

# Swot analysis of l'oreal

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The product is available in department stores and direct channels. It has been strongly promoted by trade press and social media. Clarions is placed at the premium tier and thus beyond the affordability range of many consumers particularly during the economic downturn. Despite this the product has experienced robust growth indicating the brand's strong market potential. 0 While, through Clarions, L'Oreal©al has demonstrated the ability to think outside the box it seems to be missing a rising trend in its immediate market.

Consumers are showing greater health and environmental concerns leading to growing demand for natural/organic products, particularly in the skin care category. It) A well-segmented portfolio L'Oreal©al has a well-segmented portfolio operating across different pricing tiers. This has helped L'Oreal©al to drive sales growth at economically challenging times. L'Oreal©al plans to expand Skill's at 20%-lower pricing. It is reported that L'Oreal©al is planning to expand Skill's in Western Europe. However, the concern is that the company has stated that it would reduce Skill's pricing by 20%.

According to L'Oreal©al the reason for slashing the prices is to align the brand's pricing with the US market. L'Oreal©al has lost share to brands with natural positioning in Western Europe and to mamba the competitive challenges it needs to enter this market segment without much delay. Since it lacks a suitable brand in the mass range it is likely that L'Oreal©al feels compelled to introduce Skill's at a lower price point. Moreover the available range of premium cosmetics in the natural/organic segment is more competitively priced than Skill's. Soot Analysis of L'Oreal By Nevermore-Fen I) Hair care has been less dynamic Hair care has been less dynamic for

L'Oreal©al, contributing to its drop in market share in 2011. It faces challenges from P and Milliner, but announced that it has exciting launches in the pipeline. L'Oreal©al at risk of losing more share in the global hair care market. Although L'Oreal©al is the leading hair care player in the global hair care market, it has lost share over the review period mainly due to weakness in Western Europe. L'Oreal©al performed well in other regional hair care markets, but it was not enough to compensate for the loss in Western Europe.

L'Oreal©al operates in the upper to premium tiers of the hair care market, but recent trends in developed market retail channels have been towards salon brands at affordable price points, appealing to consumers for their value proposition. L'Oreal©al lacks sufficient presence in this segment. L'Oreal©al has been less proactive in hair care in comparison to other high-growth categories such as skin care and color cosmetics. Hair care is poised for good growth in the future as manufacturers seek to drive category growth through innovations, borrowing technology from skin care, to target age-specific hair issues.

Unless L'Oreal©al pays attention to the prevailing trends in hair care, it risks losing more market share in the future. L'Oreal©al has been less proactive in the natural/organic category, although it has done well to revive The Body Shop. It could benefit from greater penetration in the category. The Body Shop challenge. The growing interest in natural/organic brands at affordable price points in developed markets could provide L'Oreal©al a good opportunity to further expand The Body

Shop brand, although there has been a clash of brand ethos obstructing the brand's growth in Western markets.

The Body Shop proved successful after its launch due in large part to one of its key claims that its products were not tested on animals. Following L'Oreal's takeover, The Body Shop received some negative publicity since L'Oreal's other brands were tested on animals at the time of the acquisition. L'Oreal now claims that it does not conduct testing altogether, but the stigma remains. There are also groups that claim that L'Oreal continues to test on animals, quoting that brands based on certain ingredients cannot pass safety laws unless tested on animals. While The Body Shop faced difficulties, other similar brands entered the market, taking over The Body Shop's market share, making it even more difficult to revive. Opportunities I) Natural/organic brands There are opportunities for L'Oreal to further tap into natural/organic. It could even consider an acquisition in this area and Yves Rocher could be a good fit for L'Oreal. Yves Rocher a good fit for L'Oreal To overcome the gap, L'Oreal could consider an acquisition and Yves Rocher could fit well into L'Oreal's portfolio given both are French companies.

In terms of actual value sales, L'Oreal would not benefit much since Yves Rocher is much smaller in size, but this would allow L'Oreal to enter a market segment in which it is currently absent. L'Oreal can tap into Yves Rocher's sophisticated technology to take advantage of the growing demand for affordable mass-market natural/organic offerings. Yves Rocher too would benefit from L'Oreal's wide distribution network. There may be a

question around Yves Richer suffering the same fate as The Body Shop, but Yves Richer operates in the space of natural ingredients and efficacy, whereas The Body Shop's slogan was against animal testing.

Yves Rocco's market placement is less conflicting with that of L'Oreal's.

1) Clarions in China L'Oreal has been driving Clarions in the US and reportedly launched it in France. China too is a prospective market given consumer preoccupation with skin care. L'Oreal grows in China color cosmetics but competition looms. L'Oreal is by far the leading player in China's color cosmetics market at almost 33% value share in 2011, while Shide at 6% is a distant second.

It would take a long time before one of the players in China's color cosmetics could catch up with L'Oreal's 6 position organically, but there are signs of increasing competition which L'Oreal needs to heed to maintain its market position. While L'Oreal grew 20 basis points in China's color cosmetics market, Estée Lauder grew 50 basis points. Estée Lauder is increasingly focusing on China. Estée Lauder has announced that it will increase the number of outlets in China for deeper penetration in second- and third-tier cities.

This indicates that there will be more stores offering Estée Lauder color cosmetics brands. Procter & Gamble has recently announced that SKI is now a billion dollar brand. Given the strong growth potential, China. To beat the competition, L'Oreal needs to focus on the competitive challenges driving growth in both premium and mass color cosmetics segments. Threats 1) Economic adversity Economic forecast is bleak propelled by the Rezone debt

crisis. At the same time, merging markets such as China are reportedly cooling down.

There is a potential and have an adverse impact, as seen in China, although is a very different market. When Shied launched Paupers in China it was initially marketed as a premium brand. However, when the brand failed to drive growth Shied lowered the price, which had a more adverse impact on the brand as it failed to occupy a specific market position, failing to capture either mass or premium. Lowering pricing for premium brands is generally not a prudent move. Skill's has been reporting robust 7 growth globally and this move could Jeopardize Skill's arrest potential. T) Growing competition in emerging markets L'Oreal©al has done well in terms of emerging market expansion but competition is becoming more intense. For example, Est©e Lauder and Coot are both targeting China. Clarions to help beat competition in China. Chinese consumers' pre-occupation with good skin combined with increasing affordability, provides L'Oreal©al with a strong growth opportunity for Clarions. The product's claim of greater efficacy, aided by the sonic powered brush helping to absorb the cleanser and exfoliate much better by removing chemicals from the face, loud prove a great success among Chinese consumers.

Clarions is available on a number of internet retailing channels such as Taboo in China, although there are doubts about the product's authenticity. Regardless, it has received rave reviews on the internet from Chinese consumers. In addition, L'Oreal©al is unlikely to meet competitive barriers since the sonic skin care device is a novel concept and this could translate to

considerable sales growth for L'Oreal©al. However, L'Oreal©al needs to be mindful of the fact that Procter & Gamble, erstwhile leading player in China's skin care market, also owns a sonic skin care fault.