

# Loreal company project analysis



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Many cosmetic brands are popping up recently, perhaps, due to the increasing consumers of products that beautify and enhance the physical appearance of a person. Even though the market is already full of the said cosmetic brands, the company L’Oreal Groups could still be considered as the leading supplier cosmetics and hair-color. (L’Oreal Introduction & profile)

## **Company Profile**

Before the facial cosmetics, L’Oreal was known as a hair-color formula developed by French chemist Eugene Schueller in 1907. It was then known as “ Aureole”. Schueller formulated and manufactured his own products which were sold to Parisian hairdressers. It was only in 1909 that Schueller registered his company as “ Societe Francaise de Teintures Inoffensives pour Cheveus, the future L’Oreal. Scheuller began exporting his products, which was then limited to hair-coloring products. There were 3 chemists employed in 1920. In 1950, the research teams increased to 100 and reached 1, 000 by 1984. Today, research teams are numbered to 2, 000 and are still expected to increase in the near future. Through agents and consignments, Scheuller further distributed his products in the United States of America, South America, Russia and the Far East. The L’Oreal Group is present worldwide through its subsidiaries and agents. L’Oreal started to expand its products from hair-color to other cleansing and beauty products. The L’Oreal Group today markets over 500 brands and more than 2, 000 products in the various sectors of the beauty business. Such includes hair colors, permanents, styling aids, body and skincare, cleansers and fragrances. Indeed, the L’Oreal Group has reached the peak that all cosmetic brands sought after. Many factors contribute to the success of the Company. These will be

discussed further in the proceeding parts of this study. (L’Oreal Introduction & profile)

[http://photos7.flickr.com/8100492\\_df5327a9c4\\_m.jpg](http://photos7.flickr.com/8100492_df5327a9c4_m.jpg)

Since October, the most famous general public cosmetics brand, L’Oreal Paris, launched its products for men named: “ Men Expert”. L’Oreal group already sold a range of cosmetics products for men with Biotherm or Lancôme brand for example, but it was the first time it launched these products with L’Oreal brand. With seven different products, L’Oreal Paris wants to touch all targets: Young men with their skins problems, adults men with their first tiredness signs but also matures men with their first wrinkles. L’Oreal Paris suggests as well specifics products for men such as shaving products or after-shave lotions.

The prices of this range are between 2, 80 and 9, 95 €. They are reasonable because these products are marketed for general public. (L’Oreal Introduction & profile)

## **Global branding**

L’Oreal is a good illustration of how global branding can be used to generate new growth opportunities without in any way reducing responsiveness to local needs. L’Oreal has a portfolio of popular brands that embody their country of origin. The French company believes that two beauty cultures dominate – the French and the American. The two flagship brands, L’Oreal and Maybelline, have distinct positions. L’Oreal is positioned as a French product, with supreme elegance, high prices and sophisticated packaging. Maybelline on the other hand, represents an American value for money

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product which is perceived as street smart and attempts to convey the ‘urban American chic.’ Owen Jones feels that creativity in a large organization such as L’Oreal can be stimulated through competing brands<sup>2</sup>: “ It sets one research centre against another research centre, one marketing group against another marketing group. They fight among themselves and in so doing, we hope, also beat the competition.”

In line with this philosophy<sup>3</sup>, L’Oreal has set up two creative headquarters, one in Paris and the other in New York. Owen Jones explains: (L’Oreal policy)

“ We set up a counter power in New York with people that have a totally different mindset, background and creativity.” The two hubs undertake collaborative research efforts but are competitors when it comes to marketing. L’Oreal’s American brand, Redken, competes with Preference, the company’s brand in France. Owen Jones feels that healthy competition will motivate the French and American companies to perform even better.

(L’Oreal policy)

## **Table I**

### **L’Oreal: Summarized Profit and Loss Account**

(Figures in \$ Million)

1999

1998

1997

Sales

10, 825

13, 417

11, 522

Gross Profit

3, 733

4, 864

4, 298

Net Income

702

839

664

Net Profit Margin (Percent)

6. 5

6. 3

5. 8

L’Oreal’s global marketing efforts have been spearheaded by Owen Jones himself. Press reports describe his habit of moving around on the streets in overseas markets, trying to understand customer needs. Owen Jones says\*: “

We have this great strategy back in the head office of how we are going to do it worldwide. But when you go out and look at what is happening, is there a big gap between your projections and the reality of what you see and hear?

It is so important to have a world vision because otherwise decentralized consumer goods companies with many brands can fracture into as many little parts if somebody isn't pulling it back the other way the whole time with a central vision." (L'Oreal policy)

## **Table II**

### **L'Oreal: Geographic Segment Information**

(Sales for 1999)

\$ Million

Percentage of Total

Western Europe

5, 995

56

North America

2, 972

27

Other regions

1, 837

17

Total

10, 804

100

Having already established itself in Europe and the US, L’Oreal is now seriously looking at emerging markets. Its acquisition of Soft Sheen is expected to help L’Oreal to penetrate the African markets. L’ Oreal has been rapidly expanding in India since it set up shop in 1997. It is already the market leader in Mexico. L’Oreal’s experience in China reflects some of the challenges it faces in emerging markets. The company’s move to use the glamorous Chinese movie star, Gong Li to sponsor its products has not paid off. Looking back, some analysts feel that L’Oreal should have preferred a sponsor with the girl next door looks as ordinary customers could not relate to Gong Li. When the movie star’s contract came up for renewal, L’ Oreal decided to involve other sponsors in place of the earlier exclusive arrangement. One important market where L’Oreal continues to be weak is Japan, the second largest cosmetics market in the world with annual sales of about \$ 25 billion. Among the problems which the company faces in Japan are the country’s complex distribution network and strict health and safety regulations. L’Oreal recently regained control of Maybelline from local cosmetics maker Kose which had purchased the rights prior to L’Oreal’s takeover. Notwithstanding these problems in Japan, L’Oreal seems well

placed to continue its global thrust. The French company has seen double digit growth for the last 10 years. As Business Week has reported, “ L’Oreal has developed a winning formula: a growing portfolio of international brands that has transformed the French company into the United Nations of beauty.” (L’Oreal policy)

## **L’Oreal: The Global Presence**

### **Marketing Strategies**

#### **Customer Satisfaction (Product; Price)**

The L’Oreal Group is known for their continuous innovation in order to improve the quality of their products and the services they have to offer to their consumers. Part of their strategic plan is to cater to the best interest of their costumers, in other words, costumer satisfaction. Through giving a wide variety of products, consumers have a whole gamut of products and services that they can choose from and which best serves their preference. The range of their prices caters to the demands of women, from the younger ones to the aging, from the affluent to those with lower budget for cosmetic products. Through constant research and passion for innovation, the L’Oreal Group best caters to the demands of women of different cultures. The Company also sees to it that they know the latest trend, or better yet, set the trend in the market as to attract more consumers. (Padambanam, 2010)

#### **Control of the Company**

A very vital aspect in the success of a company is how their leaders handle and run the business. In fact, the L’Oreal Group is very particular in the governance of the Company. The Board directors and the Board members

are well aware of all of their duties required by their respective functions and of their collective mission, for it is in their hands that the Company's future depends on. The Board members are also obliged to act with due care and attention to their duties in order to carry out their responsibilities.

(Padambanam, 2010)

### **Worldwide Marketing (Place of Distribution; Promotion)**

Part of the L'Oreal Group's strategic plan is the marketing of their products worldwide. From the bloom of L'Oreal during its primary stage, the Company already catered to the demands of women worldwide. In line with this, they are also well aware of the diversities of women around the world. Part of this strategy is to formulate products that suit other women from other parts of the world. Through research and development of their products, the L'Oreal group has already covered most parts of the globe and still got high approval ratings from their clients. Just recently, the L'Oreal Groups received the Diversity Best Practices 2004 Global Leadership Award for embracing diversity, not only in their employees, but also in their consumers (Anonymous, 2004). The Company's taking consideration of women of color is especially appreciated by its consumers for they are also being given the chance to enhance their features and embrace their diversity without having to conform with the traditional concept of beauty, particularly that of the white Caucasian women. The L'Oreal Group also has employees who are considered minorities, such as the women and people of color. Valuing of the people's culture and ideas is important to the L'Oreal Group, in order to best serve the interest of the consumers, the employees and the Company.

(Padambanam, 2010)

## **D. Impeccable Advertising (Promotion)**

During the early days of advertising, L’Oreal commissioned promotional posters from various graphic artists to publicize the Company’s products. The 1950s brought about a new advertising medium, particularly the movies. L’Oreal made it’s on-screen debut during this period and in 1953 won an award advertising Oscar, the first in a long series of awards. Today, L’Oreal takes on actresses or different personalities of all ages that best exudes the vision of the Company. Famous personalities enable average individuals to relate to their personal lives, that they can look as good, and so ensures higher sales. (Padambanam, 2010)

## **Example**

### **Marketing in India**

In business, as in life, it’s important to be in the right place at the right time – and that’s clearly been the aim of French cosmetics giant L’Oreal in India. L’Oreal Paris, Lancome and Garnier tried and tested a variety of innovation and marketing strategies that appear to have paid off. Today, L’Oreal reportedly has 41. 5 per cent share of the market in India for hair conditioner, around 20 per cent for hair coloring products, and 6. 5 per cent and 4. 6 per cent for the skincare and shampoo markets respectively. Meanwhile, it is the country’s leading player in the salon products sector. Different strategies of marketing of products in India:- (Padambanam, 2010)

### **Going Local**

Garnier men’s product

For its consumer products brands Garnier and L’Oreal Paris, adapting to local culture and preferences has been critical. “ Increasingly our blockbusters have been India innovation-led products,” . Garnier redesigned its Excellence hair-coloring product that involved more manual work to mix the dye. But at a quarter of the international retailing price, it meant new consumers were more willing to buy the product. Other successes include an oil-based shampoo, Garnier Fructis Shampoo + Oil, to match the frequent use of hair oil, as well as products for previously-dormant segments such as anti-wrinkle creams and men’s skincare

### **Growing the customer base**

In the emerging markets, product penetration is low, providing generous room for growth. There’s a huge growth and a desire to consume even within segments that have a lot of usage like shampoos, there is a desire to upgrade to performing products. In India there is a heterogeneous market and each one has its own preferences. On all fronts, the growth is very high.” Consumer goods are also showing healthy growth rates of about 15 percent. (Padambanam, 2010)

### **Segmenting markets**

Luxury products may be selling in India’s cosmopolitan cities like Delhi, Mumbai and Bangalore, but their small customer base also makes them highly competitive markets, whether for cosmetics, fragrances or accessories. . Additionally, there is a very large opportunity in the middle market where consumers want to consume but not at very high price points, a challenge for international players like L’Oreal that face “ brutal

competition” from successful local brands like Marico and Dabur India and consumer goods giant Hindustan Unilever. (Padambanam, 2010)

## **ANSWER 2**

### **L’Oreal Policy**

L’Oreal is required to have an understanding of its different cultural distinctions:

#### **- Reflect consumers’ diversity of origins within teams at every level**

In terms of nationality, ethnic or social origin, age..., while maintaining standards of excellence in terms of competencies.

- Promote gender equity within teams

Promote the access of women to positions of responsibility, facilitate gender equity in functions that are currently over-staffed by men or women (Marketing, Industry), and ensure equal treatment in terms of salary.

- Encourage the employment people with disabilities.

#### **- Valorize work experience in anticipation of a longer work life.**

#### **- Develop an inclusive managerial culture, respectful of all.**

### **Diversities Matrix**

L’Oreal based its approach on a Diversities Matrix, composed of 6 priority dimensions and 7 action levers: (Padambanam, 2010)

[http://www.loreal.com/\\_en/\\_ww/html/company/lmg/diversity/matrice.jpg](http://www.loreal.com/_en/_ww/html/company/lmg/diversity/matrice.jpg)

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## **Translating Commercial Websites: L’Oreal has links to numerous country specific website**

Again a very good example of global marketing strategy. The Web is not only a new channel for information exchange but also a powerful instrument for businesses to reach potential customers. With well-maintained multilingual websites, a company can not only project its image across borders but also sell goods online without the material presence of a shop front (Malaval, 2001 p. 204). Commercial websites are seen as a necessary marketing move to reach out to visible and invisible customers in a real as well as a virtual world. The following discussion of commercial website translation takes into account the interaction and interdependence of three elements, namely the Web, translation and advertising. On at least two counts the translation of commercial websites coincides with advertising translation. First and foremost, advertising and websites are in essence mass communication devices in modern society. Therefore it is crucial to take into account elements of advertising translation in order to investigate website translation. (L’Oreal Introduction & profile)

C: UsersKanikaAppDataLocalMicrosoftWindowsTemporary Internet FilesContent. WordNew Picture. png

The figures above are the homepages of L’Oréal websites in English and Chinese languages.

These images suggest that there are at least two templates for websites, with figure 1-1 and 1-3 sharing the same layout and the other two another. The figures of different L’Oréal websites offer certain guidance for the

discussion. First of all, the verbal elements are undoubtedly an important aspect in the investigation of translational activity. Nonetheless, the layout and other non-verbal elements altogether provide insight into whether or not images/meanings are ‘translated’. In figures 1-1 to 1-4 for instance, the spokesperson and color scheme are very obvious differences. In the global website, the spokesperson in the homepage is a scientist who won a competition sponsored by the company. Clearly the image involved here aims to promote a recent campaign and is thus placed in the eye-catching place, indicating the company’s intention to create a positive and involved corporate image. Yet it is important to be aware that this is a temporary promotional event and the image can be replaced anytime after the promotional period. The images of the spokesperson in the Taiwan and Hong Kong websites are the same, featuring an actress based in Hong Kong. The spokesperson in the simplified Chinese website, however, is yet another Chinese actress with whom the local audiences are more familiar. Aside from the image appearing on the homepage, the logo of the company is placed differently in the two templates. The template of the global website presents the logo at the upper-left corner, whereas the Hong Kong website template has the logo occupying nearly one-third of the webpage. (LEE, 2009)

## **Conclusion:**

In business, as in life, it’s important to be in the right place at the right time – and that’s clearly been the aim of French cosmetics giant L’Oreal in India. For nearly two decades, the owner of brands like Maybelline, L’Oreal Paris, Lancome and Garnier tried and tested a variety of innovation and marketing strategies that appear to have paid off. Today, L’Oreal reportedly has 41.5

per cent share of the market in India for hair conditioner, around 20 per cent for hair colouring products, and 6.5 per cent and 4.6 per cent for the skincare and shampoo markets respectively. Meanwhile, it is the countries

Innovating for a local market, both with product and pricing, as well as an aggressive marketing strategy, have proved particularly effective, says Dinesh Dayal (MBA '84J), L'Oreal India's chief operating officer. "It's really a mixture of intuition, hard market research and the power of our global R&D which yielded the right kind of innovation."