

# Marketing plan: maybelline's new perfume

[Business](#), [Marketing](#)



## **Abstract**

L'Oreal's Maybelline, a global, mass market cosmetic manufacturer, has decided to develop and market a new fragrance for women. This report includes research, analysis and evaluation of the market environment for female fragrances. Furthermore, it outlines a marketing strategy for the new product which describes the marketing mix to be used by Maybelline in order to sell its new product addition to the target market.

**Introduction** The fragrance market is a very competitive one with large companies having a global presence and well established images and brands. This market is also very profitable and ever growing with signs of great potential. Maybelline is one of L'Oreal's brands and is well known worldwide for its value based cosmetics products.

Now Maybelline is entering the fragrance market with a new female perfume and this report describes how it will take on this challenge. The first part of the report introduces L'Oreal, which is Maybelline's mother company, its vision and company profile including its financial success. Maybelline falls under L'Oreal's Consumer Products Division, which offers mass-market products. The report continues by presenting an environmental analysis of the market as well as a competitive analysis. There are three main players in the industry, which represent 24.5% of the global market in the face of Coty Inc. Maybelline's mother company L'Oreal, and Procter & Gamble. The first part of the report concludes with a SWOT analysis of the Maybelline, which indicates that the strengths and opportunities outweigh the weaknesses and threats. Based on the market analysis, the second part of the report

proposes a target market for the new female fragrance product and a specific marketing mix in order to successfully reach its customers. The company L'Oreal L'Oreal is one of the largest cosmetics companies in the world, producing and marketing a range of make-up, perfume, hair and skin care products in over 130 countries.

The company is headquartered in Clichy, France and employs about 68, 900 people worldwide in a total of 41 factories. With 613 registered patents in 2011 the company earned 20. 3 billion EURO of sales in that year and currently has a brand portfolio of 27 international brands (L'Oreal 2011). For more than a 100 years L'Oreal has devoted its efforts in the business of beauty. Its mission is to enable all individuals to express their personalities, gain self-confidence and open up to others by offering the best cosmetics innovation in terms of quality, efficacy and safety.

The company pushes the boundaries of innovation by heavily investing in research in order to explore new territories and invent new products (L'Oreal 2012). Wrapping up another year of financial growth, in 2011 CompanyResponsibility(2005 - 2011) - Reduced greenhouse gas emissions by 29. 8% - Reduced waste generated by 24. 2% - Reduced water consumption by 22. 6% - 95. 7% of waste is reused, recycled or used for energy production - Reduced total energy consumption by 6. % for 2010/2011 Company Profile - A century of expertise in cosmetics - €20, 3 billion sales in 2011 - 27 global brands - 130 countries - 68 900 employees - 613 patents filed in 2011. L'Oreal grew faster than the worldwide cosmetics market and confirmed its position as the world leader in beauty. The company also heavily invests in being socially, ethically and environmentally

responsible to ensure a sustainable growth in the long-term. Compared to 2005 the organization significantly reduced its gas emissions, generated waste and water consumption and invested in research in order to foster sustainable innovation.

Maybelline As described in the journal by Aaker and Joachimsthaler (2000) brand architecture is a structure that organizes the company's brand portfolio and specifies the brand roles and the relationship between them. Coherent brand architecture provides tools to: ? ? ? permit brands to stretch across products and markets, resolve conflicting brand strategy needs, preserve brand-building resources by leveraging existing brand equity, protect brands from being diluted by over-stretching, and signal a new and different offering

As outlined in the journal by Harish (2008), L'Oreal's brand architecture is organized around 27 international brands, which are clustered in separate business divisions, each of which focuses on a specific target market. As illustrated in Table 1, L'Oreal's business is structured under three divisions (Consumer Products Division, Luxury Products Division and Professional Products Division), one department (Active Cosmetics Department) and an ethical cosmetics brand (The Body Shop). L'Oreal's brand architecture, showing brands, positioning and sales channels. Consumer Products Luxury Products Profess.

## **Products Active Cosmetics The Body Shop**

Major international umbrella brands: L'Oreal Paris Garnier Maybelline New York SoftSheen Carson Le Club des Createurs de Beute (LCCB) Lancome

Biotherm Helena Rubinstein Kiehl's Shu Uemure Perfumes: Giorgio Armani  
Ralph Lauren Cacharel Victor and Rolf Diesel Positioning: Quality products at affordable prices for the masses Up-market luxury products for discerning consumers Specialist products for use by professional hair stylists and salon professionals Sales Channels: Mass market retail outlets in the case of L'Oreal Paris, Garnier, Maybelline and SoftSheen Carson Direct marketing for LCCB High-end international department stores, travel retail outlets, brands' own boutiques and perfumeries Hair stylists and salon professionals Pharmacies and specialist retailers Predominantly through body Shop's exclusive retail chain Cosmeceuticals with proven safety and effectiveness; backed by pharmacists and dermatologists Ethical cosmetics for socially and environmentally conscious consumers L'Oreal Professionnel Kerastase RedKen 5th Avenue NYC Matrix Mizani Vichy La Roche - Possay Inneov SkinCeuticals Sanoflore The Body Shop Table 1 Within the Consumer Products Division, L'Oreal Paris is the premium brand while Garnier and Maybelline New York are the neighbouring aspirational brands. The company offers these distinct brands in order to satisfy different target groups and avoid losing customers to a competitor (Harish, 2008). L'Oreal's goal is to make Maybelline a leading global mass-market brand. This brand is sold in about 127 countries and makes up over 45% of the total revenues.

Maybelline is positioned to be the leader of massmarket cosmetics targeted at women between the age of 15 and 49 at a reasonable price and it successfully promotes the "urban American chic" image across the globe. Maybelline includes five ranges of products - face, eyes, lips, nails and tools. Each range includes several lines and there are individual products with

unique brands under each line. As per Harish (2008) the products of the Maybelline group are mainly promoted through TV advertising and brand ambassadors like the supermodels Christy Turlington and Adriana Lima. Since 1915, the brand has been empowering women everywhere with the impactful slogan “ Maybe she is born with it. Maybe it's Maybelline. Today Maybelline New York is the leading makeup brand worldwide, which combines technologically advanced cosmetics with trendy expertise to create accessible products with a spirited style that empower women to make a statement by exploring new tools, experimenting without risk, and flaunting their own artistry (L'Oreal, 2012). L'Oreal has a licensing agreement with five different fragrance brands, which complement the firm's wide spectrum of product offerings. As described in Table 1 these brands fall under the Luxury Products Division, target discerning consumers and are sold in high-end department stores, travel outlets and boutiques. L'Oreal is now developing a completely new perfume under its own Maybelline product line. Environmental Analysis Market Analysis

The fragrance market experienced a steady growth in sales in the period between 2006 and 2011. Furthermore the overall market growth is expected to accelerate in the next five year period. In 2010 the global fragrance market generated total revenues of \$36. 3 billion resulting in a compound annual growth rate of 4. 2% for the period pning 2006 - 2010 shown in Figure 1 (Datamonitor Global, 2011). Global fragrances market volume: million units 40000 35000 30000 25000 20000 4. 2 3. 1 5. 6 7 6 5 3. 9 4 3 2 \$ million % growth 15000 10000 5000 0 2006 2007 2008 Figure 1 1 0 2009 2010 Consumption volume in the fragrance market increased with a

compound annual growth of 4. % between 2006 and 2010 resulting in 1. 3 billion units in 2010. By the end of 2015 the consumption volume is expected to rise to 1. 6 billion units. As shown in Figure 2 female fragrances showed the highest sales numbers generating \$23. 1 billion of revenues in 2010, equivalent to 63. 8% of the market's overall value (Datamonitor Global, 2011). Global fragrances market segmentation by type: % share 5% 64% Female fragrance Male fragrance Unisex fragrance 31% Figure 2 The fragrance market segmentation is distributed between the three major continents.

As shown in Figure 3 Europe leads the consumption of fragrances by 45. 1% followed by the Americas with 38. %, Asia-Pacific by 10. 5% and Africa and the Middle East by 6. 4% (Datamonitor Global, 2011). Global fragrance market segmentation by region: % share 6% 11% Europe Americas Asia-Pacific Africa and Middle East 45% 38% Figure 3 Overall the current fragrance market condition and especially the sub-category of female fragrances shows to be positive and creates opportunity for new product additions, which is an advantage for Maybelline's idea to introduce a new perfume (Datamonitor Global, 2011). Market Environment In the book by Perreault et al (2011) it is described that when creating a new product the required marketing strategy planning process includes electing the best opportunities and developing a strategy that will provide superior value to the potential consumer and a competitive advantage to the company itself. In order to find the best opportunity and create a marketing strategy, the company has to analyze and evaluate the important elements of the marketing environment and the occurring trends. Perreault et al (2011)

continues by stating that there are different forces that create the market environment. These forces include the direct marketing environment comprised of the customer, the company, and the competitors and the external market environment comprised of the economic, technological, political, legal, cultural and social aspects.

In order to create the best marketing mix (product, place, promotion, price and personalization) for the new female fragrance of Maybelline, the marketing environment has to be analyzed. Economic Environment As per Perreault et al (2011) the economic environment refers to macro-economic factors, including economic growth, national income and inflation which affect the way consumers (individual customers? ) and businesses consume. Changes in the economy in general in certain industries or parts of the world could have an impact on the consumption. Technological Environment Technology uses the application of science to convert resources into output.

In particular it affects marketing by creating opportunities for new products and new processes. Technological advances allow for better communication and promotion opportunities and it furthers globalization. It also provides for more effective and efficient ways of producing and delivering products and services (Perreault et al, 2011). Political Environment The political environment of a country is affected by the attitudes and reactions of people, social critics, and the government. The political environment can affect selling opportunities at both local and international levels. In some markets nationalistic feelings can reduce or



block marketing activities, which creates a challenge for companies (Perreault et al, 2011).

**Cultural and Social Environment** These two factors have a significant impact on the marketing environment. The cultural and social environment affects the way people live and behave, which in turn affects their consumption behaviour as well as the economic, political, and legal environments. These factors consist of different variables including: language education religion style housing view on work, marriage and family. The growth of the fragrance market is different across the various geographic zones depending on the economic conditions in that area. The consumption of perfume is largely dependent on demographics and lifestyle trends, in particular the importance of luxury and status.

If a particular country is experiencing difficult economic conditions, usually the luxury products suffer the most, as they are not a needed product but rather a nice to have (ReportLinker, 2012). In contrast mass-market, value products are not as impacted by the economy. The US, with the highest market share of 33%, shows steady growth partly due to the fact that the country is coming out of the recession and into better economic conditions. The consumption of perfumes in Asia is relatively low, aside from Hong Kong and Singapore, due to the economic conditions and the perception of perfumes and heavy scents being used as a way to mask body odour.

However, the growth potential in these demographics is immense, especially as Asian women are adhering to the Western trends in fashion and personal care, and are receptive to using well-known brands for building their self-image (ReportLinker, 2012). The penetration of private fragrance labels in

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China stands at the low 5%. Brand loyalty and higher levels of disposable income provide popularity for the European fragrance products. Suppliers are targeting the younger population in order to attract new customers, due to the changing age structures in the country. To this day, Chinese consumers favor specialty stores when shopping for fragrances, which is an important consideration for companies wanting to be successful in this market (ReportLinker, 2012). Competitive Analysis

Perreault et al (2011) defines the competitive environment as the number and types of competitors the company is facing and the way these competitors behave in the particular industry. There are four basic kinds of competitive market situations: Pure competition A market state where buyers and sellers trade a uniform commodity such as wheat, copper or financial securities and no single buyer or seller has much effect on the market price. In its pure form this market state eliminates the purpose of marketing research, product development, pricing, advertising and promotion. Oligopoly A market state with a few sellers who are highly sensitive and alert to each other's marketing strategies and pricing.

In this market it is difficult for new sellers to enter. Monopolistic competition A market state where many buyers and sellers trade over a range of prices, rather than a single market price. The range of prices occurs due to the fact that the sellers offer a differentiating factor of their product to the buyers. The differentiating factor can be achieved through segmenting, price fluctuations, branding, advertising, personal selling and other marketing tools. Pure Monopoly A market state where a single firm produces a product,

for which there are no close substitutes and in which significant barriers to entry prevent other firms from entering the market to compete.

The fragrance market is definitely a monopolistic competition in which many vendors sell to many buyers and there is a range of prices based on differentiating factors created through segmenting, branding, advertising and other marketing tools. The global fragrance market is greatly fragmented with the top three selling companies accounting for 24.5% of the market value. Most of the leading companies are either large manufacturers of personal care products or large fashion houses and are geographically diversified. As most companies operate large production facilities, fixed costs are high in this market the vast business diversification eases the competitive pressure.

In conclusion the rivalry in the fragrance market is moderate. Shown in are the top three leading players in the fragrance market, which are Coty Inc. with 10.2% share, L'Oreal S. A. with 7.7% share and Procter & Gamble Company with 6.6% share. The rest of the market is divided between much smaller fragrance vendors and account for 75.5% of the market (Datamonitor, 2011). Global Fragrance Market Share: % share, 2010 10% 8% 7% Coty Inc. L'Oreal S. A. Procter & Gamble Company Others 75% Figure 4 Coty Inc. Coty Inc. is a privately held company that manufactures and markets fragrances, color cosmetics, toiletries, skincare, sun care and personal care products.

It is headquartered in New York City, employs more than 8,500 people and distributes its products to around 90 countries. The company distributes its products utilizing different channels including department stores, specialty

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retailers, upscale perfumeries, pharmacies, mass market retailers and duty free shops. The company recorded total revenues of \$25.8 billion in FY2010, an increase of 11.6% over the previous year. Revenues from the fragrance product category for the company reached \$2.2 billion in FY2009. North America accounted for 32% of total revenues, whereas Europe as its largest geographical market accounts for 57% of the total revenues in FY2010, Asia with 7% in FY2010 and the rest of the world with 4% in FY2010.

L'Oreal Even though L'Oreal is the mother company of Maybelline it still needs to be considered as a competitor in a way since it does have five fragrance brands under its umbrella. These brands are placed under the Luxury Product Division and include Giorgio Armani, Ralph Lauren, Cacharel, Victor and Rolf, and Diesel. Procter & Gamble Company (P) P manufactures and markets consumer products with over 300 brands in over 180 countries. The company is headquartered in Cincinnati, Ohio and employs about 129,000 people. The company offers its prestige fragrance products under its beauty division which recorded revenues of \$20.2 billion in FY2011, an increase of 3.4% over the previous year. P earned 36.9% of its revenues in the United States and 63.1% internationally. SWOT Analysis of Maybelline

Perrault et al (2011) describes SWOT analysis as a marketing tool used to create a marketing strategy which identifies screening criteria (and identifies) and outlines the company's strengths and weaknesses, and its opportunities and threats. The analysis has two categories: internal factors such as strengths and weaknesses, which analyze the company's resources and abilities; external factors such as opportunities and threats, which are observed by analyzing the external market environment, customers, and

competitors. This marketing tool helps the marketing department create a marketing strategy that takes advantage of the company's strengths and opportunities while avoiding its weaknesses and threats.

SWOT analysis is usually illustrated with a diagram consisting of four squares and each one of them summarizes the company's strengths, weaknesses, opportunities and threats. Maybelline's SWOT analysis is illustrated in Figure 5.

**Helpful** Owned by the biggest cosmetics company in the world  
**Harmful** Solid financial backing Distributed in 127 countries  
**Strengths** Leader in mass-market beauty products  
 ? ? Established image Established production and distribution infrastructure

**Weaknesses** Lack of expertise in manufacturing fragrances Product division completely focused on females  
 Lack of expertise in producing natural and organic products  
**Internal Opportunities** Growing presence in emerging markets (Asia, South America)  
 Natural and organic fragrances Men's fragrances  
**Threats** Counterfeit of fragrances Established strong competition  
 Weak economic conditions worldwide  
**External** ? ?

Figure 5 Strengths  
 Maybelline enjoys a few significant strengths when it comes to its entry into the female fragrance market. One of them is the fact that Maybelline is owned by the biggest cosmetics company in the world in the name of L'Oreal, which has a solid financial foundation, an established image and existing production facilities and distribution channels. Maybelline itself has strengths in terms of its already established image and worldwide presence in the mass-market of beauty products.

**Weaknesses**

The most significant weakness of Maybelline is the fact that it has no realistic expertise in developing and manufacturing fragrances and specifically

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female perfumes. The brand is well known for making and selling makeup, but the fragrance industry poses its own unique challenges. Maybelline's complete product set is targeted only towards female's including their research and marketing departments. This is considered a weakness since the men's fragrance segment of the market is (still) emerging, which is outlined in the opportunities section of this paper. Another opportunity, which Maybelline is not ready for is the emerging segment of natural and organic products, which makes it a weakness for the company.

The production of natural fragrances requires investment in research and development and different know-how and expertise, which Maybelline has not fully developed. Opportunities By the year 2020 countries in Asia and South America (emerging market) may represent more than 50% of the total cosmetics market, which directly affects the fragrance portion of the market. Currently, people living in emerging countries consume fewer cosmetics products than the rest of the world (Western Europe, North America, Japan, etc. ), but as their GDP is increasing, the consumption level should increase accordingly creating a great potential for penetration (Marketline, 2012). This presents a serious opportunity for Maybelline to offer its new fragrance in these demographics. Threats According to Global Insight Inc. 2007) and research performed by the Global AntiCounterfeiting Group, counterfeit perfumes and cosmetics cost the industry 3. 0 billion EURO annually in lost revenue and 555 million EURO in lost profit. The effects of counterfeiting include loss of profit, reduced investment and innovation, and an overall slowing down of the economy as a result of lost jobs and reduced tax revenues. Counterfeiting poses one of the biggest threats to Maybelline and

its plans to introduce a new female fragrance on the market. Another threat is the long-time established competition in the female fragrance market including stable companies with an established image. This makes it difficult for Maybelline to penetrate the market with yet another new product.

Currently, the global economy in general is struggling and especially in some European countries and the United States. As fragrances and cosmetics in general are not a 'need' but rather a 'want' product, the effects of lower income and higher unemployment rates are posing a threat to this industry and Maybelline itself. SWOT Conclusion By performing a SWOT analysis for the opportunity for Maybelline to introduce a new female fragrance into the market, it becomes apparent that the strengths and opportunities outweigh the weaknesses and threats. An already established company such as Maybelline is more than halfway of creating and marketing a new fragrance regardless of its inexperience with this specific product type.

The struggling global economy and counterfeit products are challenges that every fragrance company faces, still this industry is strong and has the potential for growth. Market Strategy Perrault et al (2011) describes that to plan a marketing strategy is to find attractive opportunities and develop a profitable marketing strategy. There are two interrelated parts to a marketing strategy and they are the target market and the marketing mix. As defined in this book, a target market is a fairly similar group of potential customers to whom the company wishes to appeal. A marketing mix is the controllable variables the company puts together to satisfy this target group.

These variables include the characteristics of the product, the place where the product will be sold, the price the Figure 6 product will be offered at and

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the promotion that would be used to market it. As illustrated in Figure 6 at the centre of the marketing mix is of course the target customer. Perrault et al (2011) states that the customer is placed in the center of the diagram to show that the customer is the target of all the marketing efforts. Target Market Currently, Maybelline targets women between the ages of 15 and 49 in more than 127 countries worldwide. Based on this wide market the new fragrance being introduced will be targeted to a narrower target, which is women between the ages of 18 and 34 living in Europe.

Although as outlined earlier in this report, the men's fragrance market is rapidly growing and has great potential, Maybelline offers products only to the female part of the population and has an already Figure 7 established image as such a brand. The new perfume brand will follow that image and target females only. The decision to initially introduce the product in Europe only is based on the fact that this is the strongest market for fragrances. If the product succeeds in this market its reach can be expanded to North America and even Asia. Furthering the definition of the target market, Maybelline will focus its marketing efforts on women between ages of 18 and 34 that are either single or freshly married with little or no children, have an active lifestyle and are young professionals. The target market is summarized in Figure 7. Marketing Mix

As described in the book by Perrault et al (2011) the marketing mix specifies the details of the new product being developed and includes four P's (product, place, price and promotion).

1. The first P for Product may involve a physical good (a perfume in our case), a service, or a blend of both as well as its branding, packaging,



and warranties. The basic idea is that the product has to satisfy a specific customer need.

2. The second P is for Place, which defines how the product will reach its customer when and where it is needed. This includes the distribution channels used for getting the product sold.
3. The third P is for Promotion and it describes the way the product will be marketed or sold to the customer, which includes advertising and public relations.
4. The fourth P is for Price and specifies the amount of money a customer has to pay to acquire the product. When setting the price, the producer must account for the competition in the target market and the cost of producing and marketing the product. Based on the marketing principles and the research described above in this document a marketing mix for Maybelline's new female fragrance follows. Product Name Maybelline's new perfume will be called DENI which is an abbreviation for Desire, Exquisite, Natural and Intimate. The name describes what the perfume stands for. When a woman wears the DENI fragrance, she is desired, the scent is exquisite, the product is natural and the connection with it is intimate.

**Scent** The scent of the perfume will be light and fresh, to be worn by females with an active lifestyle when going to work or being active. It is meant for everyday use and does not intrude, since the individual wearing it will be around people interacting. The perfume will only be available in Eau de Parfum spray since it is the lighter and more affordable version of the original scent. **Ingredients** An increasing trend in the market is the demand

for natural products; therefore the DENI perfume will be made out of natural ingredients. This will possibly raise the production cost but compensate with a differentiating factor and the increasing demand for such products. Packaging DENI will be offered only in a 50ml glass bottle, which is compact and utilizing a screw on cap.

The bottle design is meant for being carried in a small purse or a bag without the possibility of the cap coming off and being sprayed inside. To keep with the company's green ideology, the bottle utilizes an aluminum removable pump, which can be separated from the glass bottle before disposal, so the glass bottle can be easily recycled. The bottles are packaged in a cardboard box made completely from recycled paper and painted with natural paints. The bottle can also be returned to one of the stores where DENI is offered for a refill. Place DENI perfume will be manufactured at the current Maybelline plant located in North Little Rock, Arkansas.

There will be an additional facility built for the manufacturing of the new perfume adjacent to the current massive factory. The administrative and transportation functions of the existing plant will be utilized for the new product as well as the distribution channels. DENI will be sold in Specialist Retailers, Department stores (including Duty-Free Shops), supermarkets and hypermarkets as it is a mass-market product with a low profit-margin. Price DENI will cost 38 EURO for the 50ml bottle to the final customer. The perfume is a mass-market product under L'Oreal's Consumer Product Division and it is meant for everyday use and hence the price must be lower than the more luxurious products that the company itself offers as well as the competition.

Table 2 shows a comparison of the prices for 50ml Eau de Parfum spray bottles of some of the bestselling perfumes on the market. For instance Chanel No. 5, as one of the best perfumes on the market costs nearly double compared to the price of an equivalent DENI bottle. The product however cannot be the cheapest since it has to be corresponding to L'Oreal's image of offering high quality products. Perfume price comparison (EURO per 50 ml)

79	62	43	43	40	38	36	30
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Table 2 Promotion Even if Maybelline creates the best product at the best price, no one would buy it if customers do not know about it. A very important part of the marketing strategy is the way the product will be introduced and advertised to the target market.