

L'oréal internal and external influences



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The beauty industry has always been on a rapid move either it being the consumers or the competitors whereby on stake lies millions of dollars to be griped on by the producers of the beauty products. L'Oreal being the world's largest beauty firm employing around 50, 000 employees worldwide and revenues worth 17. 47 billion dollars in 2009. L'Oreal has created an international brand portfolio for consumers with wide range of incomes and tastes in 140 countries and we know that L'Oreal has certainly occupied a unique position in the fast pace global beauty environment. The road to success was difficult as a lot of barriers had to be overcome and L'Oreal manage to that as well as winning the hearts of millions of consumers and therefore being the King in the Industry.

(B). THE INTERNAL & EXTERNAL INFLUENCES ON LOREAL

(B. 1). INTERNAL INFLUENCES

Mission and Vision -L'Oreal operates with a distinctive global vision and market approach that have all been oriented to the fast growing global personal care market whereby their core values always have lied in integrity, responsibility and respect for the people and environment and thus satisfying and empowering the consumers further and thus allowing them to become a leader in Corporate Consumer Responsibility.

Goals and objectives -L'Oreal goals and objectives have always made them outstanding in the rest in the market as it always focused its strategy on achieving internal growth which was largely influenced by the ideas of acquisitions either it being strategic or tactical it has clearly lead to the overall growth of the business.

Organisation Structure-L'Oreal has had a unique matrix structure as a result of this it has lead to effective communication throughout the whole organisation as well as developing effective market strategies and new product ideas. The matrix structure improved coordination with the rest of the departments in the organisation as well as on shared technologies and allowed information to move easily and feedback.

Employees -This has been a major influence on the organisations success as all employees are treated as assets in the company and all most all the employees have developed trusting relationships with their jobs as a result better working relations.

Decision making-Decision making tends to be decentralized in the organisation thus allowing faster decisions to be made. Fast and flexible decision making willing to take risks has led them implore onto new opportunities in the market.

Culture-L'Oreal has been built on strong values which have shaped culture and have guided the organisation throughout the life of the company whereby customer culture has always been emphasized as product safety and quality is paramount at all times and so becoming the leading beauty company . L'Oreal culture tends to cover all aspects of beauty for all consumers. The customer oriented culture has thus allowed L'Oreal to distinguish itself from competitors like P&G.

Research and Development-L'Oreal invested merely around €581 billion in 2008 as per (L'Oreal . com) so as to promote sustainable innovation and safer to products to its consumers.

(B. 2). EXTERNAL INFLUNCES

Demographics-The demographic shifts really influence a company's products with the recent trends whereby ageing population in the western hemisphere, aspiring consumers in emerging markets and other trends all this but L'Oreal responded to this trends better than its rivals and as a reason to this being the only cosmetic group present in every distribution channel .

Competition-Rivals such as Procter & Gamble (P&G) , Estee Lauder and Unilever have always had a fierce and cut-throat competition in the industry and as per Corbett (2004) who said that competition brings out the best in organisations and it certainly did with L'Oreal grabbing the most opportunities and winning over consumers hearts with new and innovative products.

Political-Government rules and regulations always come into the picture and tend to change bring about a lot of changes and as well as in the 1970s where the French government wanted to control Frances top companies and because of this Gesparal was formed as holding company otherwise L'Oreal could have add problems because sometimes state run companies are lack inefficiency as well as innovation. Because of L'Oreal being a globalized company laws, rules , legislation and business practises vary in different countries and so L'Oreal faces the problem to try to adopt to various governmental rules in order for it to be favourable for the organisation

Customer Tastes and Preferences -Customers are seen as ever changing until they find one product which they prefer and become royal to the same

applies in the beauty industry where consumers will jockey between brands but having noticed all these L'Oreal designed products that met every specific group's needs and wants as well as meeting up with the increasing demand of beauty products in this decade and simply outsmarting its rivals.

Social Influences-With the new trends and urban flairs changing around lifestyle plays a key role as well as the question of only celebrities are used in advertisements and so cannot relate to an ordinary woman in society keeps on posing a serious question.

Economic-Cosmetics are normally considered as a luxury product well during times of a dismal economy L'Oreal could face the problem of lack of consumer demand and so try to look into other countries plans and policies to try lift the country out of recession.

Technological -Business operates in a world of rapid technology and so L'Oreal has to keep up with the pace otherwise could lose its market position. Advances in technological methods has had a positive intake from the companies as it allows them to reduce product obsolescence and so advances in production methods have created products with longer life spans. eg the creation of the express finish fast dry nail enamel really became popular having huge amounts of sale everywhere

Globalization -Has been the major driving factor to many of the external influences as it has allowed the spreading of production, communication and technologies.

(C). HOW GLOBALISATION INFLUENCES POLICIES AND DECISION MAKING IN L'OREAL

The world we live in is a different place from what it was 30 years or 40 years ago this is simply been because of what writers like to call an invisible earthquake i. e. Globalisation. Therefore we are living in a world of increasing instantaneity and every individual is influenced by globalisation so what to speak about organisations especially like L'Oreal.

Globalisation is the spread and connectedness of production, communication and technologies across the world that spread has involved the interlocking of economic and cultural activity.

According to Held and McGrew (2007) globalisation is seen as a stretching of social, political and economic activities across political frontiers and therefore all this factors have to be included in the policies and decision making of L'Oreal.

One major influence that would always change their decision making was going to be how L'Oreal would cope- up with the new markets and new customers as well as reflecting upon wide variations between countries and cultures in their concepts of beauty and levels of personal hygiene had to be really considered because as per Peppers and Rogers (2004) said that every customer is different in a market and therefore each customer needs and wants will differ and so L'Oreal had to adjust themselves and try meeting those needs if not they could end up losing out customers to their rivals. Therefore L'Oreal was trying to make sure that global plans are compatible with the rest of the markets across the world.

Over the years a centralized decision making was supported but at the speed globalisation was going to decision making certainly had to become decentralized so as to allow faster decision to be made as well as to reduce the levels of authority because all organisations were going to function in a very pacing environment and if decisions took longer to make it could pose severe problems in the future Pathak (2005) also favoured the point that a decentralized decision system could also be the key to success in a globalised economy.

Globalisation brings in new aspects of managing human capital and treating human capital as assets is the key to success as well therefore L'Oreal had changed their policies towards employees and not only that they tried developing employees skills and tests on a level not only of being profitable but creating successful business for the long term.

Cherunilam (2007) said that technology has been the major driving force to globalisation and therefore once a technology is developed it soon becomes available everywhere in the world integrating this main function into the decision making process is crucial. The aspect of growing use of internet had to be considered and therefore after the growth in technology and users of internet L'Oreal had to change policies and start to create online stores where it was not a must for the customers to physically come to the store to purchase goods it could be done anywhere and so technology had to be encompassed in the decision making process.

Globalisation is bound to bring in new international rules and regulations. L'Oreal decision to move into international markets tended to be really

cautious to acquire new assets amidst and industry wide consolidation then underway in the world beauty industry. Because of this new rules and ' regulations it could take a long time before mergers and acquisitions could be finalized i. e. the acquisition of Kiehl's took 3 years to finalise because it was under courtship therefore L'Oreal have to consider all the political laws and judicial precedents .

Because of the emergence of the global village according to Griffiths (2008) it is the duty of every organisation to be a good corporate citizen and so he went on to outline the importance's of any organisation to become a good corporate citizen and to take upon corporate social responsibility as it's a growing importance to any organisation and if not practised by the organisation could lead to reduction in profits as well as customers therefore globalisation changes how an organisations aligns their values and behaviours with the expectations and needs of the stakeholders and therefore policies are certain to change because L'Oreal had to also be called accountable for their impact of activities on the society and the environment.

Globalisation meant that social changes and lifestyles also had to be integrated in the decision making process i. e. The way stores were designed had to simply change and therefore new store designs were put into place and try to forge links either with the local community and so to be relevant to the customers.

Increasing competition within the beauty industries is certainly going to bring out the best of all companies and therefore according to Lindstedt and Burenus (2003) the first step towards a profitable business is intelligent

market segmentation, targeting and positioning. Increasing globalisation together with customer demands had to be watched carefully and careful segmentation and targeting had to be carried out so as to understand consumers needs if L'Oreal were to win over the hearts of customers therefore globalisation certainly placed major influences on policies and decision making in terms of how marketing would be carried out because L'Oreal was not only dealing with the French population it was dealing with over billions of people all around the world with different needs and desires thus L'Oreal would have to take markets and divide them into narrower and narrower segments . Although sustaining brand positioning was going to pose a difficult challenge but L'Oreal were up for the task that awaited them.

Organisations have to change from a profit oriented culture to customer oriented culture if they wanted to succeed in a globalized village.

Long term planning is not the goal with the pressures of globalisation therefore L'Oreal will have to move away from a traditional approach of long term planning i. e. for 10 years what has been to done is making plans so as to adopt or respond to the environmental changes as soon as possible i. e. coming up with new strategies have to worked out.

(D). THE EFFECTIVENESS OF L'OREAL'S RESPONSE

L'Oreal dint have an accessibly priced genuinely popular brand with a global potential which it could start selling to the rest of the world and that posed a problem and so we will now discuss how effective L'Oreal was in its response to Globalisation.

And therefore L'Oreal set out to have a portfolio of products which was attractively priced proposition not just to fill the hole in any country but so as to go around the whole world and in all new markets.

Marketing was going to be a key role in the globalisation process and so it did play its role L'Oreal started identifying areas on improvement and in marketing nothing more is important than informing your customers about your products and services as per Lee and Johnson (2005) and so L'Oreal started spending huge amounts on advertising e. g. after the acquisition of Maybelline which was having a few problems in that customers would see Maybelline was something their mothers wore and so L'Oreal clearly applied their expertise and technology to improve Maybelline's products , its marketing and it spent around \$70 million in advertising as well as it had to change the tagline of the products. According to White (2007) a tagline plays an important persuasive role in a campaign and therefore L'Oreal shifted its tagline to ' because you're worth it ' and after the changes to the acquisition it gave L'Oreal the passport to enter even new markets. As a result of this L'Oreal established a reputation for quality among US products and was able to sell products for a higher price than its competitors.

L'Oreal started with having an organisational structure, marketing strategy and culture well oriented to the fast growing global personal care market. The marketing campaigns were always successful for L'Oreal as they used high profile celebrities in its ad campaigns and thus able to enhance global image.

According to Yang (2005) said that the selection of an appropriate channel of distribution is very important because of the association that is created between the image of the channel and that of the brand. And so L'Oreal improved on their distribution channels as they were going to reach out to more consumers than ever and therefore the concept of selling beauty through several channels of distribution was very carefully watched as it corresponded to economic levels as well as psychographic. And therefore it was able to create a strong presence in every distribution channel of each division

Consolidation is an important competitive strategy in the beauty industry and for L'Oreal to become a leader it would have to be the leader in the American beauty industry and so acquisition became an internal growth strategy that will help L'Oreal to expand product portfolio and revenues because being big in States meant you are big worldwide and so over the years L'Oreal went onto purchase many of the big names in the American market so as to be a leader and added its magical touches on all of them so as to become a global leader the major companies L'Oreal bought in USA were Redken and as a result of purchasing Redken it gave them the ability to implement strategy of acquiring US brands to complement European brands also the purchase of Maybelline allowed L'Oreal to obtain 17% of share of the \$2.3 billion U. S. mass cosmetics industry. Frensch (2007) said that acquisitions aimed to extend product lines are more likely to lead to synergies and that was exactly what was happening as L'Oreal was able to cut production costs down rapidly. As well as that the acquisition of the top two US ethnic hair care manufacturers Soft Sheen and Carson allowed

L'Oreal to obtain 20% of the fragmented ethnic hair care market. The other major response was the acquisition of Kiehls and Matrix. Matrix was the leading US hair care brand in the professional market while Kiehls acquisition tended to strengthen L'Oreal's position in the speciality store high end segment of the business where L'Oreal had not been an important player. Helena Rubinstein and Ralph Lauren Fragrances and Cosmair allowed them to fill up the portfolio of products as well. And that Lancôme and Garnier which were purchased in 1964 also had a major role in the globalisation process as sales from Europe came from Lancôme and Garnier.

For a firm to prevail in the market an edge over rivals must be sustained as well as a customer orientation for manufacturing organisations according to Prasad (2009) and because of this L'Oreal had a strong commitment to Research and development that many consider still consider still to be the firms most distinctive values and advantage over its rivals. L'Oreal spent \$600 million in the year in 2003 which allowed them to later on reduce costs of products and creation of new products like the most famous being the Garnier Fructis Shampoo. And that L'Oreal has a portfolio of more than 20,000 international patents.

L'Oreal certainly had many strategies under their sleeves they tended to rebrand many of the products that were not performing well and the rebranding lead to increase in sales and increase n customers e. g. Rebranding Maybelline New York grew up sales by 93% as well as dropping a few brands but mainly was that L'Oreal was acquire new brands and developing those brands effectively. Helena was reintroduced in the market as a more up scaling product and that lead to increase in sales.

After considering the competition L'Oreal tended to establish international brand management teams which were responsible for creating new products and developing market positions and strategies. Technology was embedded as an advantage and L'Oreal started setting up online stores and so customers could purchase any product any time thus convenient to them.

As per Griffiths (2008) who said that every organisation must be a good corporate citizen and so did L'Oreal adopt to the Corporate Social responsibility approach really positively and one of its acquisitions i. e. Kiehls mission was very much CSR oriented whereby it was making profit as to improve the quality of the community to which it is committed.

As result of the major acquisition by 2004 L'Oreal was enjoying its 19th consecutive year of double digit growth and also recorded over 18 global brands which have helped to strengthen customer brand loyalty.

(E). AREAS OF IMPROVEMENT IN L'OREAL'S RESPONSE

L'Oreal being the leader in the beauty industry is always at risk of competition and therefore to still stay ahead of competition areas of improvement still have to be undertaken a few areas are going to be discussed.

Strong competition from major rivals that include Proctor and Gamble (P &G) as well as Revlon could always strike an attack and therefore L'Oreal still has to constantly be innovative so as to maintain its market share and knowing that L'Oreal spends around \$600 million in Research and Development as per the case companies such as Toyota although in another

industry spends on average 1 million per hour in research and development as per ([www. thetruthaboutcars. com](http://www.thetruthaboutcars.com)) so as to deliver better products and services to its consumers similarly Proctor & Gamble are said to invest around \$ 5 million a day in research and development according to ([www. pg. com](http://www.pg.com)) whereby P&G believe one of their major reasons of success is the amounts they have spent on R&D which have lead to innovations and at the end of the day with increasing sales market share will increase therefore for L'Oreal to still be a leader in the years to come it will have to invest heavily in Research and development so as to become more and more innovative than its rivals and simply stay ahead of the competition.

Improvements in areas like Customer Relationship Management are essential because according to Sayer & Bruce (2007) who said that customers are always changing and therefore these patterns must be watched carefully, therefore if L'Oreal will want to sustain its high performance in the beauty industry one way of doing that will be by sharpening knowledge of its customers through a better and efficient company- wide customer relationship management (CRM) management. Therefore they will surely have to become more customer focused because as competition increases business growth can be stunted by customer switching. CRM can be achieved by various ways in L'Oreal , the firm will have to identify divisions which already have a ideal customer foundation and once it has a fully integrated CRM system the knowledge can be gathered from different channels and segments according to values and behaviours and this will lead to an end to end process from consumer

analysis and segmentation to creation , execution and measurement of the success of marketing campaigns.

Production costs can still be lowered by L'Oreal as a result of the benefits it derives from economies of scale as we are told in the case it was able to produce mascaras for 20cents in its huge Little Rock plant and therefore areas in production can still be improved and thus the benefit being passed down to the consumers who will accept it with happiness.

Let's not forget the danger the environment is faced with as a result of the risky chemicals components used in production and other areas as well i. e. toxic products which could soon pose a major problem not saying that L'Oreal is not doing anything at the issue in concern but if L'Oreal could promote policies on recycling, reducing their energy consumption , using green electricity and certainly reduce the use of volatile solvents so as to have an environmental policy that drives towards innovation.

L'Oreal should also develop a new business strategy that will give them a better competitive advantage against Estee Lauder, P&G maybe by going to segment and catering to a further range of ethnic groups and so try to apply a differentiation strategy and be successful

Another area that still needs to be closely patched up is regarding its marketing strategy towards males because according to research shows that men are becoming increasingly concerned with their appearance and skin care and so it is an opportunity for L'Oreal to grip on before its rivals do.

(F). CONCLUSION

L'Oreal have been in the beauty industry for a hundred years and their reach to the peak of the mountain was slow and steady and very thoughtful as to be the global leader in the beauty industry problems are bound to show up from time to time and L'Oreal have been able to take the pressures faced from competition and globalisation aspects and tried to make the best out of them so as to be the King in the beauty industry but even though the journey does not end over here for L'Oreal as there still lies areas of improvement in the organisation so as to remain the King for the years to come.

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