RUNNING HEAD: AN INVESTIGATION PROPOSAL

Effective business enquiry and communication

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[Name of the Institution]

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Case Study Analysis

# Executive Summary

In the following analysis, marketing strategies of the L’Oreal group are analyzed. In the market, there are several customers, while they are the main consideration in the targeting and profiling of the products. This analysis focus on the Chinese market and the different products by the L’Oreal Group. This paper further discusses the consumer behaviour and market segmentation. The market segmentation is important for the marketing of the products, and this marketing strategy can be referred as the marketing strategy. Based on 5Cs and SWOT analysis, the recommendations and strategies are made, which include the pricing strategy review and bringing of the innovative services. These both are important for the growth of the products and Group. The main segments of the market for this case study analysis are fashion icons and both genders because these reflect the products.

# Case Study Analysis

## *Haircare: Hygiene or High Fashion?*

With the new trends around the globe, people have changed their styles and demands. Many people would like to look better more specifically when it comes to their hair. Some people will spend more money on the quality of the shampoos while some of them may want that shampoo product which will not cost them more. With the new styles being adopted by the fashionistas, have been making top news in these past years. Popular personalities following different hairstyles in their events make them icons and then, they later thanks to the hair products which they have been using(Masterson, 2014). Apart from these hairstyle fashion trends, the use of these hair products has made a huge impact on the global market. With the great recessions in the economy, people are not able to use these hair products that include conditioners and shampoo. This imbalance in the sale and purchase in the market disturbs the economy as well as the customer behaviours.

With the shift in demands in the global market, analyzing the demand for the L’Oreal is not that much contributing to the economy (Masterson, 2014). Demand for L’Oreal products has dropped, and retailers in the market have also been engaged in cutting their orders. It is also observed that some manufacturers in the industry have decreased their market prices so that lower prices would attract the customers in the market. Stabilization of L'Oreal in the market is important, and to maintain a market image the scientists have been engaging themselves in the production of new products. Changes in products will attract a number of customers and mass-market brands, which may be L’Oreal Paris and Maybelline New York.

There are a number of other products which are demanded by a larger population. To compete them in this global and trending market, L’Oreal has to come up with quality products. In the market, there are products for different hair types, colours, and for different hair lengths whether the customers are men or women. In the case of L'Oreal, these trends in products and their production have decreased. To maintain a market stand, L’Oreal has to be more focused on the branding and advertising of the products like the huge market competitor Johnson. This has been involved in the production of child products, and more importantly, it has increased the age limit. It has also started to make products for children under 4 years. For any brand, attractive, and strong advertising strategies are important for their market competition and survivals.

# Marketing Strategies by L’Oreal

Marketing strategies are based on the main three dimensions that include the standardization-adaptation, configuration-coordination, and strategic integration

PEST analysis to determine factors driving change (Furrer, 2006).

## *Standardization-Adaptation*

The standardization-adaptation process included the channelling, servicing, and marketing of the different products in the market. This helps the markets to be regulated with the help of advanced technology, including transportation and communication. One of the standardized-adaptation by the companies is the production of quality products at lower prices. Standardized-adaptation can be a source to improve and create a market identity around the globe. In the case of L’Oreal, it may increase its branding and market sales by utilizing advanced technology. This advanced technology may also include the internet, where they can engage a large population in branding. This company can also increase production, and it also has to promote products.

## *Configuration*

The configuration includes the value addition with the help of different activities within the country. This may also include the international market where a range of services are offered to consumers. It is also important to consider the local market and regional advantages because they engage customers in the global market. The dispersion of activities within the country may benefit the manufacturing companies to gain a market hold. This dispersion and advertisements in the international market may also promote the products, and increase exports. Dispersions in activities around the globe can be a route to increase market competition with other competitors. More exports and international investments will directly contribute to the domestic market economy and the state. Effective communication with other markets in the globe may help to improve the quality and efficiency of the products.

## *Strategic Integration*

Strategic integration includes the execution of policies and plans that are integral parts of the market competition of the products, whether these are executed within the country or in the international market. Every market competitor changes their marketing strategies and policies with the requirement and demand of the time. Some of their strategies may leave a huge impact on the existing market of L’Oreal Company. A well-executed policy and strategy may help the manufacturing company to counter-back to those threats that are caused by the other competitive companies in the global market.

# A case of L’Oreal

While analyzing the performance of the L’Oreal with the help facts and figures. It can be seen that between 2012 and 2015, the market growth around worldwide was decreased. The products of the L’Oreal are the skincare products which are used almost 55% by the Asia Pacific people. Lancôme is highly demanded in China, and this is the number one brand in the country. L'Oreal Paris is also recommended brand of the skincare and cleansers among other consumer products in the Asia Pacific.

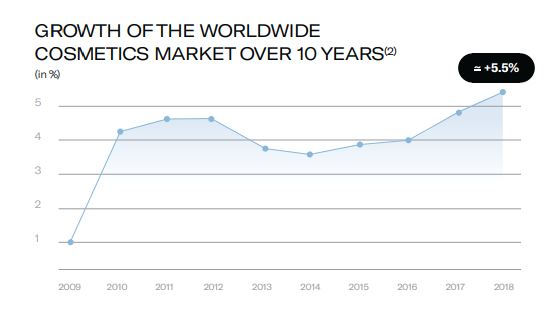


Figure 1.

With the shift in the demands of the consumers, the market strategies adopted by the company include the innovative services to the consumers (Santos et al., 2018). Market strategies also include the renewal of the existing products and the introduction of the new products to the customers worldwide. People easily follow the trends in the market and show a willingness to pay for the products. This consumer behaviour is important to consider in promoting different brands by the company.

# L’Oreal Groupe in Beauty and Personal Care (World)

For a manufacturing company,, quality is its priority. One of the market strategies of L’Oreal is to provide quality products to the consumers in the market. China is the second-largest market for L'Oreal Group, and there are a number of success stories of the company. This group is offering 23 iconic brands in the country, and it has the main three categories. Three categories include men skincare, makeup products, and skincare. With the help of digital technology, it has inspired other competitors in the market. A priority of consumers is quality because unhygienic products may damage their skin or harm them. Making improvements in the production of skincare is important.

With an increase in urbanization, people have become prone to pollution and skin issues, considering these issues, men in Asia are more interested for their skincare. There is a high demand for skin care products, which will help these individuals to improve their beauty, and improve personal care. In Asia, there is a high demand for moisturizing, skin-tone correctors, and anti-aging products, while these all are already made available in the market (“China, a land of beauty,” 2018). For more than 20 years, China is the pioneer for L'Oreal in many areas. This group is a great contributor to the development of the Chinese economy. More than one billion people are passionate about their beauty with the demand for quality product availability (“China, a land of beauty,” 2018). Taking advantage of this increased demand for the products, L'Oreal has created a market place. Apart from providing skincare products in the Chinese market, it has created a brand portfolio, that has become an aspiration to a number of people in China. The hair care products made available in the hair salons of China are based on the vegan formula, and 80-100 % of ingredients are made of natural origins (“Haircare,” 2018). The other revolution in hair care products is herbal hair colour which includes natural pigments and ensures the quality to its customers in the Chinese market. The digital marketing strategy by the group has boosted its sale and demand for the different products in the market. However, when critically analyzed, this group has to work more on mass beauty, and it also has to focus more on premiumisation. The group has to make strategies on reinventions for the purpose to improve the quality on the premium labels as they are no longer restricted with the quality (“L’Oréal Groupe in Beauty and Personal Care,” 2018).

# 5Cs of L’Oreal

a. Company ( L'Oreal Group): In 130 countries, this group is providing customer services of beauty products and other cosmetics to men and women. This Group also respects diversity and aims to work with multiple companies.

b. Customers: There is a wide range of customers. In particular, to China, the main customers are the top fashion icons, men and women.

c. Climate: L'Oreal aims to work according to the market environment. It makes strategies according to economic conditions. It is environmental and customer friendly.

d. Competitors: Maybelline, Dior, Lancôme and Urban Decay are the main competitors in the market.

e. Collaborations: The group has collaborated with the European Commission, European Trade Associations and companies from almost seven industrial sectors. In the near future, this group also aims to collaborate with other companies like Maybelline in New York.

# SWOT Analysis

L'Oreal is one of the most prominent beauty and cosmetic industry with multiple beauty products. It uses its brand name L'Oreal Paris to sell its products. It is important to consider that L'Oreal also uses other brands as well, such as Essie, Garnier, and Maybelline. It is highly necessary to determine the strengths and weakness of L'Oreal as it will help in formulating different strategies to excel in the international market. For that particular purpose, it is essential to analyze the company through SWOT analysis. SWOT analysis is referred to as internal environmental analysis to assess whether the company's strategies are effective or not (Bonnici and Galea, 2015). It helps in reviewing and examining the internal environment of the company. The SWOT framework is established to highlight strengths, weaknesses, opportunities, and threats of a company. The SWOT analysis of L’Oreal is as follow;

## *Strengths of L’Oreal*

One of the prominent strengths of L’Oreal is being the largest beauty and cosmetic company, which is working in numerous countries at the same time. The ultimate focus of L’Oreal is on beauty and cosmetic products. L’Oreal is enjoying a significant position in the overall market of the world. Its products line is completely focused on beauty products that are the major reason behind its success. In addition to this, the research and development department of L’Oreal is highly efficient and experienced. It is not simply possible to just manufacture a beauty product. The continuous experimentation by the R&D department is essential to make an effective product. L’Oreal has an effective department of R&D which is responsible for experimentation regarding cosmetology, sun protection, hair care, and skincare. Successful experimentation by this department ensures the availability of safe and effective products to its consumers. High-quality products of L’Oreal is another reason behind its phenomenal success in the international market. It is notable to consider that L’Oreal has a significant brand name due to its high purchasing rate. Furthermore, strong integrated marketing communication is another factor that has the potential to determine the success of any product or brand.

A critical analysis of L’Oreal’s marketing and communication strategies indicates that it is successfully targeting its audience. Different products of L’Oréal are manufactured for a unique purpose, which can be effectively demonstrated among the customers. The integrated marketing communication of L’Oreal is increasing its purchase in the international market. It is noteworthy to consider that L’Oreal is working in more than 130 countries. This demonstrates its widespread distribution in all over the world. Due to an increase in customers all around the globe, the demand for purchases for L’Oreal products is increasing day by day. Natural and organic products of L’Oreal are also making it a potential choice among consumers. People often tend to utilize those products which are organic in nature. For that particular purpose, L’Oreal manufactures all its products through natural means.

## *Weakness of L’Oreal*

Regardless of having multiple strengths, it is highly necessary to determine the weakness of L’Oreal as well to find areas of improvements. One of the prominent weakness of L'Oreal is too many subdivisions. A massive operation like L'Oreal needs proper management of operations and employee to avoid any mishap. A critical examination of this company indicates that it has more than 60,000 employees working in more than 130 countries in the world. Managing such a large operation is highly fraught for management. Hence, human capital expenditure is a weak point for L'Oreal. In addition to this, the dynamic nature of the cosmetic industry is another problematic factor for this company. Within a short period, the products of hair care are changing due to the changing preferences of consumers. Fulfilling customer preferences is highly hectic for any organization as it has to change its products with time. Same is the case with L'Oreal as it has to switch the colour, fragrance, and other features of its products as per consumers’ preferences. Furthermore, severe competition in the cosmetic industry is also troublesome for L’Oreal. Multiple companies are working in the beauty and cosmetic industry, which means the competition, is tough.

## *Opportunities of L’Oreal*

To fulfil demands of consumers in the market L’Oréal provides organic and natural products and it is also observable that there is a shift in demand for these organic products (Ashraf et al., 2015). To attract more consumers in the Chinese market it is important to consider that L’Oreal has lucrative opportunities in terms of organic and natural products. For L’Oreal another favourable factor is it impressive brand recognition in the market, and for several consumers in the market emotional brand positioning strategy is attractive.

## *Threats of L’Oreal*

Change in demands and preferences of consumers is volatile when it comes to beauty and cosmetic industry. To fulfil the demands and making several changes in the products, for some companies may be difficult and it also has to revise the manufacturing strategies. To make changes in manufacturing of products by a company, more time dedication, and increased investment are required. Analyzing the case of L’Oreal, higher manufacturing process is a threatening factor for the company. During the economic crisis, consumers usually avoid the purchase of expensive products. Therefore, to meet customer expectations it is highly recommended for L'Oreal to provide different products with different price ranges.

# L’Oreal Haircare Product

Products by L’Oreal hair care and others are manufactured by following natural processes, while these fall into natural branding category. China is a place known for using the herbal cosmetics and a place that avoids chemical usage in their products (Sumit et al., 2012). People of China prefer to use herbal therapies for their skin and hair. Taking this as a consideration L’Oreal has to ensure the improvements in quality of Mythic Oil. It is to be analyzed that the future market of the product is more demanding because the group has gained the customers' trust in the Chinese market. L’Oreal Group knows the market behaviour, that has allowed to expand the ranges of products in the market. Geographic segmentation is important because it allows managers to make strategies accordingly. To make segments in China it is important to understand the strengths and weaknesses through which the available resources in the Chinese market that may be exploited (Camilleri, 2017). Consumer segmentation can help to increase the ranges of the company, while the main segments for this may be gender (men and women), and popular personalities.

Gender (men and women), and popular personalities are two main market target of L’Oreal Group because these are the main sources of reflection of the products (Šírová, 2015). A large number of population adopts the trends and styles by popular personalities. Advertisements and positioning of the products can be helpful to ensure the quality of products. In the market of China, it is easier for the company to identify needs and demands of consumers because it has market experience and knows about consumer behaviour. Analyzing competitors in the Chinese market can be Lancôme and Maybelline hair products because they already exist in market. Existence of these companies in the Chinese can be very challenging for the company.

# Strategy and Recommendations to Senior Management

Based on the SWOT analysis and 5Cs, it can be observed that L’Oreal offers its products at higher prices. Company has to revise its pricing strategies to target a larger population. It has to ensure that with an affordable market price L’Oreal can maintain the quality of all the products. The positioning strategy should focus on all segments that may be able to afford the prices, while L’Oreal can tackle this with the help of bringing up more innovations in their production. It is important to make sure that the quality of hair care products is not compromised. Senior management has to ensure availability of haircare products for the consumers in the with an affordable price. Based on analysis, it can be also suggested that senior management have to also consider the economic conditions because they may hinder the market growth.

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