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Estee Lauder Study Case Estee LauderCASE STUDYANALYSIS STRATEGIC MANAGEMENT (MGT 658) Prepared by: ACKNOWLEDGMENT Alhamdulillah, first of all we would like to thank ALLAH S. W. T as finally we were able to finish our assignments that have been given by lecturer to us. This task had been done with all afford by group members even though a little bit problem were happened among us while doing this assignment. Luckily all the problems can be settled down and we were able to adapt properly and wisely.

Besides that, big thank we address to our supervisor or our lovely lecturer for MGT 657/MGT 658 Mrs. Shaherah Binti Abdul Malik because without his guide our project cannot be done properly like this. He always give us supports and guide to us how to do our assignment in purpose to produce a good outcome from research that been studied. We already analysis and discussing about the Estee Lauder Company. Last but not least, we would like to dedicate a thousand of thank you to anyone that participates directly or indirectly in our assignment to complete this report.

Without their commitment and support, this report would not complete successfully. Content of Case Study Analysis: 1. Case Summary/Background Estee Lauder Company was found by Estee Lauder herself alongside with her husband, Joseph Lauder in the year 1946 which manufactures and markets four cosmetic product lines namely skin care, make up, fragrances and as well as hair care products. These products are sold over 150 countries worldwide under brand names that include Estee Lauder Clinique, Origins, MAC, Bobbi Brown, Aveda and even Lab Series just to name a few.

Not only that, it also has global licenses for fragrances and cosmetics under the brand name of Tommy Hilfiger, Donna Karan (DKNY), Michael Kors as well as Donald Trump. In the early years of Estee Lauders’ entrepreneurship, she faces a rejection from Madison Avenue to accept and carry her product. But that does not stop her from continuing selling her products directly to customers where she targets high-class customers exclusively through boutiques and department stores and one of the first department store to sell her products was with Saks Fifth Avenue in New York.

Until today, Estee Lauder Companies has 26 brands, selling over to 150 countries and employs over 22, 000 people worldwide. By the year 2004, Estee Lauder Companies lost a very important person and that is Mrs. Estee Lauder herself due to cardiac arrest. Although it was a great loss for the company, Mrs. Estee Lauder witnessed her empire grow from a small hometown operation into a worldwide corporation. She was proud that her company went public in 1995 and now, it is led by her Estee and Josephs’ children and grandchildren.

As of 2010 Estee Lauder sells its products in department stores across the world and has a chain of freestanding retail outlets. On July 1, 2010, the company acquired Smashbox Beauty Cosmetics, Inc. , a brand created in Smashbox Studios in Culver City, California by brothers Dean and Davis Factor(as in Max). On October 28, 2011, Aramis and Designer Fragrances, a division of The Estee Lauder Companies Inc. , and Tory Burch LLC announced the signing of a multi-year agreement for the exclusive worldwide license of the Tory Burch fragrance business.

This partnership marks Tory Burch's first step into the beauty industry. The first Tory Burch fragrance products are expected to be introduced in 2013 In this case study, first off we evaluate the mission statement of Estee Lauder companies where all 9 elements is to be discovered namely customers, products or services, markets, technology, concern for survival, growth and profitability, philosophy, self-concept, concern for public image and concern for employees. These 9 basic components serve as a practical framework for evaluating and writing mission statements.

Mission statement is the first step to provide direction and all the planning activities in an organization. Well-designed vision and mission statement are essential for formulating, implementing and evaluating strategy. Without clear statements of vision and mission, a firm’s short term actions can be counterproductive to long-term interests. Vision and mission statement should be a subject to revision but is carefully prepared; they will require infrequent major changes. Organizations will usually re-examine the vision and mission statement annually.

Next, the SWOT framework is developed to acknowledge the strength, weakness, opportunities and threats that occur within or outside Estee Lauders’ companies. By identifying the opportunities and threats of Estee Lauder, the EFE matrix can be developed. Some of the factors that are to be taken into consideration will be economic, political, social, technological, competitive and geographic. The EFE matrix and Portal’s Five-Forces Model can help strategists evaluate the market industry, but these tools must be accompanied by good intuitive judgement.

On the other hand, we also identify the strength and weaknesses of Estee Lauder Companies which will then develop into an internal factor evaluation matrix (IFE matrix). To internally evaluate the company, an assessment of cultural elements, managerial factors, and also financial ratios of the company is to be examined. The process of performing an internal audit represents an opportunity for employees and managers throughout the organization to participate in determining the future of the firm. In the second step of strategic management process which is the strategic formulation techniques that can be integrated into 3 decision framework.

Stage 1 of the formulation framework consists of EFE matrix, IFE matrix and Competitive Profile Matrix. This stage is known as the Input stage that summarizes the basic input information needed to formulate strategies. In stage 2, called the matching stage, focuses on the feasible alternative strategies by aligning key external and internal factors. Techniques that are included in stage 2 are the SWOT matrix, BCG matrix, IE matrix and the Grand Strategy matrix. The last stage which is called the decision stage, involves a single technique, the Quantitative Strategic Planning Matrix (QSPM).

QSPM uses input information from stage 1 to objectively evaluate feasible alternative strategies identified in stage 2. Also it reveals the relative attractiveness of alternative strategies and thus provides objective basis for selecting specific strategies. The tools used in strategic formulation can significantly enhance the quality of strategic decisions but they should never be used to dictate the choice of strategies. After the strategic formulation is provided, organization can determine the alternative strategies to be used and also the long term objectives that can be made in the organization.

Creating long term objectives that will benefit the organization and give great and positive impact towards theenvironmentand market as a whole. Develop alternative strategies and record all the advantages and disadvantages of each of those strategies in order to easily identify which of the strategies is the best choice to be implemented in the organization for a better run of business. The most difficult process in strategic management would be the strategy implementation because things are “ easier said than done” means that actions are much harder to implement than just words and planning. n this case study, the 7S Mckinsey implementation framework is used as a tool to assess and monitor changes in the internal situation of the organization. The objective of the model is to analyse how well an organization is positioned to achieve its intended objective. Certain usage of this tool includes to improve the performance of a company, examine the likely effects of future changes within a company, align departments and processes during a merger and acquisition and determining how best to implement a proposed strategy.

The basic premise of the model is that there are 7 internal aspects of an organization that needs to be aligned if it wishes to be successful. It can be divided into 2 categories which is the hard elements that consists of strategy, structure, systems while soft elements includes shared values, skills, style and staff. To wrap up the analysis for Estee Lauder, intensive strategies include market penetration, market development, and product development. These strategies will require intensive efforts as Estee Lauder needs to improve its competitive position with existing products.

Intensive strategies will help Estee Lauder achieve long term obligations such as, optimization of portfolio, strengthening of the product categories, strengthening and expansion of global markets, diversification and strengthening of channels distribution and operational and cost excellence. 2. 1 Identify The Firm's Existing Mission Item | Criteria | Criteria Stated | Criteria Not Stated | 1 | Customers | | | 2 | Products/Services | | | 3 | Markets | | | 4 | Technology | | | 5 | Concern for Survival, Growth and Profitability | | | 6 | Philosophy | | | 7 | Self-Concept | | | | Concern for Public Image | | | 9 | Concern for Employees | | | 2. 2 Identify The Firm's Existing Objectives 1. 2. 1 To provide customers with innovative cosmetic products of the highest quality. 1. 2. 2 To deliver outstanding service by treating each individuals as we ourselves like to be treated. 1. 2. 3 To create environment that foster personal growth and well being. 1. 2. 4 To enhance our reputation of image, style and prestige. 1. 2. 5 To be responsible citizens in every community we serve. 2. 3 Identify The Firm's Existing Strategies 2. 4. 1 High-Touch

Our High-Touch personal service creates an emotional connection with the consumer and inspires brandloyalty. Our customized educational approach comes naturally from our talented beauty advisors and makeup artists, but we’ve successfully adapted it for online, direct response television and self-assisted formats, as well. 2. 4. 2 Local Relevance We strive to be locally relevant to all our consumers wherever they live. We do this by creating certain products for specific markets and by altering our marketing depending on the region, to speak to consumers in more culturally relevant ways. . 3. 3 Enhancing Digital Capabilities We are deeply immersed in the online world and continue to invest greater resources in all things digital. Many of our brands interact with their consumers through Facebook, Twitter and YouTube, have established global e-commerce sites and created powerful viral marketing campaigns. We are committed to being on the cutting edge of the evolving digital experience. Key Result Objectives Key Areas | Objectives | Measure of Performance | | Marketing | Deliver outstanding service by treating each individual as we ourselve would like to be treated | Product demand | 2 | Innovation | Provide customer with innovative cosmetic products of the highest quality | Sales | 3 | Human Organization | For all employees domestically and globally, and the board of directors, the highest standard of ethics is a condition of employment | Efficiency of employees | 4 | Financial Resources | Pursue profit, but never at the expense of quality, service or reputation. | Equity / Debt | 5 | Physical Resources | | | 6 | Productivity | | | 7 | SocialResponsibility| | | | Profit | | | 2. Develop New Mission Statement For The Organization (Comprising all nine elements) Technology: We will still continually strive to meet the customer’s preferences by developing new technology of chronolux technology which repair natural skin and CPR-75 technology as wrinkle lifting and financing serum. 3. 4 Evaluation of New Mission Statement on Nine Criteria Item | Criteria | Criteria Stated | Criteria Not Stated | 1 | Customers | | | 2 | Products/Services | | | 3 | Markets | | | 4 | Technology | | | 5 | Concern for Survival, Growth and Profitability | | | 6 | Philosophy | | | 7 | Self-Concept | | | | Concern for Public Image | | | 9 | Concern for Employees | | | 3. Problem Identification No | Problem Identification | Major Problem/ Minor Problem | Priorities of The Problem | 1 | The decrease of net sales for the fragrance product and need to struggle effort on this product. | Major | 1 | 2 | There have many competitors in the cosmetics businesses are diversified with brand and name that compete the Estee Lauder Company. | Major | 3 | 3 | Customer complaint and inquiries about use animals to testing for the new product. | Minor | 9 | 4 | Operating income decreased 15% and operating margin was 9. % of sales in fiscal 2012 as compared with 11. 6% in prior year. | Major | 2 | 5 | Concern about the use of aerosols and fluorocarbons which first emerged in the mid-1960s still remains an issue. | Minor | 8 | 6 | The competitive pricing may be challenged to continue their patterns of innovative research. | Major | 4 | 7 | Regulations are increasing due to the voicing of different group about harmful chemical ingredients in cosmetic product. | Major | 5 | 8 | New entrants, even though the market has considerably mature in the sense that it has captured customer loyalty, but there is always room for improvement in this field. Minor | 6 | 9 | Counterfeit commodities affect the sales of the branded commodities. 9%, according to the Global Congress on Combating Counterfeiting, of all the world trade comprises counterfeit goods. | Minor | 7 | 10 | The company has the weakness on their supply chain. | Minor | 10 | 4. SWOT Framework 5. 5 Identifying The Organization's External Opportunities/Threats 5. 6. 3 Opportunities 4. 1. 1. 1 Americans over 65 years (1/5th of the population) spend a substantial income on anti-aging products (customer) 4. 1. 1. 2 Life expectancy of the aging population will continue to improve. Social) 4. 1. 1. 3 Youngsters and teenagers purchase age preventive cosmetic items to battle effects of aging. (Customer) 4. 1. 1. 4 The world’s aging population increasing over 2. 5 times next 40 years (33%) China and India. ( Social) 4. 1. 1. 5 70 million people across the globe will reach an income level in the next 20 years (Customer) 4. 1. 1. 6 Rising demand from emerging and developing markets for personal products industry. (Economic) 4. 1. 1. 7 The Europeans buying pattern was changing from buying skincare products from mall- based specialty stores to pharmacies.

Concentrate on selling skin care products through pharmacies and through skin care clinics in the Europe. (Substitutes) 4. 1. 1. 8 Rapid economic growth, and consumers are wealthier. (Economic) 4. 1. 1. 9 Markets where wealthy rule is also a good opportunity to tap in because of the tendency of the wealthy to own luxury commodities. (Potential Entrance) 4. 1. 1. 10 Many nations are growing to be beauty conscience every passing day; the firm will do well in order to tap-in without any delay and initiate in order to get customer loyalty attached to its products. (Social) 5. 6. 4 Threats 4. 1. 2. Top competitors in the cosmetics business. (Competitors) 4. 1. 2. 2 Currency fluctuation risks. (Economic) 4. 1. 2. 3 Consumer complaints and inquiries due toanimal testingfor new products and many personal care companies are dropping this form of product testing. The company will lose its brand image if it receives complaints that it has been using animals to test new products. ( Social/Natural environment) 4. 1. 2. 4 FDA regulations (Political/Legal) 4. 1. 2. 5 Increase in damaging environmental pollutions due to the use of aerosol and fluorocarbons. (Social/Natural environment) 4. 1. 2. Restrictions on products that can be carried in-flight will affect travel retail business. (Political/Legal) 4. 1. 2. 7 Changes in the distribution policy and a difficult retail environment particularly in fragrance category. (Political/Legal) 4. 1. 2. 8 The sale of the product is dependent on the disposable income of the consumers; a fall in their incomes would result to a fall in the sales of the company’s products. (Economic) 4. 1. 2. 9 Competitive pricing at mega stores. (Competitors) 4. 1. 2. 10 Regulations are increasing due to the voicing of different groups about harmful chemical ingredients in cosmetic products. Political) 5. 6. 5 EFE Matrix (External Factor Evaluation Matrix) | Opportunities | weight | Rating | Weighted score | 1. | Scope for anti-aging products | 0. 04 | 3 | 0. 12 | 2. | Americans over 65 years (1/5th of the population) spend a substantial income on anti-aging products | 0. 10 | 4 | 0. 4 | 3. | Life expectancy of the aging population will continue to improve. | 0. 03 | 2 | 0. 06 | 4. | Youngsters and teenagers purchase age preventive cosmetic items to battle effects of aging. | 0. 05 | 3 | 0. 15 | 5. | The world’s aging population increasing over 2. times next 40 years (33%) China and India. | 0. 05 | 3 | 0. 15 | 6. | 70 million people across the globe will reach an income level in the next 20 years | 0. 09 | 3 | 0. 27 | 7. | Rising demand from emerging and developing markets for personal products industry. | 0. 05 | 4 | 0. 20 | 8. | The Europeans buying pattern was changing from buying skincare products from mall- based specialty stores to pharmacies. Concentrate on selling skin care products through pharmacies and through skin care clinics in the Europe | 0. 03 | 2 | 0. 06 | 9. | Aggressive promotion to market their products | 0. 2 | 1 | 0. 02 | 10. | Sold in freestanding company-own stores and spas. | 0. 09 | 4 | 0. 36 | | Threats | | | | 1. | Top competitors in the cosmetics business | 0. 07 | 3 | 0. 21 | 2. | Currency fluctuation risks | 0. 10 | 4 | 0. 40 | 3. | Consumer complaints and inquiries due to animal testing for new products and many personal care companies are dropping this form of product testing. The company will lose its brand image if it receives complaints that it has been using animals to test new products. | 0. 02 | 3 | 0. 06 | 4. | FDA regulations | 0. 04 | 2 | 0. 08 | 5. Increase in damaging environmental pollutions due to the use of aerosol and fluorocarbons | 0. 10 | 2 | 0. 20 | 6. | Restrictions on products that can be carried in-flight will affect travel retail business. | 0. 03 | 2 | 0. 06 | 7. | Changes in the distribution policy and a difficult retail environment particularly in fragrance category. | 0. 04 | 4 | 0. 16 | 8. | The sale of the product is dependent on the disposable income of the consumers, a fall in their incomes would result to a fall in the sales of the company’s products | 0. 03 | 1 | 0. 03 | 9. | Competitive pricing at mega stores. | 0. 5 | 2 | 0. 10 | 10. | Regulations are increasing due to the voicing of different groups about harmful chemical ingredients in cosmetic products | 0. 02 | 3 | 0. 06 | | Total | 1. 00 | | 3. 22 | Environmental Threat and Opportunity Profile (ETOP) | Factors | Impact of Factors | Importance of Factors | Environmental Threat | 1. | Economic | 5 | 9 | 6 | 2. | Political | 2 | 5 | 4 | 3. | Social | 7 | 8 | 9 | 4. | Technological | 10 | 10 | 9 | 5. | Competitive | 9 | 8 | 7 | 6. | Geographic | 8 | 7 | 6 | 7. | Natural Environment | 7 | 7 | 7 | \* Impact from 10 (strong positive) to 0 (strong negative) Importance of factor ranked from 0 (unimportant) to 10 (very important) Comments: As a conclusion, Estee Lauder received a 3. 22 as a total weighted score which is above the average (midpoint) of 2. 5, so this Estee Lauder business is doing well, taking advantage of the external opportunities and avoiding the threats facing the firm. In other words, the firm’s strategies effectively take advantage of existing opportunities and minimize the potential adverse effects of external threats. 5. 6 Identifying The Organization's External Strengths/Weaknesses 5. 7. 6 Strengths 4. 2. 1. Estee Lauder currently has 26 brands selling in over 130 countries. (Strategy) 4. 2. 1. 2 Each brand has a single global image which is promoted with consistent logos, packaging, and advertising designed to differentiate it from other brands. (Marketing) 4. 2. 1. 3 Estee Lauder was awarded/included in Ten Outstanding Women in Business in the U. S by business and financial editors in 1967 which contributed largely towards brand-building of the company. (Super ordinate goal) 4. 2. 1. 4 Global licenses and globalized operations. (System) 4. 2. 1. 5 Defined/numerous/wide channels of distribution. (Operation) 4. 2. . 6 Manufacturing operations match ISO 14001 standards. (Operation) 4. 2. 1. 7 Early/effective use of internet/technology in 1998 added strength to their sales. ( System) 4. 2. 1. 8 Advertisements which differentiates their products from others. (Marketing) 4. 2. 1. 9 Global expansion as a result of strengthening of the U. S dollar. (Strategy) 4. 2. 1. 10 Excellent promotional strategies: Discounts, gifts and free samples with purchases, celebrities endorsements, advertisements which differentiates their products from others. (Marketing) 4. 2. 1. 11 Aggressive promotion to market their products (Marketing) 4. 2. . 12 Scope for anti-aging products (Marketing) 5. 7. 7 Weaknesses 4. 2. 2. 1 Indistinguishable organizational structure. (Structure) 4. 2. 2. 2 Lower sales in Fragrance product category. As a result of this, the company is struggling particularly in American region. (Financial) 4. 2. 2. 3 Most of the power/authority in the company is vested infamilymembers. (Staff) 4. 2. 2. 4 It is not clear whether the four presidents have authority over the four product lines or four geographic regions thus a questionable line of command exists. (Marketing) 4. 2. 2. 5 Net sales of fragrances products decreased. (Financial) 4. . 2. 6 Consumer complaints towards the users of animal testing for new products and personal care. (Skill) 4. 2. 2. 7 Colgate has strong and supportive relationship with professional. (Strategy) 4. 2. 2. 8 Avon as the world largest direct seller of personal product. (Marketing) 4. 2. 2. 9 Alberto culver has strong presence in the professional saloon market. (Marketing) 4. 2. 2. 10 Their products are rejected by Madison Avenue. (Supplier) 5. 7. 8 IFE (Internal Factor Evaluation Matrix) | Strengths | weight | Rating | Weighted score | 1. | Estee Lauder currently has 26 brands selling in over 130 countries | 0. 9 | 4 | 0. 36 | 2. | Each brand has a single global image which is promoted with consistent logos, packaging, and advertising designed to differentiate it from other brands. | 0. 02 | 2 | 0. 04 | 3. | Estee Lauder was awarded/included in Ten Outstanding Women in Business in the U. S by business and financial editors in 1967 which contributed largely towards brand-building of the company | 0. 03 | 2 | 0. 06 | 4. | Global licenses and globalized operations. | 0. 05 | 2 | 0. 10 | 5. | Defined/numerous/wide channels of distribution | 0. 09 | 4 | 0. 36 | 6. | Manufacturing operations match ISO 14001 standards. 0. 05 | 3 | 0. 15 | 7. | Early/effective use of internet/technology in 1998 added strength to their sales. | 0. 05 | 2 | 0. 10 | 8. | Advertisements which differentiates their products from others. | 0. 03 | 3 | 0. 09 | 9. | Global expansion as a result of strengthening of the U. S dollar | 0. 10 | 2 | 0. 20 | 10. | Excellent promotional strategies: Discounts, gifts and free samples with purchases, celebrities endorsements, advertisements which differentiates their products from others | 0. 04 | 2 | 0. 08 | | Weaknesses | | | | 1. | Indistinguishable organizational structure | 0. 02 | 3 | 0. 06 | 2. Lower sales in Fragrance product category. As a result of this, the company is struggling particularly in American region. | 0. 05 | 2 | 0. 10 | 3. | Most of the power/authority in the company is vested in family members. | 0. 03 | 1 | 0. 03 | 4. | It is not clear whether the four presidents have authority over the four product lines or four geographic regions thus a questionable line of command exists. | 0. 04 | 4 | 0. 16 | 5. | Net sales of fragrances products decreased | 0. 03 | 2 | 0. 06 | 6. | Consumer complaints towards the users of animal testing for new products and personal care | 0. 02 | 2 | 0. 4 | 7. | Damaging environmental pollutants | 0. 10 | 2 | 0. 20 | 8. | Colgate has strong and supportive relationship with professional | 0. 07 | 2 | 0. 14 | 9. | Avon as the world largest direct seller of personal product | 0. 04 | 4 | 0. 16 | 10. | Alberto culver has strong presence in the professional saloon market | 0. 10 | 2 | 0. 20 | | Total | 1. 00 | | 2. 69 | Assessment of Cultural Elements | | Importance ofculture| 1 | Founder’s Beliefs and Values | 5 | 2 | Key Executive’s Style | 3 | 3 | Maturity of Organization | 7 | 4 | Cohesiveness and Collaboration | 6 | 5 | Openness and Trust | 9 | | Climate of Organization | 5 | 7 | Recognition of Individual | 4 | 8 | Rewards for Performance | 7 | 9 | Support of Individual | 6 | 10 | Participation in Decisions | 7 | 11 | ConsistentCommunication| 6 | 12 | Enforcement of Policies | 8 | 13 | Degree of Social Interaction | 7 | 14 | Opportunity for Growth | 8 | 15 | Level of Job Security | 4 | 16 | Level of Technology | 8 | 17 | Degree of Innovation | 5 | 18 | Sense of Belonging | 7 | 19 | Latitude in Job Execution | 5 | 20 | Sense of Urgency | 4 | Company Capability Profile -Managerial Factors | | 0% | Weak | Neutral (50%) | Strong | 100% | | Corporate Image Responsibility | | | | | | 2 | Use of Strategic Plan and Strategic Analysis | | | | | | 3 | Environmental Assessment and Forecasting | | | | | | 4 | Speed of Response to Changing Condition | | | | | | 5 | Flexibility of Organizational Structure | | | | | | 6 | Management Communication and Control | | | | | | 7 | Entrepreneurial Orientation | | | | | | 8 | Ability to Attract and Retain Highly Creative People | | | | | | 9 | Ability to Meet Changing Technology | | | | | | 10 | Ability to Handle Inflation | | | | | | 11 | Aggressiveness in Meeting Competition | | | | | | 12 | Others: | | | | | |

Summary of SWOT Items | Strength | Weaknesses | | F | M | O | M | S1 | S2 | S3 | S4 | S5 | S6 | S7 | F | M | O | M | S1 | S2 | S3 | S4 | S5 | S6 | S7 | 1 | | | | | | / | | | | | | | | | | | | | | | / | | 2 | | | | / | | | | | | | | / | | | | | | | | | | | 3 | | | | | / | | | | | | | | | | | | | / | | | | | 4 | | | | | | | | | / | | | | | | / | | | | | | | | 5 | | | / | | | | | | | | | / | | | | | | | | | | | 6 | | | / | | | | | | | | | | | | | | | | / | | | | 7 | | | | | | | | | / | | | | | | | | / | | | | | | 8 | | | | / | | | | | | | | | | | / | | | | | | | | 9 | | | | | | / | | | | | | | | | / | | | | | | | | 0 | | | | / | | | | | | | | | | | | | | | | | | / | Total | | | 2 | 3 | 1 | 2 | | | 2 | | | 2 | | | 3 | | 1 | 1 | 1 | | 1 | 1 | Items | Opportunities | Threats | | P | E | S | T | Cu | C | S | S | P | P | E | S | T | Cu | C | S | S | P | 1 | | | | | / | | | | | | | | | | / | | | | 2 | | | / | | | | | | | | / | | | | | | | | 3 | | | | | / | | | | | | | / | | | | | | | 4 | | | / | | | | | | | / | | | | | | | | | 5 | | | | | / | | | | | | | / | | | | | | | 6 | | / | | | | | | | | / | | | | | | | | | 7 | | | | | | | | / | | / | | | | | | | | | 8 | | / | | | | | | | | | / | | | | | | | | | | | | | | | | | / | | | | | | / | | | | 10 | | | / | | | | | | | | | | | | | / | | | Total | | 2 | 3 | | 3 | | | 1 | 1 | 3 | 2 | 2 | | | 2 | 1 | | | Strength/weakness Opportunities/Threats S1: Super ordinate goal Cu: Customer S2: Strategy C: Competitors S3: Staff S: Supplier S4: Skill S: Substitute S5: System P: Potential Entrance S6: Structure S7: Style 4. 2. 4 FINANCIAL RATIOS 4. 2. 4. 1 Profitability | | 2012 | 2011 | A | Gross Profit Margin: Gross profit / net sales | Formula: 7718. 8 / 9713. 6= 79. 45% | 6873. 1 / 8810. 0= 78. 01% | B | Net Profit Margin: Net profit / net sales | Formula: 860. 5 / 9713. = 8. 86% | 703. 8 / 8810= 7. 99% | C | Return on Assets: Net profit / total assets | Formula: 860. 5 / 6593= 13. 05% | 703. 8 / 6273. 9= 11. 22% | D | Return on Equity: Net profit/ total equity | Formula: 860. 5 / 2733. 2= 31. 48% | 703. 8 / 2629. 4= 26. 77% | 4. 2. 4. 2 Liquidity | | 2012 | 2011 | A | Current Ratio: Current assets / current liabilities | Formula: 3855. 1 / 2125. 8= 1. 813 times | 3686. 5 / 1943. 5= 1. 897 times | B | Quick Ratio:(current assets-inventory-prepaid expenses) / current liabilities | Formula:(3855. 1 – 983. 6 – 463. 5) / 2125. 8= 1. 132 times | (3686. 5 – 995. 6 – 492. 3) / 1943. = 1. 131 times | C | Inventory to Net Working capital: Current assets – current liabilities | Formula: 3855. 1 – 2125. 8= RM1729. 3 | 3686. 5 – 1943. 3= RM1743. 2 | 4. 2. 4. 3 Leverage | | 2012 | 2011 | A | Debt-to-Assets: Total Debt / Total Assets | Formula:(2125. 8 + 1719. 7) / 6593= 58. 33 times | (1943. 3 + 1683. 6) / 6273. 9= 57. 81 times | B | Debt-to-EquityTotal Debt / Total Equity | Formula:(2125. 8 + 1719. 7) / 2747. 5= 1. 399 times | (1943. 3 + 1683. 6) / 2647= 1. 37 times | C | Long-term Debt-Equity ratioLong-term debt / equity | Formula: 1719. 7 / 2747. 5= 62. 59 times | 1683. 6 / 2647= 63. 6 times | 4. . 4. 4 Activity | | 2012 | 2011 | A | Inventory Turnover Margin: Cost of goods sold / inventory | Formula:(9713. 6 – 7717. 8) / 983. 6= 2. 03 times | (8810 – 6873. 1) / 995. 6= 1. 95 times | B | Fixed-asset turnover: Net Sales / Fixed Asset | Formula: 9713. 6 / 1506. 1= 6. 45 times | 8810 / 1444= 6. 09 times | C | Average collection Period:(account receivables / net sales) x 360 | Formula:(1060. 3/9713. 6) x 360= 39 days | (945. 6/8810) x 360= 39 days | Financial Ratio Profile Profitability | | | / | | | Very Low | Average | Very High | Liquidity | | / | | | | Very Low | Average | Very High | Leverage | / | | | | Very Low | Average | Very High | Activity | | | / | | | Very Low | Average | Very High | Comments: Based on the profitability ratio, the company has good performance in 2012 compared to 2011 because the GPM, NPM, ROA and ROE has increased from 78. 01%-79. 45%, 7. 99%-8. 86%, 11. 22%-13. 05% and 26. 77%-31. 48% respectively. This indicates that the company are efficient in generating their sales and able to gain profits. Furthermore, they are able to manage their cost of goods sold. Based on the liquidity ratio, the company has a poor performance in 2012 compared to 2011 because the CR, QR, and NWC has decreased from 1. 97 times - 1. 813 times, 1. 131 times-1. 132 times and RM1743. 2- RM1729. 3 respectively. This indicates that the company are not able to meet the short term obligations. Furthermore, the company assets are not sufficient to cover its liabilities without selling inventories. Thus, the company have to promote cash discount and manage current liabilities very well without selling inventories. Based on the leverage ratio, the company has a poor performance in 2012 compared 2011 because the DR and DER has increased from 57. 81 times-58. 33 times, 1. 37 times-1. 399 times and 63. 6 times-62. 59 times respectively.

This indicates that the company are too much relies on debt but the Debt-to-Equity has decreased from 63. 6 times-62. 59 times. Thus, the company should revise the dividend policy and optimize capital structure. Based on activity ratio, the company has a good performance in 2012 compared to 2011 because the ITO and FATO have increased from 1. 95 times-2. 03 times and 6. 09 times-6. 45 times respectively. This indicates that the company are able to manage its inventory to generate profits. Furthermore, the company are fully utilized the assets. Besides that, the ACP has remained constant which is 39days.

This implies that the company are efficient in collecting credits from debtors. Company Capability Profile - Financial Factors | | 0% | Weak | Neutral (50%) | Strong | 100% | 1 | Accessed to Capital When Required | | | | / | | 2 | Degree of Capacity Utilization | | | / | | | 3 | Ease of Exit From the Market | | | / | | | 4 | Profitability, Return on Investment | | | | / | | 5 | Liquidity Available Internal Funds | | / | | | | 6 | Degree of Leverage, Financial Stability | | / | | | | 7 | Ability to Compete on Prices | | | / | | | 8 | Capital Investment, Capacity to Meet Demand | | | / | | | 9 | Stability of Costs | | / | | | | 0 | Ability to Sustain Effort in Cyclic Demand | | | / | | | 11 | Price Elasticity of Demand | | | / | | | 12 | Others: | | | | | | 5. Matrixes 6. 7 TOWS Matrix | ------------------------------------------------- Strengths1. Estee Lauder currently has 26 brands selling in over 130 countries. 2. Each brand has a single global image which is promoted with consistent logos, packaging, and advertising designed to differentiate it from other brands. 3. Estee Lauder was awarded/included in Ten Outstanding Women in Business in the U. S by business and financial editors in 1967 which contributed largely towards brand-building of the company. . Global licenses and globalized operations. 5. Defined/numerous/wide channels of distribution. 6. Manufacturing operations match ISO 14001 standards. 7. Early/effective use of internet/technology in 1998 added strength to their sales. 8. Advertisements which differentiates their products from others. 9. Global expansion as a result of strengthening of the U. S dollar. 10. Excellent promotional strategies : Discounts, gifts and free samples with purchases, aelebrities endorsements, advertisements which differentiates their products from others | ------------------------------------------------- Weaknesses1.

Indistinguishable organizational structure2. Lower sales in Fragrance product category. As a result of this, the company is struggling particularly in American region. 3. Most of the power/authority in the company is vested in family members. 4. It is not clear whether the four presidents have authority over the four product lines or four geographic regions thus a questionable line of command exists. 5. Net sales of fragrances products decreased. 6. Consumer complaints towards the users of animal testing for new products and personal care. 7. Damaging environmental pollutants. . Colgate has strong and supportive relationship with professional. 9. Avon as the world largest direct seller of personal product. 10. Alberto culver has strong presence in the professional saloon market | ------------------------------------------------- Opportunities1. Scope for anti-aging products2. Americans over 65 years (1/5th of the population) spend a substantial income on anti-aging products3. Life expectancy of the aging population will continue to improve4. Youngsters and teenagers purchase age preventive cosmetic items to battle effects of aging. 5.

The world’s aging population increasing over 2. 5 times next 40 years (33%) China and India. 6. 70 million people across the globe will reach an income level in the next 20 years. 7. Rising demand from emerging and developing markets for personal products industry. 8. The Europeans buying pattern was changing from buying skincare products from mall- based specialty stores to pharmacies. Concentrate on selling skin care products through pharmacies and through skin care clinics in the Europe. 9. Aggressive promotion to market their products. 10. Sold in freestanding company-own stores and spas. ------------------------------------------------- SO1. Giving flayer to their consumers so they will know, the products also sale at pharmacies and clinics for skin care product. (S10, O8)2. Lots of advertising to attract the teenagers and young people to buy the products. (S8, O4)3. Expand the branch and market around the world. (S4, O3) | ------------------------------------------------- WO1. Doing lots of promotion compared to their competitor , Avon ( W9, O9 )2. Move by selling anti- aging product for American region. 3. increase product innovation and marketing | -------------------------------------------------

Threats1. Top competitors in the cosmetics business. 2. Currency fluctuation risks3. Consumer complaints and inquiries due to animal testing for new products and many personal care companies are dropping this form of product testing. The company will lose its brand image if it receives complaints that it has been using animals to test new products. 4. FDA regulations. 5. Increase in damaging environmental pollutions due to the use of aerosol and fluorocarbons. 6. Restrictions on products that can be carried in-flight will affect travel retail business. 7.

Changes in the distribution policy and a difficult retail environment particularly in fragrance category. 8. The sale of the product is dependent on the disposable income of the consumers, a fall in their incomes would result to a fall in the sales of the company’s products. 9. Competitive pricing at mega stores. 10. Their products are rejected by Madison Avenue. | ------------------------------------------------- ST1. The unique designed that can attract their customers. (S1, T9)2. expand the market to the global (S9, T8) | ------------------------------------------------- WT1.

Using green environmental to testing new products. (W6, T3)2. Product innovation in Fragrance product category. (T8, W2)3. green environmental product need to produce (W7, T3)4. aggresive to influence their professional or supplier. (W8, T1) | 6. 8 SPACE (Strategic Position And Action Evaluation) Matrix Strategic Position and Action Evaluation (SPACE) (continued) Factors Determining Environmental Stability (ES) | Technological changes | Many | 1 | 2 | 3 | | 5 | 6 | Few | Rate of inflation | High | 1 | 2 | 3 | | 5 | 6 | Low | Demand variability | Large | 1 | 2 | | 4 | 5 | 6 | Small |

Price range of competing products | Wide | 1 | 2 | 3 | | 5 | 6 | Narrow | Barriers into entry to market | Few | 1 | 2 | | 4 | 5 | 6 | Many | Competitive pressure | High | 1 | 2 | | 4 | 5 | 6 | Low | Price elasticity of demand | Elastic | 1 | 2 | | 4 | 5 | 6 | Inelastic | Others: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_ | 1 | 2 | 3 | 4 | 5 | 6 | \_\_\_\_\_\_\_ | Average: = (24/7) = 3. 43 Critical factors: | | | Strategic Position and Action Evaluation (SPACE) (continued) Factors Determining Industry Strengths (IS) | Growth potential | Low | 1 | 2 | 3 | | 5 | 6 | High | Profit potential | Low | 1 | 2 | 3 | | 5 | 6 | High |

Financial stability | Low | 1 | 2 | 3 | | 5 | 6 | High | Technological know-how | Simple | 1 | 2 | | 4 | 5 | 6 | Complex | Resource utilization | Inefficient | 1 | 2 | | 4 | 5 | 6 | Efficient | Capital intensity | High | 1 | 2 | 3 | | 5 | 6 | Low | Barriers of entry into market | Easy | 1 | 2 | | 4 | 5 | 6 | Difficult | Productivity, capacity utilization | Low | 1 | 2 | 3 | | 5 | 6 | High | Others: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | Low | 1 | 2 | 3 | 4 | 5 | 6 | High | Average: (29/8) = 3. 63 Critical factors: | | Strategic Position and Action Evaluation (SPACE) (continued) Factors Determining Competitive Advantage(CS) |

Market share | Small | 1 | 2 | | 4 | 5 | 6 | Large | Product quality | Inferior | 1 | 2 | | 4 | 5 | 6 | Superior | Product life cycle | Late | 1 | 2 | 3 | | 5 | 6 | Early | Product replacement cycle | Variable | 1 | 2 | 3 | 4 | | 6 | Fixed | Customer loyalty | Low | 1 | 2 | 3 | 4 | | 6 | High | Competitor’s capacity utilization | Low | 1 | 2 | | 4 | 5 | 6 | High | Technological know-how | Low | 1 | 2 | 3 | | 5 | 6 | High | Vertical integration | Low | 1 | | 3 | 4 | 5 | 6 | High | Others: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | Low | 1 | 2 | 3 | 4 | 5 | 6 | High | Average: =: =(29/8) = 3. 63 Critical factors: | | |

Strategic Position and Action Evaluation (SPACE) (continued) Factors Determining Financial Strength(FS) | Return on investment | Low | 1 | 2 | 3 | 4 | | 6 | High | Leverage | Imbalanced | 1 | 2 | | 4 | 5 | 6 | Balanced | Liquidity | Imbalanced | 1 | 2 | | 4 | 5 | 6 | Balanced | Capital required/capital available | High | 1 | | 3 | 4 | 5 | 6 | Low | Cash flow | Low | 1 | 2 | | 4 | 5 | 6 | High | Ease of exit from market | Difficult | 1 | 2 | | 4 | 5 | 6 | Easy | Risk involved in business | Much | 1 | | 3 | 4 | 5 | 6 | Late | Others: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | Slow | 1 | 2 | 3 | 4 | 5 | 6 | Fast | Average: =(21/7) = 3

Critical factors: | | | 6. 9 BCG Matrix \* Backward, Forward or Horizontal Integration \* Market Penetration \* Market Development \* Product DevelopmentMAKEUP DIVISION (STARS II) | \* Market Penetration \* Market Development \* Product Development \* DivestitureSKIN CARE DIVISION (QUESTION MARKS I) | \* Product Development \* Diversification \* Retrenchment \* DivestitureFRAGRANCE DIVISION (CASH COWS III) | \* Retrenchment \* Divestiture \* LiquidationHAIR CARE DIVISION (DOGS IV) | Calculation: 6. 10 Grand Strategy Matrix Rapid Market Growth Quadrant 2Weak Competitive Position | Strong Competitive

Position Quadrant 1ESTEE LAUDER | Quadrant 3 | Quadrant 4 | Slow Market Growth Grand Strategy Matrix: Model: Recommended Strategies: \* Market development \* Market penetration \* Product development \* Forward, Backward and Horizontal integration \* Related diversification Conclusion: Intensive strategies include Market Penetration, Market Development and Product Development. These strategies will require intensive efforts as Estee Lauder needs to improve its competitive position with existing products. Intensive Strategies will help Estee Lauder achieve the following long-term imperatives: Optimization of Brand Portfolio \* Strengthening of Product Categories \* Strengthening and Expansion of Global Markets \* Diversification and strengthening of channels of distribution \* Operational and Cost Excellence Recommendations: \* Rely on the global brand awareness and build it further by endorsing celebrities from the local markets. \* Have tie-ups with beauty salons, clinics etc to push their brands. \* Using market research, find the brands that have been doing poorly and makes strategies to either improve it or close its operations. Having an idle brand will add on as a burden to the company. Do not have too many brands for the same product category since it will lead to cannibalization. \* Innovation is the key. Identify new customer needs like anti aging products and bring in products that suit the customers better. \* Focus more on selling over the internet. It would be the best channel to attract the youth with so much happening over the internet. \* The company should go ahead with the plan of acquiring Murad Inc. \* Introduce new brands that are priced more economically. \* Formulate new strategies for testing. 6. 11 IE Matrix Matrix (IE) Calculations:

Total Weighted score of IFE = 2. 8, Total Weighted score of  EFE = 3. 4 Model: Recommended Strategies: \* Backward, Forward and Horizontal Integration \* Market penetration \* Market development \* Product development 6. 12 Competitive Profile Matrix Critical Success Factor | Weight | Your Company | Competitor 1 | Competitor 2 | | | Rating | Score | Rating | Score | Rating | Score | 1. Advertising | 0. 05 | 3 | 0. 15 | 4 | 0. 20 | 1 | 0. 05 | 2. Product quality | 0. 10 | 3 | 0. 30 | 2 | 0. 20 | 4 | 0. 40 | 3. Price competitiveness | 0. 20 | 2 | 0. 40 | 3 | 0. 60 | 2 | 0. 0 | 4. Management | 015 | 3 | 0. 45 | 3 | 0. 45 | 2 | 0. 30 | 5. Financial position | 0. 10 | 2 | 0. 20 | 3 | 0. 30 | 4 | 0. 40 | 6. Customer loyalty | 0. 10 | 4 | 0. 40 | 3 | 0. 30 | 1 | 0. 10 | 7. Global expansion | 0. 20 | 4 | 0. 80 | 3 | 0. 60 | 2 | 0. 40 | 8. market share | 0. 10 | 2 | 0. 20 | 4 | 0. 40 | 1 | 0. 10 | TOTAL | 1. 00 | | 2. 90 | | 3. 05 | | 2. 70 | Company Capability Profile - Competitive Factors | | 0% | Weak | Neutral (50%) | Strong | 100% | 1 | Product Strength, Quality, Uniqueness | | | | | | 2 | Customer Loyalty and Satisfaction | | | | | | | Market Share | | | | | | 4 | Low Selling and Distribution Costs | | | | | | 5 | Use of Experience Curve for Pricing | | | | | | 6 | Use of Life Cycle of Products and Replacement Cycle | | | | | | 7 | Investment in New Product Development by R&D | | | | | | 8 | High Barriers to Entry into the Company’s Markets | | | | | | 9 | Advantage Taken of Market Growth Potential | | | | | | 10 | Supplier Strength and Material Availability | | | | | | 11 | Customer Concentration | | | | | | 12 | Others: | | | | | | 6. Matrix Analysis and SWOT Summary No. Alternative Strategies | SWOT Matrix | IE Matrix | SPACE Matrix | Grand Strategy Matrix | BCG Matrix | Total | 1 | Forward Integration | | / | / | / | / | 4 | 2 | Backward Integration | | / | / | / | / | 4 | 3 | Horizontal Integration | / | / | / | / | / | 5 | 4 | Market Penetration | / | / | / | / | / | 5 | 5 | Market Development | / | / | / | / | / | 5 | 6 | Product Development | / | / | / | / | / | 5 | 7 | Concentric Development | | | | / | / | 2 | 8 | Conglomerate Diversification | | | | | / | 1 | 9 | Horizontal Diversification | / | | | | / | 2 | 10 | Joint Venture | | | | | / | 1 | 1 | Retrenchment | / | | / | | / | 3 | 12 | Divestiture | | | | | / | 1 | 13 | Liquidation | | | | | / | 1 | 7. Quantitative Strategic Planning (QSPM) Key Factors | Weight | Strategy 1 (Integration Strategy) | Strategy 2 (Intensive Strategy) | Opportunities | | AS | TS | AS | TS | 12345678910 | Scope for anti-aging productsAmericans over 65 years (1/5th of the population) spend a substantial income on anti-aging productsLife expectancy of the aging population will continue to improve. Youngsters and teenagers purchase age preventive cosmetic items to battle effects of aging.

The world’s aging population increasing over 2. 5 times next 40 years (33%) China and India. 70 million people across the globe will reach an income level in the next 20 yearsRising demand from emerging and developing markets for personal products industry. The Europeans buying pattern was changing from buying skincare products from mall- based specialty stores to pharmacies. Concentrate on selling skin care products through pharmacies and through skin care clinics in the EuropeAggressive promotion to market their productsSold in freestanding company-own stores and spas. 0. 040. 100. 030. 050. 050. 090. 050. 030. 020. 09 | 1212312121 | 0. 040. 20. 030. 10. 150. 090. 10. 030. 040. 09 | 1122221122 | 0. 040. 100. 060. 10. 10. 180. 050. 030. 040. 18 | Threats | | | | | | 12345678910 | Top competitors in the cosmetics businessCurrency fluctuation risksConsumer complaints and inquiries due to animal testing for new products and many personal care companies are dropping this form of product testing. The company will lose its brand image if it receives complaints that it has been using animals to test new products.

FDA regulationsIncrease in damaging environmental pollutions due to the use of aerosol and fluorocarbonsRestrictions on products that can be carried in-flight will affect travel retail business. Changes in the distribution policy and a difficult retail environment particularly in fragrance category. The sale of the product is dependent on the disposable income of the consumers, a fall in their incomes would result to a fall in the sales of the company’s productsCompetitive pricing at mega stores. Their products are rejected by Madison Avenue. | 0. 070. 100. 020. 040. 100. 030. 040. 030. 050. 2 | 4211212234 | 0. 280. 20. 020. 040. 20. 030. 080. 060. 150. 08 | 3121212113 | 0. 210. 100. 040. 040. 20. 030. 080. 030. 050. 06 | Strengths | | | | | | 12345678910 | Estee Lauder currently has 26 brands selling in over 130 countriesEach brand has a single global image which is promoted with consistent logos, packaging, andadvertising designed to differentiate it from other brands. Estee Lauder was awarded/included in Ten Outstanding Women in Business in the U. S by business and financial editors in 1967 which contributed largely towards brand-building of the companyGlobal licenses and globalized operations.

Defined/numerous/wide channels of distributionManufacturing operations match ISO 14001 standards. Early/effective use of internet/technology in 1998 added strength to their sales. Advertisements which differentiates their products from others. Global expansion as a result of strengthening of the U. S dollarExcellent promotional strategies: Discounts, gifts and free samples with purchases, celebrities endorsements, advertisements which differentiates their products from others | 0. 090. 020. 030. 050. 090. 050. 050. 030. 100. 04 | 1233313214 | 0. 90. 040. 090. 150. 270. 050. 150. 060. 100. 16 | 4333424234 | 0. 360. 060. 090. 150. 100. 20. 060. 300. 16 | Weaknesses | | | | | | 12345678910 | Indistinguishable organizational structureLower sales in Fragrance product category. As a result of this, the company is struggling particularly in American region. Most of the power/authority in the company is vested in family members. It is not clear whether the four presidents have authority over the four product lines or four geographic regions thus a questionable line of command exists.

Net sales of fragrances products decreasedConsumer complaints towards the users of animal testing for new products and personal careDamaging environmental pollutantsColgate has strong and supportive relationship with professionalAvon as the world largest direct seller of personal productAlberto culver has strong presence in the professional saloon market | 0. 020. 050. 030. 040. 030. 020. 100. 070. 040. 10 | 3121213121 | 0. 060. 050. 060. 040. 060. 020. 300. 070. 080. 10 | 2211221122 | 0. 040. 100. 030. 040. 060. 040. 100. 070. 080. 2 | | TOTAL | | TAS 1 | 3. 3 | TAS 2 | 3. 96 | Analysis: The final group of strategies that we have chosen for Estee Lauder is ‘ Intensive Strategies?. Conclusion : Intensive strategies include Market Penetration, Market Development and Product Development. These strategies will require intensive efforts as Estee Lauder needs to improve its competitive position with existing products. Intensive Strategies will help Estee Lauder achieve the following long-term imperatives: \* Optimization of Brand Portfolio \* Strengthening of Product Categories \* Strengthening and Expansion of Global Markets Diversification and strengthening of channels of distribution \* Operational and Cost Excellence 8. 0 Long Term Objectives and Alternatives Strategy 8. 1 Long Term Objectives 8. 1. 1 Optimize brand portfolio - Branding is a subset of marketing management. Estee Lauder should design and puts the customer at the centre of the business. It will evaluate customer behaviours, existing brand equities, organizational capabilities and resource allocation to understand the impact of potential adjustments to the portfolio to be more efficiently and effectively go-to-market. . 1. 2 Strengthen product categories -We are continuing to shift our product category mix towards higher margin categories with greater global growth potential. Skin care, our most profitable product category, is a strategic priority for our innovation and investment spending, particularly in the Asia/Pacific region. We are also focusing our attention on luxury consumers across all product categories and have seen an improvement in the net sales of many of our higher-end prestige products. We will also continue to build our makeup product category through the introduction of new product offerings, continue expanding our hair care brands both in salons and in other retail channels and continue to focus our efforts to enhance our fragrance business. 8. 1. 3 Strengthen and expand geographic presence -We are strengthening our geographic presence by seeking share growth in large, image-building cities within core markets such as the United States, the United Kingdom, France, Italy and Japan.

In addition, we continue to prioritize efforts to expand our presence and accelerate share growth in emerging markets such as China, the Middle East, Eastern Europe and Brazil and focus on consumers who purchase in the travel retail channel, in stores at their travel destinations or when they return to their home market. -At the same time, we are also expanding our presence in other channels, such as specialty retailers, Company-operated stores and online. Internationally, we continue to take actions to grow profitability in European perfumeries and pharmacies and in department stores in Asia.

The travel retail businesses continue to be an important source of sales growth and profitability. Our business in this channel has benefitted from the implementation of programs we designed to target consumers in distinct travel corridors, enhance consumers' " High-Touch" experiences and convert travellers into purchasers. 8. 1. 4 Diversify and strengthen distribution channels -Turnaround or Exit Unprofitable Operations - To improve the profitability in certain of our brands and regions, we have selectively exited certain channels of distribution, categories and markets, and have made changes to turnaround others.

This included the exit from the global wholesale distribution of our Prescriptives brand, the reformulation of Ojon brand products and the exit from the global distribution of Sean John products. In connection with these activities, we incurred charges for product returns, inventory write-offs, reduction of workforce and termination of contracts. 8. 1. 5 Achieve operational and cost excellence -Resize and Reorganize the Organization-We continued the realignment and optimization of our organization to better leverage scale, improve productivity, reduce complexity and achieve cost savings in each region and across various functions.

This included reduction of the workforce which occurred through the consolidation of certain functions, which we achieved through a combination of normal attrition and job eliminations, and the closure and consolidation of certain distribution and office facilities. -Outsourcing - In order to balance the growing need for information technology support with our efforts to provide the most efficient and cost effective solutions, we continued the outsourcing of certain information technology processes.

We incurred costs to transition services to outsource providers and employee-related termination costs. 8. 2 Alternative Strategies 8. 2. 1 Product Development Product development is a strategy that seeks increased sales by improving or modifying present products or services. Products development usually entails large research and development expenditures. In Estee Lauder cases, they can use the Nano Technology. Nano Technology is the engineering of functional systems at the molecular scale. This covers both current work and concepts that are more advanced.

In its original sense, Nano Technology refers to the projected ability to construct items from the bottom up, using techniques and tools being developed today to make complete, high performance products. 8. 2. 1. 1 Advantages The advantages of using Nano Technology are it more effective in delivering systems that are built in at the molecular level, enabling beneficial ingredients to penetrate directly upon application rather than resting on the surface level of skin. Nanotechnology made its way into sunscreens to make consumers happy with a clear application and into mineral makeup to create a smoother, more glowing appearance. . 2. 1. 2 Disadvantages The disadvantages of using the Nano Technology are it is very expensive and developing it can cost a lot ofmoney. It is also pretty difficult to manufacture, which is probably why products made with nanotechnology are more expensive. Since these particles are very small, problems can actually arise from the inhalation of these minute particles, much like the problems a person gets from inhaling minute asbestos particles. 8. 2. 2 Market Development Market development involves introducing present products or services into new geographic areas.

In Estee Lauder case, they were strengthening their geographic presence by seeking share growth in large, image-building cities within core markets such as the United States, the United Kingdom, France, Italy and Japan. In addition, they continue to prioritize efforts to expand their presence and accelerate share growth in emerging markets such as China, the Middle East, Eastern Europe and Brazil and focus on consumers who purchase in the travel retail channel, in stores at their travel destinations or when they return to their home market.

At the same time, Estee Lauder also expanding their presence in other channels, such as specialty retailers, company-operated stores and online. Internationally, they continue to take actions to grow profitability in European perfumeries and pharmacies and in department stores in Asia. The travel retail businesses continue to be an important source of sales growth and profitability. Their business in this channel has benefitted from the implementation of programs that they have designed to target consumers in distinct travel corridors, enhance consumers' " High-Touch" experiences and convert travelers into purchasers. . 2. 2. 1 Advantages 8. 2. 2. 1. 1 Marketing Marketing is one of the advantages of market development. A successful combination of market and product strategies can establish Estee Lauder as the industry leader. It expands the consumer exposure and makes Estee Lauder and Estee Lauder product’s names recognizable in the marketplace. This give Estee Lauder an advantage in marketing their company and product. When consumers recognize Este Lauder brand as an industry leader, it enhances the rest of their marketing efforts. 8. 2. 2. 1. 2 Client Base Another advantage of market development is client base.

Effective market and product development strategies rely on input from their existing customers. One of the advantages of a successful market and product development strategies is that it presents the company with a source of willing satisfied customers that will help they test new products and work out developmental issues before the products get released to the general public. Estee Lauder can also survey existing clients to determine what products and methods are most effective for opening marketing programs for new territories. 8. 2. 2. 2 Disadvantages 8. 2. 2. 2. 1 ProductFailure

As a first-time mover into a new market, Estee Lauder can gain an advantage over the competition by getting their products in front of customers first. But that advantage can quickly become a disadvantage when the competition releases products that compensate for the shortcomings of Estee Lauder first release. First to market also means the first to be exposed to the issues uncovered when a product gets put into real-world applications for the first time. The competition can come in with solutions to the problems that Estee Lauder product created and diminish the benefit of being first to market. . 2. 2. 2. 2 External Resources The company can control their internal resources with product and marketing strategies, but those strategies need to include external resources such as shipping companies and materials vendors. The external resources are much more difficult for them to control and a vendor that sends them incorrect manufacturing materials can put the company entire product and market development plans behind schedule and over budget. 8. 2. 3 Market Penetration Estee Lauder should apply new strategies to increase their profitability. One of the strategies is market penetration.

Market penetration strategy uses low prices to generate demand for a product and increase market share. As demand for a product of Estee Lauder rises, the company in turn saves on production costs per unit by producing a greater volume of the product. Market penetration strategy does not work for all products, and market leaders frequently use other strategies. 8. 2. 3. 1 Advantages 8. 2. 3. 1. 1 Cost efficiency The strategy will help Estee Lauder on cost efficiency. The emphasis on keeping the price low helps in controlling the cost thereby cost efficiency is achieved.

People will buy more of a product the lower it is priced. A penetration pricing strategy creates a significant advantage for a company like Estee Lauder that can identify and act on this type of price sensitivity. Penetration pricing often has the effect of blocking at least delaying, competition. In addition, it can help to lower per-unit costs of production when manufacturing processes are subject to economies of scale. 8. 2. 3. 1. 2 Lower competitors If Estee Lauder adopts penetration pricing and lower the price of their products, it may stop competitors from entering the market that Estee Lauder involved.

This happens because now the competitors will have to enter the market at lower than existing prices. This reduces their profit not to mention the risk they face as new entrants in acquiring market share. 8. 2. 3. 2 Disadvantages 8. 2. 3. 2. 1 Missed Opportunities One of the disadvantages of market penetration is missed opportunities. A company that produces a luxury product like Estee Lauder misses opportunities if it markets the item as a cheap product. Consumers who desire luxury items would avoid the product. With a high demand for indulgent products, a company could miss out substantially on sales.

Furthermore, if Estee Lauder keeps prices low for a time and then raises them, customers will probably go elsewhere. 8. 2. 3. 2. 2 Unmet Production Costs Estee Lauder is a product which can be categories as luxury poduct. If products are expensive to create, attempting to have the lowest prices may not lead to a significant profit. It could make Estee Lauder have low profit if they do market penetration on their product. Smaller companies in particular often have trouble producing enough to adequately lower the production cost per volume, especially when competing with large companies.

In this situation, Estee Lauder must promote its product as a more upscale item. Attention to packaging and image, as part of a strong marketing campaign, can thus pay off more than low prices. 9. Strategy Implementation (Policies & Allocate Resources) McKinsey 7S Implementation Framework 9. 1 Strategy 9. 2. 1 Excellent promotional strategies: Discounts, gifts and free samples with purchases, celebrities endorsements, advertisements which differentiates their products from others. 9. 2. 2 Global expansion as a result of strengthening of the U.

S dollar. 9. 2. 3 Estee Lauder currently has 26 brands selling in over 130 countries 9. 2. 4 Global licenses and globalized operations. 9. 2 Structure 9. 3. 5 Estee Lauder should distinguishable organizational structure. 9. 3. 6 Defined/numerous/wide channels of distribution 9. 3 System 9. 4. 7 Manufacturing operations match ISO 14001 standards. 9. 4. 8 Early/effective use of internet/technology in 1998 added strength to their sales. 9. 4 Style 9. 5. 9 Advertisements which differentiates their products from others 9. 5 Shared Value 9. 6. 0 Each brand has a single global image which is promoted with consistent logos, packaging, and advertising designed to differentiate it from other brands. 9. 6 Staff 9. 7. 11 Estee Lauder should not only give the opportunity to the family members to run the business. 9. 7 Skills 9. 8. 12 Estee Lauder should employ expert in Research and Development department to produce quality product. 10. 0 Recommendations and Conclusion Recommendations are listed below: \* Rely on the global brand awareness and build it further by endorsing celebrities from the local markets. \* Have tie-ups with beauty salons, clinics etc. o push their brands. \* Using market research, find the brands that have been doing poorly and makes strategies to either improve it or close its operations. Having an idle brand will add on as a burden to the company. \* Do not have too many brands for the same product category since it will lead to cannibalization. \* Innovation is the key. Identify new customer needs like anti-aging products and bring in products that su