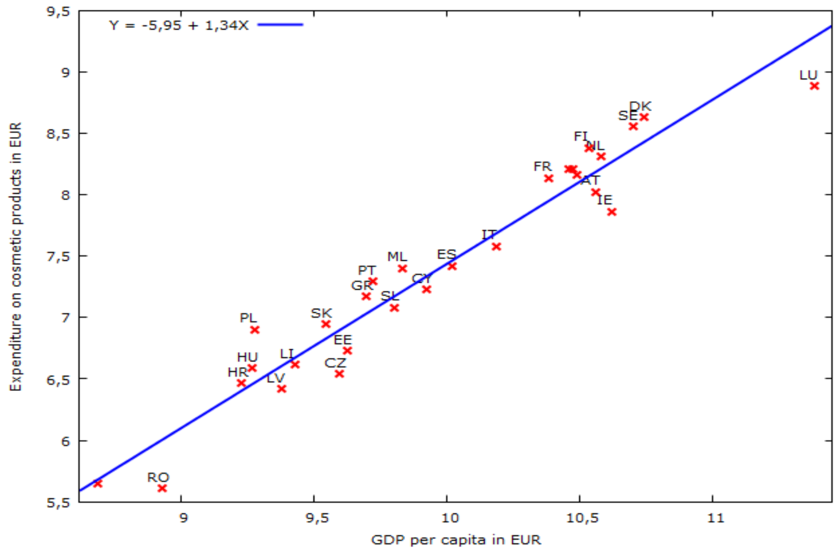

Figure 8: Correlation between cosmetic spending and GDP per capita in 2014
Source: Eurostat EU-SILC (2015), own calculations

The findings confirmed the significant relationship between GDP per capita and cosmetic spending in the EU countries. Based on the results obtained we may estimate that an increase in GDP per capita by 1 EUR, will lead to an increase of the final expenditure by 1.34 monetary units. In countries such as Luxemburg, Sweden or Finland which are ranked on the top, cosmetics products are representing the highest ratio of the GDP among EU countries. Simply concluded, the higher standard of living motivates consumer to spend more on a commodity like make-up or perfumes. This conclusion might be however contradicted with the fact that the lower GDP per capita might go hand in hand with a lower price level in the specific country too. This could be therefore a subject of a further detailed study analyzing consumer behavior of individual countries.

5.4.1 Consumer spending in the Czech Republic

As for the Czech Republic itself, the local cosmetic market is strongly influenced by foreign cosmetic brands, whose market share has increased prominently especially during the 1990s. (U.S Commercial Service, 2011) Based on the statistical data of Czech Statistical Office and Eurostat, the expenditures spent on the analyzed commodity shows a linear trend, described by the equation below:

$$T = 154{,}2 + 31{,}8t$$

From the trend equation it is obvious that the cosmetic spending has an increasing trend over the given period, and so during 1999 - 2014. Since 2007 the values are oscillating around 700

EUR spent per year, the average spending used to keep increasing (except for little fluctuation in 2009) until it reached its maximum in 2011 when the Czech inhabitant spent about 730 EUR on cosmetic products on average. After 2011 the value is negligibly decreasing year by year by approximately 1-2 %.

The consumption of beauty and personal care products decreased slightly also during 2014, along with the improvement in the purchasing power of Czech households, which has risen steadily in the past decade. (Euromonitor, 2015) (Statista, 2015) That could be due to the overcome financial crisis which hit the Europe in 2008-2009 and up to now may still potentially have negative consequences on certain segments. (Barrell, Constantini, Meco, 2015) (Chai, 2011) On the contrary, according to Cosmetics Business (2013) even though the economic crisis has generally tempered sales of cosmetic products among countries worldwide, distributors have seen increases in certain categories and the Czech industry is expected to expand strongly at over 4 % per year through 2018 as women keep including more items in their daily make-up routines than they used to in the past (U.S. Commercial Service, 2014). Based on the data available from the Czech Statistical Office the predictions of Czech consumers spending up to 2020 were modeled, depicted in the Figure 9.

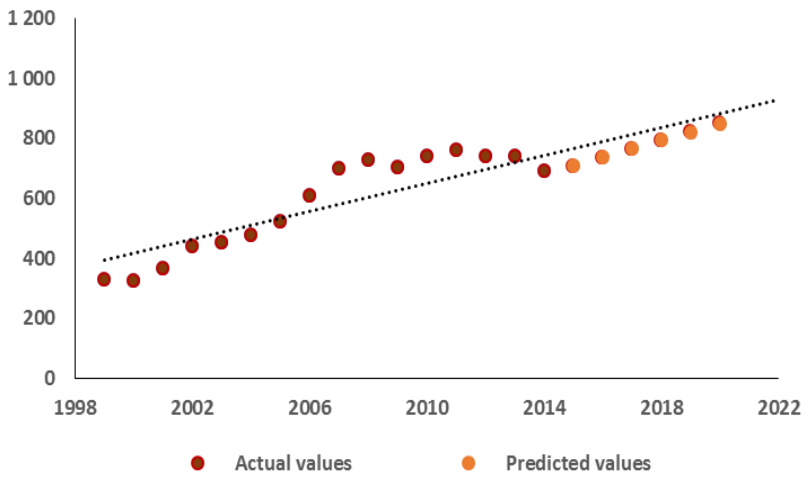

Figure 9: Development and predictions of cosmetics spending in Czech Republic (in EUR)
Source: Eurostat (1999-2014), own calculations

The issue of consumer spending was also covered in the primary research. It was monitored how much do Czech consumers spend normally on beauty products per a month. Results of the questionnaire have brought following conclusions: the vast majority, represented by 80 % spends monthly up to 500 CZK, out of which 34 % devote less than 100 CZK on beauty products per month. Above the 500 CZK per month, with the increasing monthly amount the spending falls down, more than 1 000 CZK per month spends only a little 4 % of all respondents. The highest spending (above 1000 CZK) was identified in case of the oldest analyzed age category (25-30), employed respondents and living in the middle-sized towns.

We may assume that consumers who spend more on beauty products, use and buy such products more frequently. Other option could theoretically be that more is spent by those consumers who use less cosmetic products but require higher-quality goods. In terms of this the relationship between financial spending on beauty products and frequency of purchases was analyzed. It was observed that from respondents who do beauty shopping occasionally, the most the most respondents (128 out of 225, reaching 57 %) spend less than 100 CZK per regular month. On the contrary, none of these occasional respondents dedicate more than 1 000 CZK on beauty products. Majority of once-a-month buyers affirmed spending monthly between 101-500 CZK, which represents 66 %. Only 13 once-a-month beauty buyers spend above 1000 CZK and only 3 of them more than 1 500 CZK. Next category of consumers refers to those who purchase beauty cosmetic products approximately 2-3 times a month. In this group we observe that the highest ratio of them (88 %) claimed to spend between 100-1 000 CZK. This frequency category also bring also 5 consumers spending normally more than 1 500 CZK in a month, which represents the highest portion of among all the categories. The number of respondents who prefer to buy beauty products on a weekly basis is only 22 and the majority of them spend 1 000-1 500 CZK. Nobody out of them however has confirmed spending lower than 100 CZK. The last of the smallest frequency group is "*daily or almost daily*" which was selected only by 11 respondents. These little amount of consumers is distributed among all spending categories, but with the monthly spending of 101-500 CZK slightly prevailing. From the above it is obvious that the more often respondents purchase the beauty products, the greater financial resource they dedicate to them. This was confirmed by the chi-square test, whose result was very low and so lower that the level of significance of 0.05. The value 0.35 of Cramer coefficient refers to the medium correlation. The relation between how often people buy beauty products and how much they normally spend on such purchases can be therefore confirmed.

Additionally it could be expected, that younger respondents invest less resources to cosmetics as they are dependent on the incomes of other people (e.g. parents), and older people could possibly afford to spend more money as their dispose of regular monthly incomes. Differences among age categories together with its monthly spending are shown in the Figure 10.

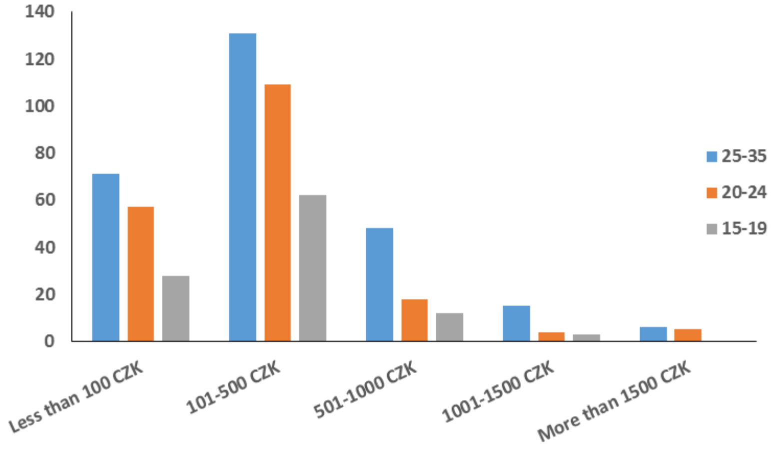

Figure 10: Number of respondents according to the monthly spending on beauty products in relation with age category of respondents
Source: Own market research, 2016, n=604

The 59 % of respondents at the age of 15-19, and so the youngest ones, allocate 101-500 CZK of their monthly funding on cosmetics purchases. The other 27 of them (25 %) spend less than 100 CZK per month. A very little percentage of the youth spend more than 1000 CZK, and so only 3 of all respondents located in this age category. As for the second age category (20-24), majority of respondents similarly spend between 101-500 CZK, such answer provided 56 %. We can observe increase in the “above 1 000 CZK” spending category, which is now represented by 4 %. The 57 of surveyed people of this age group claimed to invest in beauty less than 100 CZK per month. The last age group, referring to consumers aged 25-30, seem to spend the highest amount on beauty products. More than 8 % of them dedicate 1000 CZK and more, 3 % even more than 1 500 CZK monthly. On top of that, the most frequent spent amount refers again to 101-500 CZK, similarly among all age groups. The spending of 100 and less was answered by 26% of respondents. As it was mentioned above, we may assume older respondents have at disposal greater financial resources than the younger ones and that could potentially influence their beauty spending. This was confirmed. People at the age of 15-19 prefer to spend lower amounts (up to 500 CZK) whereas representatives of older age categories spent more often even sums of 1 000 CZK per month. This relationship was verified by the chi-square test, where the value of

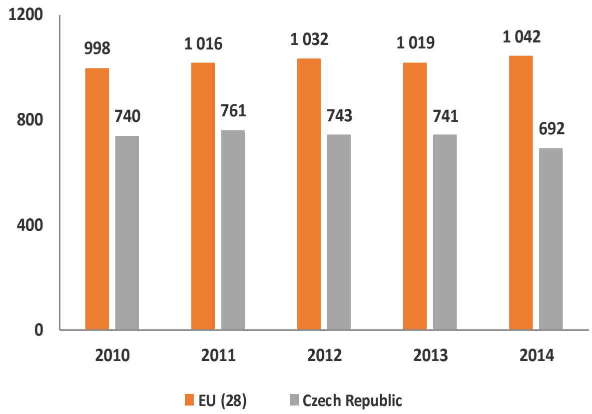

Figure 11: Average monthly spending on cosmetic products per household in 2008-2014
Source: Eurostat (2016), OECD Statistics (2015)

0.03 is lower than 0.05 (level of significance). Cramer coefficient however indicates low correlation.

Although the Czech average per capita consumption for cosmetics and personal care products is the biggest in the central Europe region, it is still far below the European Union average, see the Figure 11 (PMR Retail, 2015) (Statista, 2015) This tremendous discrepancies may be a result of a lower living standards in Czech Republic than in the rest of EU, which the Czech Republic is still about to catch up since the entrance to the EU. Moreover, what is surprising, Czechs have stated that cosmetic goods, especially beauty products, belong to commodities they are willing to cut off in case of financial instability. In other words when insufficient financial resources are earned by the household. (Euromonitor, 2014)

5.5 Place of purchase

Considering the developing situation on the cosmetic and specifically beauty market mentioned earlier, it is crucial to verify consumers' preferences towards different formats of a purchase place. In the questionnaire survey a question with following alternatives was raised:

- Supermarkets
- Online
- Drugstores
- Specialized store
- Pharmacy
- Via dealers

Based on the results, the most popular place of purchase are drugstores which were selected as the most often purchase place format by 58 % of respondents. On the second position within the own research ranked the online e-shops, representing 17 % of the answers. The specialized cosmetic stores seem to be favorite places for shopping for about 11 %, 8 % prefers rather purchasing the products directly from dealers via so-called catalogue sale. Pharmacies and supermarkets seem to be the least frequent shopping place, selected only by 4 % in case of pharmacies and 2 % in case of supermarkets. Taking into account that beauty products represent only a very minor part of assortment in supermarkets, the last ranking is not surprising. In case of pharmacies, although the products are overall perceived to be high-quality good and without chemical or scented ingredients used, the higher prices and deals still seem to be less convenient for Czech consumers and a reason to prefer other store format. Only 2 % of respondents stand for supermarkets. The overwhelming popularity of drugstores has been verified also by the GfK DROGERIE 2015 study published by Incoma GfK. After the drugstores ranked on the top, popularity is relatively high among hypermarkets (30 %), followed by discount stores (12 %) and little self-service stores together with supermarkets (both 6 %).

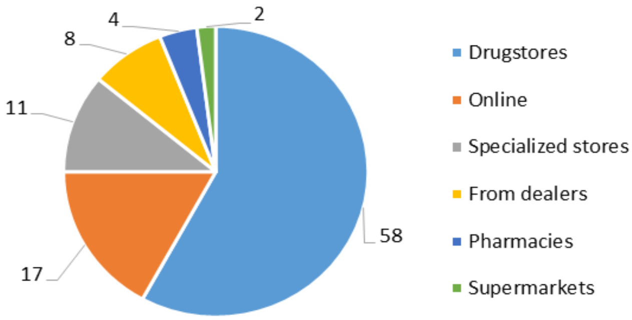

Figure 12: Consumer preferences towards purchasing place (in %)
Source: Own market research, 2016, n=604

We may assume that the motives which initially make Czech buy a new beauty product may have a relation to the purchase place. Certain stores might be visited intentionally, in some consumers might shop beauty products habitually as a part of their regular shopping. For this reason a chi-square test was applied which resulted with the p-value of 0.0005 which indeed proves that the initial assumption was correct. From the results we can conclude that people shopping in order to complete the cosmetic "storage" at home, in other words when they run out of the product, prefer mainly drugstores or online. Shopping from dealers seems to be often as an impulse decision. In case consumers search for a novelty and want to replace the product line or brand, consumers might have a specific requirements as they rather go to the specialized stores or pharmacies.

Currently the Czech cosmetic market is dominated by three major retail chains. These are DM Drogerie Market, Teta and Rossman. Only these three retails chains are operating more than 1 100 self-service stores throughout the entire Czech Republic. According to the above mentioned study of Incoma GfK, all three chains are listed among top 5 retail chains where Czech consumers spend the most for cosmetic products. Apart from them the top 5 is completed by Kaufland hypermarket and Penny Market, says GfK DROGERIE 2015. Euromonitor (2015) explains that the main reason for the selection of a specific format store is apart from its location also variety of the goods, special discount deals and the overall price level.

5.5.1 Specifications of customers of selected purchase places

One often says that to know the customer belongs to the key success factors. Here it therefore seemed to be relevant to determine the typical customer in the individual formats of the purchase places. This was conducted based on certain demographical characteristics, which might besides others serve also as recommendations for sellers on which specific segments they should target. In case of certain purchase place formats the sample was too little to provide with general conclusions. Since the results were evaluated based on their absolute frequencies, including them could significantly manipulate the conclusions. Due to this only 4 formats have been included in the following analysis, and so: drugstores, specialized stores, direct selling through dealers and Internet.

Before the analysis itself, it was necessary to define the calculation techniques. Firstly to match the results to the level of significance. The standard deviation of arithmetic mean was set as the decision-making criteria for the level of significance, where three stars stand for the strongest position with the standard deviation from the arithmetic mean greater than 15 %.

Level of significance	Criterium
*	Less than 5 %
**	5-15 %
***	More than 15 %

Table 5: Criterium for significance of results
Source: Parameters set by an author

Drugstores

A typical customer of drugstores seems to be a person at the age of 20-24, who completed the high school education and currently studies at the higher educational institution. This person is a resident of town with the population of 3 001-90 000 and has no or very low income. From the parameters it is the income which shows the lowest significance level. Customers of drugstores appreciate mainly the variety of assortment which is normally greater in comparison with other store formats. The affordable pricing together with the reachable store location play the key role as these are the major factors which seem to influence them. Moreover a typical customer has a positive attitude towards customer loyalty programs and likes to join them which are widely offered especially in the drugstores.

	Age	Education	Community	Occupation	Income
Feature	20-24	High school	3 001-90000	Student	0-3 400 CZK
Significance	***	**	***	**	*

Table 6: Typical customer of a drugstore
Source: Own market research, 2016, n=604

Specialized stores

Respondents having mainly the above-the-average salary at the age of 25-30 are the most frequent customers of this store format. It may be assumed that specialized stores are perceived as the high-quality stores and therefore offering products in the higher price categories. This was observed via contingency analysis which showed that people shopping preferably in specialized stores do indeed put less importance on the price factor but rather on e.g. ingredients. Besides that the customer earns in average 20 000-35 000 a month and lives in the town of at least 90 000 inhabitants. With the lower significance ended up occupation and education indicators according to which the customer has obtained a Master degree and is a self-employed.

	Age	Education	Community	Occupation	Income
Feature	25-30	Master degree	90 000 +	Self-employed	20 000-35 000
Significance	**	*	***	*	**

Table 7: Typical customer of a specialized store
Source: Own market research, 2016, n=604

Direct selling

Similarly as in the previous store format, it has been proved that direct selling is popular mainly among 25-30 year old people. This was a result with a high significance. Other features contain completed second-level university education, employees, living in a big cities or monthly income up to 20 000 CZK. Last two mentioned features have however only low significance level. More than 73 % shoppers from dealers have mentioned that to try out the product before the purchase is crucial and one of the most important factors in case of beauty products.

	Age	Education	Community	Occupation	Income
Feature	25-30	Master degree	90 000 +	Employed	3 401-20 000
Significance	***	**	*	**	*

Table 8: Typical customer of direct selling
Source: Own market research, 2016, n=604

Internet

The services of Internet seem to be used mainly by students between 20-24 years old resulting with a high significance. However students obtained a Bachelor degree, their education might still have been in the progressing stage. The typical customer of Internet lives in the middle-sized community and earning up to 35 000 CZK. This was however a result with low level of significance.

A total of 86 % of Internet shoppers said they do buy the produts they already know from a previous experience but have run out of it and 65 % of them consider „*no need to travel to the physical store*" as one key advantages of e-shops. Based on this we may assume that customers do rather prefer their habitual shoppings to do at home because they know exactly their wants and might not seen any more benefit to attend the store personally or waste the time by waiting in the queue.

	Age	Education	Community	Occupation	Income
Feature	20-24	Bachelor degree	3 001-90000	Student	20 000-35 000
Significance	***	**	*	***	*

Table 9: Typical customer of an Internet
Source: Own market research, 2016, n=604

5.5.2 Direct selling

With the trend toward narrowly targeted or one-to-one marketing, many companies are adopting direct marketing as a way of direct communication with carefully targeted individual consumers to obtain an immediate response. (Jonker, 2006) This is a very specific distribution channel typical mainly in the personal care, cosmetic and detergent industry and is often referred as cataloque sale too. As described by Liao, Chen and Hsieh (2011): *„Direct selling is a dynamic, vibrant, rapidly expanding channel of distribution for marketing products and services directly to consumers.“*

According to the research of the European Direct Selling Association (2014), the direct selling in the Czech Republic monitored a total turnover of 130 million EUR in 2014. In the same year companies of direct sale in Europe sold the products at the amount of 25 billion EUR via this channel. Within the European Union market the greatest fan of cataloque sale is Germany. After Germany it is France, UK and italy. Direct selling seems to be extremely popular in Europe since last few years, its popularity increases indeed rapidly in certain countries. Netherlands, for example, recorded an annual increment of direct sales by 8 %, Great Britain by 6.7 %, the numbers in Bulgaria, Belgium and Baltic countries increased by more than % % and in France, Germany and Poland in total by 4 %. (Retail Magazin, 2015) Statistics show that cataloque sales are expanding mainly on the big and developed markets. The world leading companies on the market are the following ones (Retail Magazin, 2015):

1. Amway
2. Avon
3. Herbalife
4. Mary Kay
5. Vorwerk

The study of Ohio University (2015) says that about 6 % of the people orders cosmetics directly from a direct selling representative. Within the own survey research it was monitored whether respondents have ever experienced a promotion through personal meeting with a dealer and whether they have already purchased a beauty product directly from the direct seller.

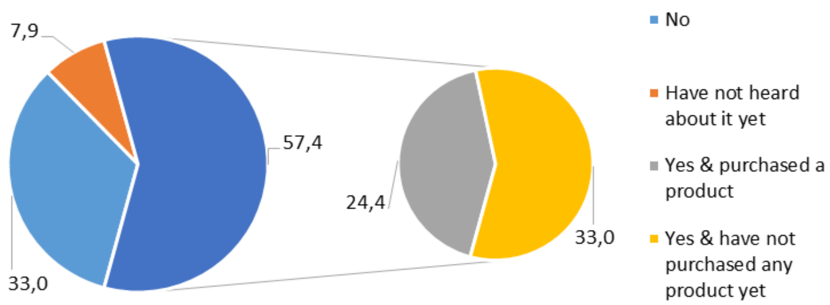

Figure 13: Have you ever experienced a personal meeting with a beauty dealer? (in %)
Source: Own market research, 2016, n=604

Results displayed in the Figure 13 identify that a third of respondents does not dispose of a personal experience of a meeting with a direct selling representative and almost 8 % has moreover never heard about existence of such a purchasing channel at all. There is however still the majority of the respondents who answered positively and have at least once personally interacted with the dealer. The figure moreover specifies what ratio of respondents hs been attracted by the products offered or the purhcasing method itself and at the end bought of the meeting made a purchase. The 24.4 % confirmed such an action. The resting 33 % have decided not to make a purchase via direct selling. The reason for such a behaviour was a topic discussed during the in-depth interviews. Participants unanimously und independently from each other agreed that direct selling often offers expensive and not affordable products or is very pushy what is the main reason which discourages them from the final purchase.

5.6 Online versus traditional shopping

5.6.1 Online behavior in the Czech Republic and EU

In the current Internet era, selling products online is getting very popular and becoming a critical activity to manage for business. The Internet not only helps businesses establish new channels for marketing their products or services, but also tends to improve the associated brand image and the perceptions of product quality and purchase intention (Wells, Valacich, Hess, 2011). In 2015 Czech Republic historically first time exceeded the EU average in terms of number of Internet users. In total the Internet is used by the 79.7 % of 16-74 aged population whereas the EU average reached in 78. 0 % in 2015. (CSO, 2016). Internet and computer devices are on the contrary a common equipment only of about 70 % of all Czech households.

Czech residents seem to be greatly aware of the power and importance of the Internet as the number of its users[5] is boosted rapidly year by year. Starting at little 28 % in 2003, it has grown enormously over the time. The greatest improvements show years 2006 and 2008 when the annual increase of 9 % was observed in comparison with the previous year. The development of how the number has been growing describes the Figure 14 together with the future predicted development until 2020. Czech Statistical Office informs that the prevailing age category of Internet users is 16-24 in which 98% of Czechs use Internet regularly. With the increasing age, the ratio of people is dropping down. More men belong to Internet users than women, although with a slight difference only. There are however still 39.5 % of Czechs at the age of 55-74 who confessed to never used a computer devices or Internet connection so far.

[5] Internet user is an individual who in the period of research has claimed to use Internet at least once in last 3 months, and so at any device, place or for any purpose. (CSO, 2015)

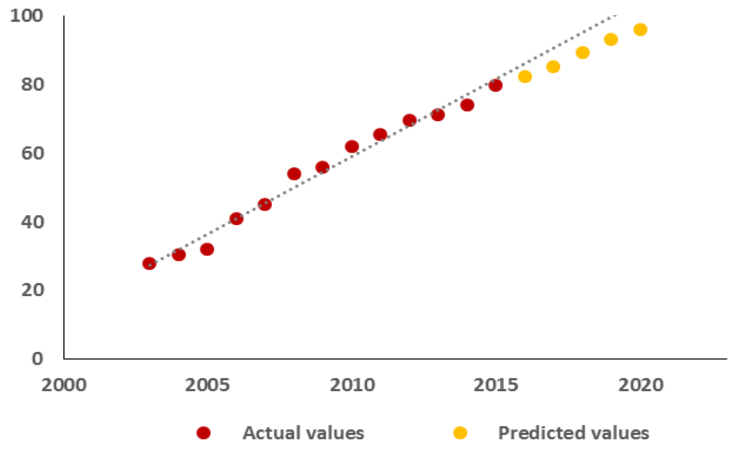

Figure 14: Development and predictions of Internet users in Czech Republic (in %)
Source: CSO (2015), own calculations

As for the online shopping behavior itself, Czechs tend to have relatively positive attitude towards it. The statistical data provided by the Czech Statistical Office from 2004-2015 reflects the upward sloping trend. The trend function can be written as following:

$$T = 4{,}54 + 3{,}4t$$

The equation indicates a linear and increasing trend. The value of the parameter β0 represents the average percentage of individuals in Czech Republic who tend to shop online during the selected time period. It refers to the average of 4.54 %. The positive value of β1 describes the annual grow by 3.5 %. Until now the maximal value has reached 42 % of population, based on the previous statistical data it is however expected to be overcome in next year again. Shopping via Internet has the biggest popularity among 25-34 year-old population, and so represented by 63.2 %. In terms of economic activity, students seem to be the most familiar with the possibilities of online shopping. Women again lag men population a bit. The reason for this difference might be the focus of most Internet business, which mostly has men as their target group. When comparing Czech behavior patterns at the EU level, it reaches relatively the average. The absolute leaders in EU in terms of online shopping are Great Britain and Denmark, where the total 79 % and 78 % of their population is buying products online regularly. On the contrary, the lowest positions belong to Bulgaria and Romania. (CSO, 2015) (Eurostat, 2015)

The graph below illustrates what type of products are the most popular among internet buyers as a part of research conducted by Media research in 2014. It is evident that clothing is the most preferable good, followed by books and e-books selected by 32 %. Cosmetic and personal care products stand at the 5th position addressed by 25 % of online buyers, preferably women. As mentioned earlier in this chapter, women purchase products online rarely than the male group. One reason for less satisfaction among women concerning e-commerce might be that they purchase more emotionally charged products, such as clothing, perfume and makeup, whereas men primary shop books or electronic devices. These products are perceived as practical rather than emotional products (Harris, Rodgers,

2003) For women, more than men, shopping is moreover a social activity too, and shopping through the web is done unaccompanied, which might increase women's unhappiness with the purchasing channel. (Chiang, Dholakia, 2003).

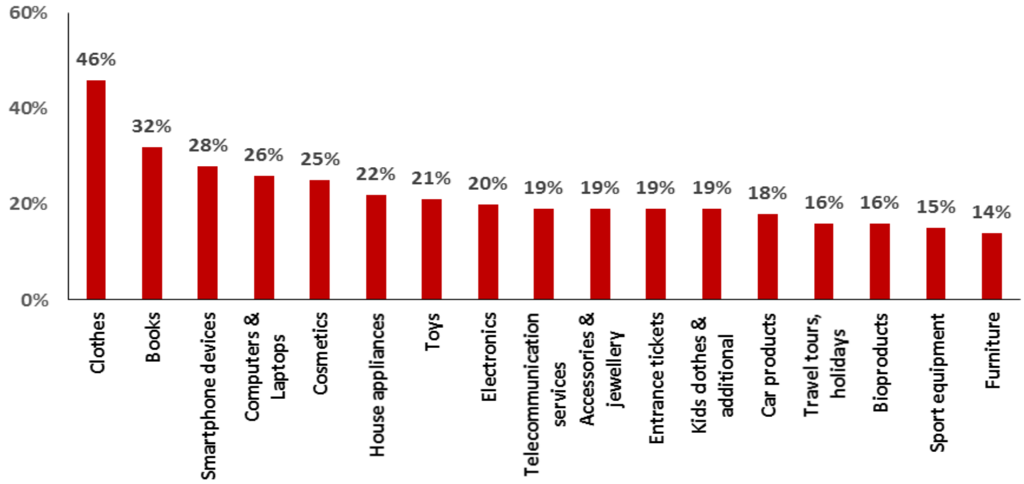

Figure 15: Preferred product categories being purchased online in 2014
Source: Mediaresearch Slovakia (2014)

The awareness and willingness of Czechs to change their habits and use online platforms instead of traditional buying methods is indeed remarkable. Within relatively short period of time Czech Republic was able to greatly move technologically forward. Having in mind that according to Pricemania (2015) majority of Czech spend daily at least 1-3 hours online, and youth up to 5 hours a day, online shopping is considered as one of the most perspective and profitable sector with a great potential in the future.

As a part of the own research was also a set of questions referring to the online behavior. Primarily, it was researched whether respondents have already experienced an online purchase in case of beauty cosmetic products. The 42 % represented by 239 respondents do at least once have ordered a beauty product on the Internet, which matches the national statistic.

At this moment it seemed to be interesting to analyze which factors might potentially have influence on this percentage. It could be expected that the age would play an important role, as mentioned above in the analysis of the global situation among Czech residents. This is due to the fact that in the primary research only categories up to 30 years old were covered, which overall represents the younger part of the population which normally perceive a great awareness of modern technologies and trends. The relationship between age factor and online shopping willingness was therefore not proved.

On the other hand, compelling results came up when analyzing the influence of the income indicator. It can be observed, that almost 59 % of respondents earning none or the lowest salaries (0-3 400 CZK) have never purchased any beauty product on the internet. Even greater percentage results in case of people earning monthly between 3 400-20 000 CZK, 181 of them (63 %) have provided a negative answer. Since this moment the percentage of online buyers is raising. Majority of people with above-the-average incomes (60 %) have already tried on the shopping on the internet. Online shopping since its evolution serves prevalently to the middle and upper class. In order to shop online, one must be able to have access to a computer and most of the time, own a credit or debit card too. This technology therefore distinguishes social classes as well as their ability to shop online. (Ratham, 2008) This dependency was tested also by the chi-square test. The results of 0.0078 p-value confirms there is a clear relationship with the monthly income.

In case of occupation of respondents, the chi-square test did not prove any dependency. GfK (2015) nevertheless came to the conclusion, that most of the websites and online shopping stores are explored by teens than adults. Even though teens and youth might not possess their own credit card yet, they are considered to be far more expert at Internet than adults. A contrasting opinion on the key target group is supported by Petra V., the manager of cosmetic e-shop chain operating on the CEE market who says*: „Women on maternity leave have been long-term the most lucrative target group in the Internet stores. “* This unfortunately was not identified in the research as such women group was not collected at the representative sample. Other than that, residents of the high-inhabitated communities (47 %) and with completed university-degree in case of education level indicator (45 %) prevail among online buyers.

To sum it up, online shopping has evolved with the growth of technology and that means an even larger separation between social classes and their means to shop. Social position including the level of earnings, education or social status strongly influence individual preferences and can be applicable to tastes in following modern trends. (Ratham, 2008)

5.6.2 Challenges of Internet and physical stores

The expansion of the online business segment in the Czech republic is, similarly as in case of any other type of businnes, limited by the long-term low purchasing power of the Czech population. Therefore its main increasing potential seems to be based on luring the customers from physical stores into to online environment, as the Association of E-commerce (2016) explains.

No matter which shopping channel consumers use more often, each of them boasts of its unique traits and reasons. This was also analyzed via primary survey research. Consumers were asked what make them to shop specifically either in physical stores or online. The question was set as semi-open with more possible answers and therefore the results do not present a classification of the most frequent reasons towards a particular shopping place. The results of primary research were compared with the Global PwC 2015 Total Retail Survey which examined the same aspect of consumer behavior. The comparison is shown in Figures 16 and 17.

Figure 16: What motivates you to shop online instead of physical store? (in %)
Source: PwC Global Totail Retail 2015, own market research, 2016, n=604

When having a look at the reasons consumers shop online only two reasons are exclusive for online shops and not replicable by physical stores. These are "*I can shop 24/7 online*" and "*No need to travel to a physical store*". All the rest can be achieved by regular physical store too. The overwhelming majority of respondents both in PwC study and own research consider lower prices as the greatest benefit of shopping online (53 % and 56 %). The fact that e-shops can possibly offer better deals than in stores is very likely to be connected to the costs of running the physical place and its fixed costs inevitable charged over the time. Monthly invoices for rent or power consumption are definitely barriers which might be eliminated in case of small online businesses. All this might influence the final product price remarkably, occasionally by even 50 % (U.S. Commercial Service, 2014). This definitely provides Internet companies with a great competitive advantage.

The following reasons for shopping online collected in own research however do not match with PwC study anymore. The second most highlighted benefit seem to be "*I can only get some products online*" which answered almost a third of the group. The top three of the list is completed by "*Looking for a particular brand or products*" (31 %). This group of consumers seems to know exactly what products they would like to buy and fast internet technology plays a key role to satisfy the need quickly. Physical stores might be therefore perceived as time-consuming and stressful places to visit where it could take a decent time to find the right product among plenty of its alternatives. PwC Total Retails study emphasizes also the shopping 24/7 aspects which seem not to be the crucial one in the own conducted research. This describes the second unique feature of e-shop not easily copied by the physical stores. To sum it up, what the online shoppers appreciate the most in online stores are the infinite variability of products as well as products information and unlimited time availability of the stores. POPAI (2012) very clearly defines the main motives for online cosmetic shopping: comfortability, simplicity of the shopping and time saving. Based on an Internet shopping study by Ernst and Young (2009), the two major reasons for consumers to shop online are similarly an increased convenience and greater savings. Given the unique characteristics of the Internet, these findings are not surprising at all. The reduced cost of search enables consumers to compare prices across online retailers with just few clicks.

On the other hand, the top three reasons for shopping in-store depend on factors that are often exclusive to physical stores, such as "*I'm able to see, touch or try on the product*" or "*to get the product immediately*" and "*I'm more certain about fit/suitability of the product*". These factors generally cannot be achieved by online shops, although that could be seen as a challenge for the future[6]. Indeed, one of the biggest drawbacks of shopping online in today's connected age seems to be that it's actually not fast enough, at least when compared to getting a product immediately upon purchase in-store. When respondents were asked why they shop in-store instead of online, the second most frequent response, a weighty 65 %, was "*to get the product immediately*."

Figure 17: What motivates you to shop in a physical store instead of online? (in %)
Source: PwC Global Totail Retail 2015, own market research, 2016, n=604

The possibility to consult the choice with the shop assistants was not covered by the PwC study, however this feature was added to the own research as it seems to be one of the most significant. Online environment has not yet beat the social aspect of shopping and for this reason it might ever be the key place to purchase even though the digital era is moving rapidly forward. This reason was selected by about 23 % of respondents. As Rebecca Haden (2013) mentions in her study, women want to try on beauty products before investing money in them, and many prefer to be served by specialized consultants when choosing make up and skincare.

A major challenge of the physical store is that technologically enabled and empowered consumers simply don't need to browse as much at the store any more. That loss of foot traffic means fewer opportunities for impulse buys. Digital has really disrupted this business tremendously as shoppers are now more purposeful than ever before with less impulsive purchasing.

[6] The Russian fashion retailer Lamoda found a success co-opting some of the advantages of the physical store. Lamoda delivers the ordered products to customers and then allows them to try on the requested clothes shortly. Shoppers pay only for what they decided to keep, and the rest is promptly taken back to the store or warehouse. (Bloomberg, 2014)

5.7 Factors influencing consumer behavior

As described in the chapter 3.3, consumer is during the purchase process influenced by loads of different factors which affects the behaviour at different level of intensity. As a partial goal of the primary research therefore seemed to be meaningful to find out what specific factors are the most powerful when it comes to the beauty cosmetic shopping decisions. Respondents were asked to select 5 out of the listed variables which according to their opinion influence them the most. Results are shown in the Figure 18.

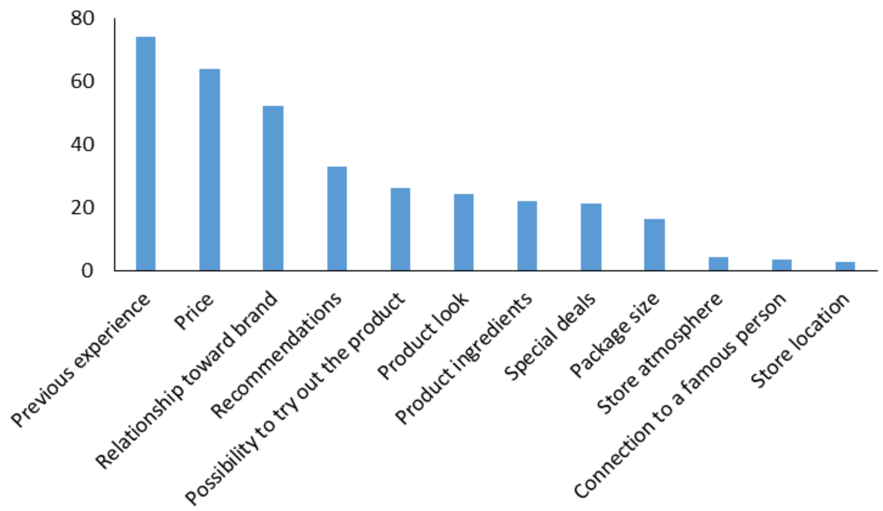

Figure 18: Importance of specific factors on beauty decision-making
Source: Own market research, 2016, n=604

It was found out that the previous experience plays the most important role, selected by 74 % of respondents. This ranking indicates that Czech respondents are loyal to the products which acquitted well in the past. From the in-depth interview results that consumers are loyal not only to the acquitted products but also to the purchase places when the acquitted products can be found.

The second most influential factor seems to be the price of products. So was answered by 64%. Interesting to observe that even though price factor itself stands at the second position in the primary research, the temporary special deals did not acquire the similar level of importance (21.3%). As stems from the Euro monitor research (2012), since last few years customers are focusing intensively on the special price deals and are willing to wait for them to purchase a bigger amount of products at once. Jitka Vysekalova (2011) however mentions that in certain product categories the very low prices might arouse distrust toward the product and so have a reverse effect as planned by the retailer. As discussed during the in-depth interviews, consumers feel to be overloaded by the “special price deals” around them and in the end are searching for the products offered for relatively stable prices. Several consumers also shared the opinion that once they finally fall for a product, they want to buy it in the future too, however for the same price as previously. This seem to be self-explanatory for results gained from the primary research. The effect of prices on the consumer behavior is in more detail described in the chapter 5.6.1.

The brand itself influence more than a half of respondents (52.2%) and ranks at the 3rd position. This indeed proves the power of the branding as consumers seem to associate the products with a certain level of quality. This was also a subject of discussion during the focus group as well as in-depth interviews where participants were asked to match selected brands with certain characteristics. As a result, in 100 % cases the retail brands were associated as affordable, however also as low-quality, with short-term lasting effects which leads to faster consumption of the product package. On the other hand, the majority of participants associated brands such as L'Oréal or Maybelline mostly with top models placed in the TV commercials wearing a perfect makeup. Participants often referred to expressions such as professional or beautiful. This makes them perceive the brands as very positive and so higher-quality ones. Brand together with the quality of products has been marked as the most important factors by the studies of Desai (2014) as well as Euro monitor (Hospodarske noviny, 2012).

Although the way how the product looks like and how is packed is first thing consumers see when approaching an item of their interest, and the first thing they can physically touch upon further inspection, it obviously does not seem to be the key factor for decision-making. In the conducted research it stands at the middle position because only 22 % of respondents consider it as influential during shopping. The least powerful variables seem to store atmosphere, store location or whether the product was promoted by a famous person or celebrity. Besides that, a product quality has certainly an important role when shopping beauty products. Although this factor was not an option in the questionnaire survey, it was strongly emphasized in the in-depth interview. Interesting to observe, this was mentioned both at the side of experts as well as consumers and so it should be ranked as one of the top influencer among the factors.

The cluster analysis below shows the factor correlations in case of three major beauty product groups. These are face make-up (foundations, bronzers, concealers, powder) eye make-up (mascara, eye liner, eye shadow and brow) and lip products (lip color, lip gloss, lip liner).

We may see the factors tend to cluster into similar groups. Each product category for instance shows the relation between price and the experience from the past or that brand has overall a special position. We can however observe also many diversities. In case of face make-up products the package size closely correlates with the presence of special deals. We assume that facial make-up products are the most expensive ones among the three described groups and a good quality make-up might be perceived as a costly investment. In such a case the special offer matters a lot and the bigger package is highly appreciated too.

Another interesting cluster but in case of eye make-up products is cluster between store location and store atmosphere. This refers to the situational influences as customers want to feel comfortable at the moment of purchase. At the personal interviews respondents also said they do not normally have trust to the stores which are messy or where the assortment in the store shelves is unorganized. Lip products show also correlation between possibility to try out the product before purchasing it and recommendations from friends and family. These two go hand in hand together as friends and family is often in a role of a consultant.

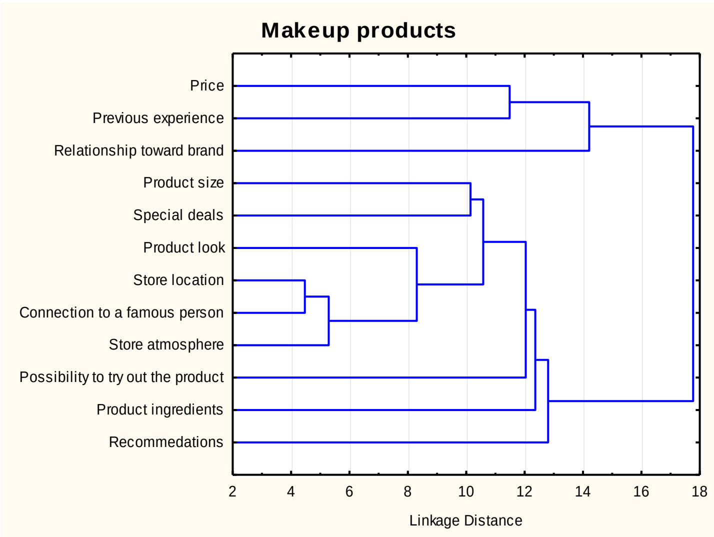

Figure 19: Dendogram of factors influencing make-up product shopping
Source: Own market research, 2016, n=604

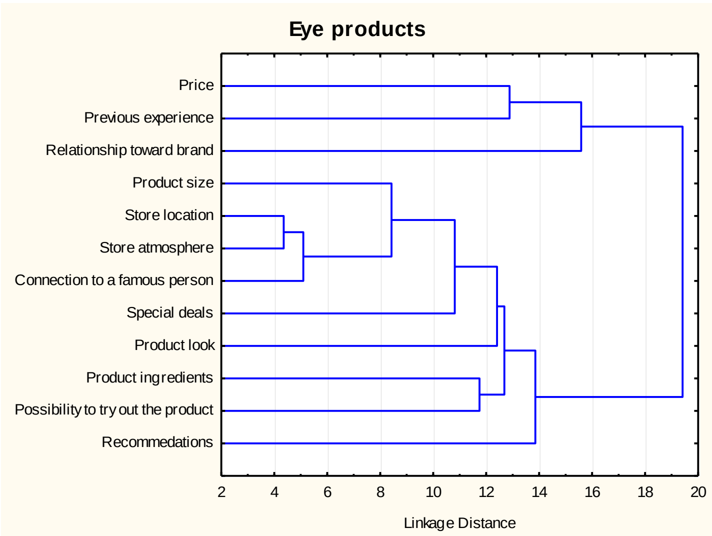

Figure 20: Dendogram of factors influencing eye make-up shopping
Source: Own market research, 2016, n=604

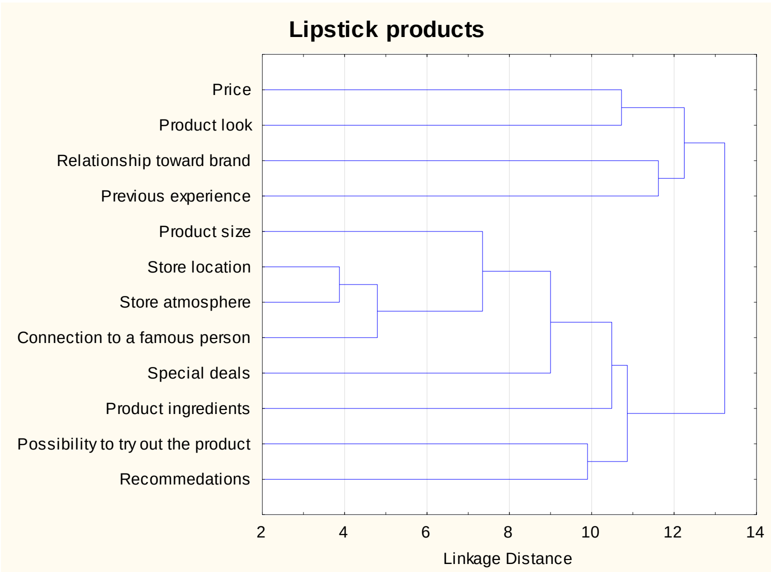

Figure 21: Dendogram of factors influencing lip product shopping
Source: Own market research, 2016, n=604

In the following part the importance or popularity of factors was cross-analyzed by the contingency analysis and chi-square test. This was done based on the selected demographic variables which seemed to be relevant.

In all three product categories the relevance of age and monthly income was proved. As for the education level the significance was confirmed in case of both make-up and lip products, the community size in case of make-up and eye makeup products. Occupation status does not seem to play an important role in any of the product categories when deciding for factors which influence consumers. We may therefore state that demographic segmentation is significant from the point of different preferences on the influential factors. The detailed results are shown in the Table 10. Numbers in bold represent the variables which resulted to be significant.

	Make-up products		Eye make-up products		Lip products	
	p-value	Cramer coefficient	p-value	Cramer coefficient	p-value	Cramer coefficient
Age	**0.029**	0.116	**0.003**	0.122	**0.004**	0.155
Education level	**0.034**	0.112	0.155	0.094	**0.019**	0.138
Community size	**0.001**	0.134	**0.000**	0.143	0.141	0.127
Occuppation	0.494	0.090	0.579	0.083	0.556	0.108
Income	**0.000**	0.213	**0.000**	0.130	**0.001**	0.162

Table 10: Results of the contingency analysis for data characterising the respondents
Source: own market research, n=604

In all cases the contingency analysis proved only small correlation; however the age and income appear to be the most correlated one among the tested variables. Over the lifetime a consumer is very likely to change her/his preferences and pay attention to different aspects when getting older. The research says that recommendations from family member or a friend is much more influential by the 15-19 aged group in comparison with older respondents up to 30. On the other hand, both 20-24 and 25-30 age categories consider more the price level, brand and ingredients of the product.

5.7.1 Development of prices

In the results from the previous chapter price has been ranked as one of the most influential factors. At this point it is therefore interesting to analyze how the price level was changing over the time and what was the impact on the consumer behavior.

The development of cosmetic prices in Czech Republic is defined by consumer price index (CPI) which measures the overall price level. It is a measure of consumer baskets based on a sample of goods and services paid by the population. Price representatives include such products and services that contribute significantly to the population's expenditure and cover the entire sphere of consumption. They are gradually aggregated into 12 main sections of the consumer basket by using the weighted average of individual price indices. (CSO, 2016) Based on the latest statistics of CSO, the price development can be described by the linear trend line:

$$T = 65{,}7 + 2{,}68t$$

From the equation can be seen the trend shows obviously an increasing character. Annually we can observe an average uplift in cosmetic goods by 2. 7%. When we compare the results back with statistics of how much Czech have been yearly spending on cosmetic products (Figure 9), we can observe that even though the prices have relative stable annual increase, the cosmetics expenditure variates unequally over the time. We can conclude, that even though price seem to be an important factor in general, it is undoubtedly not the only one influencing consumer spending on this specific commodity.

Since 2005 the mean disposable income in Czech Republic has increased by 43 %. (Eurostat, 2015) (GfK, 2015) As the disposable income rises, Czechs are becoming increasingly fashion and health conscious, demanding higher quality, more sophisticated skin care products and cosmetics. (Companies and Markets, 2012) Czech consumers are also well-known for being traditional, conservative and price sensitive, (U.S. Commercial Service, 2014) as proved by the elasticity indicators in Table 11. Price elasticity of demand is based on the changes in quantity demand of a particular product and a change in its price. Generally speaking, if a small change in price is accompanied by a large change in quantity demanded, the product is said to be elastic or reactive to price changes. Conversely, a product is inelastic if a great change in price is followed by a small amount of change in quantity demanded. (Investopedia, 2014) (Pettinger, 2013)

Four specific products were analyzed in terms of price elasticity, selected from the consumer basket which is an input for the CPI evaluations being published monthly by the CSO. Unfortunately there is no category in the consumer basket representing the beauty products specifically, as this type of products belong under the „miscellaneous goods and services“. However several the most frequently used cosmetic products are covered in the basket and so were used for the elasticity overview.

Product	Price elasticity (ε)
Skin cream 150ml	inelastic
Perfume 50ml	elastic
Make-up remover 200ml	elastic
Lipstick	elastic

Table 11: Price elasticity of demand of particular commodities selected in 2014-2015
Source: CSO (2014-2015), modified by the author

As seen in the table above the skin creams seem to be the only inelastic good in our overview. This might seem surprising as there are numerous alternatives to this product type presented on the market and so consumer could potentially switch the product in case of changed price. However, skin creams does not seem to be the case. This might be due to that fact that women tend to be loyal to the products which might have a long term beauty effect - such as anti-aging products or highly specialized product lines (allergic, sensitive skin, etc.) When health issues must be taken into consideration during the selection process, women may seem demanding. They might have spent a great effort on considering the alternatives in the past until they discovered the product type which fits them the best and therefore are willing to purchase the product regardless the price.

Another category covers perfumes and fragrances. This product category may be perceived as luxury and eventually more expensive. Although a scent can be understood as a unique trait of a women‘s personality and her style and many women are known for sticking to the same perfume over years, the overview says the opposite. The elasticity clearly indicates that for majority of consumers an increased price of perfume has a great impact on the demanded quantity.

Lastly, make-up removers together with lipsticks show relatively similar values, and both are again price sensitive products. Although spending on these goods accounts for a relatively small share of a consumer's income, products are again considered as elastic. This is mainly because of a great number of competitors or a market. Consumer can easily replace the product for its substituent which provides with similar or with the same functionalities.

However, these traits may not be generally applied among all age categories. The younger generation, which is fashion conscious and travels widely outside the country, has a greater awareness of global trends. They display different consumer patterns from their parents and branding plays an important role in their purchasing decisions. Moreover, recently women prefer fine, seemingly invisible make-up that underlines their features and does not look "cheap" which might be interpreted as willingness to purchase higher-quality cosmetic products as women believe the investment is pays off. (U.S. Commercial Service, 2011) As a result, we may expect younger generations to behave as less price sensitive consumers.

5.7.2 Global players on the market

Considering the players dominating the cosmetic market, the Figure 22 provides with a clear overview. L'Oréal stands at the top of the ranking. With sales volume of 30. 52 billion USD covered almost 43 % of the total purchased value in 2014. This French producer has been devoting its attention on the cosmetics market over a century now and is actively operating in 130 countries worldwide. L'Oréal is largely enriched with a portfolio of international brands that is unique in the world and that covers all cosmetic categories. Very complementary, these brands are managed within the group by divisions that each have expertise in their own distribution channel. (L'Oréal, 2015) This structure is considered as one of L'Oréal's major strengths and key to success. It makes it possible to respond to every single consumer's expectations according to his or her individual habits and lifestyle but also to adapt to local distribution conditions, anywhere in the world. (L'Oréal, 2015) Besides that L'Oréal relies also on global research and innovation, as well as on integrated industrial production. The leader no. 2 is Unilever, proudly claiming to have 13 brands with its sales of more than 1 billion EUR a year. (Unilever, 2015) (Euromonitor, 2015) The brand has literally gone from invisible to the forefront of the cosmetics business within decades. Company is now betting big on the sustainability - connecting brand authenticity through their positive impacts upon human and environmental well-being, which turned out to be a great competitive advantage for Unilever. (Roth, 2013)

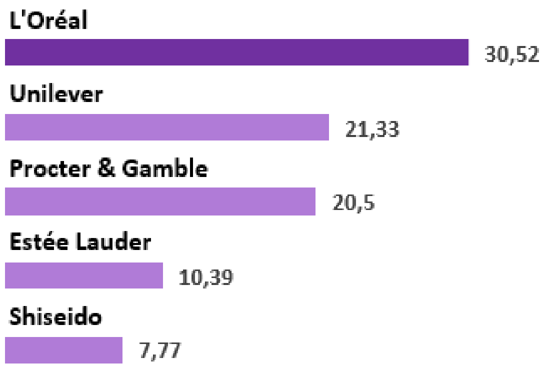

Figure 22: Main players on the European cosmetic market (2014, in billions of USD)
Source: L'Oréal annual report (2014)

The top five of the greatest players at the market is completed by Procter & Gamble (P&G) with sales of 20.5 billion USD in 2014, covering 28 % of total European market sales, Estée Lauder, an American producer who had sales of more than 10.3 billion in 2014, and Shiseido. The only representative from the Asian corner (headquartered in Japan) is satisfying more than 7 % of the consumer demand.

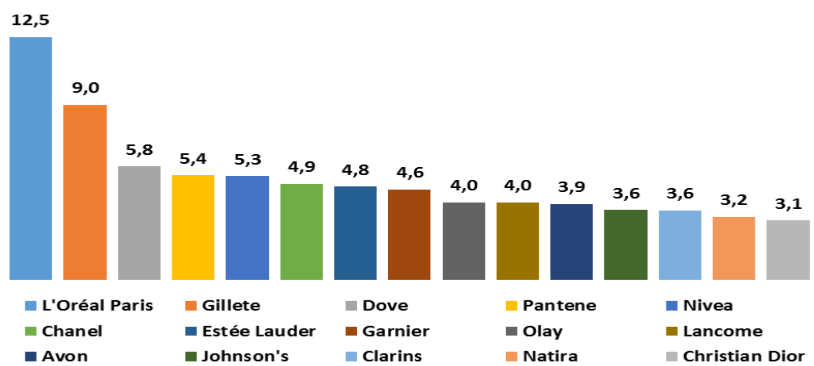

Figure 23: Brand value of the leading 15 cosmetic brands in 2015 in Europe (in billion USD)
Source: Statista (2015), modified by author

Figure 23 summarizes the brand value of the leading cosmetic brands on the European market. Far above the others is L'Oréal Paris (12.5 billion USD) and with certain gap followed by Gillette (9 billion USD, owned by Procter & Gamble). These two brands are absolutely ahead of the rest of competitors on the market. Out of the 15 leading cosmetic brands, majority owned by the market leaders, however companies such as German Beiersdorf (represented by Nivea brand, 5th in the ranking) or Avon (Avon brand) are well situated on the market too.

As for the Czech cosmetic market itself, it was controlled dominantly by two major international players in 2014, L'Oréal and Procter & Gamble. This is due to their well-established products and strong focus on innovation and promotion, says the Euromonitor research study (2015). Avon Cosmetics ranked third, benefiting from its established stable direct selling network, strong innovation and the regular introduction of price discounts or special gifts.

5.8 Building loyal customers

Not a new information to say that retail chains are greatly competing between each other who will overtake the leadership on the market by building long-term and stable relationships with customers. Various methods have been developed by sellers and retail chains in order to motivate customers to make repetitive shopping trips in their stores. Of the most commonly implemented are, for instance timely-limited favorable prices, loyalty programs in a form of collecting points for each purchase, gifts provided once the shopping reaches certain price limit, etc. No matter what is the principle, all of them aim to catch the customers' attraction and situate the company to the advantageous position in comparison to the competition. The preference towards selected motivational method was researched in the primary research too. The results have been separated for customers shopping beauty products online via e-shops and for the respondents shopping in the physical stores in order to watch whether different shopping formats have a different potential. The comparison between these two purchasing places is depicted in the Figure 24.

Figure 24: Customer preferences for motivational programs
Source: Own market research, 2016, n=604

As for the online purchases the top motivator is definitely a free shipping option. More than 26 % of respondents answered so. A part of the Walker Sands Future of Retail Study 2015 the respondents were similarly surveyed what would motivate them to buy online. An overwhelming majority of respondents (represented by almost 83 %) said free shipping would make them likely to shop online more than before, up from 80 % compared to the previous year. Free shipping seems to be even more important than possibility of fast shipping - one-day or same-day shipping or free returns, says the research. (Marketing sherpa, 2015)

At the second position of popularity stand the price deals which are preferred by 18 % in case of online shoppers and 22 % of physical store shoppers. These are mostly highly-sensitive customers who put the price factor on the very top of the deciding-making criteria. Numerous research studies confirmed that the best-selling products are normally those which are labelled as discounted ones. The higher discount, the more willing the customer is to purchase the product. Customers may not even bother themselves whether the offered price deduction is in the end advantageous for them as it has mainly psychological effect. The money saved during the purchase is a way greater motivation.

Free gifts offered as a part of the purchase together with customer loyalty programs are the next preferable motivational program a seller can offer for both physical and online shopping. While 70 % of Czech cosumers own at least one loyalty card, it is 90 % in case of our Eastern neighbours in Slovakia. (SME, 2012) Czechs participate in average in 3 loyalty programs and two cards have normally by themselves in their wallets. These are normally programs created by the retails chains where consumers shop the most often. That stems from the GfK research conducted in 2012 on the sample of 1300 respondents (Hospodarske noviny, 2012). In the last several years firms in Czech Republic are intensively investing into interaction with the customer through building loyalty clubs. A well created program may largely increase the sympathy towards the brand and motivates to more frequent trips to the shoping place. Even 85 % of owners of any loyalty card have noticed a higher frequency of shopping at the club provider and resolution to keep making purchases at him also in the future. From the participation in the loyalty clubs consumers expect mainly discounts and lower prices, as mentioned several times during the in-depth interviews. Interesting are also programs where customers are supposed to collect points, offered discount coupons or provided price refunds as a set percentage from the purchase. The most popular seem to be those where the variety is wide and where the individual advantages can be potentially combined and where the time constraint is not very limiting.

A time limitation is however an important factor when setting up a discounted offer. When the discouted offer lasts only for a certain time period, cosumers tend to feel the need to buy the product. The closer the time limit is out, the higher sales are made, says Forbes (2014) Sellers lure also on the quantity restrictions. (GfK, 2012) In this case consumers seem to react oppositely. Customers afraid of the lact of the products on stock and so want to own the product as soon as possible. The fear simply motivates them to shop the product in the special deal price.

An another interesting conclusion regarding loyalty clubs has been observed. Although the loyalty club members feel to be sufficiently informed about the benefits of the club, about a third of them is not satisfied with the benefits which the membership offers. Simultanously another third perceives the company or retail chains does not care enough about them. Moreover, according to the study conducted by MasterCard in 2012 (SME, 2012) more than 70 % of population would however appreciate if the loyalty card could be eventually merged together and a single unified card would replace them all. (ZBK, 2016) Loyalty programs are way more popular in case of physical stores as e-shops have a relatively limited variety what to offer to its customers.

The advantage to participate in the contests and so win an attractive price as a part of the shopping trip seems not to be very motivational for neither online nor physical store customers. Approximately 10 % in both purchase place formats claims they are not influenced nor motivated by any of the motivational methods. Such respondents often belong to the lowest income category which might indicate that they are very tight with the budget and therefore also resistent against any shopping driver.

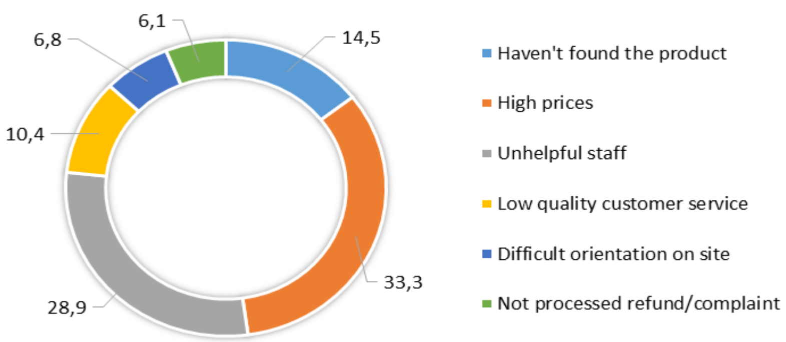

Figure 25: Shopping aspects discouraging customers from the next shopping
Source: Own market research, 2016, n=604

It is also important to understand The Figure 25 describes the drivers which may lead to the opposite situation. And so to discourage customers to return back to the seller and rather prefer the competition. The major reason for such an act is definitely when the competition offers the same-quality product for a lower price. Such an opinion shared exactly one third of respondents. 28 % says it might be caused by the personnel in the particular store. Especially the unhelpful or impolite behavior is a strong drive to cut the relationships and search for an alternative seller. These are mainly customers preferring physical stores to shop where the personal interaction customer-shop assistant is one of the key advantages. The next group of 14 % considers not finding the relevant product in store as a reason to visit the competition. This might indicate that the loyal relationships might be very fragile in case the customer does not satisfy his or her need. More than 10 % of respondents have selected low quality customer services. Additionally, both "*difficult orientation in the store*" and non-processed complaint or refund" obtained support of 6 % of respondent sample.

We may assume that major shopping motives might lead to different shopping expectations. The chi-square test for example discovered there is a correlation between the drivers of discouraging and the motives why consumers actually shop the beauty products. The Cramer coefficient of 0.42

indicates to a medium correlation. The results say that in case consumer are about to complete the supply of their regular beauty product at home, the habitual behavior is very easily much disturbed if the wanted product in not on a stock. Katarina L. commented it as follows: "*I do have my preferred drugstores. However, when I see that my product in not at disposal, it always comes to my mind whether the store stopped selling it at all. If this happens twice or three time I am very likely to find a new store where I could buy the product at all times*." On the other hand, the consumers who shop beauty cosmetics in order to try out a new brand or product line, very much appreciate the consulting or customer services. *"I am pretty doubtful when buying a makeup I have never tried before. Surprisingly it helps me a lot when the shop assistant gives me a hand what color tone fits me the best,"* explained Petra S. If the store is lacking such a help, the customers may decide to invest the money elsewhere.

5.9 Sources of information

On average, a consumer will visit three stores before making their purchase. (Pricemania, 2015) (Morrison, 2014) We all know consumer spend a decent time while purchasing high involvement goods, and so the products where the high engagement of the customer is expected. But nowadays we can see that more than a third of consumers do the same in case of low-involvement purchases too, such as beauty and cosmetic products. (GfK, 2015)

As to look on the cosmetic segment more deeply, influenced by the evident development of of digital technologies in Europe, the sector characterized by „*cross-channel*" description. (Retail Marketing, 2015) That means shopping through various informational channels has currently a great popularity. During the individual buying process, it is very common to use several different effective communication tools for the purpose of decision-making support. Graphics in Figure 26 based on the results of annual Total Retail Survey of PwC (2015) shows that it is extremely popular to use one place for literally gathering information and to shop the product at another one. This relates mainly to the duel between online and offline environments which are used the most. As we can read from the graph, there are only very insignificant difference between the sequences in which the specific information tools are being used.

Since the phase when consumer starts searching, followed by evaluating the product and until the moment of purchase, a traditional store seems to play a key role. More than 90 % or respondents have during the research period visited at least once the cometic store, however as a part of their regular shopping journey and habitual buying process. And so neither intentionally nor occasionally.

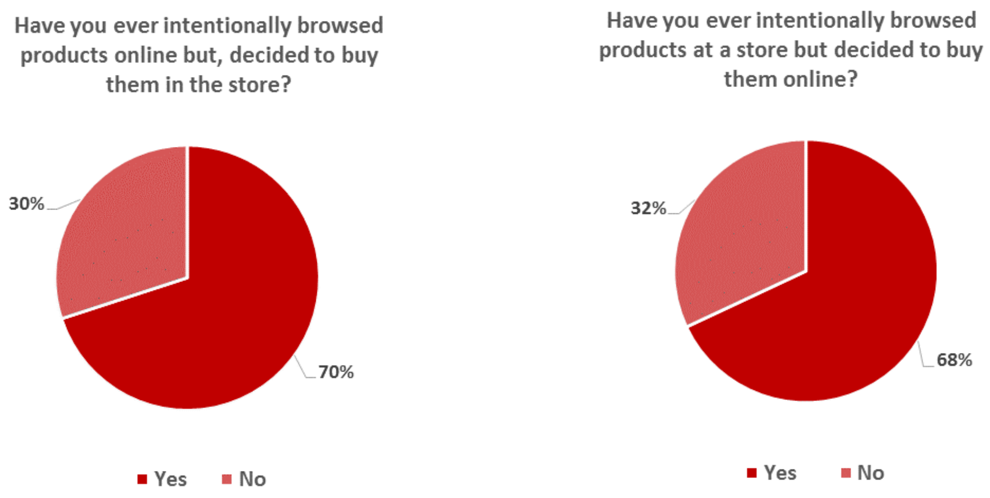

Figure 26: Importance of web-rooming and showrooming
Source: Global PwC 2015 Total Retail Survey

At the moment of research and so before the final step of purchasing, customers normally want to ensure themselves about the correctness of their intentions and therefore they search all relevant or important information and inspirations. This is a natural reaction to prevent from mistakes or losing their finances on badly evaluated product. According to the results, 39 % of consumers does such a research in advance before purchasing a beauty product. Exactly 8 out of 10 consumers have confessed to buy in the end the product which was under consideration according to the original plan during the initial research phase. (Retailing Today, 2014)

A physical store is surprisingly at the top of the list where consumers search and verify their information, as it stems from the Total Retail Survey 2015. The research has shown that even 57 % of respondents looks for the specific product directly at the shopping stores and not in the online world. (Retail Magazin, 2015) The reasons for such a behaviour have been disscussed in the chapter 3.3.4 already. Still the most applicable are the desire to see the product in real and to try it on potentially, or to gain recommendations and advices from the personnel. On top of that the competitor's offers can be easily compared without spending any more effort by browsing several websites. (Haden, 2013) A physical store is the most desired shopping channel for cosmetic products,. The emotional relationship between customer and the store is prefered to functional relationship between customer and Internet. Even during the times of a massive integration of digital devices the place of purchase needs to be a place with the comfortable and affable atmosphere. (Retail Magazin, 2015).

A contrasting conclusion is resulting from the primary research. It says one fourth of respondents is relying on their own personal experience when it comes to beauty products shopping, 22 % decides based on the Internet source such as blogs or products review information. Only after that the physical store was ranked. This option was seleted by 95 respondents and represented by 16 %. A relatively strong positon on decision-making have the relatives and friends. Over 13 % of respondents considers the recommendations from them as the main source of information in terms of beauty shopping. Traditional paper leaflets distributed to households or individuals still have their importance too, selected by 8 % of the analyzed group. Very similar results are in case of other three source types. Regular newsletters about latest product offer, beauty managines and TV spots seem to have major influence only on about 3 % of respondents. Little less than 2 % have chosen social media platforms as the main source of information. Results are shown in the Figure 27.

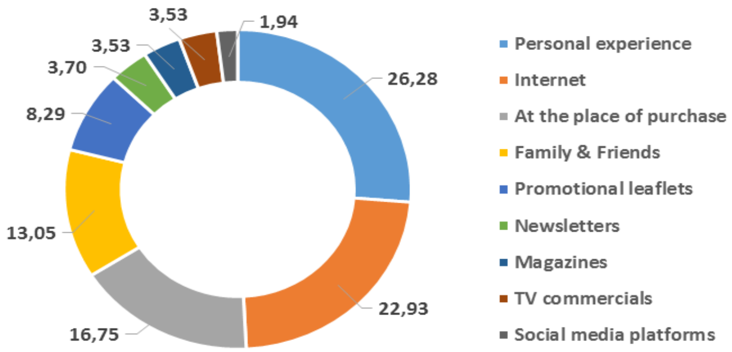

Figure 27: The most preferred source of information
Source: Own market research, 2016, n=604

It is however important to remind, that respondents were asked to select only one informational channel and so the most frequently used one. As mentioned earlier, in reality consumers might want to combine several sources before making the final decision. On the other hand, the results coming out from the study of Anna Lund Jepsen (2007) show that even though low search costs and availability of product information affect the usage of the Internet, the most important driver for the use of the online sources for pre-purchase information search is the general change in behavior that is related to extended use of the Internet.

At this moment it was important to analyze whether there is potentially any relationship between major sources consumers use to evaluate the products and the place where the beauty products are bought in the end. We may assume that different purchase places prefer to use different promotion channels depending on their target groups. Therefore this piece of information could be crucial when setting up future marketing campaigns.

If we do not take into consideration the previous experience as a source of information, customers of drugstores mainly rely on the Internet sources, such as products reviews or blog posts (selected by 25 % of respondents) and then on information collected at the drugstores itself (21 %). In case of customers shopping beauty products preferably on the internet, online communication channels are used also the most for considering the alternative products and selecting the best fit. This was reported by more than 40 % of the respondents. Lastly, the consumers shopping cosmetics directly from dealer sellers consider recommendations from the family and friends as the most relevant source of information, answered by 43 % of people shopping via this channel. On the second position the own experience was placed (35 %) which might refer to the habitual behaviour or loyality to a speficic catalogue brand. Based on the p-value resulting from the chi-square testing, it was proved there is indeed an correlation between these two variables, and so place of purchase of sources of information people use the most. The Cramer coefficient shows the value of 0.47 which stands for medium correlation strength.

5.9.1 Development of social media platforms

Beauty is a hugely popular topic in social media, with Instagram and YouTube leading the pack. (Haden, 2013) A recent survey of Dove (2014) found that 82 % of women believe social media drives the definition of beauty. This has an incredible power. It represents a dramatic change from the times in the past when the established industry tastemakers were normally setting the trends. Researchers found that 54 % of women say branded visual content makes them feel interested in a product. (Women's marketing, 2015) Fans of skincare, hair, and makeup products as a reaction to this post pictures of themselves using the products, review products and share their own beauty tricks. And, as mentioned in the previous chapters, since consumers browse beauty products online and look for information about specific brands as well as answers to beauty questions, manufacturers and sellers have an excellent opportunity to catch their attention and satisfy their needs. (Haden, 2013)

From the latest statistics of Statista (2016) it stems how many social network users are worldwide, collecting numbers from 2010 to 2015. In 2015 the number has reached 2,04 billions of users and these figures are expected to grow year by year. In 2018, it is estimated around 2,55 billion social network users around the globe. The statistic below provides information on the most popular networks worldwide as of January 2016, ranked by number of active accounts. The number one on the market is Facebook with a big lead ahead. Facebook is the first social network to beat one billion registered accounts and it currently sits at 1.55 billion active users per month. This site has been shaping the social media landscape since the very beginning it was launched. (Statista, 2016)

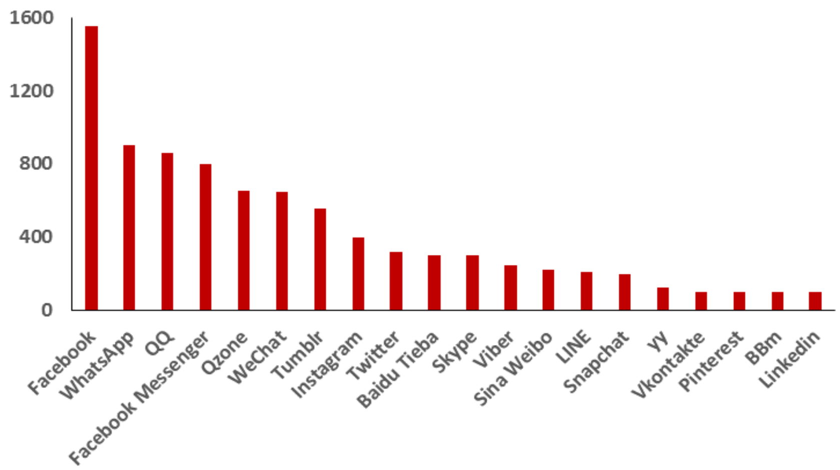

Figure 28: Leading social networks worldwide by number of active users (in millions)
Source: Statista (2016)

Social networking is one of the most popular online activities morever with high user engagement rates and expanding mobile possibilities. There are many reasons why companies include it in their long-term strategies. „*These are marvelous marketing platforms. It keeps you to be closely tied to the* *customer and improve an overall level of company recognision.*“, as was expained by the marketing manager of Vivantis. On the contrary she emphasizes: „*Customers want to see that we care about them. A day or night, you need to be ready to support and serve them, otherwise you might lose your customer.* “

As a part of the conducted primary research it was analyzed whether people engage themselves in the social media campaigns. And so through activities offered by such platforms - participating in the promotional contests, commenting the new content, or simply as a customer service through asking their queries. More than a half of the respondents (62 %) does not seem to communicate with the retailer via social media at all out of which 72 respondents do not use social media for any other purpose neither and basically do not have a registered account at all. That it represented mainly by the respondents aged 25-30, in this category 70 % prefers traditional ways how to reach the seller or company. The rest if respondents seems to be familiar with the newest communication method and are participating in them either passively or actively. The passive participation means the user is following the activities of the company on it social media page but not an active contributor. Even in this case the social media communication might be efficient as the user keeps beeing informed about the latest moves of the company or brand. No matter if we evaluate the active or pasive it brings similar results. In both of them the highest ratio we can observe in case of 20-24 year old respondents. These are the most represented, followed by the youngest age group in case of active communication. The oldest age category seems to be the least social media conscious as only 5 % of them is actively sharing ans communicating via social media platforms. The reason might be the age connected with the lack of technical skills as the older the consumers, the less familiar with the ever-changing technological improvements. Another reason might be simply habits and customs to use more personal ways of communication such as phone calls which could be a question of privacy or security too.

When analyzed what attracted consumers to a particular brand’s social-media page, the top answer by far was “attractive deals/promotions/sales.”, selected by 45 % of the respondent group. The second largest group (33 %) was interested in new products, while less than a fifth of respondents pointed to factors specific to social media, including opportunities to compete in competitions (19 %), customer service (13 %), providing feedback for particular experiences (12 %) or interaction with the brand and its online followers (11 %).

The direct relation between social media interaction and number of purchase has unfortunately not been part of the conducted primary research. Interesting conclusions however come from the Totail Retail Research conducted by PwC (2015). When asked if consumers‘ interactions on social media had led them to buy more, a total of 62% of our respondents answered either “*Yes in most cases*” (19 %), or “*Yes in some cases*” (43 %). This result contributes even more to the fact that social medias and Internet itself gaining its importance in the buying process.

6 Marketing recommendations

The popularity of cosmetic products is constantly growing. A physical beauty is becoming a new trend and the personal care is definitely an inseparable part of it. For beauty products sellers this facts may lead to a potential increase in the revenues.

The most commonly used marketing tool is a marketing mix. Based on the results of primary and secondary research the recommendations targeted on beauty product retailers will be formulated in the next sub-chapters. Recommendations are grouped according to the four fundamental parts of the marketing mix.

6.1 Product

One of the key criteria at the beauty product shopping is the high quality. It is therefore crucial that the high quality assortment is not only offered by the beauty sellers but also communicated to the customers. It would be useful if the quality of the products can be visibly labelled on the products, on the store promotional materials and included in the overall marketing promotion.

A big variety of the product is important when deciding for a purchase place. For the beauty sellers is therefore effective to monitor the latest trends and based on that adapt its product offerings (e.g. to extent the offering in case of the most popular brands or the seasonal colors, etc.) From the research also stems that respondents in the beauty product stores shop also products related to the daily personal care and drug products too (facial tissues, coloring brushes, hair products, eyebrow combs, tweezers, etc.).

The medium importance was put on the brand. The retail sellers are so creating a greater room for developing their own retails brands. Although respondents match the brand with certain level of quality and design, it is not crucial in the decision making process. The greater importance to a brand was coming only from customers with a higher income and university degree.

A beauty seller is evaluated by the complementing customer services too. From the customer service, the most important are the consultancy and advising as beauty sector has a very sensitive influence on the consumers. Sellers therefore should focus on an intensive training for the employees in order to meet the customers' expectations. This should be however a standard. In order to distinguish the retail chain from its competitors, it should offer additional services. This might be in a form of a "*beauty corners*" situated in the store which could make up the customers with the products they are interested in, provide an analysis of the facial type and give tips for its care, or provide tips on how to make yourself up at various occasions.

6.2 Price

A low price was mostly marked as a medium important criterion. The price is however perceived differently among different income or social groups. It has the biggest influence on students, on the contrary, the least price sensitive are the self-employed customers. A greater influence is represented on customers with lower income. The price is the most important for customers who shop beauty products the least often. With the increasing expenses on the cosmetic product the importance of price on the decision making drops down.

The special price deals of the selected products belong to the most favorite motivational moves which lure customers to repetitive purchases. Popular are also bulk discounts and discount vouchers which speak to the customers of 25-30 the most. The discount vouchers are especially popular among 18-24-aged group. This group is also the one which uses the beauty products the most. It seems to be therefore as a good idea to use discount tools to attract more customers in this age category. Students moreover represent the future economic active customers, so it's a big plus if sellers attract them and make them loyal at that early age already. For this purpose beauty sellers may offer discounted prices for students who own the ISIC card (e.g. 15 % drop in price).

Although respondents did not marked price as the major influential factor, it clearly influences the purchasing behavior. Beauty sellers should therefore pay attention to the pricing levels of the competition and modify their prices accordingly. The own price policy can be the best applied on the private seller brands where the seller has an option for a price competition. In the research it was discovered that certain demographic groups are very sensitive to the prices of the beauty products. It could be therefore effective to offer minimally 3 different price scales within the brand (low, medium, high) to be able to provide each group with the products relevant to it price preference. The private brands with the high price and quality to satisfy the most demanding customers and then lower brand categories would be addressed to the price sensitive customers (students, unemployed).

6.3 Place

The availability of the store is important for customers at the beauty purchases, however it does not belong to the most significant factors. According to the research beauty products are often being purchased in an impulse. Especially for attracting this customer type it is highly recommended to situate the beauty stores into the shopping centers. Here it could provide the customers with a great variety of products "under a roof" and would be extremely beneficial for unplanned shopping trips.

For easier orientation in the store the assortment should be placed in sections according to its purpose, for example, to group all lip makeup products together, etc. For even better transparency, the sections could be split up into different price levels or brands. Useful could be also locating complementary product lines close to each other in the store. Like eye accessories next to the section of eye makeup products. Locating these two product categories could stimulate the customer to the purchase both of them. In such cases the customer would possibly come across e.g. an eye remover and could impulsively buy it too.

Consumers shop mainly in the retail drugstore chains. Online shopping is done regularly by 17%. To open an online store would therefore mean a significant advantage for retailers.

Lastly, sellers of beauty products should not underestimate the importance of a human factor. The attitude and willingness of the personnel may be one of the most relevant factors when deciding for a purchasing place. The unhelpful staff is one of the key causes why the customers start preferring the competition. The retails chains are therefore recommended to open trainings focused on the soft skills, such as effective communication with the customers or how to overcome the stressful situations.

6.4 Promotion

The promotion is significant activity of each and every company, including also beauty product sellers. Although customers only rarely admit the importance of marketing promotion while shopping beauty products, it has a major influence. The promotion becomes therefore a key strategic tool.

The interest to purchase a new beauty product is mainly caused by the online advertisements, especially at the younger generation. Another important inspiration for customers is the promotion at the place of purchase and also leaflets. Beauty seller should therefore invest preferrably in these three types of marketing promotion.

Internet is however a efficient place not only for placing the promotion but is also a place where customers search intensively for an information. Besides drawing attention by participation in the online discussions and forums, the individual companies are recommended to create supportive websites to the official store website. Here could be placed a content related to the interesting and useful information for a consumer, like information about latest trends, important parametres of beauty products on which the customers should focus (having own products satisfying this criteria), then other information related to the beauty sector, e.g. about hair takecare or healthy lifestyle and the appropiate equipment needed for it (where the seller could again mention products of the brands offering in the store). An remarkable effect could have also active information sharing on the other Internet spots - for instance, online chat, online discussions, relevant articles from the area, etc.

Retails chains are also suggested to intensify the promotion at the place of purchase. As it stems from the research a high importance is put on the possibility to try out the product in advance and therefore sellers could take a advantage of it. We also assume that some customers might not feel comfortable to test the product at the store or might not fully see all product features immediately. For such customers a „*Test it at home*“ program could be established which would enable customer to borrow the product and let them to test it in privacy for a day or two. This could be applied on the luxurious and products of the highest price level where the customer needs to be 100 % sure if the product meets the expectations.

As for other motivational drives, the most interesting would be pernamently decrease in prices for the loyal customers. For this purpose of winning the trust of customers effectively, the retails chains could offer at least small pernament price deals (2-5%). Moreover the customers would appreciate sending out a discount vouchers (e.g. twice a year), spontaneous gift to the purchase (e.g. free samples) or collecting points for the purchases where they would be rewarded by a certain price or deal once they collect particular number of points.

7 Discussion & Conclusion

Cosmetic and beauty products are nowadays a broadly discussed topic almost everywhere around the world, the beauty trends are followed and respected by mass population. Due to this it was chosen as the topic of the diploma thesis, specifically to understand the consumer behaviour on the market of beauty product on the Czech market. Based on the results collected via primary and secondary sources a resonable recomendations for retails were formulated.

In the literature overview the basics of the consumer behaviour and cosnumer decision-making process were introduced. Subsequently the factors effecting the buying process were categorized into several groups, describing the the selected ones more in details. A separated chapter was dedicated to the beauty itself as well as to beauty trends and its relation to the marketing. The last subchapters of the literature overview points out on the dark side of the beauty consequences. Although the Czech Republic does not stand on the top of neither the youth disorder ranking nor cosmetic consumption in the European Union, the beauty cosmetic use is on a rapid growth and one must be aware of its potential impacts.

The practical part is focused on the analysis of the secondary data from the areas of consumer spending on the beauty products, analysis of GDP towards beauty consumption in the EU countries, then data devoted to the development of Internet users and online shoppers or price development of cosmetic products over the time. This is followed by the analysis of the questionnaire survey research which is ammended by the data collected in the in-depth interviews with the selected consumers and experts from the area, who during their daily work deal with the customers shopping beauty products. Achieved results are then complemented and compared with the latest expert studies. Based on the results the suggestions were formulated, which could possibly help the marketers and retailers to better attract their target group.

The secondary data were collected from the Czech Statistical Office, Statista, Eurostat and EU-SILC databases. In order to collect primary data, a questionnaire survey was conducted in February and March 2016. The research was focused on the population between 15-30 years old. The ain was to understand the consumer behaviour on the beauty produt market and so the questionnaire consisted of questions about the frequency of shopping beauty products, the preferred purchasing places, major factors influencing the behaviour, attitudes towards online marketing channels, etc. In total 626 filled up questionnaires were collected, however due to incompletness of several questionnaires the number was decreased to final 604 answers.

The research says that 94 % of respondents is using beauty products, the 20-24 aged group represented by the highest ratio (45 %), then followed by 25-30 (33 %) and by 15-19 (18 %). Inhabitants of towns with higher population use beauty products more, and same for higher- income groups.

Women usually shop beauty products on an occasional basis (40 %), so with no definted frequency. About 38 % does the shopping once a month, 6 % weekly and again 6 % daily. Employees as well as entrepreneurs prefer in average to do shopping once a month, students 2-3 times a month. As for the community size in which respondents live, people from lowest-inhabited locations do occasional beauty purchases whereas middle-sized and cities above the population of 90 000 inhabitants rather once a month.

In terms of the reasons why people buy beauty products, the majority of respondents answered they do so when they run out of the product they are used to have at home (74 %). As a consequence of effective marketing at the place of the purchase (impulsive behavior) was an answer of 16 % of respondents, 4 % shop when they have a need to switch a brand they normally use. Another 4 % is driven by innovations on the market, in fact they want to try the innovation out and for the reason buy the product.

When it comes to the consumer spending on the beauty products, the Czech Republic is still far behind the actual situation in the EU countries. Based on the secondary data, it has been proved the significant relationship between GDP per capita and the consumer spending in the EU countries, the increase in GDP per capita, will lead to a proportional increase of the final expenditure too. In countries such as Luxemburg, Sweden or Finland which are ranked on the top, cosmetics products are representing the highest ratio of the GDP among EU countries. This could be however a subject of a further detailed study which was reduced due to the limited size of the diplomat thesis.

The vast majority of respondents (80 %) spends monthly up to 500 CZK, out of which 34 % devote less than 100 CZK on beauty products per month, more than 1000 CZK per month spends only a little 4 % of all respondents. The highest spending (above 1000 CZK) was identified in case of the oldest analyzed age category (25-30), employed respondents and those living in the middle-sized towns. There was proved also a relation between how often people buy beauty products and how much they normally spend on them per month can be therefore confirmed. The most of respondents who do beauty shopping occasionally, spend less than 100 CZK per month (57 %). Majority of once-a-month buyers affirmed spending monthly between 101-500 CZK. The results say that the more often respondents purchase the beauty products, the greater financial resource they dedicate to them. Moreover, people at the age of 15-19 prefer to spend lower amounts (up to 500 CZK) whereas representatives of older age categories spent more often even sums of 1000 CZK per month. This concludes in the fact that older respondents have at disposal greater financial resources than the younger ones and that could potentially influence their beauty spending.

Drugstores are the most popular place for beauty product purchases (58 %). Followed by online e-shops (17 %), specialized cosmetic stores (11 %), and beauty dealers (8 %). Pharmacies (4 %) and supermarkets (2 %) are the least popular shopping places for beauty products, selected only by 4 % in case of pharmacies and 2 % in case of supermarkets. People shopping because they have run out of the product, prefer mainly drugstores or online stores. Shopping from dealers is rather an impulsive decision. In case consumers search for a novelty they rather go to the specialized stores or pharmacies.

Different store formats attract different customer types. Drugstores are visited mainly by 20-24 years old students studying at the university, living in the town with the population of 3001-90000 and with no or low income. The specialized stores are preferred by self-employed respondents at the age of 25-25 who earn in average 20 000-35 000 CZK a month and live in the town of at least 90 000 inhabitants. Dealers sell to the mostly to the 25-30 year old people with completed second-level university education, employees, living in a big cities or monthly income up to 20 000 CZK whereas in case of e-shops it is a 20-24 years old customer, bachelor degree, who lives in the middle-sized community and earning up to 35 000 CZK.

Czech population has a positive attitude towards using Internet and shopping online and category of beauty products is one of the most common one being shopped online. 42 % of the respondents have ever bought such a product online, represented by the younger respondents, whereas 58 % has not tried the online method it so far. As the main reasons why to shop online instead of a physical store are lower prices (53 %), to get some products only online (33 %) or looking for a particular brand or product (31 %). On the contrary, the physical stores are popular because customers can touch and see the product (87 %) or get the product immediately (65 %).

A previous experience (74 %) resulted to be the most relevant factor which is important while purchasing beauty products. Product prices were answered by 64 %, a product brand by 52 %. A product quality plays also a key role as it was highlighted in the interviews. The least important is the store location or connection of product to a famous person, celebrity. The recommendations from family member or a friend is much more influential at the 15-19 aged group in comparison with older respondents up to 30. On the other hand, both 20-24 and 25-30 age categories consider more the price level, brand and ingredients of the product while shopping.

In case of motivational programs stores can use in order to make the customer shop with them in the future again, the slight differences between online and offline stores have been observed. Free shipping is the winner in the online environment; the offline customers prefer price deals. The higher discount, the more willing the customer is to purchase the product. On the contrary, the hight prices are very likely to make the customer to visit the competition soon (33 %). Other reasons to leave the store are e.g. unhelpful personnel (29 %), when the customer cannot find the wanted product (14 %), low qaulity customer service (10 %), difficult orientation in the store/eshop (7 %) or not processed refund or complaint (6 %). Consumers shopping in order to rebuy the regular product they have run out, are very highly discouraged if the wanted product in not on a stock. On the contrary, the consumers wanting to test an innovation on the market very much appreciate the consulting or customer services.

In terms of how and where consumers search for information about the beauty products, the previous personal experience is the most relevant source (26 %). Then followed by the Internet (23 %), information at the place of the purchase (17 %), opinions of family members and friends (13 %), and promotional leaflets (8 %). The least frequently used informational channels are TV commercials (3 %) or social medias (2 %). Different purchase places however prefer to use different promotion channels. Customers of drugstores rely mainly on the Internet sources, such as products reviews or blog posts (25 %) and information collected at the drugstores itself (21 %). In case of customers shopping beauty products preferably on the internet, online environment is also used the most for evaluating the product alternatives. Consumers shopping cosmetics directly from the beauty dealers consider recommendations from the family and friends as the most relevant source of information.

Taking into account the results of the primary and secondary data analysis the last chapter focuses on formulation of the recommendations for retailers which could be applicable on the beauty market. Althought the specific retails chains might have a unique requirements, the recommendations were aimed to be universal and generally applicable for the market.

This thesis has several limitations which should be taken into account: its could be improved in case the research sample covers a greater number of respondents in both qualitative and quantitative research. As a subject of further research could definitely be applying the research methods to all age categories, as the thesis is in details monitoring behavior of a age categories up to 30 years old only. Despite of metioned imperfections, the thesis has met its set objectives.

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9 List of abbreviations

AT	Austria
BE	Belgium
CEE	Central and Eastern Europe
CPI	Consumer Price Index
CR	Czech Republic
CSO	Czech Statistical Office
CY	Cyprus
CZ	Czech Republic
CZK	Czech Crown
DE	Germany
DK	Denmark
EE	Estonia
ES	Spain
EU	European union
EU SILC	Europena Union Statistics on Income and Living Conditions
EUR	Euro
FDA	Food and Drug Administration
FI	Finland
FR	France
GDP	Gross domestic product
GDP/PC	Gross domestic product per capita
GFK	Gesellschaft fur Konsum
GR	Greece
HR	Croatia
HU	Hungary
IE	Ireland
IT	Italy
LI	Lithuania
LV	Latvia
ML	Malta
NL	Netherlands
OECD	The Organisation for Economic Co-operation and Development
OLS	Ordinary leasted square method
P&G	Procter & Gamble
PL	Poland
PT	Portugal

RO	Romania
SE	Sweden
SK	Slovakia
SME	Small and medium enterprise
UK	United Kingdom
USD	American Dollar
ZBK	Združenie pre bankové karty

10 List of figures

11 List of tables

12 Annexes

A Questionnaire

Dear respondent,
As a part of my Diploma Thesis compilation I would like to kindly ask you to full up the questionnaire below which focuses on understanding the consumer preferences on the market of beauty products. All provided information are anonymous and serve for the purpose of the only. The entire questionnaire completion takes no longer than 5-10 minutes.
Thank you in advance

Eva Sukeníková, student of Faculty of Business and Economics, Mendel University in Brno

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Do you use any beauty product (makeup, mascara, eye liner, lipstick, etc.)?

- ☐ Yes
- ☐ No

What is the most often drive to buy a beauty product?

- ☐ I have run out of a product I am used to have at home
- ☐ I want to change a new brand/product I am using normally
- ☐ I want to try out an innovation on the market
- ☐ Impulsive decision at the place of purchase
- ☐ Other (please specify):

Where do you shop beauty products the most often?

- ☐ In a supermarket/hypermarket
- ☐ In a drugstore
- ☐ In a pharmacy
- ☐ In a specialized store (Sephora, etc.)
- ☐ Online
- ☐ Via a dealers
- ☐ Other (please specify):

Have you ever bought a beauty product online?

- ☐ Yes
- ☐ No

What made you to prefer a purchase online to a purchase in a physical store?

- ☐ Lower prices/better deals than in store
- ☐ I can shop 24/7 online
- ☐ No need to travel to a physical store
- ☐ Easier to compare the product offers
- ☐ Wider variety of products than in store
- ☐ I can only get some products online
- ☐
- ☐ Looking for a particular brand/product
- ☐ Customer reviews of products available online
- ☐ Better product information than in store
- ☐ Other (please specify):

What made you to prefer a purchase in a physical store to online?

- ☐ I am able to see, touch the product
- ☐ I simply enjoy the atmosphere of the store
- ☐ To get the product immediately
- ☐ More certain about the fit of the product
- ☐ Quicker delivery than if purchased online
- ☐ To support local retailers
- ☐ I am able to return items easily
- ☐ Can consult the decision with personnel

What program in physical stores motivates you to do repetitive shopping in the future?

- ☐ Special price deals
- ☐ Free gift with a purchase

- ☐ Customer loyalty programs
- ☐ Bulk discounts
- ☐ Price coupons
- ☐ Customer contests
- ☐ Such programs do not motivate me
- ☐ Other (please specify):

What program in online stores motivates you to do repetitive shopping in the future?

- ☐ Free shipping
- ☐ Special price deals
- ☐ Free gift with a purchase
- ☐ Customer loyalty programs
- ☐ Bulk discounts
- ☐ Price coupons
- ☐ Customer contests
- ☐ Such programs do not motivate me
- ☐ Other (please specify):

What discourages you the most from the future shopping in the store you visited?

- ☐ Haven't found the product
- ☐ High prices
- ☐ Low quality customer service
- ☐ Difficult orientation on site
- ☐ Not processed refund/complaint
- ☐ Other (please specify):

Are you using MAKEUP, FOUNDATION or POWDER regularly (daily or almost daily)?

- ☐ Yes
- ☐ No

What factors influence you the most when shopping MAKEUP, FOUNDATION or POWDER?

- ☐ Price
- ☐ Package size
- ☐ Brand
- ☐ Product quality
- ☐ Product look
- ☐ Store location
- ☐ Store atmosphere
- ☐ Product ingredients
- ☐ Previous experience
- ☐ Possibility to test the product
- ☐ Recommendation of the family & friends
- ☐ Connection of a product to a celebrity/expert

Are you using MASCARA, EYE LINER or EYE SHADOW regularly (daily or almost daily)?

- ☐ Yes
- ☐ No

What factors influence you the most when shopping MASCARA, EYE LINER or EYE SHADOW?

- ☐ Price
- ☐ Package size
- ☐ Brand
- ☐ Product quality
- ☐ Product look
- ☐ Store location
- ☐ Store atmosphere
- ☐ Product ingredients
- ☐ Previous experience
- ☐ Possibility to test the product
- ☐ Recommendation of the family & friends
- ☐ Connection of a product to a celebrity/expert

Are you using LIP COLOR, LIP GLOSS or LIP LINER regularly (daily or almost daily)?

- ☐ Yes
- ☐ No

What factors influence you the most when shopping LIP COLOR, LIP GLOSS or LIP LINER?

- ☐ Price
- ☐ Package size
- ☐ Brand
- ☐ Product quality
- ☐ Product look
- ☐ Store location
- ☐ Store atmosphere
- ☐ Product ingredients
- ☐ Previous experience
- ☐ Possibility to test the product
- ☐ Recommendation of the family & friends
- ☐ Connection of a product to a celebrity/expert

What sources do you use the most to find information about beauty products?

- ☐ TV commercials
- ☐ Internet
- ☐ At the place of purchase
- ☐ Family & Friends
- ☐ Promotional leaflets
- ☐ Newsletters
- ☐ Magazines
- ☐ Personal experience
- ☐ Social media platforms

Have you ever experienced a personal meeting with a beauty selling dealer (e.g. Mary Kay)?

- ☐ Yes
- ☐ No
- ☐ I haven't heard about it yet

Have you ever bought a product from a beauty selling dealer?

- ☐ Yes
- ☐ No

How much do you in average spend on beauty product shopping per month?

- ☐ Less than 100 Kč
- ☐ 101 - 500 Kč
- ☐ 501 - 1 000 Kč
- ☐ 1 001 - 1 500 Kč
- ☐ 1 501 Kč and more

What is your gender?

- ☐ Female
- ☐ Male

How old are you?

____

What is the highest level of education you have completed until now?

- ☐ Primary school
- ☐ High school with final exam
- ☐ High school without final exam
- ☐ College
- ☐ Bachelor Degree
- ☐ Master Degree
- ☐ Post gradual Degree

In which area do you work/study?

____

What is the population of the community you live in?

- ☐ Up to 3 000 inhabitants
- ☐ 3 001-90 000 inhabitants
- ☐ 90 001 and more inhabitants

What is your prevailing occupation?

- ☐ Employee
- ☐ Self-employed
- ☐ Student
- ☐ Unemployed
- ☐ Retiree
- ☐ Other

What is your monthly net income?

____

B Data set

Year 2014

EU Country	GDP	GDP/PC	Expenditure/PC on cosmetics products	% of GDP	Mean net Income
AT	337 161,8	38 541	3 058	12,60	26 080
BE	409 768,0	35 910	3 504	10,25	23 429
BG	44 162,3	5 911	283	20,89	3 907
CY	17 420,6	20 403	1 381	14,77	18 418
CZ	154738,7	14 702	692	21,25	8 600
DE	3 025 900,0	35 402	3 670	9,65	22 537
DK	266 244,5	46 178	5 611	8,23	31 108
EE	20 460,9	15 172	838	18,11	8 820
ES	1 081 190,0	22 408	1 669	13,43	15 405
FI	207 220,0	37 559	4 374	8,59	26 130
FR	2 183 631,0	32 227	3 422	9,42	24 612
GR	176 022,7	16 250	1 303	12,47	8 879
HR	43 897,0	10 179	642	15,86	5 799
HU	108 747,9	10 565	726	14,55	5 126
IE	214 623,0	40 965	2 604	15,73	23 099
IT	1 636 371,7	26 546	1 960	13,54	17 914
LI	37 189,7	12 443	746	16,68	5 975
LU	52 112,5	87 583	7 230	12,11	38 555
LV	24 377,7	11 822	611	19,35	6 324
ML	8 796,5	18 580	1 639	11,34	14 291
NL	678 572,0	39 301	4 081	9,63	23 190
PL	427 835,6	10 676	995	10,73	6 163
PT	179 378,9	16 676	1 473	11,32	9 856
RO	160 352,8	7 521	272	27,65	2 473
SE	444 235,3	44 414	5 202	8,54	28 886
SK	78 070,8	13 945	1 041	13,40	7 484
SL	38 543,2	18 093	1 189	15,22	12 843
UK	2 568 940,8	34 883	3 667	9,51	24 120

Table 12: Data used for the regression analysis
Source: CSO, OECD

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total 16+	**28,0**	**30,4**	**32,1**	**41,0**	**45,0**	**54,0**	**55,9**	**61,8**	**65,5**	**69,5**	**70,2**	**74,2**	**79,7**
Gender													
Men 16+	30,8		35,3	44,1	48,8	58,0	59,2	65,8	69,2	72,3	72,8	77,3	
Women 16+	25,3		29,1	38,1	41,5	50,3	52,9	58,1	61,9	66,8	67,7	71,3	
Age category													
16–24	59,5		63,7	77,7	82,0	90,3	90,3	92,3	94,8	96,2	96,5	98,0	
25–34	35,1		40,5	54,0	59,7	73,9	76,9	83,1	87,4	92,9	91,6	95,8	
35–44	35,4		41,1	53,7	56,4	69,4	72,7	79,7	84,1	89,0	91,0	92,2	
45–54	23,4		29,3	40,1	46,9	56,2	56,9	65,8	72,0	79,4	81,2	84,4	
55–64	11,4		15,3	20,7	25,0	32,6	36,0	42,1	46,3	56,0	57,6	64,0	
65+	1,5		2,2	3,3	4,4	6,1	8,2	13,2	16,2	16,8	18,9	26,7	
Education level													
Primary	.		2,1	4,5	5,1	10,5	9,3	15,3	18,6	22,3	20,7	24,3	
High school without school leaving exam	.		12,2	18,3	22,4	35,6	36,3	44,9	49,6	56,8	57,5	60,8	
High school with school leaving exam	.		41,7	55,6	59,4	65,8	69,1	73,5	74,9	81,5	80,2	83,6	
University	.		72,1	78,2	79,3	85,4	87,0	87,9	91,3	91,4	90,3	95,0	
Occuppation Status													
Employed	34,0		40,3	52,0	56,4	68,4	70,1	77,8	81,0	87,5	87,9	90,4	
Unemployed	15,6		16,3	26,1	26,7	34,6	51,7	53,8	62,2	63,7	66,2	79,4	
Students	.		77,5	92,8	93,1	97,4	97,3	97,5	98,2	99,6	98,7	99,7	
Retired	.		3,5	5,7	6,6	9,8	9,2	16,5	19,7	20,5	23,5	30,8	

Table 13: Individuals in Czech Republic using Internet in 2003-2015
Source: CSO

Year	CPI	GDP/PC	Unemploy ment rate	Expenditures on personal care products/house holds	Year	CPI	GDP/PC	Unemploy ment rate	Expenditures on personal care products/house holds
1994	10	3504	4,3	667	2004	2,8	9 393	8,3	1973
1995	9,1	4 408	4,0	776	2005	1,9	10 689	7,9	2014
1996	8,8	5 100	3,9	894	2006	2,5	12 053	7,1	2021
1997	8,5	5 276	4,8	981	2007	2,8	13 369	5,3	2187
1998	10,7	5 773	6,5	1 055	2008	6,3	15 433	4,4	2325
1999	2,1	5 899	8,7	689	2009	1,1	14 141	6,7	2390
2000	3,9	6 488	8,8	725	2010	1,4	14 868	7,3	2427
2001	4,7	7 357	8,1	761	2011	1,9	15 584	6,7	2393
2002	1,8	8 512	7,3	788	2012	3,3	15 292	7	2407
2003	0,1	8 622	7,8	849	2013	1,4	14 931	7	2415
2004	2,8	9 393	8,3	1973	2014	0,4	14 702	6,1	2506

Table 14: Data used for the trend analysis
Source: CSO

C Contingency tables

Net monthly income	Occassionally		1x month		2-3x month		1x week		Daily	
	Total	%	Total	%	Total	%	Total	%	Total	%
up to 3 400 CZK	79	13,1	76	12,5	28	4,6	9	1,4	2	0,3
3 401-20 000 CZK	123	20,4	112	18,5	40	6,6	8	1,3	4	0,6
20 001-35 000 CZK	26	4,3	25	4,1	15	2,4	0	0,0	4	0,6
35 001 and more	0	0,0	7	1,1	40	6,6	5	0,8	1	0,0
Total	**228**	**40,1**	**220**	**38,6**	**86**	**15,1**	**22**	**3,8**	**11**	**1,9**

Table 15: Frequency of shopping beauty products according to the net income
Source: Own market research, 2016, n=604

	Chi-square	p-value
Pearson	56,4031	0,0000
Phi coeff	0,3148	
Contigency	0,3003	
Cramer	0,1817	

Table 16: Chi-square test frequency of shopping versus net income
Source: Own market research, 2016, n=604

Age	Occassionally		1x month		2-3x month		1x week		Daily	
	Total	%	Total	%	Total	%	Total	%	Total	%
15-19	40	7,0	43	7,5	13	2,3	7	1,2	2	0,4
20-24	74	13,0	77	13,5	31	5,4	5	0,8	4	0,7
25-30	114	20,0	100	17,5	42	7,4	10	1,7	5	0,8
Total	**228**	**40,1**	**220**	**38,6**	**86**	**15,1**	**22**	**3,8**	**11**	**1,9**

Table 17: Frequency of shopping beauty products according to the age
Source: Own market research, 2016, n=604

	Chi-square	p-value
Pearson	8,5025	0,5798
Phi coeff	0,1222	
Contigency	0,1213	
Cramer	0,0864	

Table 18: Chi-square test frequency of shopping versus age
Source: Own market research, 2016, n=604

Education level	Occassionally		1x month		2-3x month		1x week		Daily	
	Total	%	Total	%	Total	%	Total	%	Total	%
Primary school	20	3,5	26	4,5	3	0,5	4	0,7	0	0,0
High school with final exam	67	11,8	65	11,4	25	4,4	4	0,7	3	0,5
High school without final exam	4	0,7	3	0,5	3	0,5	5	0,8	0	0,0
College	2	0,4	0	0,0	5	0,8	0	0,0	1	0,2
Bachelor Degree	37	6,5	35	6,2	24	4,2	2	0,4	2	0,4
Master Degree	87	15,3	86	15,1	22	3,87	7	1,2	4	0,7
Post gradual Degree	11	1,9	5	0,8	4	0,7	0	0,0	1	0,2
Total	**228**	**40,1**	**220**	**38,6**	**86**	**15,1**	**22**	**3,8**	**11**	**1,9**

Table 19: Frequency of shopping beauty products according to the education level
Source: Own market research, 2016, n=604

	Chi-square	p-value
Pearson	81,7207	0,0000
Phi coeff	0,3789	
Contigency	0,3543	
Cramer	0,1694	

Table 20: Chi-square test frequency of shopping versus education level
Source: Own market research, 2016, n=604

Community size	Occassionally		1x month		2-3x month		1x week		Daily	
	Total	%	Total	%	Total	%	Total	%	Total	%
Less than 3000 inhabitants	64	11,3	55	9,7	34	5,9	8	1,4	1	0,0
3 001-90 000 inhabitants	111	19,5	121	21,3	36	6,3	9	1,6	6	1,1
90 000 and more inhabitants	53	9,3	44	7,7	16	2,8	5	0,8	4	0,7
Total	**228**	**40,1**	**220**	**38,6**	**86**	**15,1**	**22**	**3,8**	**11**	**1,9**

Table 21: Frequency of shopping beauty products according to the community size
Source: Own market research, 2016, n=604

	Chi-square	p-value
Pearson	12,0527	0,2815
Phi coeff	0,1455	
Contigency	0,1441	
Cramer	0,1029	

Table 22: Chi-square test frequency of shopping versus community size
Source: Own market research, 2016, n=604

Economic activity	Occassionally		1x month		2-3x month		1x week		Daily	
	Total	%	Total	%	Total	%	Total	%	Total	%
Employee	96	16,9	93	16,3	42	7,4	11	1,9	3	0,5
Self-employed	4	0,7	6	1,1	1	0,0	0	0,0	3	0,5
Student	118	20,7	115	20,2	43	7,6	11	1,9	5	0,8
Unemployed	6	1,1	5	0,8	0	0,0	0	0,0	0	0,0
Other	4	0,7	1	0,2	0	0,0	0	0,0	0	0,0
Total	**228**	**40,1**	**220**	**38,6**	**86**	**15,1**	**22**	**3,8**	**11**	**1,9**

Table 23: Frequency of shopping beauty products according to the economic activity
Source: Own market research, 2016, n=604

	Chi-square	p-value
Pearson	39,3284	0,0061
Phi coeff	0,2629	
Contigency	0,2542	
Cramer	0,1314	

Table 24: Chi-square test frequency of shopping versus economic activity
Source: Own market research, 2016, n=604

Reason to shop beauty products	Occassionally		1x month		2-3x month		1x week		Daily	
	Total	%	Total	%	Total	%	Total	%	Total	%
Have run out of product	196	34,4	169	29,7	42	7,4	9	1,6	5	0,9
Impulsive decision	21	3,7	30	5,3	31	5,4	10	1,8	1	0,2
Change of product/brand	8	1,4	10	1,8	6	1,1	1	0,2	2	0,4
Try out an innovation	1	0,2	10	1,8	7	1,2	2	0,4	3	0,5
Others	4	0,7	1	0,2	0	0,0	0	0,0	0	0,0
Total	**230**	**40,4**	**220**	**38,7**	**86**	**15,1**	**22**	**3,9**	**11**	**1,9**

Table 25: Frequency of shopping beauty products according to reason
Source: Own market research, 2016, n=604

	Chi-square	p-value
Pearson	418,2253	0,0000
Phi coeff	0,8580	
Contigency	0,6512	
Cramer	0,3837	

Table 26: Chi-square test frequency of shopping versus reason
Source: Own market research, 2016, n=604

Monthly spending	Occassionally		1x month		2-3x month		1x week		Daily	
	Total	%	Total	%	Total	%	Total	%	Total	%
Less than 100 CZK	128	22,6	22	2,9	3	0,5	0	0,0	1	0,2
101 - 500 CZK	86	15,2	146	25,8	56	9,9	6	1,1	5	0,9
501 - 1 000 CZK	11	1,9	39	19,0	19	3,4	6	1,1	3	0,5
1 001 - 1 500 CZK	0	0,0	10	1,8	3	0,5	9	1,6	0	0,0
more than 1 500 CZK	0	0,0	3	0,5	5	0,9	1	0,2	2	0,4
Total	**228**	**40,1**	**220**	**38,6**	**86**	**15,1**	**22**	**3,8**	**11**	**1,9**

Table 27: Spending on beauty products according to reason
Source: Own market research, 2016, n=604

	Chi-square	p-value
Pearson	281,9732	0,0000
Phi coeff	0,70582	
Contigency	0,5766	
Cramer	0,3529	

Table 28: Chi-square test beauty spending versus reason
Source: Own market research, 2016, n=604

Net monthly income	Less than 100 CZK		101-500 CZK		501-1 000 CZK		1 001- 1 500 CZK		More than 1 500 CZK	
	Total	%	Total	%	Total	%	Total	%	Total	%
up to 3 400 CZK	65	11,5	108	19,1	17	3,0	4	0,7	1	0,2
3 401-20 000 CZK	79	13,9	147	25,9	49	8,6	6	1,1	4	0,7
20 001-35 000 CZK	11	1,9	40	7,1	12	2,1	3	0,5	4	0,7
35 001 and more	0	0,0	5	0,9	0	0,0	9	1,6	2	0,4
Total	**155**	**27,4**	**300**	**53,0**	**78**	**13,8**	**22**	**3,9**	**11**	**1,9**

Table 29: Spending on beauty products according to the net income
Source: Own market research, 2016, n=604

	Chi-square	p-value
Pearson	154,8707	0,0000
Phi coeff	0,5231	
Contigency	0,4635	
Cramer	0,3021	

Table 30: Chi-square test beauty spending versus net income
Source: Own market research, 2016, n=604

Age	Less than 100 CZK		101-500 CZK		501-1 000 CZK		1 001- 1 500 CZK		More than 1 500 CZK	
	Total	%	Total	%	Total	%	Total	%	Total	%
15-19	27	4,8	62	11,0	12	2,1	3	0,5	0	0,0
20-24	57	10,1	109	19,3	18	3,2	4	0,7	5	0,8
25-30	71	12,5	129	22,7	48	8,5	15	2,7	6	1,1
Total	**155**	**27,4**	**300**	**53,0**	**78**	**13,8**	**22**	**3,9**	**11**	**1,9**

Table 31: Spending on beauty products according to the age
Source: Own market research, 2016, n=604

	Chi-square	p-value
Pearson	15,8993	0,0438
Phi coeff	0,1676	
Contigency	0,1652	
Cramer	0,1185	

Table 32: Chi-square test beauty spending versus age
Source: Own market research, 2016, n=604

Education level	Less than 100 CZK		101-500 CZK		501-1 000 CZK		1 001- 1 500 CZK		More than 1 500 CZK	
	Total	%	Total	%	Total	%	Total	%	Total	%
Primary school	17	3,0	29	5,1	6	1,1	1	0,2	0	0,0
High school with final exam	48	8,5	8	1,4	16	2,8	4	0,7	5	0,8
High school without final exam	3	0,5	91	16,1	1	0,2	3	0,5	0	0,0
College	2	0,4	5	0,8	0	0,0	0	0,0	1	0,2
Bachelor Degree	27	4,8	57	10,1	10	1,8	3	0,5	4	0,7
Master Degree	54	9,5	103	18,2	40	7,1	9	1,6	0	0,0
Post gradual Degree	4	0,7	7	1,2	5	0,8	2	0,4	1	0,2
Total	**155**	**27,4**	**300**	**53,0**	**78**	**13,8**	**22**	**3,9**	**11**	**1,9**

Table 33: Spending on beauty products according to the education level
Source: Own market research, 2016, n=604

	Chi-square	p-value
Pearson	43,4428	0,0088
Phi coeff	0,2771	
Contigency	0,2669	
Cramer	0,1385	

Table 34: Chi-square test beauty spending versus education level
Source: Own market research, 2016, n=604

Community size	Less than 100 CZK		101-500 CZK		501-1 000 CZK		1 001- 1 500 CZK		More than 1 500 CZK	
	Total	%	Total	%	Total	%	Total	%	Total	%
Less than 3000 inhabitants	41	7,2	95	16,8	18	3,2	6	1,1	3	0,5
3 001-90 000 inhabitants	84	14,8	138	24,4	47	8,3	10	1,8	5	0,8
90 000 and more inhabitants	30	5,3	67	11,8	13	2,3	6	1,1	3	0,5
Total	**155**	**27,4**	**300**	**53,0**	**78**	**13,8**	**22**	**3,9**	**11**	**1,9**

Table 35: Spending on beauty products according to the community size
Source: Own market research, 2016, n=604

	Chi-square	p-value
Pearson	7,1014	0,5257
Phi coeff	0,112	
Contigency	0,1113	
Cramer	0,0791	

Table 36: Chi-square test beauty spending versus community size
Source: Own market research, 2016, n=604

Economic activity	Less than 100 CZK		101-500 CZK		501-1 000 CZK		1 001- 1 500 CZK		More than 1 500 CZK	
	Total	%	Total	%	Total	%	Total	%	Total	%
Employee	62	10,9	116	20,5	43	7,6	13	2,3	9	1,6
Self-employed	1	0,2	7	1,2	4	0,7	1	0,2	1	0,2
Student	84	14,8	170	30,0	30	5,3	8	1,4	1	0,2
Unemployed	7	1,2	3	0,5	1	0,2	0	0,0	0	0,0
Other	1	0,2	4	0,7	0	0,0	0	0,0	0	0,0
Total	**155**	**27,4**	**300**	**53,0**	**78**	**13,8**	**22**	**3,9**	**11**	**1,9**

Table 37: Spending on beauty products according to the economic activity
Source: Own market research, 2016, n=604

	Chi-square	p-value
Pearson	34,5171	0,0046
Phi coeff	0,2469	
Contigency	0,2397	
Cramer	0,1234	

Table 38: Chi-square test beauty spending versus economic activity
Source: Own market research, 2016, n=604

Source of information	Drugstores		Online		Specialized stores		Beauty dealers	
	Total	%	Total	%	Total	%	Total	%
At the store	87	15,3	1	0,2	1	0,2	0	0
Internet	101	17,8	15	2,6	9	1,6	2	0,4
Family recommendations	44	7,7	5	0,9	3	0,5	16	2,8
Previous experience	105	18,5	8	1,4	8		13	2,3
Magazines	12	2,1	3	0,5	2	0,4	3	9,5
TV	18	3,2	0	0,0	2	0,4	0	0,0
Leaflets	44	7,7	1	0,2	2	0,4	0	0
Newsletters	9	1,6	2	0,4	6		3	0,5
Social Medias	7	1,2	2	0,4	2	0,4	0	0,0
Total	**427**	**75,3**	**37**	**6,5**	**35**	**6,2**	**37**	**6,5**

Table 39: Types of purchasing places according to sources of information
Source: Own market research, 2016, n=604