

Understand the process of strategy planning

[Business](#)



Understand the Process of Strategy Planning 2 Produce an organizational audit for L'Oreal. You should consider using SWOT analysis, value-chain analysis to conduct the audit for L'Oreal.

L'Oreal Beauty Company was founded in 1909 by Eugene Schueller and has grown to become one of the leading companies in the beauty and cosmetic industry. L'Oreal is managed by Board of Directors and has branches in over 130 countries globally. According to company reports, Bettencourt Meyer's family owns the largest shares in the company amounting to 31 percent followed closely by Nestle Group with 29 percent. Other significant shareholders include International Institutional Investors, French Institutional Investors and individual shareholders. SWOT analysis evaluates Threats, Weaknesses, Opportunities and Strengths associated with a business venture. The company's strength is in its research and development team which focuses on dermatology and cosmetology. Such capability has allowed the company to develop new products like Armani Code Donna. The company has continuously registered dismal performance in North America where Procter and Gamble is doing well. In the hair styling market, in Western Europe, the company is doing poorly. Such performance undermines investor confidence (L'Oreal Annual Report).

Markets like United States provide the company with new opportunities. The old population in United States provides a large market for beauty products. They use revitalizing lotions and cosmetics that give them a good appeal and appearance. Emerging markets in Brazil, India and China provides market for the company's cosmetic products. Indians provide a high demand for hair color products. Threats faced by L'Oreal include consumers opting for new technologies like organ transplant, cosmetic surgery and advanced

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dermatology, the company could lose market for its products. Increased competition from companies like Avon, Revlon, Procter and Gamble, Unilever, and others poses a significant threat to L'Oreal. Availability of counterfeit products in the market reduces consumer confidence and tarnishes the brand image.

2. 2: Carry out an environmental audit for L'Oreal. You should use PESTLE and PORTER'S 5 forces analysis for the environmental audit.

PESTLE analysis establishes the political, economic, social, technological, legal and the environment in which a company thrives. The company is doing well in local and international markets. The hair color products of the company are in high demand, in India. The company registered 70 million new consumers worldwide and is targeting an increment of outlets in new markets. Socially, the company involves itself in education, affirmative action, science and other issues. The company continues to improve social lives in many countries. The most significant involvement is a partnership with United Nations in to support International Corporate Program for Women in Science. L'Oreal uses sustainable and renewable raw material thus protecting the environment from deforestation hence degradation. The GeoPeak Solar System has seen reduction of water used and wastages thus protecting the environment. The factory in United States has a powered by solar system to reduce greenhouse emissions. The company does not lag behind technologically to ensure it meets consumer changing demands. LOreal uses photonics to improve the color of cosmetic products. Porter's five analysis is an important tool in studying an industry and determining planning strategies that are beneficial to a company. The study reveals that L'Oreal faces market rivalry from Revlon, Avon and other companies. Since <https://assignbuster.com/understand-the-process-of-startegy-planning/>

the company is renowned and established, threats of new market entrants does not affect the company. The existence of substitute products from other companies affects the market price of merchandise. Suppliers in the market have less power since products are differentiated. The company can switch from one supplier to another without affecting its revenues. With many rivals in the market, buyers have significant bargaining power. However, the unique and differentiated products make L'Oreal stand out from other competitors (L'Oreal Annual Report).

2. 3: Explain the significance of stakeholder analysis for the L'Oreal scenario.

An analysis of stakeholders helps to establish the structures and strategies the company has put in place to meet its objectives. The company has to ensure that stakeholders needs are satisfied through strategic plans. Stakeholders include shareholders, consumers, employees and other development partners. The company provides differentiated products that are unique and satisfy the customers. The company shares are doing well in stock exchange markets thus providing the shareholders with high dividends and interests on their shares. The company offers incentives in the form of remunerations, training and job specialization. This motivates employees and decreases the rate of turnover in a market where competition is stiff (L'Oreal Annual Report).

M3: Explain L'Oreal present strategy and communicate appropriate solution and focus PORTER" S 5 forces analysis.

Due to substitute products in the many markets, the company continues to differentiate its products to earn large market share of profit. The company is also diversifying and is targeting the pharmaceutical industry through <https://assignbuster.com/understand-the-process-of-strategy-planning/>

Vichy and La Roche. Focusing on key areas enhances growth for the company. The research and development department is helping the company realize some of its strategic goals. Due to growing competition in the industry, the company has focused on establishing itself in new market like India where its hair color products are doing well. The threat of new market entrants and existing rivalry has made the company pursue new markets in India and North America. The company has is depends on independent suppliers and is focusing on establishing its chain supplies. The company can minimize the threat of new entrants through mergers and acquisitions. The company can also review pricing of its products to maintain their stop buyers from seeking substitute products (L'Oreal Annual Report).

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