

Case study loreal a global marketing strategy marketing essay



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Case study

L'Oreal: A global marketing strategy

Introduction

L'Oreal is a good example of how global branding strategy can be used to generate new growth opportunities when all other companies were not going great guns . In the late 90's and early 2000's when the Asian and Latin American economies were shaky and doing poorly , and numerous international brands struggled, L'Oreal surged ahead. How did it happen? The answer lies in their beautifully framed mission statement as it elaborates their understanding of the marketability of their product and the need of marketing it globally -“ At L'ORÉAL, we believe that everyone aspires to beauty. Our mission is to help men and women around the world realize that aspiration, and express their individual personalities to the full. This is what gives meaning and value to our business, and to the working lives of our employees. We are proud of our work.”(Source: L'Oreal website, www.loreal.com)

In 2005 , the \$18. 89 billion L'Oreal group was the most successful cosmetics brand . According to the business week interbrand survey conducted in august 2004 L'Oreal was ranked 49th . L'Oreal sold makeup, perfume, and skincare and hair products to both women and men in approximately 150 countries . the L'Oreal group reported its 18th consecutive year of double digit growth in December 2004. Since 1989, L'Oreal's sales had grown at a compounded annual rate of 12% to 1. 7 billion. 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’s global branding strategy that’s doing wonders has been actively spearheaded by Owen Jones himself. Lindsey Owen Jones has been the CEO of L’Oreal for nearly two decades now and under his leadership L’Oreal has really fine tuned its global branding strategy. Interestingly some press reports tell us that he has been seen roaming around streets in foreign markets to understand the new and existing trends. And without any doubts his interesting work style seems to work wonders. As an analyst tells us about the impact of its branding strategy, “ L’Oreal is the only real global leader in every segment of the industry.” Whether it was selling Italian elegance, New York street smarts, or French beauty through its brands, L’Oreal had reached out to a wide range of customers across incomes and cultures.”.

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.” This really explains why he prefers roaming in the streets for his strategy making rather than sitting in the boardroom. And even better this seems to be supported by data as well:

Table I**L'Oreal: Summarized Profit and Loss Account**

(Figures in million euros)

2007

2008

2009

Sales

17, 063

17, 542

17, 473

Gross Profit

2, 896

2, 788

2, 749

Net profit

2, 827

2, 725

2, 578

Net Profit Margin (Percent)

16.5

15.5

14.75

(Source: L'Oreal website, www.loreal.com)

This data seems to be fine but if we consider the overall global presence as well this becomes impressive, at least that's what this table shows us:

Table II

L'Oreal: Geographic Segment Information

(Sales for 2009)

Million Euros

%of market share

Western Europe

7,037

20.7

North America

3,802

15.8

Southern America

1, 138

10. 5

Africa , orient, pacific

920

12. 8

Source: (L'Oreal website, www.loreal.com)

Having said all that its quiet evident that the global branding strategy of L'Oreal has paid huge dividends to the company overall . In order to understand this splendid growth story we need to see how exactly L'Oreal applied their strategy to the countries that were entirely distinct as far as the lifestyle, spending pattern and culture is concerned . L'Oreal was started in France, has a good brand value in the united states of America, is reaping good dividends from India and has a remarkable presence in Japan . These are different complex societies with different needs, so how exactly L'Oreal managed to be equally successful in all these places? This question needs some fact finding to be done on the basis of country specific products and strategies adopted by the cosmetics conglomerate . That's what exactly we will try doing in the next section of this case study.

L'Oreal in India : wooing the great Indian middle class

Even before we choose a product to see how that was made a part of the great Indian middle class dream, looking at some facts and figure would really prove to be good insight.

-In India, 66% of shampoo sold is in 7. 5ml sachets. Four billion are sold each year

-Up to 96% of urban Indian women use shampoo, 46% facial cleansing products and 47% wear foundation

-About 94% use hair oil, 42% use henna and 74% use home remedies

-About 42% of Indian men dye their hair half the skincare market is skin lightening creams. Hindustan Lever's Fair & Lovely accounts for 85%

-Garnier had worldwide sales of €2 billion. It brought the first anti ageing cream to India in 1995

-L'Oreal's sale per capita in India is 10 cents. In France, it is €28

-The cosmetics market in India is growing at 16%

(Source: L'Oreal, Nielsen)

These facts are self explanatory about the nature of Indian market and it's clearly stating that the strategy used in USA or any other European countries is not going to work in India. India is an emerging economy with most of the population below 35 years of age and a huge aspiring middle class.

Interestingly even after the success story of India Inc. Apparently it's still a country that is very much community oriented . The great Indian middle class is aspiring but still has the community driven cultural values intact.

L'Oreal has taken this fact very much into consideration while preparing the marketing strategy for India. A very good example would be the launch of garnier fructis shampoo in India. The concept was to rely on idea rather than relying on advertising a brand . The idea of getting five times stronger hair was the central point that created the hype, through " word of mouth" or network marketing . Initially it was positioned as product for young and teenagers . once the product was established in the market it tried to change or rather increase the target base by shifting gears. In a recent advertisement of garnier hair color a daughter is shown advising her mother to try the garnier product and explaining the benefits . Again it relies on the concept of idea getting spread by " word of mouth" to another customer segment. This is the best example of marketing in a closed &community driven society. There is one more remarkable thing about this entire campaign the catch line " take care". It shifts the focus from the product to the core value of Indian society " caring about others" and the entire advertisement becomes more of a good advice rather than publicity.

L'Oreal in china: Taming the dragon

China is the world's most populated country in the world and that makes it very clear that it has the potential of being the biggest consumer market.

These days Chinese women are spending on an average 10 to 15% of their

income on cosmetics products, an urban Chinese lady would use 2. 2 cosmetics products on an average every morning. Evidently most of them want to be fashionable and the L'Oreal punch line " if you want to be fashionable, just choose Maybelline", really seems to work. Models shout " this brand comes from America, it's very trendy". Maybelline is the product line for the masses and L'Oreal really uses the tendency of masses to look towards the USA . that's why the Maybelline products are displayed against the backdrop of shiny skyline of new York city Chinese women prefer skincare and beauty products. According to a research by L'Oreal in china women are concerned about the radiance of their skin and prefer skin nourishing lotions that protect their skin from skin-drying winters. Unlike us customers most Chinese women like skin whiteners rather than tanning products. It's a sign of beauty for Chinese women. Also, the texture of Chinese hair is thicker and more course than typical US Caucasian hair. This requires different product mix, and really a different knowledge set to effectively sell and move these products in China. L'Oreal has dedicated research facilities for these and other issues, and followed up with more innovations to suit the needs and preferences of Chinese consumers. There is one more very interesting fact about Chinese cosmetics industry; Chinese women are very concerned about the ingesting of lipsticks. This is the most interesting food attitude about Chinese women . Now following its global strategy L'Oreal even took this into consideration and developed lipsticks containing vitamins; as soon as this was told to the women they were more comfortable in using the product.

L'Oreal in Europe : “ You are worth it”



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