

L'oreal swot analysis essay



**ASSIGN
BUSTER**

Prior to the establishment of facial cosmetics, L'Oreal can be identified as a hair-colour formula which has been introduced by a French chemist known as Eugene Schueller in 1907. At this time it was called "Aureole". Schueller brought an idea of manufacturing it on his own products which were later taken to Parisian markets and hairdressers to be sold. It was only in 1909 that Schueller registered his company as "Société Française de Teintures Inoffensives pour Cheveux," the future L'Oreal. Schueller started to export his products, which was then limited to hair-colouring 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, Schueller 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-colour 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 colours, permanents, styling aids, body and skincare, cleansers and fragrances. Indeed, the L'Oreal Group have reached the peak that all cosmetic brands sought after and also identified many factors that can contribute to the success of the Company. In the early 1980's L'Oreal achieved a high level of global distribution which was barely in the sights of its senior managers. Since L'Oreal was known to be France's leading beauty company, its international presence was so limited that many believed and had a conception of Parisian beauty as being expensive and high culture. The image of L'Oreal brands at the time e. g. Lancôme in cosmetics

and L'Oreal professional in hair care limited the company ability to expand into international markets.

When a person is infected the infection could be coming from inside the body or outside, similar to the organization where by some of the decision/changes being made are being influenced by factors outside the company and sometimes it's hard to resist them. Non exceptional L'Oreal is one of the organizations being subjected to these factors. The factors can be put in one word SWOT (Strengths, weakness, opportunities and threats factors) (<http://loreal.exteen.com>)

Internal Influences

(S)trengths

The on going success of the L'Oreal Group is without if not for the ingenuity of the concept of their vision as a team. L'Oreal Chairman and CEO Lindsay Owen-Jones consider passion as the key to the well-renowned accomplishment of the said Company. The primary strength of the Company is the continuing research and innovation in the interest of beauty which assures that the L'Oreal Cosmetics offers the best to their consumers. Their dedication to their continuous research makes them the leader in the growing cosmetics industry despite the competition in the market.

On the other hand the L'Oreal group also had of Strength of developing activities in the field of cosmetics as well as in the dermatological and pharmaceutical fields in order to enhance and put more concentration in their particular activities. The cosmetics activities of L'Oreal are divided in to three groups. First is the Consumer Product Division which encompasses all

the brands distributed through mass-market channels, ensuring that L'Oreal quality is available to the maximum number of the consumers. The Luxury Products Division includes the prestigious international brands selectively distributed through perfumeries, department stores and duty-free shops. The Professional Products Division offers specific hair care products for use by professional hairdressers and products sold exclusively through hair salons. The Active Cosmetics Department creates and markets products for selective distribution through pharmacies and specialist health and beauty outlets. The L'Oreal Group's dermatological activities are linked with Galderma, which is basically a dermatological firm that contributes to the innovation of the L'Oreal Group's products. The pharmaceutical activities of L'Oreal are also handled by Sanofi-Aventis. These divisions and subdivisions ensure the quality that the L'Oreal Group offers to its customers. To further add to the enumerated strengths of the company, L'Oreal's advertising strategy also plays a major part to its growth. Through adapting to the culture of their target market as the main tool of their advertisement, the Company brought L'Oreal products within reach of other women from different parts of the world. (<http://loreal.exteen.com>)

(W)eaknesses

Perhaps one of the weaknesses that a big company faces is the decentralized organizational structure. This is also part of the difficulties that L'Oreal is facing. Due to the many subdivisions of the Company, there is also the difficulty in the control of L'Oreal. This slows down the production of the Company because of the need of giving reference to the other Board members and directors of the Company. L'Oreal will also have a difficulty in

finding out what division is accountable for the possible pitfalls of the Company. Another weakness that L'Oreal faces is their profit. The profit margin of L'Oreal is comparably low than that of the other smaller rivals. While L'Oreal projects certain rise in digits as their profit, the result does not usually meet the expectations (Sang, 2003). Perhaps, this is also due to the high-end advertising and marketing as well as the width of the Company. Also the coordination and the control of the activities and image in the worldwide market are also viewed as a weakness in the part of L'Oreal. Due to its worldwide marketing strategy, there are also dissimilarities brought about in the campaign of L'Oreal products as to what iMac. (<http://loreal.exteen.com>)

External Influences

(O)pportunities

The L'Oreal Company concentrates on cosmetic products that enhance women of all ages. The growing demand for beauty products gives L'Oreal the opportunity to focus in their field of specialization, particularly on hair styling and colour, skincare, cosmetics and perfumeries. Being the leading cosmetic brand gives them the edge for their well-known image. Opportunity also emanates from their growing market that ranges from the affluent, the aging and also the masses of the developed countries. Another opportunity that L'Oreal must take advantage of is their greater market share because of the numerous patents registered by the Company. This enables them to have the top of the line products only to their name and therefore would lead costumers only to them for they could not find any of the said cosmetics in other brands. (<http://loreal.exteen.com>)

(T)hreat

A threat to the L'Oreal group is also the growing competition within the field of cosmetic brands. Due to the on going addition to the field of cosmetics, there is still the danger that other brands could surpass the profit of L'Oreal. Another threat to the Company is the economic downturn that is quite evident in other countries. Such could thus hurt the possibility of higher profit for the company. Most products of L'Oreal are within the reach of the citizens of developed countries, but L'Oreal may have problems reaching out even to the average people from the underdeveloped countries. Also a threat to the L'Oreal Group is the spending habits of consumer and the economic crunch that most countries are experiencing as of present. While the L'Oreal Group may be producing the best of its line, people may find that their products are not of their basic needs and would skip buying L'Oreal products. However, with the growth of the market, the damage could be far from taking place. Another significant threat that L'Oreal faced was competing against leading U. S beauty makers. In the professional division, Clairol was the leading U. S hair colour brand, with 70% share of the U. S market. Although hair colouring was L'Oreal's strength, it was the firm's original and most profitable product line. Hair colour was the really the business they were fighting to get in, but Clairol seemed unbeatable. ([http://loreal. exteen. com](http://loreal.exteen.com))

Task 2

How globalisation influences policies and decisions making in L'Oreal

When the Red ken managers initially launched new products independently of L'Oreal's corporate headquarters in New York city, several of these post acquisition launches were unsuccessful. The Red ken brand management was later relocated to L'Oreal U. S corporate headquarters in New York City where it was rebranded Red ken 5th Avenue NYC. The Red ken acquisition triggered a reassessment of L'Oreal entire hair care division where the senior managers realized that they needed a division focused entirely on sales to salons and hairdressers because the U. S professional market was unlike the professional market in Europe where a mid luxury hair care products were sold in department stores. By contrast, most of the mid to luxury hair care sales products in the U. S were sold in salons and other American speciality beauty supply stores. Since Salon sales had a larger profit margin than mass market hair care products, the sales eventually in professional division made up a third of all L'Oreal hair care sales. And the managers realized that Red ken had a global potential as an American brand of American origin.

Since every country has its own way of lifestyle on how they perceive things, the L'Oreal management team has to consider some issues on their policies before making their decisions. Like in the case above , the Red ken is American brand that has it own way of selling in the market unlike in Europe , the L'Oreal managers therefore , has to do how the products is perceived in making American market compared to European . Its here that

we find how the senior managers changed their policy and make a decision to suit how the product is liked in that particular market.

Evaluating the effectiveness of L'Oreal response to globalisation.

While L'Oreal was enjoying its 19th consecutive year of double digit growth in 2004, it had become an international beauty products that was focusing almost exclusively on the manufacturing, developing and sale of French, six American one Italian (Giorgio Armani perfume), one Chinese (Yue-sai acquired in 2004) and one Japanese brand (Shu Uemura acquired in 2001). Its organizational structure, marketing, strategy, and culture were all oriented to the fast growing global personal care market. According to Owen Jones, L'Oreal's U.S. brands were a significant component of the whole orientation and they recognized that they wanted to be a truly global company that they would like to promote around the world American brands because it was the other great alternative in the beauty industry. However, they did something that was basically unthinkable for most multinational companies since they didn't just stop having local brands rather they tried to put their brand everywhere as sell United States to Americans, the United States to Chinese, Italian elegance to the Japanese, French beauty to Africans, and Japanese chic to Brazilians and many others.

At the time when the Maybelline was acquiring the market, it had lost the focus as many of the analysts and watchers said. Two years before the acquisition, Maybelline branched out into the lucrative anti-aging cosmetics market with its Revitalizing brand. Revlon quickly responded with aggressive and well capitalized advertising campaign for its age-defying brand,

overwhelming Maybelline's poorly performing revitalizing. It is here that the brand managers decided to drop for a brief time one of Maybelline's most famous tagline when they realized the Maybelline is losing focus again.

During the research, they found that the other competing brands had unique positions within the market place but consumers were unable to define what Maybelline was. It was sort of sleepy almost a stale brand because it seems most the consumers get confused about the brand and start putting it and mentioning in a different way. Maybelline to some individuals meant mother's pink nail polish, since the managers got some comments about pink and green Great Lash mascara which they wanted to point out that they were proud of that day because it's leading mascara in the world.

The international potential of Maybelline was perhaps just as compelling as its domestic potential which has incredibly powerful value as it's an American brand which corresponded to the idea that in America girls are so well made up, and therefore, the idea of perfection coming from America. This had a big appeal with young people all over the world.

L'Oreal promoted close relationship between Research and development and international brand teams when the Garnier managers decided that the brand needed a fruit based shampoo for the European consumer market and they worked closely with L'Oreal European scientists , who realized that fructose , a type of sugar common in fruit , strengthens hair Japan's fast growing wet lipstick market . Not only these but also the Maybelline global brand team built on water shine's success in Japan creating water shine Diamonds a lipstick that contained small microscopic glass beads coated

with silver and the international brand teams were responsible for not only developing new products but also ensuring the integrity of a given brand's positioning . With international brand teams based in the brand's home country, the team's global product plans were skewed toward the needs of the country. In the U. S market are sometimes easily influenced by the fact that the U. S market is so large that the managers have to put some extra cautious to ensure that global plans are compatible wit other markets a cross the world and not just U. S but also when creating the plans of the other regional offices execute and by sustaining a consistent brand positioning in a far-flung markets was at times a challenge that they had a U. S brand in Japan that allowed to get away from the global marketing plan where the advertisement and promotions were oriented more to Japanese market rather than the brand's global message which involved democracy, independence and freedom . They had too much local adaptation and maintaining the brand message in every country.

L'Oreal's strategy focused on internal growth, disciplined global marketing continuous product innovation, creating a strong presence in every distribution channel of each product division all over the world and acquiring an important role in expanding L'Oreal's product portfolio and generating revenue growth.