

Marketing environment of the loreal group marketing essay



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Every woman wants to look very pretty and natural that is why the L’Oreal group makes everything possible to achieve this. L’Oreal is the biggest cosmetic and beauty company not only in France but also all over the world. Every year this company produces and develops their products. The great history of the company began in 1907 when the French chemist Eugène Schueller created “ Auréole” – hair-color formula. The next step was the registration of the company in 1909. The main office is located in Clichy, France.

At the beginning the company had only three chemists but nowadays the number of employees has increased significantly (more than 63, 000). Furthermore, in recent days L’Oreal group has more than 500 brands and more than 2000 products.

L’Oreal is a very vast company with a lot of products. Such as:

Hair-color

Permanents

Hair styling

Body and skin care

Cleansers

Makeup and fragrances

L’Oreal is associated with many brands such as:

Moreover, L’Oreal is the owner of natural cosmetic dealer The Body Shop International.

There are 4 types of cosmetic activities:

Professional Products Division

Consumer Products Division

The Luxury Products Division

Active Cosmetic Department

In 1979 was opened The International Centre for Dermatological Research.

Between the time periods 1963 until 1964 the company made a huge investment by opening new cosmetological and bacteriological facilities proving they are taking a scientific outlook to skin care. On 17 March 2006 L’Oreal illustrated it’s capability of satisfying customer needs. L’Oreal successfully took over the ethical company “ The Body Shop” for the price of £652 million. Nowadays L’Oreal is active in 130 countries and sells 130 products per second and achieved global market share of 15. 8%. The company is ranked 8th in the list of most admired companies and is considered to be one of the first French cosmetic companies in accordance to an American magazine.

Recently, L’Oreal published a financial report stating the company’s sales and now it has increased by 6. 6% on a steady exchange rate basis. During the financial crisis L’Oreal still reached their main target sales and in the

fiscal year they remained at EUR 3.49 and even rose by 3.8% over the previous year. Through the difficult years L'Oreal kept a high dividend rate in contrast to other companies. The company came to a decision of dividend distribution of EUR 1.44 per share. Available from: [1], [2]

Sources: <http://english.sina.com/business/2010/0701/327396.html>

Economic Environment

GDP Growth Rate

France is a member of the European Union and is ranked 5th in the world of economy according to the list published in Wikipedia (1). France has the second biggest economy and is also placed second in terms of trading nation in Europe. France has always had a constant economic growth due to the conservative planning of the economy by the French government.

As can be seen on Exhibit 1 the gross domestic product (GDP) has been steadily increasing by 0.40 percent in the previous quarter. Between the time periods from 1978 until 2010, the GDP growth of France was recorded at an average of 0.49%. However, there has been a vast decline in numbers from June 1978, when the GDP was at a significant value of 1.60% and by 2008 has fallen and has reached -1.60. In recent days the growth rate of France is increasing therefore it is good for L'Oreal because consumption of production rises.

Exhibit 1

Interest Rate

The euro area standard interest rate is currently set at 1.00%. The price constancy supporting is the main aim of ECB's monetary policy.

Furthermore, changes of the interest rate can influence to L'Oreal by price and putting of products on the market. A lot of companies will profit by the fall in interest rates.

Exhibit 2

The diagram presents that interest rate rapidly decreased from approximately 4.25 in 2009 to 1 in 2010. Since then, the rate has remained constant.

Inflation Rate

The graph below illustrates that, in between the time periods 1958 and 2010 the standard inflation rate in France was 4.93% and the highest it ever reached was 18.80% in April 1958, while the lowest rate was recorded at -0.70% in July 2009. Inflation affected L'Oreal negatively because of their high expenditure and selling price which led to a low number of products sold therefore low income.

Exhibit 3

Exchange Rate

Seeing as France is part of the European Union its currency is euro. During the previous year the exchange rate of euro has been reduced to 11.83%. In April 2008 exchange rate achieved the highest figure of 1.60% while the lowest rate was recorded at 0.64% in February 1985.

Income level of population

As stated by the World Bank, the current income level of France per capita is 23605\$. Income level of population favorably influences L'Oreal. Between the period from 1960 to 2008 the standard GDP per capita was about 16480\$ and obtained a significant peak of 23636\$ in December 2007. Conversely, in December 1960 the numbers decreased in value by attaining 7633\$.

Exhibit 4

Fiscal Policy

The average rates of which individuals pay income tax in France is in between the figures 0-40%.

Tax

Income Euro

0%

Till 5 687 Euro

5, 5%

From 5 687 Euro to 11 344 Euro

14%

From 11 344 Euro to 25 195 Euro

30%

From 25 195 Euro to 67 546 Euro

40%

Over 67 546 Euro

The corporate tax of France is 33.33%. If the stockholding goes over 5% dividends are taxable at approximately 1.7%. Significant tax credits are conferred for research and development. L'Oreal Group does a lot of researches therefore company has 18 Research and Development centres. 1/4 of the R&D budget spent in advanced research.

For small companies on benefits until 38 120 Euro, a rate of 15% is applicable. For big companies such as L'Oreal the government applies additional tax – surtax. L'Oreal is respecting all taxes and paying local and national taxes. Total company income taxes are €676 million.

http://sustainabledevelopment.loreal.com/business/economic-affairs.asp?zoom_highlight=stakeholders

Industry Environment

Cosmetic Industry

Cosmetic industry brings profit to economy that is why it plays one of the important roles. There are 5 major types of beauty products:

perfumes and fragrances

decorative cosmetics

skin care

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hair care

toiletries

<http://www.ctpa.org.uk/page.asp?Section=2&Page=0>

There are 4 main countries such as France, Switzerland, the United States and Italy which sell abroad cosmetics and fragrances. The present yearly retail sales of the manufacturing counted up to \$14.5 billion.

United States of America is the first leading cosmetics market in the world. However, the most cosmetic firms locate in Germany and France.

From September 2004 testing beauty products on animals is against the law. L'Oreal stopped animal experimentation and become the fifth beauty company which refused of it.

Cosmetic Industry in EU has more than 142,000 employees.

The diagram illustrates the value and growth of market in 5 European countries:

<http://www.ctpa.org.uk/page.asp?section=2&page=2>

In 2009 beauty products export achieved EUR 4.8 billion.

Competitors

Procter and Gamble is substitute competitor of L'Oreal. Nowadays P&G Company is the leader of cosmetic companies by the sales in the world. It is American corporation and was created in 1837 by William C. Procter and

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James Gamble. The most profitable product of this company is Gillette which is very popular among men. Every year net sales growth are escalating. Annually, P&G devotes more than \$350 million in customer understanding.

http://en.wikipedia.org/wiki/Procter_%26_Gamble

Avon is direct competitor of L'Oreal. It is American cosmetic company which stands in TOP 10 Cosmetic Companies. The company was established in 1886 by David H. McConnell in New York. One of the key points of this company is door-to-door selling. It is very profitable method of earning money. World market share of Avon is 5.4%. In recent days, the most popular product is Avon ANEW ULTIMATE Skin Transforming Cream. In 2010, the company produced 'International Jewellery Collection'. In 2009 the total revenue was US\$10.4 Billion.

http://en.wikipedia.org/wiki/Avon_Products

Estee Lauder is direct competitor of L'Oreal Group. The company was found in 1946 when Joseph Lauder and his wife Estée Lauder started manufacturing cosmetics in New York. The company produced: fragrances, cosmetics, skin care products. In 2009 the revenue was US\$7.32 Billion. The Lauder's family has a power over 70% of voting shares. Moreover, the total number of company's brands is 27. The most profitable brand is Clinique.

http://en.wikipedia.org/wiki/Estée_Lauder_Companies

Company

Beauty sales (US Billions)

Procter & Gamble

\$26.3

L'Oreal

\$25.8

Avon

\$7.6

Estee Lauder

\$7.3

Effect of political and Legal Environment

One of reasons why L'Oreal Group has a good reputation is respecting.

L'Oreal pays a significant attention to:

Quality of products

Environment

Prevention of child labor

Taxation

Competition legislation

Respect Consumer

http://www.loreal.com.au/_EN/_AU/GROUP_NEW/PDF/ETHICSCHARTER.PDF

Government

L'Oreal Group head office is located in Clichy (France) and the native country of the company is France. France is a semi-presidential structure which is founded upon on the French Constitution of the fifth Republic. However, L'Oreal should adapt not only to french government style but also to the various governments leadership ways in other countries. Moreover, L'Oreal obeys not only to France laws but also European Union laws. According to the Rules Governing Cosmetic Products in the European Union L'Oreal is limited in use of carcinogenic and some types of chemicals, for instance Phthalates.

<http://www.oppapers.com/essays/Marketing-Report-Loreal/77214>

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Labor market

In recent days, there are more than 63, 000 employees in L'Oreal Group and the number is rising dramatically by the each year. In 1996, France and EU decided to establish L'Oreal European Works Council (EWC). Furthermore, 29 countries and more than 36, 000 employees are members of EWC.

Consumer

L'Oreal group has products not only for women of all ages but also for men and kids therefore company's clients are people of different ages and gender. Every year the number of company consumers is growing sharply because of increasing new products and quality. L'Oreal Group attracts more consumers by the big choice of goods. Moreover, one of the main points of the company is consumer protecting. L'Oreal takes care of customers and produce healthy and safety products. Every day, L'Oreal consumers bought about 75 products.

Corporate Consumer Responsibility (CCR)

Business Competition

Each company tries to create something exclusive that is why it is necessary to compete with others, to compare products and do business better. L'Oreal group sticks to the law rules regarding competitors such as avoiding from all disapproving comments and false statements concerning competitors.

Environment

L'Oreal Group take care of environment therefore it tries to reduce:

Industrial sites

Shipping centre

Administrative sites

Air pollution

Transportable waste

Waste of water

Waste of electrical energy

Also, the company tries to persuade employees to protect environment.

http://www.loreal.com/_en/_ww/dev_dur/popup_imprime_tout.aspx

Effect of Social and Cultural Environment

It is necessary to value cultures of other countries where L'Oreal Group operates. In the world there is not a company which has not threats. Almost each threat can lead to decline of the company in the market, lost of respecting and even lead to bankruptcy.

One of the main threats of L'Oreal is increasing competition in cosmetic market. It is dangerous if some companies can overcome by products, consumers, sells. For avoiding this threat L'Oreal should make products and quality better. Moreover, company should add unique innovation which competitors do not have in their list of products.

Secondly, economic downturn of countries can aggravate L'Oreal status. It can lead to inflation, to decline of demand for production. In addition, in

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some undeveloped countries L'Oreal prices are not acceptable for citizens because of earning. Company should allow special abatements for undeveloped countries.

Thirdly, religion also can be threat for L'Oreal sells. In many Arabic countries people do not use a lot of cosmetics. For example, Muslims should not use enamel because of religion. They paint nails only by henna therefore enamel is not much in demand.