

L'Oreal: Global Brand, Local Knowledge

L'Oreal: Local Knowledge, Global Brand
Case Study: What are Some of L'Oreal's Ways?
Author: Ted Landgraf

The purpose of this case study is: Show how important market analysis is in all business areas; Know your competition; To strive and prosper, be an “ABC Organization”; Think outside of the box; Innovation is powerful; Branding is necessary; Global strategy is fundamental; Know Your SWOT; and Much more.

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Four Major Sections

- * Section One:
 - * Statement of the Marketing Challenge – Slide Three through Slide Ten.
- * Section Two:
 - * Analysis of their Current Situation – Slide Eleven through Slide Eighty-Five.
- * Section Three:
 - * Alternative Strategic Marketing Solutions – Slide Eighty-Six through Slide Ninety- Nine.
- * Section Four:
 - * Recommendations – Slide One-Hundred through Slide One-Hundred and Eight.

Section One: Statement of the Marketing Challenge

- * Before identifying the primary global marketing challenge, strategic must be understood. Strategic means: “Decisions or plans designed to impact favorably the key factors on which the desired outcome of an organization depends” (Business Dictionary).
- * The primary strategic global marketing challenge for L’Oreal, according to the case study has many areas. Slides four through six outlines some of them.

(Henderson R., Johnson R).

Section One: Statement of the Marketing Challenge (continued)

- * According to the case study and Forbes, the primary strategic global marketing challenges for L'Oreal are:
 - * Greater competition and growth in countries / developing markets, such as China, Russia, India, Brazil and Mexico;
 - * L'Oreal expects three-fourths of growth from these countries;
 - * U.S. and Europe markets have slowed down;
 - * Competition from Unilever and P&G;
 - * Most dynamic markets for L'Oreal are Asia (China and India) and Latin America;

* (Henderson R., Johnson R and Forbes.com).

Section One: Statement of the Marketing Challenge (continued)

- * The primary strategic global marketing challenges for L'Oreal are:
 - * Advertising costs – \$5 Billion+ (heavily invested and internet);
 - * Growth goal of 2 billion customers by 2020 and increase share from 30-50% from emerging markets;
 - * L'Oreal's marketing approach and challenge is to continue to match each countries and regions consumer's tastes at the right price;
 - * Fight strong domestic incumbents in emerging markets; and
 - * Develop brands in the low, medium, and high end markets.

(Henderson R., Johnson R and Forbes.com).

Section One: Statement of the Marketing Challenge (continued)

- * A very important and true statement about large companies that can become the largest obstacle, as stated by the CEO of L'Oreal in 1999:

“Many requirements for survival in the next century are going to be size related. The most imperative for size is balanced by the need for genuine innovation, creativity, flair, imagination, taste, a sense of what is cool and what is not, and those are not qualities that go with huge companies.”

(Henderson R., Johnson R).

Marketing Challenge Statement Support & Evidence

- * According to the Wall Street Journal, even though Brazilian women spend more on beauty products than anywhere else, L'Oreal SA has faltered. Why? These women purchase their products from direct sales, like Avon representatives. L'Oreal is betting that as the market develops, direct sales will become less relevant.
- * From 2011 to 2015, the global skin market is expected to grow at 4.4% because of the aging population and popularity of natural and organic skin care products, yet the market growth could be stunted from the intense competition (Reuters).

(Wall Street Journal and Reuters).

Marketing Challenge Statement Support & Evidence (continued)

- * Less expendable income of the middle class in the U.S. has caused the margins to shrink for companies like P&G. The Consumer Packaged Goods (CPG) industry has avoided price wars and it is unclear as to the road ahead.
- * The Prediction from Adage is: "The U.S., having lost its luster compared to developing markets in recent years, will get renewed focus from CPG marketers ... L'Oreal has shown there's plenty of growth to be had in the U.S., and P&G is highly motivated to shore up market shares in its biggest, most-profitable market."

(Advertising Age).

Marketing Challenge Statement Support & Evidence (continued)

- * Some more facts about L'Oreal that support their global marketing, according to the New York Times are:
 - * Posted a record 20 billion euros in global sales in 2011;
 - * Conquer their rivals by expanding to 1 billion consumers;
 - * L'Oreal is the number one beauty brand in China;
 - * L'Oreal has six labs and 3,500 researchers around the world; and
 - * Posted an operating profit of an estimated \$4.35 billion.

(New York Times).

Marketing Challenge Statement Support & Evidence (continued)

- * One of the areas, according to Macedo-Soares and Lyra da Silva, is:
 - * L'Oreal must engage in more strategic alliances from the opportunities presented to them.
 - * Also, the dynamic market changes taking place are posing challenges for all competitors.
 - * In other words, L'Oreal has a global marketing approach and goal to overtake cultures. The CEO of L'Oreal believes that this will overtake the way things have been conducted in the Brazilian market for the cosmetic industry (only time will tell).

Section Two: Analysis of Current L'Oreal Situation

- * Section two is the analysis of the current situation at L'Oreal.
- * This includes many areas, as outlined in the slides below this section, with a SWOT and relevant conclusion.
- * The slides for this section start with slide 11 and end with slide eighty-five.

Macro-Environmental Factors Affecting the L'Oreal Case

Before identifying the Macro-Environmental Factors, it is important to know the meaning. According to Business Dictionary:

- * "The major external and uncontrollable factors that influence an organization's decision making, and affect its performance and strategies. These factors include the economic factors; demographics; legal, political, and social conditions; technological changes; and natural forces."
- * "Specific examples of macro environment influences include competitors, changes in interest rates, changes in cultural tastes, disastrous weather, or government regulations."

(Business Dictionary)

Macro-Environmental Factors Affecting L'Oreal Case (continued)

- * Competitors – P&G, Unilever, and many local brands around the world. Competition is definitely a factor and will become even more so.
- * Cultural Taste Changes – L'Oreal is very strong with designing brands / products that meet what regional and country demands are. They need to continue with this practice for continued growth.
- * Economics – the U.S. and European middle class market decline has caused less profit margins (refer to Exhibit A).
- * Supply Chain Disruption – the amount of natural disasters have affected many companies in the last few years. L'Oreal will need to prepare for these potential risks.

(Above the Standard Procurement Group® and HBS Case Study).

Macro-Environmental Factors Affecting L'Oreal Case (continued)

- * Governments – Even though L'Oreal has grown to be the marketing giant in China for cosmetics, there can be risk depending on Intellectual Property (IP), supportive laws to protect patents and IP, and ethical policies. It will be important for L'Oreal to cover their risk as they want to be the number one company for consumers by 2020.
- * Interest Rates – Interest rates help companies and individual's have more expendable income. If a credit crisis takes place, as shown in the U.S. and Europe, many middle class people around the globe will not have the same expendable income to purchase cosmetics and other consumable goods as they have in the past.

(HBS Case Study).

L'Oreal Economic Considerations

What drives L'Oreal?

It is their savvy global marketing. To continue to feed the products that are developed, the manufacturing facilities, the supply chain, the staff that sell, and the infrastructure, marketing must continue to listen in all markets and make correct decisions to keep the global growth plan moving forward. Some of the overhead L'Oreal has that affects their economics as of 2010, are:

- * 66,600 Employees
- * 23 Global Brands
- * 130 Countries
- * 38 Factories
- * 5.7 Billion Units

(HBS Case Study)

L'Oreal Economic Considerations (continued)

Some of the economic considerations are:

- * Advertising Costs – The amount of funds being spent for advertising (\$4.56 Billion in 2009).
- * Sustainable Growth – Can L'Oreal sustain their growth of doubling its consumer base to 2 billion by 2020 without affecting economics, their quality, financial stability, and what the consumer wants in their region?
- * Emerging Markets – Can L'Oreal continue increasing sales in emerging markets like India, China, Brazil and so forth? There are major competitors like P&G and Unilever.

L'Oreal Economic Considerations (continued)

Some of the economic considerations are:

- * Direct Selling – Avon and similar direct selling (door-to-door) cosmetic organizations provide their products with great success in Latin America because this is the way their culture is. L'Oreal want into the market with their retail products and did not do well. Yet, the CEO of L'Oreal thinks this will change as the global market changes. Is this true? Will the culture change?
- * L'Oreal's Global Marketing – Even though L'Oreal has an approach to customize each brand as it's own, market to certain regional and country demands, they still have a global approach of conquering the global cosmetic industry that could put them at risk. Are there marketing channels effective in every market?

(HBS Case Study)

L'Oreal Economic Considerations (continued)

Some of the economic considerations are:

- * Nestle Ownership – Nestle owns the largest percentage share of L'Oreal. Will this affect L'Oreal in 2014 when Nestle has their options to exercise? Nestles states that L'Oreal does not fit into their branding and core competency of beverage and food. Still, this could pose a risk as to the economics of what economic resources L'Oreal has.
- * Country / Regional Economics – If a countries economics change for the worse, what does this do to the middle class? This means that individuals have less money to spend, which means less sales for L'Oreal.

(Alderman, L. – New York Times / Above the Standard Procurement Group®)

L'Oreal Economic Considerations (continued)

Some of the economic considerations for emerging economies can be a risk because L'Oreal is going after these markets. Yet, some other markets are outdoing some of them.

- * BRICs – According to the Economist, Brazil, Russia, China, India, and China (known as BRICs), did not have a good year in 2012.
- * Growth – Most of the forecasts were too much, as growth did not meet the forecasts.
- * IMF – The International Monetary Fund (IMF) cut the growth forecast by more than 1.5 percentage points on average for 2012.

(Refer to Exhibit B to view the Philippines and Indonesia for how these two countries are performing compared to the BRICs) (Economist).

L'Oreal Political and Regulatory Considerations

With L'Oreal having many locations and markets in many countries, there are many political and regulatory areas that L'Oreal must deal with. Some of the political and regulatory considerations are:

- * L'Oreal subsidiaries in 68 countries.
- * They have “New Markets” Zone (representing 37% of cosmetic sales).
- * The economic, political, exchange risk, and compliance, regulatory, and market turnover is a significant risk and must be managed.

L'Oreal Political and Regulatory Considerations (continued)

Some of the political and regulatory considerations are:

- * Food and Drug Administration (FDA) – Cosmetics are regulated in the U.S. by the FDA.
 - * The immense amount of steps that L'Oreal must go through for each of material, process, labeling, document, and so forth to create each product in each country is time consuming and complex at the least.
- * Each Country Product Regulation – Each country has their own government regulation body and procedures for products that are produced / manufactured by L'Oreal.

(Semet, E. and Grieve, J.)

L'Oreal Cultural and Social Considerations

According to the Cultural Environment of International Business, as outlined in Chapter Five, L'Oreal has some interesting considerations as it relates to cultural and social considerations.

- * L'Oreal's global influence within many countries, combined with world culture and management's receptiveness to it, has shaped L'Oreal into a unique organization that is distinctive within French culture. Thus, as we review L'Oreal as an international business, to attribute all differences is simple as it relates to their French national culture.

(The Cultural Environment of International Business).

L'Oreal Cultural and Social Considerations (continued)

Sustainable innovation was boasted about by L'Oreal in their 2012 sustainable development report. Their report outlined ideas about how they could improve governance performance, social performance, and environmental improvement. Some of the changes include:

- * Clean energy.
- * Holistic approach in Brazil.
- * Reconstructed biological tissue.
- * Return to plants.
- * Waste reduction.

(Kaye, L.).

L'Oreal Cultural and Social Considerations (continued)

As presented in the L'Oreal: Global Brand, Local Knowledge Harvard Business School Case Study, the L'Oreal culture is encapsulated by the Agon, L'Oreal CEO:

- * “It is clear that people on different continents have their own specific needs, habits, dreams, and desires – so one product, or even formula, does not fit all.”
- * We can conclude the L'Oreal culture and social considerations empowers their product development to each market as they continue to develop new manufacturing facilities and offices in each market.

(Henderson R., Johnson R.).

L'Oreal Cultural and Social Considerations (continued)

An important area as it relates to cultural and social understanding within L'Oreal and their consumers is “Local Consumer Understanding”. This is important in any business success.

- * L'Oreal's focus on emerging markets has driven them to have to understand the cultural and social diversity in that region / country; and
- * Their website statement backs these actions with their statement – “teams enriched by their cultural diversity, a portfolio of international brands present in the different distribution channels, and research that is capable of grasping the world's complexities.”

(Henderson R., Johnson R., p. 113, Above the Standard Procurement Group®).

L'Oreal Cultural and Social Considerations (continued)

The summary of L'Oreal's many different faceted parts of their cultural mission internally and externally are driven by their global products at each local level:

- * Understand consumers at local level (e.g., creation of geocosmetics);
- * Emerging markets (e.g., Brazil);
- * Different approaches (e.g., Redken);
- * Traditional markets (e.g., Inoa);
- * Cater to diverse customer base (e.g., ethnic groups, East aspiring customers, and men's health and care beauty).

As Agon, says “we are in transition.”

(Henderson R., Johnson R., p. 113, p. 115).

L'Oreal Product Review

L'Oreal's organization is broken down into three major groups, which are dermatology, cosmetics, and the body shop. From this 93% of all revenues came from cosmetics as of 2010. From these three groups, the company has four divisions which are:

- * Consumer – Comprised brands distributed through mass market channels.
- * Luxury – Prestigious international brands distributed through duty-free shops, perfumeries, and department stores.
- * Professional – Hair care products used by professional hairdressers (sold through hair salons exclusively).
- * Active Cosmetics – products created and marketed through beauty outlets, pharmacies, and specialty health.

L'Oreal Product Review (continued)

Some information about L'Oreal Product Review is listed below:

- * Professional Products Division Sales (page 119) – Western Europe 35.5%, North America 36.2%, and New Markets 28.3%;
- * Consumer Products Division Sales (page 119) – Western Europe 38.5%, North America 22.7%, and New Markets 38.8%;
- * Luxury Products Division Sales (page 120) – Western Europe 32.9%, North America 22.6%, and New Markets 37.5%;
- * Active Cosmetics Division Sales – Western Europe 54.3%, North America 9%, and New Markets 36.6%.

(Henderson R., Johnson R.).

L'Oreal Product Review (continued)

Below is some more information about L'Oreal Products that are tailored to each region of the world (page 120):

- * Garnier Men – New men's skincare range in India;
- * Caffeine Eye-Roll-on – Asia;
- * Mineral Deodorant – Eastern Europe;
- * Ultra Doux – Western Europe; and
- * Fructis Stop Caida – Mexico.

(Henderson R., Johnson R.).

L'Oreal Product Review (continued)

Below is some more information about L'Oreal Products as it relates to their brands around the world (page 121):

- * Professional Channels – L'Oreal PROFESSIONEL PARIS, KERASTASE PARIS, REDKEN, and MATRIX;
- * Food, Drug, and Mass – L'OREAL PARIS, GARNIER, MAYBELLINE, and SOFTSHEEN CARSON;
- * Perfumeries and Department Stores – LANCOME, BIOTHERM, HR, GIORGIO ARMANE, and Kiehl's;
- * Pharmacies – VICHY, LA-ROCHE-POSAY, SKINCEUTICALS, SANOFLORE, and inneov; and
- * The Body Shop – THE BODY SHOP and dm L'OREAL.

(Henderson R., Johnson R.).

L'Oreal Price Review

One of the most important marketing and pricing methods is L'Oreal's brand diversity that drives sales from their low price brand products to their highest price brand products. As stated on page 113 of the HBS Case Study, L'Oreal: Global Brand, Local Knowledge.

- * They develop brands from the low end to the high end;
- * They provide a portfolio of brands / products that cover all distribution channels and price points; and
- * Focus on catering to diverse populations which means different products at different prices.

(Henderson R., Johnson R., p. 113).

L'Oreal Price Review (continued)

Below is some more information about how L'Oreal has conducted and conducts their global Pricing strategies and methods.

- * Masstige – One of their methods is known as “masstige”. This is known as a combination of mass and prestige or prestige to the masses to those at L'Oreal (page 114).
- * L'Oreal Premium Products – Known as premium but attainable.
- * Price Points – Between mid-market and super premium products.

(Henderson R., Johnson R.).

L'Oreal Price Review (continued)

Below are some L'Oreal brand examples that identify and show pricing methodologies within L'Oreal.

- * L'Oreal Paris – Leading masstige global brand offered at affordable pricing.
- * Lancôme – Best known and largest L'Oreal premium brand.
- * Genifique – Youth activating concentrate.

(Henderson R., Johnson R.).

L'Oreal Price Review (continued)

An interesting graph found on page 119 of HBS shows GDP Growth and Per Capita Cosmetics Consumption in U.S. Dollars.

- * See Exhibit C that mirrors the L'Oreal 2010 Annual Report.

(Henderson R., Johnson R., pg. 119).

L'Oreal Distribution Review

Before reviewing L'Oreal's distribution abilities, network, and strength, this part of their business is very important to understand. In other words, distribution is a huge part of their core competency and success. Business Dictionary states:

- * Commerce: The movement of goods and services from the source through a distribution channel, right up to the final customer, consumer, or user, and the movement of payment in the opposite direction, right up to the original producer or supplier.

(BusinessDictionary.com)

L'Oreal Distribution Review

A very important and integral part of L'Oreal's distribution of products / brands is their supply chain. In fact, they have one of the best outsourced networks in the world.

- * As outlined on their website, they directly collaborate with their suppliers to continuously optimize the management of the supply chain (distribution), from the source to the consumer.
- * Some of these areas are listed on the next slide.

L'Oreal Distribution Review (continued)

Some of these areas of the supply (distribution) chain mission are :

- * Improve responsiveness;
- * Optimization of production facilities and logistical means; and
- * Cut time-to-market, reduce costs, and stock, in a comprehensive policy by applying international standards.

Their purpose is to meet the needs of distributor clients and consumers.

(Loreal.com)

L'Oreal Distribution Review (continued)

Distribution is a strong area that L'Oreal has developed over the years within their network. Why?

- * They have developed methods to roll out products regionally when appropriate.
- * Their global roll out methods have been developed when needed.
- * They have innovated to be able to adapt their global products to local markets.
- * In other words, they have scalability and flexibility in the market place to meet the global and local need.
- * An example of this is their new manufacturing plant in Prune, India, which further secures their Asian market presence.

(Henderson R., Johnson R., p. 113, p. 112).

L'Oreal Distribution Review

L'Oreal's Distribution approach involves many areas, such as the Environment, Sustainable Development, Management, and of course Distribution.

L'Oreal's overall management approach in regards to Distribution is outlined very well by L'Oreal's Gri-Data Sheets from 2011.

- * To manufacture and distribute products while respecting the environment and people is an essential element of the vision of L'Oreal's sustainable development (this involves their environmental standards). The group's environmental policy relies on strict compliance and regulation, internal standards applicable to each location, preventive business processes, and reduction and reuse.

(2011 L'Oreal Gri-Data Sheets)

L'Oreal Distribution Review (continued)

L'Oreal's policy is accompanied by a detailed monthly report of indicators which monitor the development of the results. In addition, L'Oreal managers are responsible for implementing environmental policy, practical activity, and achievement of objectives.

(2011 L'Oreal Gri-Data Sheets)

L'Oreal Distribution Review (continued)

L'Oreal has 41 factories and 74 distribution centers globally. In 2011, the group manufactured and distributed more than 5.78 billion products. The factories and distribution centers have environmental targets, such as:

- * 50% absolute reduction in greenhouse gas emissions;
- * 50% reduction in waste generated per finished product;
- * 50% reduction in water consumption per finished product; and
- * Reductions are calculated on a like-for-like basis for their 2005-2015 period.

(2011 L'Oreal Gri-Data Sheets)

L'Oreal Marketing and Communications Review

You cannot have effective marketing without communications. To understand L'Oreal's success, both terms are defined in this slide and the next slide.

- * Merriam-Webster defines marketing as:
 - * The act or process of selling or purchasing in a market and the process or technique of promoting, selling, and distributing a product or service. Secondarily, as an aggregate of functions involved in moving goods from producer to consumer.

(Merriam-Webster.com)

L'Oreal Marketing and Communications Review (continued)

Effective marketing starts with founded communications. Communications can only happen with the right internal business and cultural environment.

- * Merriam-Webster defines communication as:
 - * 1-an act or instance of transmitting;
 - * 2-information transmitted or conveyed (a verbal or written message);
 - * 3-a process by which information is exchanged between individuals through a common system of symbols, signs, or behavior; also: exchange of information - personal rapport; and
 - * 4-technique for expressing ideas effectively; the technology of the transmission of information (as by print or telecommunication).

(Merriam-Webster.com, ATSPG.com)

L'Oreal Marketing and Communications Review (continued)

How does L'Oreal market and communicate? With any effective marketing, you must have effective communications. L'Oreal has both.

L'Oreal's communications are divided into four areas. They are:

- * Brand Communication;
- * External Communication;
- * Corporate Communication and Information; and
- * Philanthropy.

L'Oreal Marketing and Communications Review (continued)

A L'Oreal statement shows their strength with their communications and marketing and how they work these two areas to benefit all their stakeholders.

- * "In each of these fields you will be part of an environment which changes rapidly due to the number of information sources, changing priority in the media, stiff competition with other brands, and consumers who are better informed and more demanding."
- * L'Oreal Consumer Products President: "... tailoring product performance and price to local needs."

(Loreal.com, Henderson R., Johnson R., p. 115)

L'Oreal Marketing and Communications Review (continued)

Ernst and Young (E&Y) conducted an interview with Jean-Claude Le Grand, L'Oreal's Consumer Products and Corporate Diversity Director. E&Y asked the question and the answer summarizes how L'Oreal communicates and markets from their core belief:

- * “Why are diversity and inclusiveness such important issues for L'Oreal?”
- * “We're in the beauty business, and the concepts of beauty and diversity are intertwined. There is no single global standard of beauty; instead, there are different perspectives and different histories. The beauty market is diverse by definition. To lead in that market, L'Oreal has to be diverse from within.”

L'Oreal Marketing and Communications Review (continued)

As L'Oreal's marketing and communications methodologies are further reviewed, some very relevant processes come to surface as to why they are a global success.

- * They have a strict brand policy where they cannot sell outside of specific designated channels.
- * L'Oreal is very good at acquiring brands, providing them a makeover with a shifted image, and launching these brands globally with success (e.g., Maybelline).
- * One L'Oreal executive stated, “we can apply our expertise and technology to improve Maybelline's products, its marketing, its brand image, and increase its share of U.S. sales.”

(Henderson R., Johnson R., p. 113, p.114)

L'Oreal Marketing and Communications Review (continued)

L'Oreal has many ways of marketing their brands to the global and local market place. Behind Unilever and P&G, L'Oreal is third in global advertising spend. L'Oreal is going more towards digital as the world is changing. Some of the areas they utilize are:

- * Television, Print, Retail, and Billboards (e.g., magazines);
- * Celebrity Endorsers (spokespeople);
- * Sponsors, Films and Media (e.g., Cannes Film Festival);
- * Digital and Internet (e.g., YouTube / Destination Beauty, Facebook / How to Videos filmed by Beauty Bloggers, User Generated Websites, and Utilization of Web Personalities); and
- * Brandstorm (competition between students for new marketing concepts); and
- * Grassroots Campaigns (e.g., provide help to salons).

(Henderson R., Johnson R., p. 116, p. 117, p. 118)

Competitive Analysis - Direct Competitor Analysis

L'Oreal has an interesting view about competition which states with Agon, the CEO. He states, "The more the market develops, the less relevant direct sales will be". He said this in regards to how Brazil makes purchases from direct sales. Agon's belief is that this will change, even though many Latin countries do business this way.

- * He also goes onto say, "... the number of options is infinite ... people will become used to this new world ... right tools of communications for the right purpose."
- * In other words, Agon believes the world is changing and will change, there will be more choices, and those companies that are there to offer these choices will come out ahead if they are positioned right.

(Henderson R., Johnson R., p. 115, p.116)

Competitive Analysis - Direct Competitor Analysis (continued)

One of the foundational pieces that continues to drive L'Oreal to new achievement heights, profitability, and market share are the global products, sold at the local level, through all types of markets to meet the local consumer diversity. Some of the L'Oreal competitive ways are:

- * Department Stores;
- * Other Retail Locations;
- * The Internet;
- * Director Marketing (beauty industry professionals); and duty-free shops.

(Henderson R., Johnson R., p. 111)

Competitive Analysis - Direct Competitor Analysis (continued)

Jean-Paul Agon, L'Oreal's CEO, made a statement in 2010. His words outline L'Oreal, their marketing, global business, and competition.

- * “You need a global brand, which is then adapted to the key markets on the key continents in order to offer consumers the right and relevant products, which is what universalization is all about.”

(Henderson R., Johnson R., p. 111)

Competitive Analysis - Direct Competitor Analysis (continued)

Who are L'Oreal's competitors?

L'Oreal competes with companies like Avon, Revlon, Estee Lauder, and Proctor & Gamble (P&G). As of 2011, Forbes estimates their current market price above the \$22.74. L'Oreal's broad portfolio and global presence of brands makes them well positioned. Some of their brands range from:

- * Professional Salon Brands - such as Redken and Kerastase;
- * Retail Brands - such as Garnier, L'Oreal Paris and Maybelline; and
- * Luxury Brands - such as Lancôme and Biotherm.

Competitive Analysis - Direct Competitor Analysis (continued)

L'Oreal's Brands – Broad Portfolio & Global Presence

- * This has helped L'Oreal benefit from the gradual recovery in macroeconomic conditions. And, they are positioned to gain from rising income levels and double-digit growth rates in emerging economies such as India and China .
- * Another area that benefits the bottom line and future success of L'Oreal is their 9% stake in Sanofi-Aventis, which contributes for 10% more to L'Oreal's stock.
- * One of the potential actions that could take place is from Nestle, who owns close to 30% of L'Oreal. The reason: L'Oreal's promising business outlook, a healthy balance sheet, and business fundamentals that are sound.

(Forbes.com)

Competitive Analysis - Direct Competitor Analysis (continued)

L'Oreal's Competition: Leader in Several Market Segments

- * L'Oreal's skin care accounts for 12% of the market share, a growing share in the beauty care area which accounts for \$90 Billion globally, 9% of the fragrance and 19% of makeup segment which makes L'Oreal the leader in these two areas, and a 22% market share in hair care, which places them in second behind P&G and double the share over Unilever, who is third.

(Forbes.com)

Product Analysis - Market Analysis (country and consumer markets)

L'Oreal Market Summary (April, 2012)

Forbes L'Oreal's Market Share, Numbers, and Information:

- * Industry: Household/Personal Care;
- * Founded: 1907;
- * Country: France;
- * CEO: Jean-Paul Agon;
- * Website: www.loreal.com;
- * Employees: 68,886; and
- * Sales: \$26.35 Billion.

(Forbes.com)

Product Analysis - Market Analysis (country and consumer markets)

L'Oreal Market Summary (April, 2012)

Forbes Lists L'Oreal as:

- * #25 World's Most Powerful Brands;
- * #34 Innovative Companies (#26 in 2011);
- * #209 Global 2000;
- * #341 in Sales;
- * #185 in Profit;
- * #670 in Assets; and
- * #92 in Market value.

(Forbes.com)

Product Analysis - Market Analysis (country and consumer markets)

What is L'Oreal's country markets and consumers markets?
L'Oreal's China CEO is committed to the Chinese market.

- * In 2011, L'Oreal's Annual Report stated the following their target is: "to conquer one billion new customers in the next decade". In forecast and planning, this means L'Oreal will double their numbers if they accomplish this.
- * They believe that China will play a vital role in accomplishing their numbers and goals. L'Oreal's CEO for China, Alexis Perakis-Valat, said: "Right now, China is the third-largest market for L'Oreal worldwide." Also, he says, "we are sure that China will be number 1 one day. There is no doubt about it."

(Jing, Y., China Daily)

Product Analysis - Market Analysis (country & consumer) (continued)

What is L'Oreal's country markets and consumers markets?
L'Oreal's sales in the Asia-Pacific region rose more than last year (12.5%, \$1.7 Billion), while European sales rose by a meager 1.9 percent.

What are the main areas propelling the Chinese market?

- * The upmarket shift of its consumers; and
- * The potential for geographic expansion.

(Jing, Y., China Daily)

Product Analysis - Market Analysis (country & consumer) (continued)

What is L'Oreal's country markets and consumers markets?

L'Oreal's markets include the following:

- * Understand Consumers at Local Level (globally);
- * Emerging Markets (Brazil, China, etc.);
- * Different Approaches (U.S., Europe, etc.);
- * Traditional Markets; and
- * Cater to Diverse Customers (Ethnic groups, East Aspiring Customers, and Men's).

(Henderson R., Johnson R., p. 113, p. 115).

Product Analysis - Market Analysis (country & consumer) (continued)

What is L'Oreal's country markets, consumer markets, and products?

L'Oreal's products include the following:

- * Consumer;
- * Luxury;
- * Professional; and
- * Active Cosmetics.

(Henderson R., Johnson R., p. 113, p. 115).

Product Analysis - Market Analysis (country & consumer) (continued)

What is L'Oreal's country markets, consumers markets, and products?

L'Oreal's product review percentages, include the following:

- * Professional Products Division Sales (page 119) – Western Europe 35.5%, North America 36.2%, and New Markets 28.3%;
- * Consumer Products Division Sales (page 119) – Western Europe 38.5%, North America 22.7%, and New Markets 38.8%;
- * Luxury Products Division Sales (page 120) – Western Europe 32.9%, North America 22.6%, and New Markets 37.5%;
- * Active Cosmetics Division Sales – Western Europe 54.3%, North America 9%, and New Markets 36.6%.

(Henderson R., Johnson R.).

Product Analysis - Market Analysis (country & consumer) (continued)

What is L'Oreal's country markets, consumers markets, and products?

L'Oreal's products and consumer markets review, as it relates to what is sold in certain countries and regions around the world are:

- * Garnier Men – New men's skincare range in India;
- * Caffeine Eye-Roll-on – Asia;
- * Mineral Deodorant – Eastern Europe;
- * Ultra Doux – Western Europe; and
- * Fructis Stop Caida – Mexico.

(Henderson R., Johnson R., p. 120).

Product Analysis - Market Analysis (country & consumer) (continued)

What is L'Oreal's country markets, consumers markets, and products?

L'Oreal's global brand mission, as it relates to products and consumer markets review, are:

- * Develop brands from the low end to the high end;
- * Provide a portfolio of brands / products that cover all distribution channels and price points; and
- * Focus on catering to diverse populations which means different products at different prices.

(Henderson R., Johnson R., p. 113).

SWOT Analysis

What is the SWOT for L'Oreal?

A SWOT analysis, according to business dictionary is defined as: "Situation analysis in which internal strengths and weaknesses of an organization, and external opportunities and threats faced by it are closely examined to chart a strategy. SWOT stands for strengths, weaknesses, opportunities, and threats.

In other words, L'Oreal's SWOT can be broken down into:

- * Strengths;
- * Weaknesses;
- * Opportunities; and
- * Threats.

(Business Dictionary)

SWOT Analysis (continued)

What are some of the L'Oreal strengths?

- * Ability to create proprietary products patented and owned by L'Oreal (cutting edge);
- * Advertising Budget;
- * Brand Development from Low to High End Markets;
- * Communication Practices that Build Trust;
- * Continued Expansion in New Markets (South East Asia, China, and India);
- * Diversity Driver (Strengthen L'Oreal's Performance);
- * Ethics and Trust for Financial Health;
- * Formula and Packaging Renewal for Certain Products;

(2011 L'Oreal Annual Report, Case Study Bibliography)

SWOT Analysis (continued)

What are some of the L'Oreal strengths?

- * Global / International Brands (Three Business Segments: Fragrances, Make-up, and Skincare. Selective distribution, through Department Stores, Perfumeries, Travel Retail Outlets, Free-Standing Stores, and E-commerce);
- * Global Growth and Sales with Profitability (Strengthening their Core Products – Refer to Exhibit D);
- * Hairdresser Partnership Development and Enhancement (Continuation of Current Relationships and Strengthening of New Partner's, like Salonworld in France);
- * Increased and Interactive Training (Cosmetic and Hair Care Professionals);

(2011 L'Oreal Annual Report, Case Study Bibliography)

SWOT Analysis (continued)

What are some of the L'Oreal strengths?

- * Internet and Digital World (L'Oreal has Implemented Successful Practices through Websites, Twitter, Social Networks, Facebook, and the Combination of their Entire Social Media Plan);
- * ISO Certified Locations;
- * Leader in Several Market Segments;
- * Local Supplier Development (L'Oreal Initiated a Local EcoSystem / Close to Consumer Needs for Each Market) / L'Oreal's Group Divisions provides an expert platform in each distribution channel (provides the needs to each consumer as it relates to their lifestyle, behavior, local market, and purchasing power);

(2011 L'Oreal Annual Report, Case Study Bibliography)

SWOT Analysis (continued)

What are some of the L'Oreal strengths?

- * Market Leader (continues to strengthen);
- * Marketing, Cultural, and Social Abilities;
- * Mature Market Strengthened due to Innovative Retailer Partnerships (Germany, United States, and France);
- * New Markets (Emerging Markets – South East Asia, China, India, Russia, and Latin America / Refer to Exhibit E)
- * New Market Industrial Facilities (Be Close to Consumer Needs and the Growth of Each Market);
- * No More Clinical Trials Potentially (L'Oreal Prediction Evaluation);

(2011 L'Oreal Annual Report, Case Study Bibliography)

SWOT Analysis (continued)

What are some of the L'Oreal strengths?

- * Offerings to all women and men beauty opportunity in all markets (emerging, developed, niche, and so forth);
- * Open Research Development (L'Oreal is Open to Local Scientific Expertise);
- * Profitable growth with sustainability;
- * Research (Creativity and Innovation / Rated 100 Most Innovative Companies in 2011 by Reuter's);
- * Successful Acquisition Methodologies and Processes of Companies;

(2011 L'Oreal Annual Report, Case Study Bibliography)

SWOT Analysis (continued)

What are some of the L'Oreal strengths?

- * Supply Chain / Distribution Global and Local Ability;
- * Sustainable and Environmental Practices (Monitor Environmental Targets);
- * Thorough Knowledge of Latest Trends and Customers; and
- * Trust Relationship for the Administration, Controlling, and Finance Teams (partners: bankers, suppliers, customers, market authorities, shareholders, and rating).

(2011 L'Oreal Annual Report, Case Study Bibliography)

SWOT Analysis (continued)

What are some of the L'Oreal weaknesses?

- * Accountability of Divisions because L'Oreal is Large;
- * Control Difficulty;
- * Decentralized organizational Structure (Many Sub Divisions);
- * Ethical Advertising Issues (use of beautiful woman and product testing policies);
- * Handling Local Cultural Markets (Brazil / Direct Selling Provided by Avon);
- * High-End Cost of Advertising and Large Budget Amount;

(SWOT Analysis L'Oreal, Premium Beauty News, Bloomberg, Case Study Bibliography)

SWOT Analysis (continued)

What are some of the L'Oreal weaknesses?

- * L'Oreal Product Campaigns (can affect project image);
- * Lower Sales from Developed Markets in 2011 (the U.S. and Europe);
- * Negative Results / China Slowdown and Trading Conditions in Taiwan and South Korea (2012);
- * Nestle Ownership (2014 Decision of Takeover?);
- * Possible Future Global Economic Slowdown for Cosmetics and Luxury Items;
- * Production Slowdown (Due to Reference and Decision by Directors and Board Members);

(SWOT Analysis L'Oreal, Premium Beauty News, Bloomberg, Case Study Bibliography)

SWOT Analysis (continued)

What are some of the L'Oreal weaknesses?

- * Profit Margins are Lower Compared to Smaller Sized Rivals;
- * Size (Lose the Communication, Trust, Innovation, and Marketing Internally);
- * Slow Growth of Kiehl's Product (Decelerated Revenue in Western Europe and Asia / L'Oreal cut Prices in 21 Markets in the past two years);
- * Stiff Competition from Unilever, P&G, and Revlon;

(SWOT Analysis L'Oreal, Premium Beauty News, Bloomberg, Case Study Bibliography)

SWOT Analysis (continued)

What are some of the L'Oreal weaknesses?

- * Volatile Currency in the Markets;
- * Vulnerable to Global Demand Weakness (Last Quarter 2012); and
- * Worldwide Market Image (due to worldwide marketing strategy where coordination and control of activities can be more difficult).

(SWOT Analysis L'Oreal, Premium Beauty News, Bloomberg, Case Study Bibliography)

SWOT Analysis (continued)

What are some of the L'Oreal opportunities?

- * 6% Growth in 2012 Beat 4.5% Forecast;
- * Acquire One Billion New Consumers;
- * Baby Boomers are Working Longer (Active Consumers with Expendable Income);
- * Consumers Driven by Health and Well-Being More as Their Objectives;

(PR News Wire, CPP-Luxury, L'Oreal, Daneshkhu S., and Brummelhuis S.)

SWOT Analysis (continued)

What are some of the L'Oreal opportunities?

- * Corporate Responsibility (Underprivileged Children, Support of Ailing Individuals, Assistance Provided to Vulnerable Populations, and Science Promotion);
- * Diversify Into New Product Categories;
- * Driving Growth (Emerging Markets);
- * Effective Distribution and Supply Chain (L'Oreal is Best in Class);

(PR News Wire, CPP-Luxury, L'Oreal, Daneshkhu S., and Brummelhuis S.)

SWOT Analysis (continued)

What are some of the L'Oreal opportunities?

- * Electronic Beauty (Product Synergies);
- * Emerging and New Markets;
- * Global Branding that Applies to Local Knowledge (Global Brands Adapt to Key Markets);
- * Global Citizen Projects (Different Projects that Help Young People from Underprivileged backgrounds in such places as Vietnam, Germany, Israel, Lebanon, Korea, Switzerland, Turkey, Norway, and Morocco);

(PR News Wire, CPP-Luxury, L'Oreal, Daneshkhu S., and Brummelhuis S.)

SWOT Analysis (continued)

What are some of the L'Oreal opportunities?

- * Global Skin Market Expected to Grow 4.4% through 2015;
- * Grants (\$10,000 to \$100,000 Funding by L'Oreal for Women who are accepted in "The Next Lab", an Experimental Testing Fund for Digital Innovation);
- * L'Oreal Global Corporate Office Moving to a New Location (New Sports Center, Restaurant... Everything);

(PR News Wire, CPP-Luxury, L'Oreal, Daneshkhu S., and Brummelhuis S.)

SWOT Analysis (continued)

What are some of the L'Oreal opportunities?

- * L'Oreal has Best in Practice Communications, Marketing, and Channels;
- * L'Oreal Knows How to Compete (Stay with or Ahead of Competition);
- * L'Oreal Owns 8.8% Holding of Sanofi;
- * L'Oreal Provides Products that Provides New Strength to the Skin;
- * Market Position (Low End to High End Products);

(PR News Wire, CPP-Luxury, L'Oreal, Daneshkhu S., and Brummelhuis S.)

SWOT Analysis (continued)

What are some of the L'Oreal opportunities?

- * Net Debt has turned into Net Cash in Four Years (Agon, L'Oreal's CEO, Wants to Use Cash for Acquisitions);
- * People are Living Longer (Market Increase 50+); and
- * Sustainable Clean Energy and Strong Environmental Policy is Driving L'Oreal (More Demand in the Marketplace).

(PR News Wire, CPP-Luxury, L'Oreal, Daneshkhu S., and Brummelhuis S.)

SWOT Analysis (continued)

What are some of the L'Oreal threats?

- * Acquisition of the Right Companies and Brands (Fit L'Oreal's Brand, Mission, and Market);
- * Advertising Budget (More than \$5 Billion Per Year);
- * Consumer Spending Habits (Directed by Economics);
- * Cultures (e.g., Brazil - Local Culture Enforces Avon Direct Selling Method / L'Oreal's Performance Did Not Meet Expectations);
- * Economic Downturn in Some Countries in 2012;

(L'Oreal, China Daily, AFP Relax News / NY Daily News)

SWOT Analysis (continued)

What are some of the L'Oreal threats?

- * Growing Competition (Cosmetic Brands);
- * Keeping up with Research and Innovation;
- * Local Brand Growth;
- * L'Oreal Become Too Large (Lose Internal Communications, Marketing, Innovation, and Creativity As Many Large Companies Do);

(L'Oreal, China Daily, AFP Relax News / NY Daily News)

SWOT Analysis (continued)

What are some of the L'Oreal threats?

- * L'Oreal Lower Profit Margin (Compared to Local Brands);
- * L'Oreal may Face Problems Reaching Average People in Underdeveloped Countries (Distribution and Cost);
- * Nestle (2014); and
- * Worldwide Global Changes (Raw Material Demand, Manufacturing Location, Natural Disasters, Supply Chain Disruption, Compliance, etc.).

(L'Oreal, China Daily, AFP Relax News / NY Daily News)

Current Situation Conclusions

Below are some overall conclusions as it relates to the data and information collected about L'Oreal.

- * L'Oreal has done a brilliant job creating a global system, supply chain, distribution, marketing, and communication platform where they can deliver local products and brands desired by the local market.
- * L'Oreal, from a financial stand-point, has a lot of cash.
- * L'Oreal is acquiring a lot of companies around the globe that fits their global model.
- * L'Oreal practice an environmental standard and eco-friendly foundation in their practices that are actually audited and tracked.

Current Situation Conclusions (continued)

Below are some overall conclusions as it relates to the data and information collected about L'Oreal.

- * L'Oreal is one of the largest cosmetic companies in the world, behind P&G and Unilever.
- * L'Oreal has stopped conducting testing on animals.
- * L'Oreal is going more towards digital and away from print.
- * Nestle has a large part of L'Oreal stock and in 2014, Nestle will be able to decide how they exercise this ownership.
- * L'Oreal has incredible talent, spends a lot of money on research, development, and innovation.
- * L'Oreal is very innovative in their thinking, teams, and outreach for market development, marketing, and consumer brands.

Section Three: Alternative Strategic Marketing Solutions

- * Section three identifies three strategic alternative solutions that L'Oreal can take to enhance their global marketing.
- * Section three starts with slide eighty-six and goes through slide ninety-nine.

Section Three: Alternative Strategic Marketing Solutions

Marketing Strategy Recommendation One: Direct Sales

- * Pricing is a big problem based on how markets fluctuate, how an economy does, and how much of a luxury item is purchased or not (L'Oreal products, even on the low end, are considered luxury for many consumers).
- * L'Oreal's budget for advertising is massive. Even though they are trying to go more digital and provide an environment of word-of-mouth, this area needs to be developed more, as this would help not only grow their business, but for less advertising dollars. Avon has done an incredible job and L'Oreal could create a division hybrid of this.

Section Three: Alternative Strategic Marketing Solutions

Marketing Strategy Recommendation One: Direct Sales

- * Products/Markets

- * Offer products that could be manufactured in the region/country, in those cultures where direct selling is a part of the culture (e.g., Brazil), and grow one area at a time.

- * Mode of Entry

- * Start with Direct Selling. Learn from other companies, like Avon and Coca-Cola. Avon has done great in Brazil and Coca Cola did some amazing things in India. Avon utilized the Brazilian culture and Coca Cola saw a marketing opportunity to reach the rural areas they could not reach otherwise - Coca Cola set helped women to own their own Coca Cola business to sell Coca-Cola to the distant areas in India outside of their distribution abilities bringing great success.

Section Three: Alternative Strategic Marketing Solutions

Marketing Strategy Recommendation One: Direct Sales

- * Country Markets
 - * Start with Brazil
- * Price and Distribution Strategies
 - * The product needs to be priced at a range where the masses can access L'Oreal without jeopardizing quality and profit margin. Also, the product needs to be able to be manufactured in the country market being developed for this new strategy.
- * Product/Marketing Communication Strategy
 - * Continue with L'Oreal's marketing and communication strategy of Luxury and Quality and Image at a price that everyone can afford.

Section Three: Alternative Strategic Marketing Solutions

Marketing Strategy Recommendation One: Direct Sales

- * Advantage
 - * L'Oreal will increase more market share, increased consumers, and some of the populations in these countries that they would not have reached any other way.

- * Disadvantages
 - * Might hinder the image of L'Oreal's Luxury Image if not conducted right as well as what L'Oreal's CEO has said about Direct Selling in Brazil (the market will change the way people buy). There is not as much quality control and training in how products are used with Direct Selling Representatives as with Hair and Cosmetics Professionals.

Section Three: Alternative Strategic Marketing Solutions

Marketing Strategy Recommendation Two: Acquire Companies that Fit L'Oreal's Culture, Distribution, and Mission

- * Products/Markets
 - * Through acquisitions of companies by L'Oreal, ensure that any products these companies provide fit within the guidelines, high standards, and regulatory compliance.
- * Also, ensure that the products of these acquired companies are in-demand or have the potential of consumer demand within the portfolio of L'Oreal.

Section Three: Alternative Strategic Marketing Solutions

Marketing Strategy Recommendation Two: Acquire Companies that Fit L'Oreal's Culture, Distribution, and Mission

- * Mode of Entry
 - * Purchase only those companies that fit the product, market, regulatory, and mission guidelines of L'Oreal. After the country/region has been analyzed, ensure that the company being analyzed is sound and meets these L'Oreal guidelines.

- * Country Markets
 - * Entrance of country markets should only take place where L'Oreal can support the new acquired company, as well as production of the brand.

Section Three: Alternative Strategic Marketing Solutions

Marketing Strategy Recommendation Two: Acquire Companies that Fit L'Oreal's Culture, Distribution, and Mission

- * Price and Distribution Strategies
 - * The price and distribution of the company being analyzed would be thoroughly reviewed as to the viability, soundness, and consumer feedback realities of the product, the brand, future growth, how the local economy effects the buying decision of the product, and whether the product price is low, medium, or high priced valued. As far as distribution strategies, if the acquisition analysis is conducted correctly, the distribution of the product will work well.
 - * L'Oreal likes to be self-sustaining so they will need to ensure one of two things: (1) Does the company they are reviewing manufacture their own product; or (2) Does the company own the proprietary rights, patents, and formula for the product so that L'Oreal can manufacture in their own facilities and distribute?

Section Three: Alternative Strategic Marketing Solutions

Marketing Strategy Recommendation Two: Acquire Companies that Fit L'Oreal's Culture, Distribution, and Mission

- * Product/Marketing Communication Strategy
 - * Upon successful acquisition of the company L'Oreal has purchased, ensure proper press release, news, and strength of the company becoming a part of the global L'Oreal Local Family. Create news that shows how L'Oreal creates jobs, provides plants, R&D, and local opportunities to the local area, with a show of all their operations in each specific market and how they will do the same. In other words, guide current consumers and prospective consumers into the understanding that L'Oreal is not this huge company that only will take jobs, cares only about profits, and so forth.

Section Three: Alternative Strategic Marketing Solutions

Marketing Strategy Recommendation Two: Acquire Companies that Fit L'Oreal's Culture, Distribution, and Mission

- * Advantage
 - * L'Oreal will be able to bring on new products, enter new markets, and grow into areas they may not have been able to access before.
- * Disadvantages
 - * If L'Oreal does not take their time and conduct a complete analysis of the companies they endeavor to acquire, this would end in L'Oreal acquiring more problems and could harm their brand.

Section Three: Alternative Strategic Marketing Solutions

Marketing Strategy Recommendation Three: Franchise Ownership

- * Products/Markets

- * Provide products that meet the masses, from low to high end, with stores that are located in upscale malls

- * Mode of Entry

- * Test the Franchise Ownership model where franchising is in demand (e.g., U.S.). Set up all of the legal documents, structure, and create a division just for this that will protect the L'Oreal brand during the test phase of this marketing strategy. Research the areas and find three malls that are upscale in locations where cosmetics are in great demand and would not compete with L'Oreal's other marketing channels of their products.

Section Three: Alternative Strategic Marketing Solutions

Marketing Strategy Recommendation Three: Franchise Ownership

- * Country Markets
 - * United States
- * Price and Distribution Strategies
 - * Utilize current pricing and distribution strategies for the three selected Franchise Owners. Once the model proves itself, the infrastructure for distribution and pricing methodologies can be customized and changed in accordance to the Franchise Model results.

Section Three: Alternative Strategic Marketing Solutions

Marketing Strategy Recommendation Three: Franchise Ownership

- * Product/Marketing Communication Strategy
 - * In the initial phase of this division, one person will oversee the process that understands cosmetics, knows franchising, takes ownership of this new program, and can communicate with management about what is working and what is not. Marketing will take place to recruit the three Franchise Owners and through advertising dollars that the Franchise Owners have agreed to, L'Oreal will bring community awareness to the new stores in these three upscale mall locations.

Section Three: Alternative Strategic Marketing Solutions

Marketing Strategy Recommendation Three: Franchise Ownership

- * Advantage

- * Most of the cost will be the responsibility of each Franchise Owner. If the model works, more and more Franchise Owners will have the opportunity to open stores that they own, representing L'Oreal, while carrying most of the costs. In other words, L'Oreal will not have to spend as much money over the long-term for the advertising, promotion, and sales of products. There is a lot more control with quality control, training, requirements, and goals than any other sales models.

- * Disadvantages

- * If L'Oreal does not position the stores and markets in the right place to begin with (by doing their due diligence), the model will not work as well which could hurt L'Oreal's image. Also, L'Oreal will lose some of their control, as they will allow the Franchise Owner to take some of the control in owning their business with L'Oreal.

Section Four: Recommendation

The Recommendation from the Three Alternative Marketing Solutions is:

- * Franchising.

Section four goes from this slide through slide one-hundred and eight.

Section Four: Recommendation

Why Franchising?

- * Greater Quality Control;
- * Tighter Grasp on Entire L'Oreal Branding;
- * Franchise Owner of the L'Oreal Shop Pays for Most Costs (Training, Shop/Building, Products, Insurance, Employees, Expansion, Etc.);
- * Franchising is a Proven Model Over Traditional Business Models (Turnkey System and Company Support);
- * With the L'Oreal Franchise Division, More Revenue Will be Generated;
- * Profit Margins are typically Higher with most Franchise Models (as compared to other models);

Section Four: Recommendation (continued)

Why Franchising?

- * Franchise Owners – Not Employees (No Overhead);
- * Franchising Can Be Scalable and Flexible;
- * Franchising is Globally Accepted;
- * More and More Companies are Adapting to this Model;
- * By 2020, 50% Sales Through Franchising (Estimated at Current Growth Rates that 50% of Business will take place through Franchising); and
- * Seamless Marketing and Branding with the Franchise Model from L'Oreal Corporate.

Section Four: Recommendation (continued)

Suggested Marketing Mix Tactics for Implementing the Strategy:

- * Franchise Division Head and Team Identified and Empowered;
- * Marketing, Expansion, Distribution, and Compliance Goals Outlined;
- * Business Plan Outlined, Created, Finalized, and Implemented for Each Area of the NEW Franchising Model for L'Oreal –
 - * What Market Area in the U.S.
 - * The Franchise Team – Who is Responsible for What?
 - * Available Resources – Timelines, Goals, Revenues, Product Distribution, Available Brands, Accountability, etc.
 - * Legal – Finalize Franchise Disclosure Document (FDD) and Franchise Agreement (FA)
 - * Implement Franchise Owners – Identify Three Top Candidates (fit profile)
 - * Store Openings – After Three Join, Train, Develop, and Build

Section Four: Recommendation (continued)

Suggested Marketing Mix Tactics for Implementing the Strategy:

- * Ensure that Each Franchise Owner Opens their Store with L'Oreal's Entire Support for Success;
- * L'Oreal Franchise Team – Know Exact Responsibilities (throughout the entire process to L'Oreal Corporate, the Franchise Owner, and to the L'Oreal Consumer at the Franchise Owner's Store); and
- * Scalable / Flexible – Understand and Change Any Area through the Development Stage of the New Franchise Owners (make any changes that are better for all L'Oreal Stakeholders).

Section Four: Recommendation (continued)

Product Suggestions:

- * Because of the immense research conducted by L'Oreal with current consumers, different L'Oreal marketing and advertising channels, L'Oreal would know and understand the product offerings.
- * From this understanding, we would recommend the products that are available to the three Franchise Owners in the region that could be marketed.
- * From the initial sales of each brand, we would monitor numbers, outcomes, and what consumers want.
- * Then, changes would be made based on the updated information to meet the desires of the local area.

Section Four: Recommendation (continued)

Pricing Suggestions:

- * The same methodologies would be utilized as the product suggestions.
- * Even though L'Oreal has some great data about each market, the continuation of feedback data, consumer need, and new product availability would contribute to pricing and outcome.
- * Because the Franchise Owners would establish their stores in upscale malls, not only would the consumer profile have already been analyzed by L'Oreal, but the spend habits during a good economy and a slow economy would be taken into account (for the impact of how luxury items are purchased).

Section Four: Recommendation (continued)

Marketing and Communication Suggestions:

- * It will be important that L'Oreal Corporate and the Franchise Division Team Communicate Seamlessly;
- * Marketing Will Need to Be Standalone from Corporate
 - * The Franchise Division and the Franchise Owners will Market as a Team that meets the Local Consumers;
- * The Stores / Franchise Owners will Have their Own Store, with L'Oreal as the Brand, and Unique Branding that Focuses on the Entire Package (Store, Brand, Products, Consumer Need, Area, Marketing, and Communications).

Section Four: Recommendation (continued)

On Going Issues (to Monitor in the Implementation):

- * Franchise Division Team Communicates Regularly and Understands L'Oreal Corporate Directives;
- * Franchise Division Team Communicates Consumer Feedback from Franchise Owners / Stores;
- * Stores Set-up to Compliance, Regulation, and Blue Prints;
- * Constant Feedback from Franchise Owners to Franchise Division Team (so that any changes that need to be changed for the better takes place);
- * Operations Manual Followed;
- * Regular Audits to Ensure Cleanliness, Customer Service, Upselling, Proper Retailing, Professionalism, Etc.

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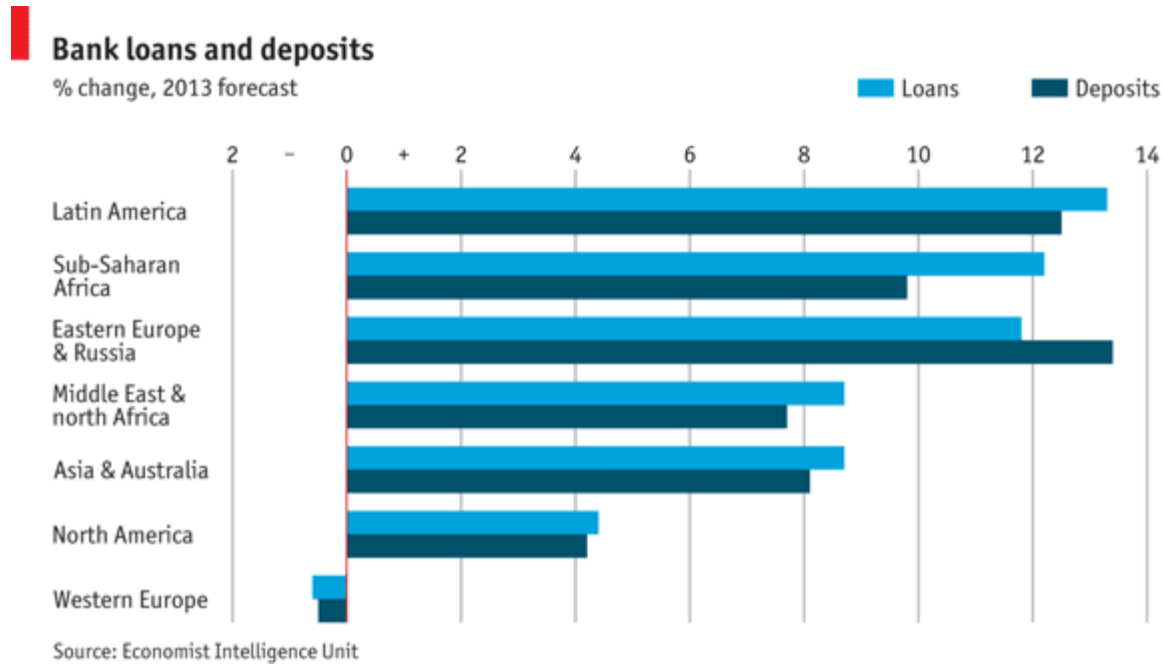
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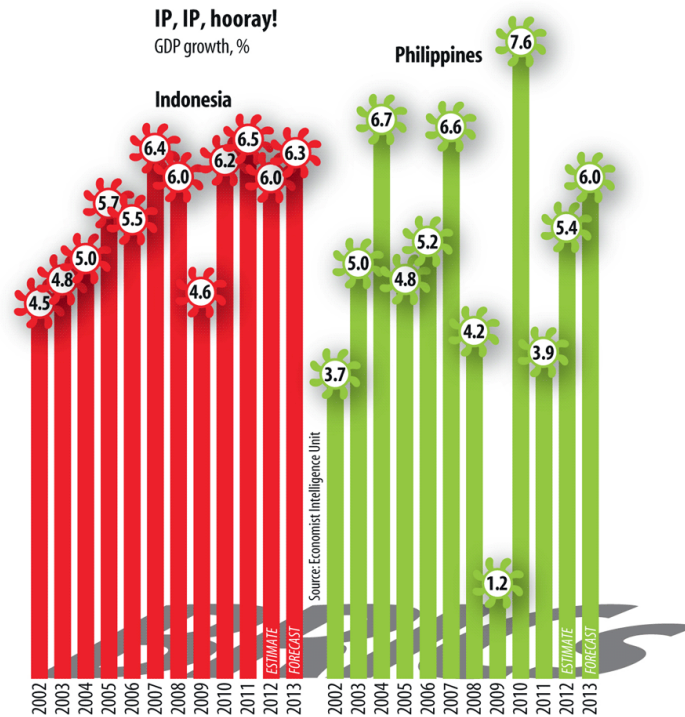
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Bank Loans and Deposits (Exhibit A)



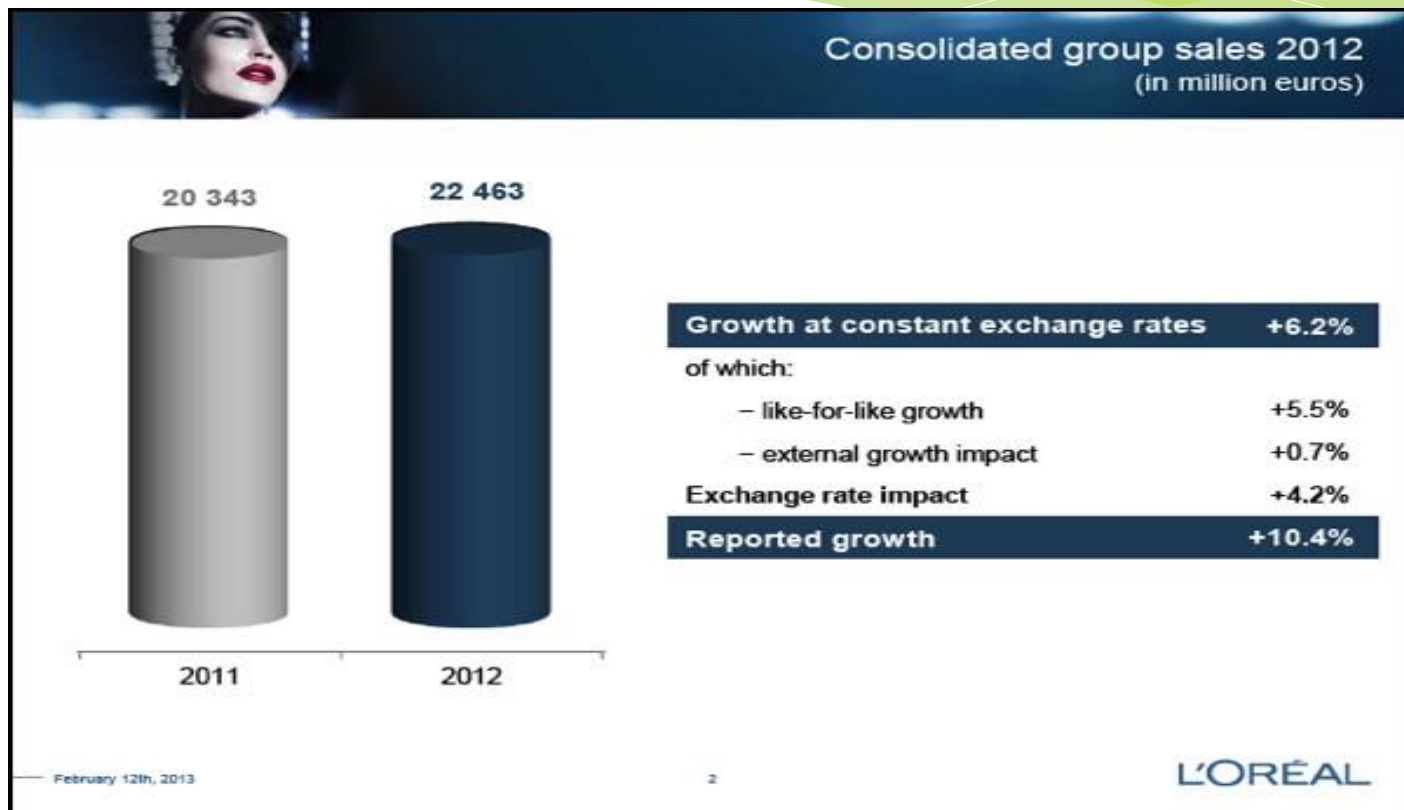
Indonesia & Philippines (Exhibit B)



GDP Growth & Per Capita Cosmetics Consumption (Exhibit C)



Consolidated Group Sales (Exhibit D)



New Markets (Exhibit E)



