

# Vision statement of loreal marketing essay



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## **Introduction:**

Strategic management is the combination of some creative activities which help organization to bring success in business through implementing their visions and ideas in a systematic manner. We look upon the present condition of market and the strategies adopted by the leading companies which help them to capture higher market share.

Because of the attractiveness of using strategic management, we have chosen the world leading cosmetics company, L'Oréal as a case company. With a view to having a better understanding of strategic management, we have tried to conduct a strategic analysis on L'Oréal which is one of the leading cosmetic brands. The logic behind selecting L'Oréal is its efficacious managerial operation along with reputation around the globe.

Firstly, We discuss different strategies and procedures adopted by L'Oréal in running business.

Secondly, considering our analysis, we focus on the flaws of current strategy processes of L'Oréal.

Thirdly, we have tried to draw some suggestions regarding the way of designing strategy processes of L'Oréal with a view to ensuring better performance and higher market growth.

## **Overview of L'Oréal:**

Founded in 1907, by Eugene Schuller in Paris, the world famous and technologically advanced company L'Oreal has gained reputation for luxury and quality products. “ Technology should be used where it adds value to the

reputation” with this vision The L’Oreal Group has become the most famous cosmetics and make-up product manufacturer in the world. This company is the manufacturer and distributor of different products related to hair solution, skin care, sun protection, make-up, perfumes etc. The main office of this company is in Paris at the suburbs of Clichy, Hauts-de-Seine, France which was registered in July, 1909. At mid 1920, L’Oréal had employed only 3 chemists. By 1984 the number of employee was 1000 and today it employs a little over 2000 chemists as employees. At first, the company started hair-color business, but after almost a decade, it expanded its share in the beauty and cosmetic products industry. Currently L’Oréal markets almost 500 brands and has more than thousands of products in beauty business mainly focusing on hair color, permanents, hair styling, body and skin care, cleansers, makeup and fragrances industry. Currently L’Oréal has established five international quality research and development centers. Of them two are in France, one in USA, one in Japan and the other is in China. And also plans to set another research and development facility in New Jersey, USA.

Today L’Oréal has been performing business in over 130 countries employing almost over 50000 employees. This company runs 42 manufacturing plants around the world which ensure employment opportunity of nearly 14000 people all over the world. In 2003, the company announced its 19th consecutive double-digit growth. In 2007, the company was ranked as 3rd organization in Fortune Global 500(Fortune Global Magazine).

Except doing business, L’Oréal has also contributed to creating corporate social responsibility. In 2008, L’Oréal was acclaimed as the “ Top employer of

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Europe” by the European Student Barometer. The L’Oréal – UNESCO award was established for improvement of women in society and increase their contributions in different scientific sectors. The award established by French cosmetics giant L’Oréal and the United Nations Educational, Scientific and Cultural Organization (UNESCO) presents each outstanding laureate an amount of \$100, 000. It also established a competition named L’Oréal Brand storm which is organized every year in 43 different countries. The competition presents the top three teams of the completion with the amounts of \$10, 000, \$5, 000 and \$2500 respectively. The L’Oréal group has committed to reduce pollution, waste management and recycling practices. All the products are allergy free and certified that they are not used on any animals as trials.

## **Vision Statement of L’Oréal :**

### **“ Because I’m worth it”**

The vision statement of L’Oréal represents the motto as “ Because I’m worth it”. Keeping the motto in mind, the company is advancing to attain predetermined objectives and goals. Basing on this vision statement L’Oréal sets its marketing and target policy to ensure better performance and to capture more market share. Through its vision statement it creates the value of its products to its customer. The vision statement gives an indication that L’Oréal sells its products to those who really deserve the products through their beauty and acts. Sometimes this vision statement may cause racism because of highly arrogance . Although it targets only the posh consumers and shows negligence to the other market segments, the visions of L’Oreal group are quite straightforward.

## **Mission Statement of L'Oréal :**

“ At L'Oréal we believe that everyone aspire beauty. Our mission is to help men and women realize their 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 employee.”

The mission statement of L'Oréal clearly provides its aims and objectives how they accomplish their goals. They believe in the beauty and try to help the consumers believe in their natural beauty which enable them to express their personalities and to gain self-confidence. Through the realization of the organizational mission; L'Oréal creates its importance and value to their customers and employees, provides best cosmetics in terms of quality, efficacy and safety. One more point should be appreciated in the mission statement of L'Oréal is that it does not only adds value to its business but also it improves the lives of its employees of the organization. Diversifying the teams and products, L'Oréal has made the universalization of beauty for all.

## **L'Oréal at a glimpse:**

L'Oréal is considered as one of the leading cosmetic products manufacturer and distributor in current business world. Their continuous innovation and improvement in different research and development activities has helped them reach the peak of success. Presently L'Oréal has the certain feathers of success attached to their caps.

Over 100 years of experience and expertise in cosmetics production.

5 different levels of expertise such as hair-care, hair color, skin care, fragrance and make-up

23 international brands of cosmetics range.

Consumers in over 130 countries.

17. 5 billion euro sales all over the world in 2008.

581 million euro investment in Research & Development.

More than 67000 employees worldwide.

4. 6 billion Units of production in 2008.

### **Brands of L'Oréal:**

The brands of L'Oréal are differentiated due to the different requirements of their customers which are related to different distribution channels. They can be grouped as:

### **Consumer Products:**

These are High-technology products at competitive prices. Generally these products are used and sold in hair salons. Usually end users or consumers are focused and thus marketed through retailing channel.

## **L'Oréal Paris**

### **Maybelline**

### **Garnier**

#### **Professional Products:**

These include the users at hair salons which provide their customers with a wide range of products to use for business purposes. Usually these products are sold in mass-market retail channel.

#### **L'Oréal Professional**

##### **Kerastase**

##### **Matrix**

#### **Luxury Products:**

These include luxury items which are offered to the customers at selective retail outlets, i. e. departmental stores, perfumeries, luxury stores, the Group's own boutiques and travelling destinations.

##### **Lancome**

##### **Ralph Lauren**

##### **Biotherm**

##### **Giorgio Armani**

##### **Diesel**

#### **Active cosmetics:**

Cosmetics supported by dermatologists and pharmacists may be defined as active products. The consumers who seek for skin treatment usually are the

main focus of this product range. Generally these skincare products are available in pharmacies and special sections of drugstore.

## **Vichy**

## **La Roche Posay**

### **Defining Strategic Management:**

“ Without a strategy, an organization is like a ship without a rudder, going around in circles. It’s like a tramp; it has no place to go.”-Joel Ross & Michael Kami (Fred 2011, 35).

Strategic management is a combination of analysis, decisions, and actions of an organization with a view to creating and sustaining competitive advantages. Because of the impact of globalization on more industries, strategic management has evolved as an increasingly important way of tracking international product developments and ensuring a better position for a company with long-term competitive advantage. (Wheelen & Hunger 2005, 6.)

First, Strategic management provides description and platform regarding the method of taking strategic decision. These decisions view the competitive firms and competitive procedures along with the domestic and international operational policies. These decisions must be transformed into actions. To make the strategies effective the decision maker should take some strategic actions. The organizational decision maker must allocate the required resources into specific sector to ensure proper use of these resources.



Second, strategic management studies the reasons and techniques behind the better performance of other competing firms. The organization must determine the required procedures to ensure sustainable advantages over longer period. Only efficacy of proper operation can't the company with sustainable competitive advantage. Performance of same activities in different ways can help to attain comparative benefits from rival groups. It's a continuous process which helps to adopt alternative strategies basing on the observed results. Different types of analytical procedures are used to analyze the performance and contingencies of current market of L'Oréal products.

From the collection and analysis of different information on strategic management, we can conclude that it include three basic correlative activities such as strategy analysis, strategy formulation and strategy implementation ( Dess and Miller ).

### **Benefits of strategic management:**

The use of more systematic, logical and rational approach to strategic choice has helped oraganization to formulate sound strategies which can be defined as the basic benefit of strategic management in the organization (Fred 2011, 48).

Benefits of using strategic management in any organization can be financial and non-financial. Financial benefits can be measure in terms of volume of sales, profitability and productivity. Any perfect strategic management can achieve the mission and the objectives of the company can be strengthened

through proper strategic management where the profits will be its logical sequence (Fred 2011, 49).

The non-financial benefits also help organization to attain sustainability.

These benefits can help in the following way ( Fred 2011, 50.).

Providing improved understanding of competitors' strategies.

Helping to reduce resistance to change. The process can exploit more and more benefits..

Identifying the managerial problems objectively.

Providing activity coordination framework and control framework.

Improvement of communication among the employees and customers.

Encouragement to develop a strategic think.

Inspiring the employees to think more regarding the betterment of company.

### **Challenges to strategic management:**

From our simple research on strategic management, we can divide the strategic management into four steps. These steps are strategic analysis, implementation, evaluation and control of the strategy within the organization. Most of the leading organizations have implemented different managerial strategies in their business to touch the peak level performance. However, strategic management faces different challenges in the modern business society. (Hajara 2011)

Globalizing the market

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Rapid evolving of e-commerce

Advancement of technology

Diversifying the policy and procedure

Continuous pressure from outside

Proper maintenance of Corporate Social Responsibility

### **Frameworks of Strategic Management:**

As there are no specific rules regarding the absolute framework, almost all of these methodologies have some similar patterns and have common attributes. Basing on the variation and similar patterns, the framework can be as follows (Wheelen & Hunger 2006, 11):

- 1) Conducting an analysis on recent internal and external factors of the organization.
- 2) Formulation of different strategy.
- 3) Executing the developed strategy through which the established strategies are transformed into more operational planning and action items.
- 4) Evaluating the implemented strategies within the organization in terms of performance.

### **Internal Assessment: SWOT Analysis**

#### **Strength**

L'Oréal currently has 23 international brands

Operations in more than 130 countries.

Having a diversified distribution channel

The products are of highest possible quality.

Top nanotechnology patent-holder in United States.

Having strong research, innovation and development facility to target and make effective distribution system.

## **Weaknesses**

Decentralized organizational policies can make it difficult to control.

Difficulty in capturing all the consumers in mass markets of Asia and Europe.

Its annual profit is a bit less than all its other market rivals.

Weaker Brand value in some countries compared to other brands.

## **Internal Factors Evaluation (IFE):**

Key internal factors

Weight

rating

Weighted score

Strengths

23 international brands

. 05

3

. 15

Operates in more than 130 countries

. 15

2

. 30

diversified distribution channel

. 1

3

. 3

highest possible quality products

. 18

4

. 72

Research and development

. 19

4

. 76

Weaknesses

Decentralized organizational policy

. 08

3

. 24

Difficulty in market capture

. 09

2

. 18

Lower annual profit

. 01

4

. 04

Weaker brand value

. 15

4

. 6

1. 00

3. 29

### **Analysis:**

The overall weighted score of L'Oréal's Internal Factor Analysis (IFE) is 3. 29 which states that the internal function/roles at L'Oréal is strong.

### **Opportunities**

L'Oréal has a huge scope for anti ageing products.

Approximately one-eighth of the population use anti ageing products.

Increase in Life Expectancy in rapid speed.

Still L'Oréal has a lot of uncovered market around the world which can be beneficial to the company.

Improvement of technology has been supporting and can support further in market acquisition.

It focuses on innovation which makes it more competitive in the market.

Rise in Income Level.

Advantages of different patent registration by this company.

Increasing conscience of teenagers and youngsters can be a source of higher market share.

## **Threats:**

L'Oréal has a lot of competitors.

L'Oréal's success can instigate the competitors to imitate the strategies.

Failure in any project may cause the threat of negative reputation.

The diversification policies can affect the main business of the company.

The global financial crisis can affect the overall sales and profit of the company.

Some consumers may skip buying their products thinking these are not of their basic needs at the time of economic crisis.

Problems in reaching out to the people of underdeveloped countries.

Regulations in different countries may pose threat.

Fluctuation in Currency.

Increase in environmental pollution.

Restriction of product.

Competitive pricing.

Fall in Income Level.



## **PESTEL Analysis:**

<http://ignitestrategicsolutions.files.wordpress.com/2011/07/pestle-analysis-diagram.jpg>

The PESTEL analysis is an external strategy analysis which helps to identify different external factors that influence the decision making of the organization. The PESTEL analysis of L'Oréal finds the following external factors.

## **Political Factors:**

L'Oréal is likely to face political and corporate governance pressures in its operations around the world economy due to the following factors:

International environment policy

Taxation Policy

Stability of the Government

International political stability

Regulations regarding private investment

Other government decisions

Trade restrictions

Labor law

Classification of merit goods and demerit goods

Influence on education and infrastructure of a nation

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## **Economic Factors:**

We have seen that economic changes can have a major impact on a firm's behavior (Foundation of Economics, 6th edition). We must infer that the factors which mostly influence the operations and achievements of a business are the economic factors. In a well maintained economy, there is an existence of stability in the country. Together, this two and some other factors influence the business environment in the country. To continue the success of L'Oréal, it must keep the following economic factors under consideration.

Interest rate

Economic growth

Inflation rate

Foreign exchange rate

Globalization

Credit control

Money supply

Financial market

Monetary policy

Fiscal policy

Pricing fluctuation

## **Sociological Factors:**

Society's perception and changes in its trends play a very vital role in determining the demand of a firm's products and availability and willingness of employees to work. The success, sales & profit of an organization also depends on these changes. Due to the social differences around the world, changes in sociological conditions may affect L'Oréal. The different sociological factors are as follows:

Mobility

Distribution of Income

Population growth rate

Age distribution

Health consciousness

Attitude towards the product

Attitude towards the foreigners

Attitude to job

Working conditions

Due to these types of differences in all around the world, L'Oréal may face a threat if it does not diversify its strategies in various countries of its operation.

## **Technological Factors:**

The use of innovative and new technologies will surely help in the prosperity and development of L'Oréal around the globe. Although it must be remembered that technological development and change often prove to be disastrous (Amjad, 2003). The use of latest technology can ensure higher level of efficiency and lower production barrier. Some of the technological constraints may be:

Use of latest machinery

Use of latest software

Use of IT development

Automation

Online shopping

Online gambling

Bar coding

Through using the latest technology, L'Oréal will be able to reduce costs, improve quality, influence outsourcing decision making which can ensure the delivery more value to its customers. This surely will be able to bring innovation in their operations and products.

## **Environmental Factors:**

Environmental factors consist of climate, weather and climate changes. Due to the latest development in environmental management, people are now

much more conscious of the environment that they live in. And surely they will not stand any organization that brings harm to the environment. For successful business, L'Oréal must keep note of the following environmental issues.

Global pollution conditions

Waste management

Noise pollution management

Environment activist groups

Air and water pollution due to operations

Production of environmentally friendly products

### **Legislative Factors:**

Legislative factors refer to the legal environmental factors in which the firms run their business. L'Oréal may face some legislation and legal problems all around the world. The major law problems related to business and industry can harm the operations of L'Oréal. There are many types of laws which really matter.

Employment law

Consumer law

Competition law

Health and safety law

Trade law

Product law

International movement of factors law

Regulatory laws.

Successful addressing of these constraint factors will be very much helpful for the operations and overall success of L'Oréal.

### **Porter's Five Forces Model:**

#### **Rivalry among the competitive firms (High)**

Different competitive firms such as Proctor & Gamble, Unilever, ESTEE LAUDER and Revlon push them into the higher level of competition in the existing market of cosmetics and skin care products. All of these competitors always try to gain more market share through adopting different strategies. To ensure successful survival L'Oréal needs continuous quality improvements in their different product lines. To gain more market share and to reach all their target markets around the world, they must improve their distribution channels with the help of latest technology and innovation.

#### **Potential Entrants (LOW)**

The potential market size is not so big and there is existing players like P&G, Unilever, ESTEE LAUDER and L'Oréal. So there is little or no chance of serious threat from any newcomer to the market. L'Oréal does not seem to have such a huge threat from any new market Entrants.

## **Potential Developments of Substitutes (Low)**

A huge number of populations in the world is ageing and need skin care products. Also since there are not much substitute anti-ageing products in the market, there is little threat of any potential development of substitute products. L'Oréal does not face any terrible threat of potential substitute in the market.

## **Bargaining Power of Suppliers (LOW)**

As L'Oréal is a giant in the industry and has a huge production capacity (more than 4.5 billion Units per year), there is little chance that suppliers will pose a great threat to L'Oréal. The number of suppliers around the world is huge. So suppliers have little or no bargaining capacity with L'Oréal. Thus L'Oréal does not face much threat from its suppliers.

## **Bargaining Power of Customers (High)**

Bargaining power of customers is higher because of the presence of many giant competitors like Proctor & Gamble, Unilever, ESTEE LAUDER, Revlon etc. Because of this higher availability of different products of different companies, the potential customers have the switching option to other companies. So L'Oréal faces a threat of shortage of customer. L'Oréal must address this threat seriously in order to maintain its market share in the industry.

## **External Factor Evaluation (EFE):**

Key external factors

Weight

Rating

Weighted Score

Opportunities

Scope for anti ageing products

. 05

3

. 15

Rise in income level

. 08

3

. 24

Rising demand

. 08

4

. 32

Selling through pharmacy

. 09



4

. 36

Threats

Competitors

. 1

4

. 4

Currency fluctuation risk

. 1

3

. 3

FDA regulation

. 1

3

. 3

Restriction on product

. 1

4

. 4

Fall in income

. 1

2

. 2

Competitive pricing

. 1

4

. 4

Changes in distribution policy

. 1

3

. 3

**1. 00**

**3. 37**

### **Analysis:**

L'Oréal's EFE score has been computed as 3. 37 which gives an indication that L'Oréal is performing relatively well in responding to appropriate threats and opportunities.

### **Strategy Formulation:**

#### **Boston Consulting Group Matrix (BCG):**

Boston Consulting Group Matrix (BCG) was developed by Boston Consulting Group. This method gives an idea that the performance of activities of an organization can be measured and plotted using a 2\*2 matrix.

Quarterly sales

Growth

€ million

**1st quarter 2011**

**1st quarter 2012**

**Like-for-like**

By division

Professional Products

715. 5

755. 6

3. 1 %

Consumer Products

2, 583. 8

2, 769. 5

5. 1 %

L'Oréal Luxe

1, 116. 6

1, 315. 5

12. 2 %

Active Cosmetics

445. 2

468. 6

4. 7 %

Cosmetics total

**4, 861. 0**

**5, 309. 1**

**6. 4 %**

Figure: Quarterly Data of L'Oréal sales in 2012

## **BCG Growth Share Model:**

### **Relative market share position**

**High Low**

**L'Oréal Luxe**

**StarsII**

**Consumer Products**

**Question Mark I**

**Professional Products**

**Cash Cows III**

**Active Cosmetics**

**Dogs IV**

**High**

**Industry**

**Sales growth rate**

**Low**

The four sections in the matrix help us identify the high potential business sectors and the unnecessary business segment.

The four sections state the potentiality of the business on the basis of Market share and anticipated growth rate. They are explained below:

Cash Cows (Low growth, high market share). In L'Oréal the professional products fall under this category. They generate large amount of cash sales but have very limited future growth potential.

Stars (High growth, high market share). L'Oréal Luxe products fall under this category meaning these products have fast growing market and hold a dominant share in the market.

Question Mark (High growth, low market share). L'Oréal's Consumer Products fall under this category. These products have huge market growth but a very limited market share in the industry.

Dogs (low growth, low market share). L'Oréal's Active Cosmetics fall under the category. These products neither produce high market growth nor require much cash. However these products do not promise to improve performance in the near future.

### **Internal-External Matrix (IE):**

From the calculations done in Internal factor evaluation (IFE) and External factor evaluation (EFE) we see that the total weighted scores are somewhat near to each other. So there is not much difference between them and both internal and external factors in L'Oréal have almost equal part in the outcomes of strategic decisions taken at L'Oréal.

### **Calculation:**

From the Internal factor evaluation (IFE) and External factor evaluation (EFE) we find that,

Total Weighted score of IFE= 3.29 and Total Weighted score of EFE= 3.37

### **Analysis:**

Here it is seen that both the IFE total weighted score and EFE total weighted score are high and strong. This means that both internal and external factors

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influence in strategic management decisions of L'Oréal. For the proper implementation of strategic management and decision making none of these factors can alone be blamed.

## **Grand Strategy Matrix:**

### **Rapid Market Growth**

#### **Quadrant 2**

#### **Quadrant 1**

#### **L'Oréal.**

#### **Quadrant 3**

#### **Quadrant 4**

#### **Weak**

#### **Competitive**

#### **Position**

### **Slow Market Growth**

#### **Analysis:**

The grand strategy matrix represents the market competitiveness of a business entity in relation to its market growth. In the grand strategy matrix, L'Oréal remains in quadrant no. 1. This implies that L'Oréal has a strong competitive advantage among its other competitors. Also it has a rapid market growth. So, it can be said that L'Oréal will continue to grow in the skin care products market until it produces innovative and high quality skin care products.

## **Quantitative Strategic Planning Matrix (QSPM):**

### **Model: Integration Intensive Diversification**

#### **Analysis:**

#### **Key factors**

#### **Weight**

**AS**

**TAS**

**AS**

**TAS**

**AS**

**TAS**

#### **Opportunities**

Scope for anti ageing products

. 05

1

. 05

1

. 05

1

. 05



Rise in income level

. 08

2

. 16

1

. 08

2

. 16

Rising demand

. 08

1

. 08

2

. 16

3

. 24

Selling through pharmacy

. 09

2

. 18

2

. 18

1

. 09

## **Threats**

Competitors

. 1

4

. 4

3

. 3

3

. 3

Currency fluctuation risk

. 1

2

. 2

1

. 1

2

. 2

FDA regulation

. 1

1

. 1

2

. 2

1

. 1

Restriction on product

. 1

1

. 1

1

. 1

1

. 1

Fall in income

. 1

2

. 2

2

. 2

2

. 2

Competitive pricing

. 1

1

. 1

1

. 1

3

. 3

Changes in distribution policy

. 1

2

. 2

2

. 2

1

. 2

1. 00

Integration

Intensive

Diversification

## **Key factors**

Weight

AS

TAS

AS

TAS

AS

TAS

## **Strengths**

23 international brands

. 05

1

. 05

4

. 2

1

. 05

Operates in more than 130 countries

. 15

2

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. 3

3

. 45

2

. 3

diversified distribution channel

. 1

3

. 3

3

. 3

2

. 2

highest possible quality products

. 18

3

. 54

3

. 54

1

. 18

Research