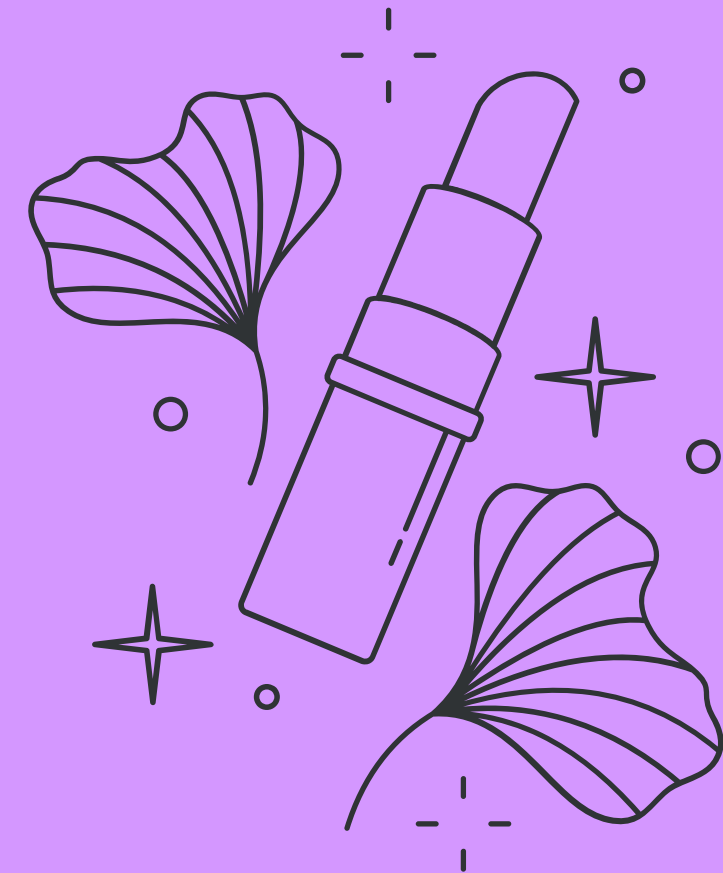


L' Oréal Group



Francesco Mazzola
Pietro Valente
Manuela Mittica



"Beauty Pure Player - Nothing but Beauty, for all types of Beauty" - Jean-Paul Agon (COB)



Founded in 1909:
over 110 years of expertise



Industry:
Cosmetics



Beauty sectors covered:

The company covers with success and popularity all beauty areas (skincare and sun protection, haircare and hair colouring, make-up and nailcare, fragrances).



Divisions:

Consumer Products, L'Oréal Luxe, Professional Products, Active Cosmetics



Global Coverage:

Asia Pacific, North America, Western Europe, Latin America, Eastern Europe and Africa Middle East.



Main activities:

Research & Development, Manufacturing



Key aspects:

Innovation, Diversity, Responsibility

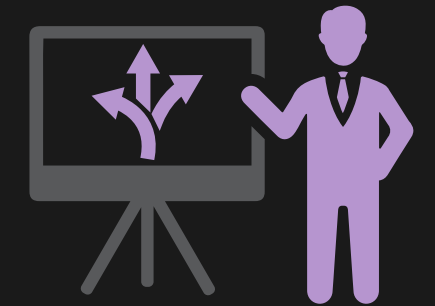


Mission:

To offer to all women and men on the planet the best of beauty in terms of quality, efficacy, safety and responsibility to satisfy all beauty needs and desires in their infinite diversity.

The Group's strategy focuses on **inclusivity** and **universalisation**, which means that they produce tailor-made cosmetics adapted to the diverse needs of people from all around the world. To implement this, they are strategically concentrated but operationally decentralized, in order to ensure that in every country there are local teams close to desires and necessities of the consumers.

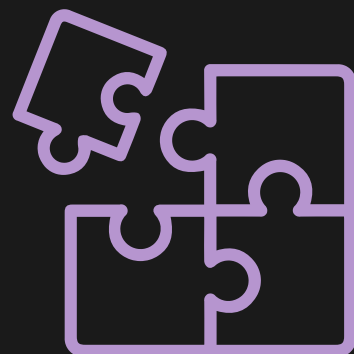
To reach the goal of creating an "inclusive beauty", the group can count on a large portfolio of **complementary brands**, engaging customers with various lifestyles and purchasing power and offering a wide range of products: from luxury to commercial ones. As a consequence, the group is not perceived as a single entity, since the diverse brands serve **different targets** and satisfy **different needs**, or the same need but with **different standards**, so they are not linked to each other in the consumers' mind.



This **fragmentation** in how brands are perceived, which is a strategic choice adopted for covering multiple segments of the market, is also reflected in the absence of a single e-commerce or store for all the products offered. It is also crucial to clarify that only for a few brands (like Biotherm, NYX) the Group owns physical or/and online store, but for many brands it has partnerships with retailers (Amazon, Douglas, grocery stores, perfumeries and so on).

In order to acknowledge inclusivity and individuality, and considering that the focus of consumers is shifting **from product to experience**, the group is heading towards beauty services offering more **personalized solutions**.

From a financial point of view, their purpose of "making beauty available for everyone" is translated in the business strategy through **competitive prices**. In addition, the Group's search for **innovation** is reflected in huge investments in R&D and a consequent low profit margin compared to other companies in the industry.



The Group claims to be **responsible** and committed to safeguarding biodiversity and fighting against climate change. In order to "Create the Beauty that moves the world" and have a significant impact in the transition towards a more sustainable economy, they use 67% of PET **plastic packaging** from recycled sources and have reduced by 87% the **CO2 emissions** of their product sites since 2005. They are **cruelty-free** from 1989, although this may be controversial because the Group sells in China, where for cosmetics products animal testing is compulsory.

To perform the **Internal Analysis** we selected the **Resources and Competences Based View**, in order to highlight the **key resources and competences** exploited by the firm to achieve a sustainable competitive advantage. We preferred this approach instead of the Porter's value chain, because in the beauty industry competences and resources are more critical than activities performed by the company in the process of value creation. In particular **intangible assets** like brand awareness, patents, manufacturing competences and reputation are a crucial factor for obtaining a long-term success in this market.

Tangible		Intangible		
Physical	Financial	Human	Technological	Reputation
<p>L'Oréal Group is present in 150 countries over five continents.</p> <p>L'Oréal Group owns more than 40 manufacturing plants specialized by technology.</p> <p>L'Oréal Group includes 21 Research Centers.</p> <p>L'Oréal Group counts more than 85,000 employees worldwide (2021), a growth of 27% compared to 2010.</p>	<p>Since 2021 L'Oréal Group is included in the CAC40 ESG Index with a 191,6 bn Market Capitalization.</p> <p>In 2021 L'Oréal Group has achieved a growth of 16.1%, doubling the beauty market's growth.</p> <p>The L'Oréal Group leads the ranking 'Revenue of the leading 10 beauty manufacturers worldwide in 2021' with a turnover of USD 35.64 billion.</p>	<p>L'Oréal Group is among the top 20 most gender-balanced companies of the world in Equileap's Global Gender Equality Ranking.</p> <p>in 2020, 69% of total employees of L'Oréal Group was composed by women.</p> <p>Over 4000 employees in R&D that work in a cooperative way to share knowledge.</p>	<p>L'Oréal Group has registered 517 patents in 2021.</p> <p>L'Oréal has continuously increased their investments in R&D over the past years.</p> <p>As of 2019 L'Oréal counted 58 Scientific and technico-regulatory Departments.</p> <p>L'Oréal is focused on inventing the future of beauty and becoming a Beauty Tech powerhouse.</p>	<p>The Group holds over 30 brands.</p> <p>The Group and its brands are among the leaders in the beauty market.</p> <p>The Group is the highest-ranking EU multinational company in the Universum 2021 global rankings of favorite companies.</p>

Continuing with the **External Analysis**, we chose to perform the **S.T.E.E.P analysis** in order to better understand the **trends** of the industry and the **macro-environmental factors** that are shaping the market.

S Social/Cultural	T Technological	E Environmental	E Economical	P Political/Legal
<ul style="list-style-type: none"> • Inclusivity is the new trend: the beauty industry is adapting to different physical and social needs (ethnicity, gender identity) • Increasing interest in wellness and beauty practices of other cultures (especially oriental ones) • Increasing attention on physical appearance due to the use of social media • Politics in everyday choices: tendency to prefer companies which represent political and ideological ideas of the purchaser (for example: 'F*ck Trump' liquid lipstick after the 2016 election) • Buyers' awareness: more and more attention is paid to product quality and responsibility in terms of social impact • Hyper-Personalization: 80% of today's consumers are attracted to personalized beauty experience and treatments • Increasing interest in Neurocosmetics 	<ul style="list-style-type: none"> • The increasing use of the big data analysis allowed the companies to understand customers' behaviors • 5G in the beauty industry: increase in IoT beauty devices (using 5G) linked to the concept of BaaS (Beauty as a Service) • Manufacturing process: improved production robots that are able to work faster, much longer, with greater precision • Virtual Makeover: growing AI-based technology that allows customers to try different products through mobile apps or websites before purchasing • COVID-19 pandemic has increased the digital presence of the beauty industry, forcing the use of e-commerce and digital platforms • Global Artificial Intelligence (A.I.): in Beauty and Cosmetics Market worth US\$ 13.34 Billion by 2030 (US\$ 2.70 Billion in 2021) 	<ul style="list-style-type: none"> • Global warming is changing consumers' habits increasing demand of UV filters, sunscreens and products resistant at high temperatures • Increasing demand of anti-pollution skincare and haircare products • Growing attention for sustainable products and packaging • Companies energy transition: increasing use of renewable energy and also reduce waste • Ocean chemical pollution: toxic chemicals in beauty products are released into the oceans from our bodies (shampoos, sunscreens, lotions) • Refillable options instead of disposable: pick-me-ups are costing the earth, recyclable and reusable products are becoming more and more widespread to cope this problem 	<ul style="list-style-type: none"> • Higher ecommerce traffic: online channels are becoming crucial for cosmetics businesses • High interest rates and high inflation affected the cosmetics industry • As face masks became a key line of defense against COVID-19, sales of eye makeup have soared • Demand for at-home/self-care treatments will remain high also after COVID-19 pandemic • Global cosmetic market was valued at USD 341.1 billion in 2020 and is expected to hit USD 560.50 billion by 2030, with a compound annual growth rate of 5.1% from 2023 to 2030 	<ul style="list-style-type: none"> • Anti-competitive practices to prevent unfair business actions (dumping, price fixing, group boycotts, refusal to deal) • Counterfeit cosmetic: governments are trying to manage this huge problem increasing controls on sellers (especially in China on Alibaba) • Child labour in mica mines: in India children risk their lives in mines to extract mica, raw material used in different cosmetics products • EU prohibited animal testing and is pushing for extending the ban globally; in China, instead, animal testing is mandatory for cosmetics products • Transparency and health: the products to be sold by law must have an undamaged label and not including any harmful ingredients • China reduced cosmetics taxes: in 2016 taxes on non-luxury cosmetics products were reduced by 50%

The Porter's 5 Forces Model has been used in order to analyze the level of **competition** of the industry. For a better understanding of the external environment, we **split the analysis** depending **on two** different market **segments**: Luxury and Pocket Friendly.

Bargaining Power of Customers (**Pocket Friendly**):

High

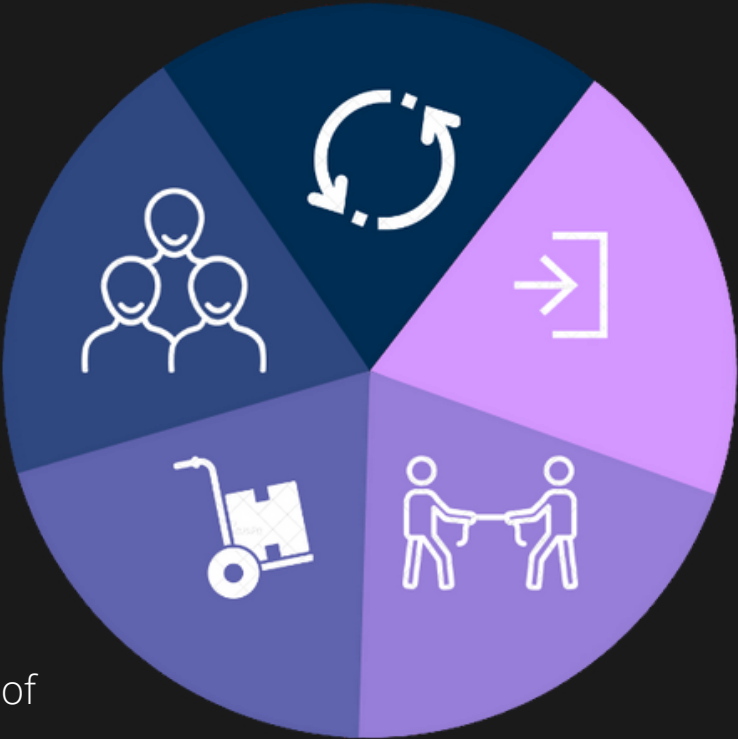
In this segment, the customers are not particularly loyal to certain brands and switching costs are low while threat of substitutes and internal rivalry are quite fierce, then it is possible for consumers to force manufacturers to reduce their product prices. Anyway, the big numbers of buyers and the fast growth of the market mitigate a bit these effects.

Competitive Rivalry and Threats of substitutes (**Pocket Friendly**): **High**

The competition and Threats of substitutes are high due to low switching costs. Brand loyalty is not as strong as in the Luxury segment. Anyway, the fast growth of the market contributes to diminish the level of Competitive Rivalry.

Bargaining power of Suppliers (**Luxury & Pocket Friendly**): **Low**

Raw materials used in cosmetics industry are not rare and the suppliers are available in abundance, which makes it easy for the companies to negotiate. The threat of forward integration is low as the suppliers lack the expertise to make the end products. Also, suppliers compete to get the contract of international brands, thus they highly depend on companies.



Bargaining Power of Customers (**Luxury**):

Low

In this segment, customers may perceive a particular brand suiting them more than others. Brand loyalty is then a crucial factor and, as a consequence, companies have a strong position compared to customers.

Competitive Rivalry and Threats of substitutes (**Luxury**): **Low**

Competition and Threats of substitutes are low due to the high level of brand loyalty and the high differentiation in the Luxury segment, that make customers perceive a product or a brand as unique.

Threat of New Entrants

Cosmetics industry requires substantial initial capital investments (R&D, marketing expenses), expertise to manufacture and strict testing protocols. The ban on animal testing in EU has intensified the complexity of operations, discouraging new players, since a new innovative way to do testing is required. Anyway the intensity of this Force is slightly different for the two segments:

Threat of New Entrants (**Luxury**):

Low

In the Luxury segment brand awareness is a crucial factor, as intangible characteristics of products are considered extremely valuable. So it would be difficult for new companies to become competitive in this segment of the Cosmetics Industry.

Threat of New Entrants (**Pocket Friendly**): **Moderate**

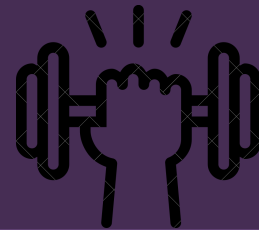
The fast market growth neutralizes the negative intense of some of the hurdles discussed above, although it would be difficult for an early-stage company to have competitive prices, and price is a crucial factor for low-middle income consumers.

S.W.O.T. Analysis

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In order to better understand company's competitive position we combined both **external** and **internal analysis** through the **SWOT** strategic framework.

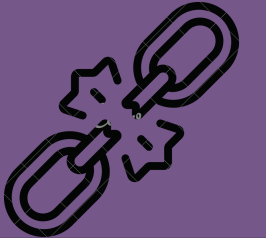
- Strong global presence.
- Strong network of suppliers and distribution channels.
- Diversified Portfolio of Brands and huge products variety.
- First choice raw materials and natural products.
- High degree of Technological Innovation and leaders of Industry 4.0.
- High ratio between revenues and R&D investments in the beauty market.
- Good brand image and forbidden animal testing since 1989.
- Highly sustainable brands ('A' rank in all three CDP rankings).
- High quality and competitive prices.
- Group awareness and reliability.



S

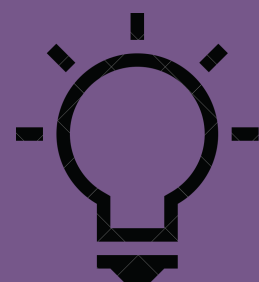
- Hard to manage the Group due to the size and having to coordinate the 4 divisions.
- Having to develop complex and expensive strategies and marketing for sub-brands that target the same segment (i.e. Garnier and L'Oréal Paris).
- Online purchasing experience is overall negative: difficulty in finding products online. The majority of the brands don't have an e-commerce and are strongly dependent on external e-commerces like Amazon and Alibaba.

W



- Over 35% expected growth of the beauty market by 2026.
- 9% expected growth Beauty online sales by 2026.
- Increasing interest of customers for the experience more than products themselves.
- Higher interest in personalized treatments.

O



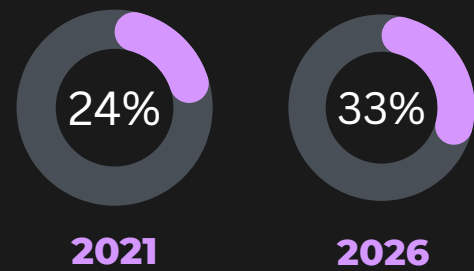
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- High Inflation and high cost of debt due to pandemic flu.
- Increasing competition due to the creation of emerging beauty brands (for example Kylie Cosmetics).
- Growing attention towards sustainability and usage of organic products.
- Increasing attention on the quality of both raw materials and products.

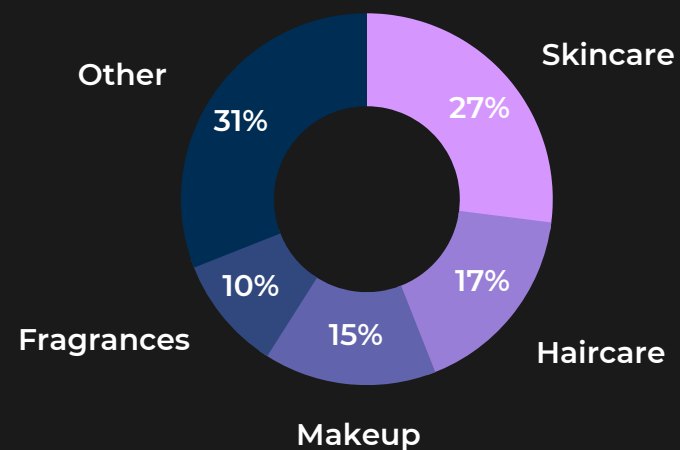


The idea of L'OréApp

GROWTH OF BEAUTY ONLINE SALES



BEAUTY SECTOR SALES (*)



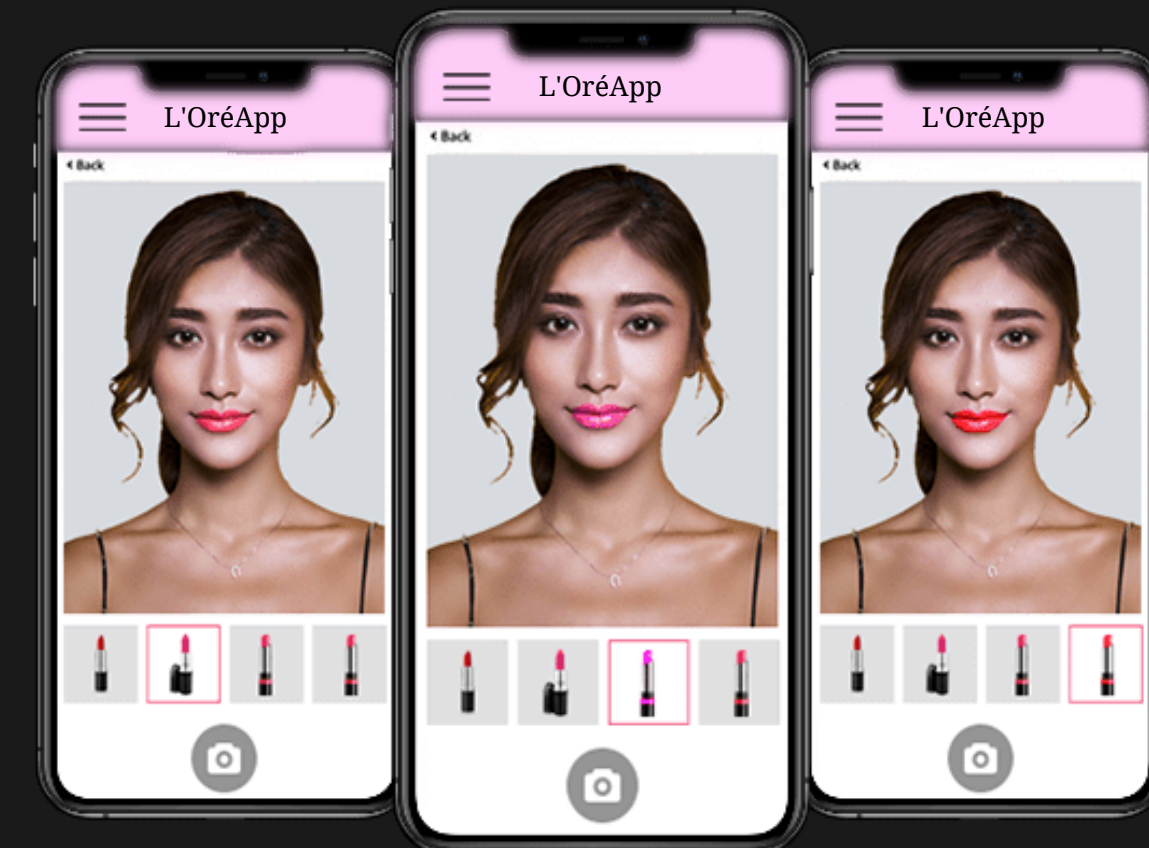
WHY?

The chosen **Strategical Alternative** emerges both from the characteristics of L'Oréal Group and the emerging market's trends. In the strategical analysis we identified as a weakness of the Group the **bad online purchasing** experience on the brand's websites; indeed, on various brand's e-commerces, to finalize the purchasing of a product, the website links to other retail shops (Amazon, Douglas, Walmart, Walgreens). This leads to **fragmentation**, since the user may want to purchase products of different brands, hence having to go through all the purchasing process over and over again for each brand.

Considering the growing interest towards **beauty online platforms**, confirmed by the increasing online sales percentage in the beauty sector, and the great potential of the Group in **AI technology**, we decided to develop a mobile application. L'OréApp will satisfy the growing interest in **personalization and digitalization**, contributing to the group's purpose to "shape the future of beauty" and engaging both younger people, that account for the greatest part of the online sales pool, and middle-aged people, that are becoming more confident with online experiences and purchases.

Our idea consists of a holistic application that aggregates some brands owned by L'Oréal Group into a single unified universe of **haircare, nail care, skincare, makeup**. The brands considered do not correspond to the totality of the Group, but we selected the most suitable for our target and the ones with a comparable positioning, as we will discuss in the STP analysis. The focus of the application will be to **improve** the **online purchasing experience**, addressing the problem of the fragmentation and adding complementary services, **beauty consulting and education**, in order to make users more aware about their needs and solutions. Another purpose of our idea is to exploit the advantage of L'Oréal in AI technologies, like Skin Genius and ModiFace, which popularity is currently limited by the fact that they are known only for certain brands and products. On this topic it is important to mention the recent announcement (Jan 5th 2023) of Brow Magic that exactly embodies the direction the L'Oréal Group wants to pursue, using the AI to give suggestions.

* Percentages in the graph refer to sales of 2021





HOW?

The application will ask the newly registered users to create their profile giving some **personal information** which are not detectable through AI instruments: anagraphic data (age, gender), lifestyle (interests, job position) and some physical characteristics (hair type). Then the user will take a **skin-evaluation and chromatic test**, in order to identify the skin type and the most suitable make-up colors. At the end, the user will select **nails' shape and skin tone** for the virtual try-on of nail polishes. For these tests, **Skin Genius and ModiFace**, already existing L'Oréal technologies, will be used.

After the completion of the subscription, the app will provide customers with all the information about the characteristics identified (oily/dry skin, chromatic season), in order to let the users understand their needs.

With the information acquired, the **AI** will be able to **suggest tailored products and beauty-routines**, offering custom-made solutions and an all-around beauty experience. It is important to specify that the information collected will be used only for the computation part, granting the security and privacy of users' information that will not be accessible in any other way.

Customers will be able to virtually **try on** products thanks to the use of the already introduced technologies and, if they want to buy something, they can add it to the shopping cart and purchase it through online retailer partners. In order to improve the purchasing experience, the app will suggest the **online retailer offering the lowest price** and, in case the buyer is interested in more than one product, the system will recommend the online retailer which groups the majority of desired products, so that the purchaser can benefit from discounts on shipping costs.

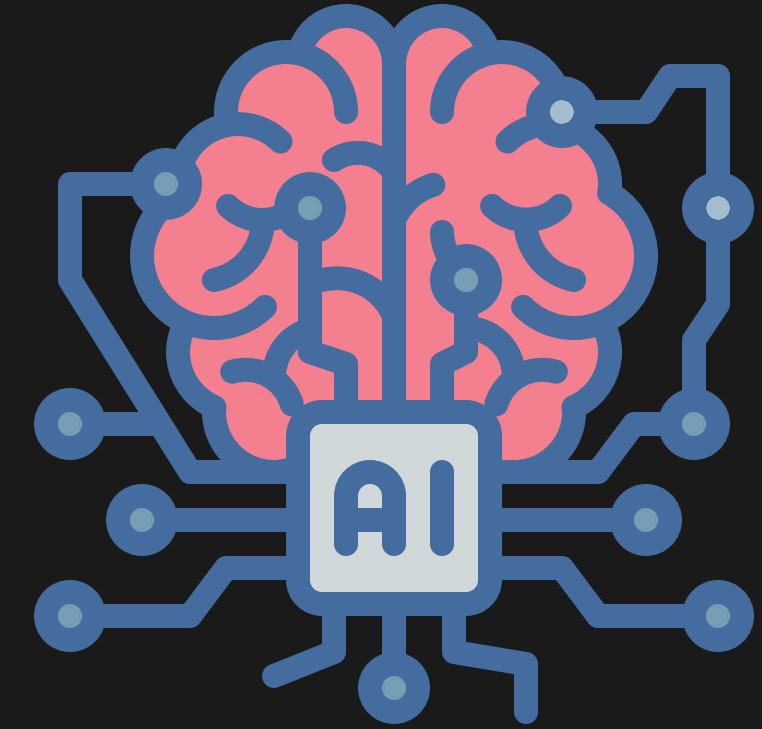
The user will also create a **virtual beauty-case** with purchased or already owned products of the brands considered for our idea. Items can be added to the beauty-case in two ways: scanning the barcode on the product or searching and selecting it manually.



The idea of L'OréApp

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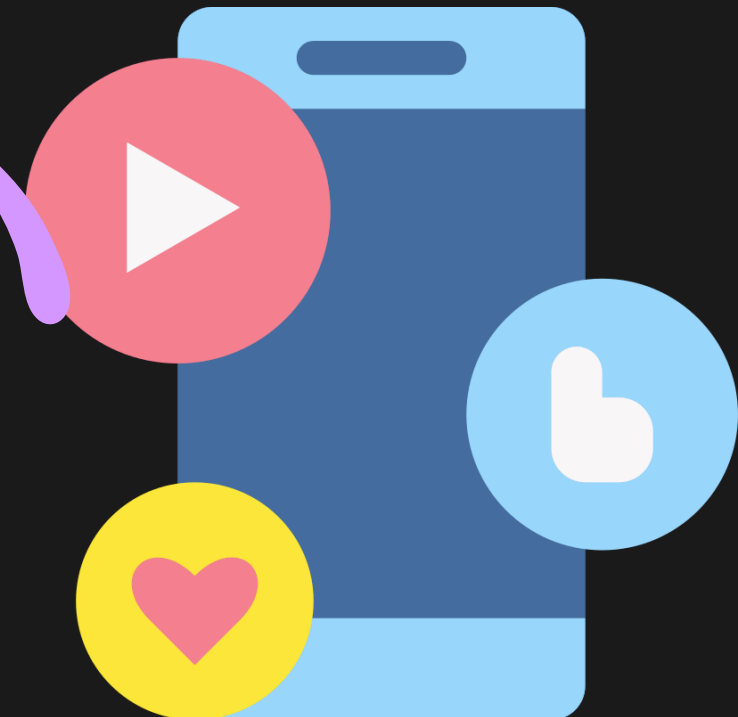
In addition to the already explained custom-tailored suggestions that the AI algorithms will provide, the solution will also promote the best suiting **product** according to what **mixes better** with the users' personal beauty-case. In this way, the application will **recommend products** that are fundamental but **missing in** the **beauty-routine** of customers. It's worth mentioning that AI algorithms can receive feedback and improve, resulting in an **experience** that becomes **better and better with time**.



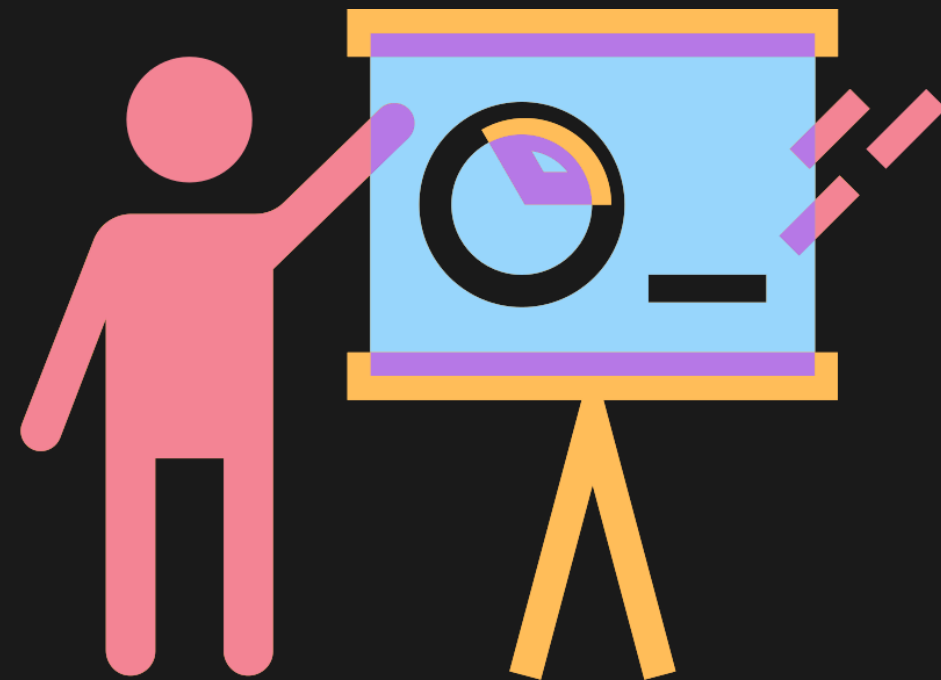
Another section of our application will be dedicated to **education**: considering that currently buyers of cosmetics products are not expert in skincare and beauty routine, it is crucial not only to advice people with the right products to buy, but also to explain them why. Therefore, we would provide a **reason for every suggested product** and explain **how to use it properly**. In addition, the application will suggest articles about beauty and cosmetics, tailored to the characteristics of each customer. For this purpose, L'Oréal already has beauty magazines and blogs on brands' websites (for example Biotherm, L'Oréal Paris, etc.), but will also establish partnerships with other bloggers.

To motivate customers and create a **beauty community**, they will be able to connect with other users, to show their own personal beauty-case to others and share with other users the **beauty articles** published on the app. User will also have the possibility to **take pictures of themselves** while virtually **try on products** and share them with the community or via social media and messaging apps.

Influencers and celebrities will be engaged both in advertisement of our idea and as users: it will be possible to follow them on the application to see the products in their beauty-case.



Marketing Analysis



The Marketing analysis can be used to assess whether a strategical decision can be effective and how to implement it thanks to the marketing tools it comprises.

The tools used in this chapter are STP Model and Marketing Mix Model.

STP Model allows to divide the whole heterogeneous market in smaller and homogeneous sub-markets. These sub-markets will be targeted, on the basis of our market plan, in order to engage efficaciously the largest group of customers as possible. During this phase we assess the attractiveness of each segment and which segments we want to target.

This allows us to conclude the analysis of the strategic marketing and to move towards the operational part.

In this part we consider the **Marketing Mix Model**, especially the McCarty's 4P paradigm, that allows to find a cohesive marketing plan and improve operating results.

The 4P framework will be used to assess if the marketing objectives and plans are consistent and how to reach them.

This chapter wraps up with the the analysis of the **Business Model Canvas**, being the last step of our strategy formulation. Using the BMC we will be able to see how to support the implementation and execution of our strategy and to assess how we create, deliver and capture value.

Segmentation and Targeting

The segmentation was based on the main sectors and purchased products of the beauty industry. The analysis was carried out using the **Nested approach**, that allows to identify the segments starting from a big picture perspective to a narrower one. In this way we were able to verify if the proposed idea was feasible, being at the same time a tool to choose which marketing decisions should be made to serve the different segments.

Variables	Segmentation and Targeting	Assumptions
Demographical	Age: 15-24, 25-30, 31-40, 41-50 , 51+ Sex: Women , Men Income: low income, average income , high income	Our target consists of women aged between 15 and 50, which represent about 2.5 bn of the global population. Men are statistically less interested in beauty. The customer-base of our idea will cover all the geographical areas the company operates in. In particular, our application will take into account the different needs based on age, purchasing power and geographical location of the client in order to offer a customized experience.
Operational	Desired products: haircare, skincare, make-up, nailcare , fragrances, tools.	The haircare, skincare, nailcare, make-up products consist of about 60% of the beauty market purchases of people with the previous demographical characteristics. We didn't consider fragrances and tools because we cannot offer a virtual try-on experience for these products. Only non-licensed products are considered in the implementation of our idea.
Buying Process	Buying Process: online , in-store	We focused on people with the aforementioned characteristics, that buy beauty products both in stores and online. Online purchases account for 26% of the total purchases of the whole industry and are expected to grow in the next future.
Situational	Required Features: sustainability, quality, prestige, innovation, personalisation, digital experience, consulting, luxury	Of the individuals described above we targeted the ones caring for innovation, customization, and digital experience of beauty products. For what concerns luxury, we are not considering a small group of brands (including the licensed brands) in the L'Oréal Luxe division because clients of those brands prefer the physical purchasing experience to the virtual one and they tend to be attached to single luxury brands, so they wouldn't enjoy that much the multi-brand experience of our app.
Personal	Lifestyle & Interest: personal-care, social activities, fashion , professional make-up, social media, influencers	People with the above characteristics and with interests in personal care, social activities, fashion, social media and influencers are the ones we are targeting since we expect an higher turnover from the above segments.

Bold = targeted segment

The Positioning analysis has been performed on **selected company's brands** for our application, in order to focus on their **perception** and differences from **competitors**. From S&T we already excluded brands offering fragrances, because we cannot offer a satisfying digital experience for them, and some luxury brands, which are not suitable for our target audience and that are more likely to be purchased in physical stores. We considered brands with **different quality and price levels**, in a range acceptable for the middle class, in order to match the needs of our target (i.e. older and younger clients may have different requirements in terms of quality and price). Other factors we took into account are **trendiness**, which is relevant especially for young people, and **popularity**. Therefore, we excluded brands which are perceived as too pricy and prestigious or, on the opposite, unpopular and low quality.

Division	Selected L'Oréal Group's brands	Main competitors	Positioning
Haircare	<ul style="list-style-type: none">GarnierL'Oréal ParisDark & LovelyVichy	<ul style="list-style-type: none">PanteneSunsillkHead & shoulders	Garnier, L'Oréal Paris, Pantene and Sunsilk are mass products brands and the price is one of the major driver in the customer's choice of the product to buy, although some customers may become more loyal to a certain brand. Anyway they have comparable appeal and market share. Head & shoulders is becoming a strong competitor recently, because perceived as a better quality product than others purchasable at the grocery store, especially thanks to the recommendation of dermatologists and experts. All the brands discussed above have comparable price. Vichy offers anyway a good performance, but the brand is not really know for haircare. Dark & Lovely is not so popular, because it is specifically for African hair.
Nail Care	<ul style="list-style-type: none">Essie	<ul style="list-style-type: none">OPIKIKO	The three brands are comparable for popularity. In terms of quality Essie is more similar to OPI, but it is more convenient in terms of price. Furthermore, Essie stands out for the wide range of colours offered and the long-lasting glossy shine aspect of polish. KIKO is cheaper and with poorer quality.
Skincare	<ul style="list-style-type: none">L'Oréal ParisLa Roche-PosayVichyCeraVeSkinCeuticalsBiothermLancome	<ul style="list-style-type: none">Estee lauderShiseidoNIVEA	Nivea is a direct competitor of L'Oréal Paris, as both are commercial products purchasable at the grocery store: in this case the price is the major driver in the customer's choice of which product to buy. La Roche-Posay, Vichy and CeraVe are drugstore products, so they are more sophisticated in terms of quality and have an excellent reputation thanks to the effectiveness and affordability of the products. Estee Lauder is a fierce competitor in this segment, especially in the treatment of mature skin. Among all, Shiseido is the most popular and appreciated for its quality, especially among young people. Lancôme is instead a high budget brand compared to the others and it is more popular with older clients than with the younger ones. It offers a different experience as it is more appreciated for its texture and perfuming than for its formula.
Make up	<ul style="list-style-type: none">L'Oréal ParisMaybellineNYXLa Roche-PosayUrban Decay	<ul style="list-style-type: none">Estee LauderMACSephora	L'Oréal Paris, Maybelline, NYX, MAC and Sephora are direct competitors, they offer affordable product and good performance, although the quality is not that high. Anyway, they are trendy and appreciated among young people. Estee Lauder and Urban Decay offer higher quality but are more expensive. La Roche-Posay is a good trade-off between quality and price, but the brand is not so famous for make up products.

After the definition of the new idea for the L'Oréal Group, we can move to the **operating marketing** to actually translate the objectives into an actual marketing plan. Specifically we decided to adopt the '**4P approach**' of McCarty, which consists of the analysis of **Price, Product, Promotion** and **Place**.

Product

L'Oréal will offer an **all-around beauty experience** through a **service** that extends the current experience of purchase, providing education, creating an online beauty community and proposing **suggestions** based on: life-style, physical characteristics and, more importantly, the items that compose the current **beauty-case** of the customer.

Customization, which has become a market trend and one of the main goals of L'Oréal Group, will be the focus of our idea. Not only the user will be able to express his/her likings at the beginning of the experience, but furthermore the profile will be adjusted through the implementation of **AI** and algorithms that will suggest a way to enlarge the beauty-case with the products that mix better with the ones already owned.

The products will not only be purchasable but they can be virtually tried on thanks to already existing technologies like ModiFace (acquired in 2018). Differently, skin care can be suggested thanks to the adoption of Skin Genius, that analyzes the skin of the customers in order to recommend an appropriate treatment.

In addition, providing customers with **knowledge and awareness** about the suggested products, explaining them why that products are tailored for them, will increase transparency and reliability towards the brand, allowing the customer to feel more comfortable and open to suggestions from the system.



Price

This service will be **free of charge** for the client, who will be able to buy L'Oréal products using **online retail shops** (Amazon, Douglas, Walmart, Walgreens) which are already partners of L'Oréal. Analyzing the market of beauty online services, other beauty-related applications with digital experiences are free (i.e. Sephora, Unilever, P&G) . So the best choice is to conform to the market, in order to be competitive and gain market share in this sector. In addition, once the user has selected a product, the application will show the price in the various online retail shops, highlighting the lowest one in case of promotions. In case the customer wants to purchase several products, the app will recommend the online retailer with the majority of them so that the buyer can benefit from **discounts on shipping costs**, or anyway the solution with the **lowest total price**.



Promotion

Communication will be crucial in making people understand the potential this technology can lead to.

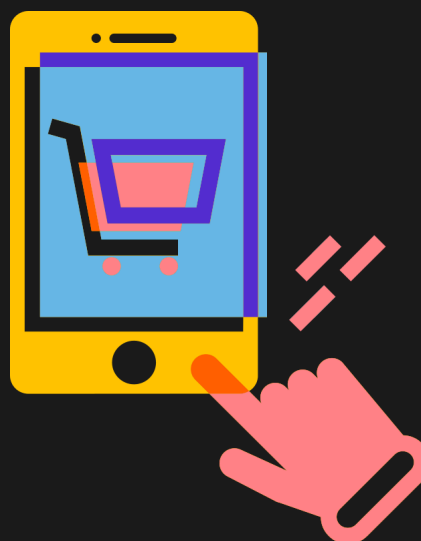
The key message we want to convey in the promotion of our application is that through our service it will be possible to stay up-to-date with the latest innovations, while at the same time re-discovering product combinations never considered before. Indeed, **serendipity and innovation** are key notions to focus on in a fast-changing world and in an industry where new products are launched with high frequency. Other crucial factors we want to communicate are the unique level of **personalization** we are going to offer and the opportunity to have a beauty experience wherever they want.

In order to be effective, **advertising** should focus on the selected audience, so social media, influencer marketing and other online advertising (Google) will be the most appropriate choices. To engage young generations the app must appear fun but at the same time, to reach generations less attracted to new technologies, it has to be promoted as a useful tool in the daily routine. The advertisement campaign will be carried also physically through promotion in beauty-related initiatives (for example Milan fashion week), installation advertising and sponsorships.












Place

L'OréApp will be available on both **App Store** and **Google Play Store**. People will also be able to download the application through QRcodes on billboards that will be located in strategic places (i.e. metro stations, shops, etc).



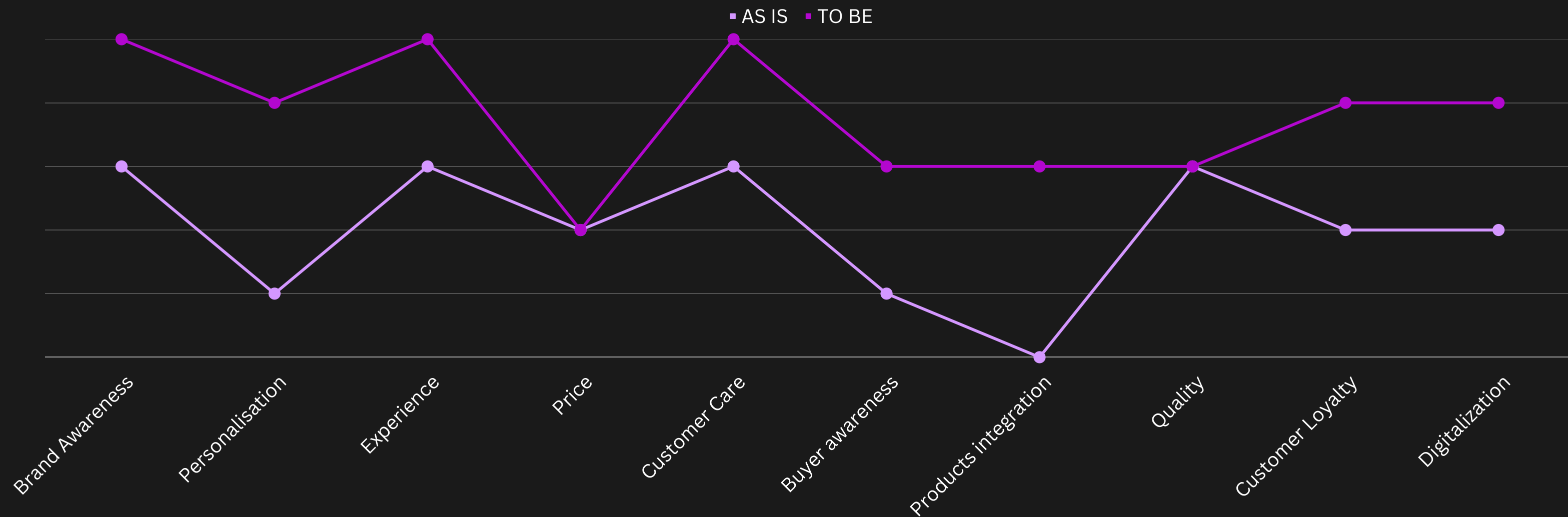
In order to support, represent and implement our strategic decision we opted for the **Business Model Canvas**.

Regarding the **customer interface** section, the target audience is young and technology enthusiast, so social promotions and cutting-edge strategy techniques have been selected. The key point of the **value proposition** will be a digital experience that revolutionizes the way people shop online. The service offered will enable the use of try-on technologies along with the system of personalized advice and education. The **value infrastructure** part is quite important and consists of many key activities, resources and partners, resulting in high costs in **value monetization**. Depending on the investment budget is possible to reduce the costs related to partners by relying on startups (which L'Oréal values) or develop some parts entirely in-house (App with IT team) but taking into account less specialized skills. The **revenue streams** brought by this business model are certainly primarily related to increased online sales. In addition, this application could increase brand awareness and company's technological innovation, as well as customers' trust in the brand because they are satisfied with L'Oréal's interest in customer education. All of these factors can lead to an increase in physical revenues as well.

<div><div>Key Partners</div><div><ul style="list-style-type: none">Company specializing in AI to create the algorithm that suggests productsInfluencers & Celebrities to promote the AppCompany for the initial creation of the appConvention with companies that write reliable articles on specific beauty topicsCompany analyzing customers' behaviour to see if the app could catch on and for help in the initial research phaseCompany specializing in App Design to collaborate on the creation of an interface with the features already describedAmazon, Alibaba, Douglas, Walmart, Walgreens (which are already partners)</div></div>	<div><div>Key Activities</div><div><ul style="list-style-type: none">Customers' behaviour analysisSimple/intuitive user interface developmentAI algorithm development for tipsApp development and promotionChoice of bloggers and beauty magazines to collaborate with</div></div> <div><div>Key Resources</div><div><ul style="list-style-type: none">IT team for app development and maintenanceDatabase system for data collectionDesign teamTechnologies of L'Oréal like 'ModiFace' or 'Skin Genius'Marketing and Sales team</div></div>	<div><div>Value Propositions</div><div><ul style="list-style-type: none">Beauty and Skincare AI consultingImproved online shopping experienceUnified platform for complementary brands and productsUnified platform for multiple functionalities (purchasing, education, digital try-on experiences)Products integration (proposing complementary products to the ones already owned)Opportunity to see cosmetics products used by friends and influencersBeauty and Skin Care personalized education (specific articles shown regarding user characteristics)</div></div>	<div><div>Customer Relationships</div><div><ul style="list-style-type: none">Engagement through social media and online advertisingLock-in strategy: advantages related to integration between productsCustomers trust the company thanks to the education and transparency providedApp notifications</div></div> <div><div>Channels</div><div><ul style="list-style-type: none">Google Play StoreApp Store (Apple)</div></div>	<div><div>Customer segments</div><div><ul style="list-style-type: none">Medium budget cosmetics consumersWomen aged between 15 and 50People confident with purchasing onlineSocial media users and tech enthusiastsPeople interested in new trends and willing to stay up-to-date</div></div>
<div><div>Cost Structure</div><div><ul style="list-style-type: none">Design and interfaceDevelopment of AI algorithm and AppInfrastructure cost (servers and databases)App maintenanceCollaborations with beauty magazines for the "education" sectionMarketing</div></div>		<div><div>Revenue Streams</div><div><ul style="list-style-type: none">Growth in online salesUp selling strategy: advice together with education section will lead the customer to choose higher quality productsCross selling strategy: suggestion of combinations products</div></div>		

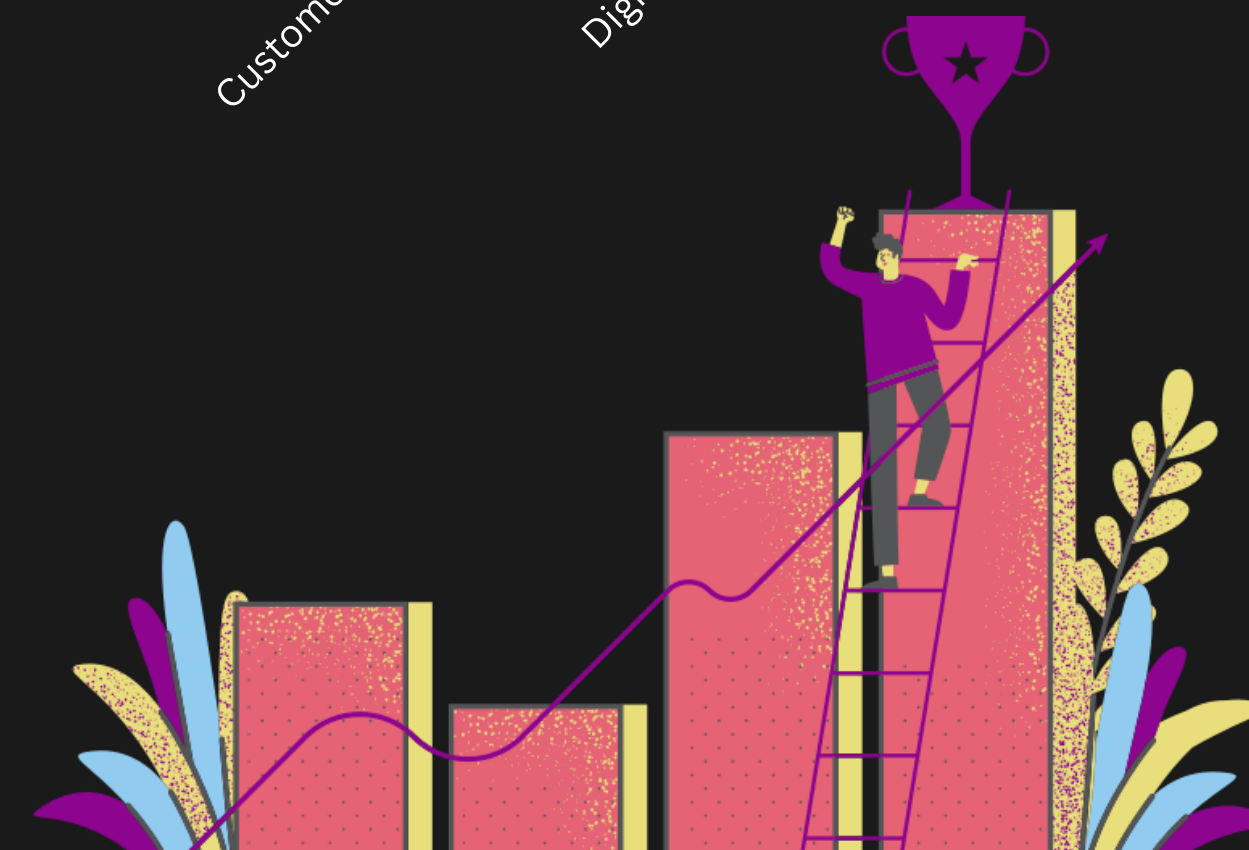
Conclusion

To draw conclusions, the **value curve diagram** was made for highlighting the **changes** that the strategic alternative has brought in the **critical success factors**.



L'Oréal Group will benefit from the introduction of our idea. First of all, we are confident that the potential of our application will boost **brand awareness**, since more people will get to know and appreciate L'Oréal's brands and culture.

Once people start using our application, they will be able to enjoy the educational section and the detailed information available for each product, understanding better their needs and trusting the solutions proposed by the app. As a consequence, **buyer awareness** will increase. Furthermore, **customer care** and **customer loyalty** will improve thanks to a digital personalized experience that sees the customer and his/her needs at the centre and thanks to all the benefits connected with the **integration of products**.



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