

Estee lauder a retail
brand produces
luxurious cosmetics
marketing essay



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Estee Lauder is a retail brand produces luxurious cosmetics, skincare and fragrance products, and primarily targeting on female consumers of age 30 and up. It sells its products in more than 120 countries. Estee Lauder has a reputation for technologically advanced, high-performance products. Being the original label from which today's beauty industry giant, Estee Lauder Companies, has grown, it is justifiably the ultimate lifeline brand of the conglomerate company. The fact that the Estee Lauder brand carries the company's family name also inevitably makes it an immediate reflection of the business as a whole. When the company began to advertise, Mrs. Lauder insisted that its images portray beauty that was both aspirational and approachable. Over the years, supermodels Karen Graham, Willow Bay, Paulina Porizkova-and now Constance Jablonski, Liu Wen, Hillary Rhoda, Elizabeth and Carolyn Murphy-have represented Estee Lauder. Mrs. Lauder was also deeply involved with the package design of her products. Among her many contributions was the choice of Estée Lauder's signature blue, which she believed would coordinate with the decor of most bathrooms and bedrooms. The company's other 11 brands were all results of strategic acquisitions and alliances. In sum, the portfolio of brands can be categorized into: the core labels for mature customers, including Estee Lauder, Clinique, Prescriptives, Aramis, and La Mer; eco-correct labels, namely Aveda and Origins; and hip labels, comprising M. A. C., Bobbi Brown, Tommy Hilfiger, Donna Karan, Stila, Jo Malone, Bumble and Bumble, Kate Spade, Jane, and Darphin.

Marketing

In the high-end cosmetics industry, brand loyalty and word of mouth, as opposed to price, play a major role in consumer purchases. Customers will generally trust the tried and true product, especially when it comes to skincare products. Those customers that have found a specific product or brand they like will also share their findings with friends. Thus, the marketing strategies are crucial in building brand loyalty among existing customers, attracting new customers and creating awareness of new products. A clear brand image is very important in the beauty industry. A brand cannot cater to totally different market segments. In a highly fragmented market, it is not even a plausible strategy to cover too broad a range of the spectrum. Successful brands are very carefully establishing and protecting a clear image. They make sure every detail is consistent with their image. For example, Clinique sales representatives wear lab coats and Biotherm sales girls are required to wear white uniforms to keep the “ clean” image. Estee Lauder, on the other hand, is losing its identity bit by bit. In response to increasing competition and segmentation, it has emphasized more on its leading technology. At the same time, it has been marketing itself as a chic brand with famous models to pose exclusively as a “ face” for the brand. In fact, in most of its magazine advertisement, Estee Lauder put so much emphasis on its models that the product itself sometimes gets lost. A recent move to hire Tom Ford, a former Gucci fashion designer, is clearly an effort to achieve a trendy status. Science and fashion could go together with care, but equally stressing on both might dilute the brand image and end up losing customers.

Technology

The Estee Lauder brand is already known for being technologically advanced with high-performance products. Estee Lauder does not emphasize its use of technology enough. The magazine advertisements used by Estee Lauder focus on the image of its beautiful models with a very small section dedicated towards promoting the technology involved. In addition to this, it is often difficult to see exactly what product is being promoted. In this way, Estee Lauder is missing an opportunity to promote one of its biggest selling points. It does not take advantage of this way of attracting new customers. To reposition as a technologically-advanced brand, it will need to develop advertisements that more heavily emphasize its technology. These advertisements will also have to maintain the elegant image that Estee Lauder has developed. In the market for high-end skincare for more mature skin, technology is emphasized by very few brands. If Estee Lauder were to take a more aggressive approach to emphasizing its technology, the only competitor that would be worried is Clinique. However, Clinique is a slightly lower-end and younger-aged brand than Estee Lauder. Clinique also promotes simple formulas while the formulas of Estee Lauder are more complicated. For example, when comparing the three-step system of Clinique and the advanced night repair system of Estee Lauder, one will find that the ingredient list for the Clinique product is much simpler. This repositioning would most likely not alarm Clinique which is good for Estee Lauder. In addition to this, Clinique lacks the elegance for which Estée Lauder customers pay a premium. As a result, the Estée Lauder brand would maintain its high-end status. By more heavily emphasizing its technology, Estee Lauder also has the opportunity to occupy the trendy end of the <https://assignbuster.com/estee-lauder-a-retail-brand-produces-luxurious-cosmetics-marketing-essay/>

technology market as opposed to being a complete dermatologist-brand. This is due to the elegance and fashion that is associated with Estee Lauder. Presently, the bestsellers in the skincare market in general are anti-aging formulas. In the growing Asian skincare market, the bestsellers are anti-aging and whitening formulas. Both these formulas rely heavily on technology, so it is a good time for dermatologist-brands to enter the market. By occupying the trendy end of the technology market, Estee Lauder will have a good position against these strong new entrants.

GROWTH OF SALES

EL Net Sales and Earnings (\$mln)

Metric

FY2010

Chg from FY2009

FY2009

Chg from FY2008

FY2008

Net Sales

\$7, 323. 8

(7%)

\$7, 911

12. 4%

\$7, 037. 5

Sales Breakdown by Products

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Skin Care

\$3, 227

11. 8%

\$2, 886. 3

(3. 7%)

\$2997

Make Up

\$2, 978

5. 2%

\$2, 830

(5. 65%)

\$3000

Fragrance

1, 137

(1. 2%)

\$1, 150

(19. 63%)

\$1432

Hair Care

\$413

2.9%

\$402.4

(5.78%)

\$427

Sales Breakdown by Regions

The Americas

\$3,442

0.6%

\$3,421.2

(7.82%)

\$3712

Europe, Middle East & Africa

\$2,859

9.5%

\$2, 661. 2

(11. 48%)

\$3007

Asia/Pacific

\$1, 510

16. 2%

\$1, 299. 4

8. 95%

\$1193

Net Earnings

\$478. 3

119%

\$218. 4

(54%)

\$473. 8

FY 2010 Performance (ended June 30, 2010)

Estee Lauder reported net sales of \$7. 80 billion, a 6% increase compared with \$7. 32 billion in 2009. Excluding the impact of foreign currency conversion, net sales increased 5% from a year ago. EL generated its largest full-year increase in operating income and operating margin since becoming

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a public company in 1995. It reported net earnings for the year of \$478.3 million, compared with \$218.4 million last year. Diluted net earnings per common share rose to \$2.38, compared with \$1.10 reported in the prior year.

In Q1, net Income was \$141 million (\$0.75 EPS). Compared to Q1 FY09, EL profit increased 275%, as the firm had a \$42.3 million restructuring charge in that quarter. Even taking into account the restructuring charge, the company's EPS beat Wall Street estimates, inline with the better-than-expected earnings of its competitors, Elizabeth Arden (RDEN) and Avon Products (AVP).

In Q2, net Income was \$256.21 million (\$1.28 EPS), an increase of 62% compared to Q2 FY2009. This exceeded the expectations of analysts, who expected \$2.24 billion (\$1.21 EPS) in income for the period. Net sales increased 11% from the year before, however, to \$2.26 billion.

In Q3, net earnings doubled from \$27.2 million in Q3 FY 2009 to \$57.5 million. Net sales rose 10% to \$1.86 billion for the quarter, compared to \$1.70 billion in Q3 FY 2009. Increased company sales were driven by strong performance in travel retail and Asia/Pacific groups..

In Q4, EL reported net sales of \$1.84 billion, a 9% increase from \$1.68 billion in the comparable prior-year period. Excluding the impact of foreign currency translation, net sales increased 8%. On a reported basis, as well as in constant currency, net sales grew in each geographic region.

FY2009 Performance

Net sales decreased 7.4% to \$7.32 billion and net earnings fell 54% to \$218.4 million. Skin Care and Makeup products continued to be strongest in sales, together making up 78% of total revenues in FY2009 a 2% increase from the previous fiscal year. However, EL saw sales in all its product categories fall between 3-20%, with fragrance falling 19.6% from FY2008 due to the poor retail climate and decreased sales of its heritage brands. EL believes this to be temporary and that this trend will reverse itself as the retail climate picks up and it introduces newer brands. Sales in Asia/Pacific grew by 10% from FY2008 to FY2009, bolstered by sales in China, Japan, and Hong Kong as well as benefits from favorable exchange rates with the Japanese Yen. Sales growth in Europe, Middle East, and Africa fell by 11/5%, due to decreased retail traffic in the region as well as unfavorable exchange rates due to a stronger US dollar.

Skin care, makeup, hair care and fragrance all experienced sale increases with skin care reporting the largest increase of 12%. The introductions of new products such as Even Better Clinical Dark Spot Corrector and Youth Surge Night Age Decelerating Night Moisturizer contributed to the sales increase with sales of existing products dropping slightly year over year.

The emerging markets in Asia contributed to the largest sales increase geographically, increasing 16% year over year. Sales in this region had strong growth in each major product category with double-digit gains in skin care and hair care.

Business Segments

(A breakdown of FY2010 net sales by product category.)

Skin Care (41. 3% of 2010 Net Sales)

This product category includes Moisturizers, creams, lotions, cleansers, sun screens and self-tanning products. EL is currently focusing on high growth segments, such as products to fix visible signs of aging, to increase net sales. In 2009, EL launched Advanced Night Repair Synchronized Recovery Complex, Advanced Night Repair Eye Synchronized Complex, and Hydrationist Maximum Moisture Crème and Lotion, which contributed incremental sales of \$247 million combined. Introduction of other skin care products from Clinique and La Mer also contributed \$119 million to the increase in net sales.

Make Up (38. 1% of 2010 Net Sales)

This product category consists of lipsticks, lip glosses, mascaras, foundations, eye shadows, nail polishes and powders. In 2009, its net sales increased by 5% to \$2. 98 billion, which was primarily due to strong growth of \$135 million from EL's makeup artist brands and international sales. EL also identified underperforming stock keeping units in terms of their relevance to their long-term perfumery strategy in the Europe, Middle East, and Africa region. With this evaluation, certain products in perfumeries were discontinued, which led to a \$27 million charge from participating retailers due to EL's returns approval policy.

Fragrance (14. 6% of 2010 Net Sales)

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This product category consists of eau de perfume sprays, colognes, lotions, powders, creams and soaps based on particular fragrances.[4] In 2009, net sales decreased 1% to \$1. 14 billion, which was due to lower sales of certain designer fragrances. Approximately a decrease of \$69 million in sales is prominently attributable to fragrances such as DKNY Delicious Night, Estee Lauder Sensuous, Clinique Happy, etc.[6]

Hair Care (5. 3% of 2010 Net Sales)

This product category consists of Shampoos, conditioners, styling gels and cremes, hair coloring products and hairsprays.[4] In 2009, net sales increased 3% to \$413. 9 million, due to an increase in net sales of certain styling and hair color products and sales from expanded distribution outside of the US.[6]

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