

Loreal: swot analysis

[Finance](#), [Financial Analysis](#)



Strengths

1. LOREAL is one of the highest selling cosmetic brands in the world.
2. LOREAL offer more than 25 brands in International market.
3. It has been able to record \$ Billions of revenue during year.
4. LOREAL has one of the finest and best R&D facilities in the industry which are helping to roll out new products according to the requirements of the customers.
5. It has well defined business areas of cosmetics, dermatology as well as Pharmaceuticals. This allows the company to distinctively focus on each activity in order to maintain quality.

Weaknesses

1. LOREAL is a decentralized company with many subdivisions working as strategic business units however, due to this, the overall control of the managerial activities has become difficult to exercise.
2. The overall profit margin earned by the company are considered as smaller as compared to other smaller players in the market mainly due to the fact that the company engages itself into extensive advertising.
3. The advertising campaigns of the company are different in each market therefore consumers often find it difficult to ascertain what actually the message of the company which it wishes to communicate to the customers.
4. LOREAL largely operates into EU and US region with little presence in other parts of the world. Due to current crisis in those regions, LOREAL may

be finding it difficult to meet its sales targets because of reduced consumer spending.

Opportunities

1. LOREAL has a very little presence in emerging markets such as India, Russia, Brazil as well as other smaller economies. Through local partnerships, it can make successful entry into such economies to extend its market share.

2. Most of the products are for young men and women with very little emphasis being placed on developing cosmetic products for children.

LOREAL can very well capture the children market by rolling out products for them.

Threats

1. Animal testing is one of the most emerging threats faced by the industry at large as growing number of ethical consumers are demanding the banning of animal testing.

2. Competition is emerging from relatively smaller players which particular target different niches of the market. Due to their size and typical marketing strategies, they are posing a serious threat to LOREAL.

PESTLE Analysis

Political Factors

Political factors refer to the political environment of the country within which it operates.

A favorable political environment would result into the favorable conditions for doing business. (Clark, 2000). LOREAL operates from France and catering

the markets of EU as well as US. The political environment in these regions supports free market economies and there are less regulations/restrictions on doing business.

Economic Factors

LOREAL is working into EU and US region and as such the current economic conditions in the region are not considered as supportive because of the strong economic meltdown. Consumer spending is generally decreasing due to credit crunch.

Social Factors

LOREAL works into societies where consumers are more health and beauty conscious however, apart from US, the population of EU is relatively ageing therefore since the LOREAL is serving relatively young customers therefore it has to evolve itself due to changes in the demographic factors in EU region.

Technological Factors

LOREAL is continuously involved into one of the best R&D into the industry however, since the basic technology of producing cosmetics would probably remain same however, what might change is the way how LOREAL serves its customers through online services.

Legal Factors

Legal factors may hamper the growth of LOREAL because of the strong legislations being made in favor of consumers. The increasing regulations on healthy and safety would further increase the cost of doing the business.

Environmental Factors

Animal testing in cosmetics industry and production of sustainable products are some of the growing concerns being shown by the consumers. Porter

Five Forces Suppliers' Power LOREAL's suppliers are large companies itself i. e. Unilever, P&G etc therefore determining the Supplier's power is complicated in itself.

However, strong brandloyalty to LOREAL is diluting the Suppliers' power. Buyers' Power Buyers' power is relatively higher in this industry as there are different smaller players in the market which give more choices to buyers to purchase similar products. The presence of Me Too products as well as the current economic conditions gives more power to buyers. Threats of Substitutes Though from its sheer size, LOREAL is one of the largest firms however, due to smaller players catering the different market niches, the development of cheap alternative substitutes is threatening the market share.

As such the threats of substitutes is higher for LOREAL. Barriers to Entry Overall capital expenditure on producing cosmetics products is relatively small and as such due to market based strategies being adopted by many countries, barriers to entry are relatively lower in cosmetics industry. Competitive Rivalry Demand is largely driven by the increase in population as well as the consumer preferences. The competitive rivalry in terms of market penetration is relatively low however there are many smaller players in the market which are offering more competition to LOREAL.

Corporate Social Responsibility

Corporate Social Responsibility is considered as self regulating mechanism under which organizations often regulate their own behavior in terms of compliance with laws and regulations, code of ethics as well as following

ethical and socially responsible business practices. (Oldroyd, 2006). L'OREAL has set up corporate social responsibility program in order to enforce its compliance with the laws and regulations. L'OREAL has in place also a code of ethics which outlines its ethical responsibilities. Also read SWOT analysis of Ice Cream market

Further, due to its global supply chain, L'OREAL is also ensuring that its suppliers are following the ethical practices and are socially responsible organizations. (www.loreal.com, 2009). Further, in order to cater its ethical customers, L'OREAL has initiated a program with the overall cost of more 40 million Euros as a part of its overall philosophy of achieving economic success in tandem with corporate social responsibility. (Jones, 2007). Branding Strategy Branding strategy refers to the strategy of creating strong awareness for the brand of the company.

This strategy can be based on the overall corporate level brand strategy or developing strategy for individual products. (Worthington, 2000). L'OREAL has been successful in developing a global branding strategy successfully and have been able to achieve global recognition for its brand. What has been the trade mark of its global strategy is the fact that it has largely focused on correlating its brands with the particular cultures in which it is selling its products.

L'OREAL has been able to carve out local identities for its products and its brand strategy is largely driven by combining the local environment with the global brand strategies.

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