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| --- | --- |
|  | **logo_greyscale** |

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l’orÉal india: Where beauty meets tradition[[1]](#endnote-1)

Prem Shamdasani wrote this case solely to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The author may have disguised certain names and other identifying information to protect confidentiality.

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By the end of 2013, L’Oréal SA (L’Oréal) had become a global force to reckon with in both the professional and beauty segments. L’Oréal had spent more than 20 years studying its target consumers in India, and was constantly innovating through products that catered to those consumers’ specific needs. However, L’Oréal had realized that developing localized products was not the only criterion for success in a new market. Competition had made significant inroads and was intensifying as global and local players continued to thwart L’Oréal’s efforts to penetrate and dominate the hair-care, skincare, makeup, and professional hair-care segments in the value-conscious and largely unorganized but fast-growing beauty market in India. L’Oréal, known for its innovative marketing strategy, was yet to attain a market share lead in the majority of its product segment markets. What future strategy should L’Oréal adopt to become a market leader in India?

The L’Oréal Group

Founded in 1909, L’Oréal, a French company, was more than 100 years old. It was the largest cosmetics manufacturer in the world as of 2012, with a presence in 35 countries and a market share of over 19 per cent worldwide (see Exhibit 1). It owed its success broadly to an overarching three-pronged strategy: 1) expansion into newer and emerging markets, 2) research and innovation, and 3) localized production.

COMPANY DIVISIONs

Consumer Products

The consumer products division encompassed hair-care, skincare, makeup, and colourant products that were distributed through mass-market retail channels and catered to a large range of customers at competitive prices. Brands such as L’Oréal Paris, Garnier, and Maybelline fell under this division (see Exhibit 2).

L’Oréal Luxe

The luxe division included premium skincare, makeup, and fragrance products that were sold at stores dedicated to the individual brands, in department stores and travel retail stores, and by e-commerce. Some of these “prestige” brands, as L’Oréal called them, included the cosmetics brands Lancôme, Shu Uemura, and Cacharel; the skincare brands Biotherm and Kiehl’s; and the fragrances Guy Laroche, Paloma Picasso, and Yves Saint Laurent.

Professional Products

Hair colourants and hair-care products for professional use by hairdressers and sold in salons and through some mass-market retail channels fell under the category of professional products. Some of the best-known brands were L’Oréal Professionnel Paris, Kérastase Paris, Redken, and Matrix.

Active Cosmetics

Dermo-cosmetics healthcare brands such as Vichy and La Roche-Posay, which were sold through pharmacies and specialist drugstores, were part of the active cosmetics division.

THE COSMETICs AND BEAUTY MARKET IN INDIA

The Indian economy and environment, in a little more than two decades following economic liberalization, had become increasingly conducive to the growth of consumer product businesses. For markets other than North America and Western Europe, India’s contribution to cosmetics sales steadily increased from 2001 to 2013 (see Exhibit 3 and 4). As the Indian economy grew and developed, a new, more financially stable middle-class had begun to arise, monopolizing the mass-market segment of the Indian population. Their needs and desires had evolved to become more in tune with global trends, prompting a multitude of multinational companies to enter the market in a series of waves, making the markets increasingly competitive. Beauty and skincare was one such market that had grown larger and denser. In 2011, the value of the Indian cosmetics market was ₹100 billion[[2]](#endnote-2) according to ASSOCHAM.[[3]](#endnote-3) By the end of 2013, the Indian cosmetics market had grown to ₹290 billion ($4.5 billion).[[4]](#endnote-4)

More Women in the Workforce

India’s female workforce in urban areas grew by 19.74 per cent from 22.8 million on January 1, 2010, to 27.3 million on January 1, 2012.[[5]](#endnote-5) In a country such as India where women were not given as much priority for education, and the majority who worked before marriage became homemakers after marriage, this was a notable rise in a small amount of time. More women in urban centres were starting to work, whether full-time or part-time.[[6]](#endnote-6)

Increasing Salaries

In addition to the increasing number of women in the workforce, salaries had been steadily rising. In 2001, the average annual salary of an Indian woman was ₹4,492, which grew to ₹9,457 in 2010. Women’s consumption preferences were evolving, as women had more discretionary funds to spend on cosmetics. These middle-class women no longer had any reason to compromise on their beauty products.[[7]](#endnote-7)

Globalization and Increasing Westernization

As India had risen and continued to rise, a mall culture had flooded urban cities and international media, and other entertainment had piqued local interests. In addition, the Internet had made the world more compact, with the average Indian city dweller more aware of global trends and international culture than before. This made middle-class society more aspirational and keen to be a part of this culture. With the rise of department stores and malls, international companies had found the ideal avenue and environment in which to showcase their brands and demonstrate the value of their products through trials, testing, and education.[[8]](#endnote-8)

Another segment of Indian society, women in rural areas, aspired to look like fashion-conscious women in urban areas. This opened up a whole other market for extremely low-cost beauty products that were locally manufactured. This market was a huge challenge, with massive rewards waiting to be reaped.

L’Oréal’s Initial Failed Entry into India

As part of its global expansion strategy, L’Oréal entered India in 1992 with its Garnier Ultra Doux range of shampoos.[[9]](#endnote-9) L’Oréal set up a company in partnership with the MJ Group for the distribution of its products because at that time, foreign companies were not permitted to operate in wholly owned subsidiaries or own majority stakes in their Indian operations.[[10]](#endnote-10) In 1994, L’Oréal established a wholly owned subsidiary in India.[[11]](#endnote-11)

L’Oréal’s Ultra Doux range of shampoos contained natural ingredients such as lemon, wheat germ, rose oil, and eucalyptus. In India, the use of natural ingredients for beauty purposes had been customary for generations. For example, women used sandalwood paste on their face for fairer skin, as well as herbs such as henna on their hair for colour and conditioning. For this reason, L’Oréal believed Ultra Doux would appeal to women in India. The company’s entry strategy targeted the lower middle classes, which made up a large segment of the market, positioning Ultra Doux as an affordable shampoo and pricing it at the bottom range to make it affordable. To sell it at a lower price, the company altered the formula by removing certain molecular compounds that nourished the hair.[[12]](#endnote-12)

However Ultra Doux was not easily noticed amid prevailing shampoo brands such as Sunsilk, Clinic Plus, and Clinic All Clear from established global giant Hindustan Unilever, and local brands such as Chik and Ayur. Ultra Doux had no unique selling proposition to differentiate it, and it was largely unsuccessful.[[13]](#endnote-13) Also, after India’s economic liberalization in 1991, a host of other multinational companies entered India with their shampoo brands, making Ultra Doux’s offering even more insignificant. Despite there being immense scope for growth in the shampoo market, Ultra Doux attracted little attention among all these brands.

In 1995, L’Oréal tried bringing a second product to India. In an attempt to create a new market, the company introduced an anti-aging product: Garnier Synergie’s Wrinkle Lift cream, the first of its kind in India. It was sold at between ₹130 and ₹240.[[14]](#endnote-14) The product did not meet success with Indian consumers. In developed countries, where women of all age groups had spending power, anti-aging was becoming a trend around this time. However, this was not the case at all in India. Women with newly acquired spending power belonged to the younger age groups and were more excited by other cosmetics and beauty products that they previously did not have access to. L’Oréal had picked a product that was highly successful in markets that faced completely different dynamics, and tried to sell it in India. This did not yield the desired results.

L’Oréal needed to understand Indian society and lifestyles, including the different classes and their respective needs, and the changes taking place, in order to have successful product offerings. Simple customized versions of its already available products were not making headway. L’Oréal needed to innovate specifically *for* India in order to succeed *in* India.

L’Oréal’s Second Attempt at India

Hair Colour

In 1996, L’Oréal, for the first time, undertook a project to understand the real needs of Indian consumers. With regard to hair-care issues, what came out of this research was highly valuable for a company that dealt so extensively with hair colour. The research found that many young women, even those in their twenties, were starting to get grey hair. In 1996, the only products available to them to hide grey hair were the natural herb henna and ammonia-based hair dyes. Henna was traditionally used in India to dye and condition hair, but it was not long-lasting, and the chemicals in the other dyes dried out hair.

The home hair-colouring kits that were widely used in Europe and the United States at the time were not available in India. This was a huge gap in the hair-care segment, and L’Oréal immediately capitalized on this opportunity. Considering that these women—who were conscious of their hair colour and dryness—belonged to the rising middle-class segment, L’Oréal brought in a product for them, steering away from the mass-market segments that it had initially targeted with Ultra Doux. It introduced L’Oréal Excellence Crème, a relatively expensive hair dye that came in a cream form that was gentler on the hair than liquid dyes. In Europe, this was a luxury product, and it was introduced in India at a similar price point, selling at the then rupee equivalent of $9.

Right from 1997, with the introduction of L’Oréal Excellence, the company localized its advertising strategy by hiring famous Indian women to represent the brand in print and television. The first famous Indian woman to represent L’Oréal was Diana Hayden, Miss World 1997, after which L’Oréal hired Miss World 1994, the Bollywood actress Aishwarya Rai. L’Oréal hired more over the years, from Bollywood actress Sonam Kapoor to Indian model and Hollywood actress Freida Pinto. Although L’Oréal’s localized advertising for different countries cost a lot more money, the strategy enabled the targeted audiences to better identify with the brand.

In those years, the majority of the retailing of consumer products happened through small stores run by individuals, called *kirana* stores. Chain department stores and supermarkets were rare at the time, so L’Oréal had to reach out to thousands of these little stores to stock its products and develop its distribution. Considering that its initial products did not sell well, shopkeepers were left with lots of unsold inventory and were not convinced to keep new L’Oréal products.

At this point, L’Oréal had to reflect deeply and get to the basics of understanding what would make these Indian shopkeepers stock its products. In essence, L’Oréal had to localize its business-to-business (B2B) marketing and sales strategy in India. First, it hired employees to educate shopkeepers about the benefits of a cream-based dye as compared to the liquid and powder dyes that had largely been offered by Indian companies such as Godrej and Vasmol for more than 40 years before L’Oréal came in. Second, the sales teams offered to clean these small shops in exchange for allowing the installation of cardboard display cases of Excellence Crème. With this strategy, in the first year, 2,500 shops agreed to stock the product.[[15]](#endnote-15)

As L’Oréal Excellence Crème became more successful, the company developed mass-market versions of the product, such as small packets of hair dye costing the rupee equivalent of $2.70, which was much more affordable than purchasing an entire bottle. L’Oréal also developed Excellence Shampoo packets costing $1. L’Oréal Excellence products were still considered to be on the pricier side in India.[[16]](#endnote-16)

In 2002, L’Oréal introduced Garnier Color Naturals, a cream-based hair colourant developed specially for Indian consumers. This was developed by keeping in mind Indian women’s hairstyles and length. Because women wore their hair parted, grey roots were more visible and women needed to touch up these roots with colour more regularly than they needed to colour all of their hair. In regard to length, Indian women had mostly kept their hair long. Thus, the small packets of hair colour manufactured for Westerners with shorter hair were not suitable for the Indian consumer, and could be quite expensive.

Garnier Color Naturals was developed so that it could be stored after opening, could be conveniently used for multiple applications, and was suitable for touch-ups. It was offered in colours matching the shades of Indian hair, such as a range of blacks and browns, and was priced lower, targeting the lower-income strata of Indians. The hair-colouring kit, costing ₹99, was less than one-fifth the selling price of L’Oréal Excellence Crème. Color Naturals was in a higher price bracket than that of Godrej Dyes, which was the market leader in the middle-market hair dye segment, offering powder dye packets for ₹7. However, L’Oréal aggressively marketed and promoted Color Naturals through multiple channels. To teach consumers about the product and the benefits of its features, L’Oréal promoted it to all levels of hairdressers, from salons in big metropolitan areas to barbershops in small towns. Once again, L’Oréal used its tried, tested, and successful strategy of educating these entities about hair dyes and this particular product’s benefits.[[17]](#endnote-17)

In 2003, L’Oréal opened its first factory in India at Pune to localize production. Being based in India, among Indian consumers, L’Oréal was more easily able to innovate in its products and packaging formats. Production capacity was doubled around 2011. The Pune factory played a vital role in producing many hair-care products specifically for Indian consumers.

L’Oréal Professionnel

The company realized that the Indian salon sector was a highly unpenetrated and largely unorganized market. There were no formal salon-training programs in the country, and most salons either used products developed by small local companies or extremely expensive foreign brands.[[18]](#endnote-18) L’Oréal saw an opportunity in this and, in 1997, launched its professional products division to target this sector with its salon brands.

L’Oréal adopted a long-term marketing and industry-building plan and was the first to directly target and comprehensively penetrate this huge market of small beauty parlours across the country. L’Oréal invested in educating and training small and big parlours alike about L’Oréal Professionnel Paris and Kérastase Paris products and how to use them, while convincing them to stock these in their salons. L’Oréal opened five regional training centres, beginning a program to train salon owners and stylists to use its products.[[19]](#endnote-19)

In its B2B marketing process in India, L’Oréal helped many smaller salons transition to better-quality products and assisted in upgrading salons, turning some into chains. The company was very committed to these salons, and had a lot of interaction with the owners of salon businesses all across the country.[[20]](#endnote-20) By 2005, L’Oréal was training 20,000 hairdressers a year.[[21]](#endnote-21) Thanks to its strong network, within less than a year after L'Oréal launched its Matrix brand with a range of colourants, the company had partnered with almost 5,000 hair salons in Mumbai, Delhi, and Kolkata.[[22]](#endnote-22) L’Oréal continued on its educational path. In 2006, it started a hairdressing academy in Mumbai that offered training in cutting, styling, colouring, and straightening.[[23]](#endnote-23)

In 2010, the professional hair-care market was growing at 16 per cent.[[24]](#endnote-24) Among already competing brands such as Lakmé, Henkel’s Schwarzkopf, and Shahnaz Husain, Procter & Gamble (P&G) brought Wella Koleston, and local company CavinKare introduced Raaga Professional.[[25]](#endnote-25) Two years later, in 2012, Henkel launched a second professional brand, Indola, in the low end of the segment, priced at 35 per cent less than Schwarzkopf, its premium brand. This brand was in direct competition with L’Oréal’s Matrix, and by 2013, Indola had a presence in 7,000 salons in India.[[26]](#endnote-26)

L’Oréal Professionnel Paris, Kérastase Paris, and Matrix had by this time established their brands through L’Oréal’s consistent opening of training centres. The company’s most successful professional hair-care brand in India was Matrix, which targeted the lowest-end salons. Matrix assisted L’Oréal in collecting salon surveys, recruiting, training sales representatives and staff, and developing quarterly performance reports. By 2011, Matrix had reached almost 29,681 salons and 38,419 hairdressers.[[27]](#endnote-27) While strengthening its training and distribution reach, L’Oréal focused on innovation as well, and developed Matrix Biolage Oil Therapie in 2011 for the Indian market, where oil was commonly used to nourish hair.[[28]](#endnote-28)

After 16 years of dedication to its localized B2B sales and marketing strategy, in 2013, L’Oréal became India’s bestselling brand in the ₹120 billion India professional hair-care market, with P&G following in second place. L’Oréal had a reach of more than 40,000 parlours in India and was training more than 100,000 hairdressers each year.[[29]](#endnote-29)

Hair Care

In the hair-care space, L’Oréal was innovating through products with specific formulations to address Indian traditions and needs. In 2009, L’Oréal introduced Garnier Fructis Shampoo + Oil 2 in 1. Regular use of hair oil to condition hair was commonplace in India. A revolutionary product that L’Oréal developed for India was the Garnier Easy Rinse shampoo. In the rural parts of India, and even among the masses in urban India, water availability was a regular problem. Showers were uncommon in the homes of the lower middle class; instead, they bathed using buckets of water. The Easy Rinse shampoo was developed to rinse out with just two mugs of water, enabling those without showers to conveniently incorporate the shampoo into their lifestyles. Additionally, it was sold in sachets rather than large, expensive bottles. Many people used these sachets for two or three washes, depending on the size of the sachet.[[30]](#endnote-30) Garnier shampoos and conditioners were available in ₹3 and ₹4 sachets and were a huge success in India.[[31]](#endnote-31)

Skincare and Fairness Market

L’Oréal entered the skincare market with its Wrinkle Lift Anti-Ageing Cream in 1995, which was unsuccessful in a market that had not yet been primed for basic skincare and was not interested in anti-aging skincare. Since that product, Garnier had introduced moisturizers, sun-protection creams, face wash, and other anti-aging products, all within the skincare market.

In 2004, it launched Light Ultra by Garnier Skin Naturals, its first anti-blemish cream product in India, which combined a sun filter, an exfoliate, and anti-oxidants. It also offered Light Eye Roll-On to brighten eye contours. The latter became the bestselling product in the market in the skincare segment.[[32]](#endnote-32)

By 2012, while Hindustan Unilever had 58 per cent of the skincare market, L’Oréal was second, with 13 per cent, P&G was at 10 per cent, and Emami was at 9 per cent.[[33]](#endnote-33) Despite entering the market around 40 years after skincare giants such as Nivea, Pond’s, and Lakmé, L’Oréal had the second-largest market share in the skincare segment.

Veering into the fairness market, Hindustan Unilever’s Fair & Lovely, launched in 1978, was the first fairness cream in India. In 2013, it had close to a 55 per cent share of the fairness market.[[34]](#endnote-34) In a country where lighter skin colour was seen as a virtue, not just women but even men were conscious of skin colour. Emami launched Fair and Handsome in 2005 to capitalize on the growing use of Fair & Lovely by men in India. A few years later, in 2009, L’Oréal launched its own men’s skincare line. Garnier Men PowerLight cream, a non-greasy lightening cream with a fairness scale to measure the result, became extremely popular in India. Famous model and actor John Abraham promoted this brand, which did tremendously well in just a few months, and became the number-two men’s skincare brand in India.[[35]](#endnote-35) With the Garnier shampoo and conditioner sachets being a huge success, L’Oréal developed and introduced a 7.5-millilitre sachet of Garnier Light Fairness Moisturiser for ₹12.

L’Oréal’s Garnier hired Bollywood actresses Priyanka Chopra, Deepika Padukone, Alia Bhatt, and Chitrangada Singh, among others, to endorse its products and attract the attention of Indian consumers. However, being a brand for the middle classes, it also used non-celebrities in its advertisements in order to identify itself as a product for anyone, and not neglect mass-market consumers.

Makeup

In 1998, L’Oréal launched Maybelline New York, a mass-market cosmetics brand, tapping into the young female segment in India. Lakmé, since 1952, had catered to mass-market consumers, offering products at prices within their reach. The Indian cosmetics market was led by Lakmé, with a 17.7 per cent share in 2012, followed by L’Oréal India, Modi Revlon, and Oriflame.[[36]](#endnote-36)

Maybelline was the only brand competing directly with Lakmé in catering to the more budget-sensitive market. All the other cosmetics brands of L’Oréal, such as Lancôme, and other company brands such as Revlon and Chambor, were premium, targeting luxury consumers at the upper end of the spectrum.[[37]](#endnote-37)

Innovating for the Indian market, in 2011, Maybelline launched Colossal Kajal, a kohl pencil developed for Indian consumers. In just one year, by 2012, it had become L’Oréal India’s bestselling makeup product.[[38]](#endnote-38)

GOING FORWARD

L’Oréal, globally and through its India division, continued to proactively research and develop newer products for the market, aggressively market its products, and build up its manufacturing units in India. In early 2013, L’Oréal India opened research and innovation laboratories in Mumbai and Bangalore for researchers and scientists to work together to develop new India-centric products.[[39]](#endnote-39) It had also launched a phytochemistry laboratory in Bangalore for research on herbal and Ayurvedic ingredients and how they could be used to develop new products and categories for India.[[40]](#endnote-40)

L’Oréal India was making all the right moves. However, concurrently, its competitors were also finding success (see Exhibit 5). The beauty “arms race” continued, and all these companies struggled in never-ending competition. Those that were not intuitive or reactive enough lagged behind and were surpassed. Companies within the beauty market that had been hitherto focusing on one segment were moving into newer segments.

Among all these various initiatives by companies competing with L’Oréal in all the different areas of the beauty market, would the company continue to reap success in India? What did L’Oréal need to do to further develop its market and brands in India? How could it stay ahead of others in the hair-care, skincare, makeup, and professional product markets in India? How could L’Oréal grow and strengthen its distribution network and loyalty in India and beat competitors such as Hindustan Unilever Limited (HUL) and P&G who were now entering the professional hair-care market?

Exhibit 1: worldwide dISTRIBUTION OF l’Oréal’s operations

|  |  |  |  |
| --- | --- | --- | --- |
| **Research and Evaluation Centres** | | **L'Oréal Production Sites** | |
| **Country** | **Number** | **Country** | **Number** |
| France | 12 | United States | 7 |
| United States | 3 | France | 10 |
| Brazil | 1 | Canada | 2 |
| China | 1 | Spain | 1 |
| Japan | 2 | Mexico | 1 |
| India | 1 | Germany | 1 |
| Indonesia | 1 | Poland | 1 |
| Sweden | 1 | Belgium | 1 |
| Brazil | 1 |
| Israel | 1 |
| Japan | 1 |
| Indonesia | 1 |
| India | 1 |
| China | 2 |
| Russia | 1 |
| Turkey | 1 |
| South Africa | 1 |
| Sweden | 1 |

Source: L’Oréal, *Registration Document 2012: Annual Financial Report*, accessed August 5, 2016, www.loreal-finance.com/\_docs/pdf/rapport-annuel/2012/LOREAL\_Document-de-Reference-2012\_GB.pdf.

Exhibit 2: L’Oréal’s Business Globally and In India

**Cosmetics**

**The Body Shop**

**Dermatology**

**Professional**

**Products**

**Consumer**

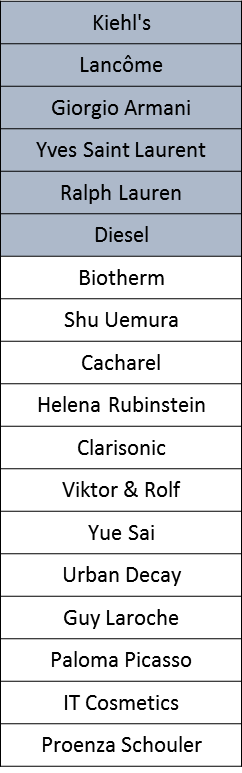
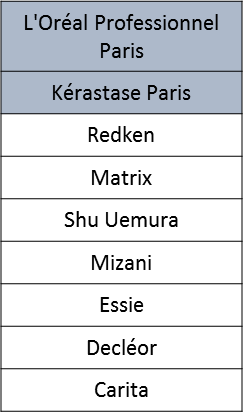
**Products**

**L'Oréal**

**Luxe**

**Active**

**Cosmetics**



**The L'Oréal Group**

Source: L’Oréal, accessed July 7, 2016, www.loreal.com; L’Oréal India, accessed July 7, 2016, www.loreal.co.in.

EXhibit 3: Breakdown of cosmetics sales by region

Note: IFRS = International Financial Reporting Standards

Source: L’Oréal, Annual Report 2016, accessed January 5, 2017, www.loreal-finance.com/en/annual-report-2016/key-figures; L’Oréal, “2006 Financial Highlights,” accessed January 5, 2017, www.loreal-finance.com/\_docs/rapport/2006/us/2006\_Financial\_highlights.pdf; L’Oréal, “Financial Highlights 2004,” accessed January 5, 2017, www.loreal-finance.com/\_docs/rapport/2004/us/Financial\_highlights.pdf; L’Oréal, “Financial Highlights 2002,” accessed January 5, 2017, www.loreal-finance.com/\_docs/rapport/2002/us/04\_FINANCIAL\_HIGHLIGHTS.pdf.

Exhibit 4: Market Share—FMCG MARKET IN INDIA, MARCH 2013

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Market share of companies in a few FMCG categories** | | | | |
| **Hair Oil** | Marico (42%) | Dabur (15%) | Bajaj (8%) | Emami (5%) |
| **Shampoo** | HUL (46%) | P&G (24%) | CavinKare (10%) | Dabur (6%) |
| **Skincare** | HUL (59%) | Dabur (7%) | Emami (7%) | L’Oréal (6%) |

Note: FMCG = fast-moving consumer goods.

Source: AFS Action, Research Report: Indian FMCG Industry (July 30, 2013), accessed July 7, 2016, http://reports.dionglobal.in/Actionfinadmin/Reports/FDR0108201343.pdf.

Exhibit 5: L’Oréal’s Competition in India

|  |  |
| --- | --- |
| **MULTINATIONAL COMPANIES** | |
| **COMPANY** | **ENTRY INTO INDIA** |
| Hindustan Unilever | Unilever set up its first Indian subsidiary in 1931, and over the years developed a presence in the entire gamut of consumer products. It became Hindustan Unilever (HUL) in 1956, with the merger of Hindustan Vanaspati Manufacturing Company, Lever Brothers India Limited, and United Traders Limited. It owned skincare brand Pond’s, which had been in India since 1947, and local brand Lakmé, established in 1952, and leading what was estimated to be a ₹25 billion cosmetics market as of 2014 with a 30 per cent share. HUL had a long presence in these markets. In 1978, it launched Fair & Lovely, the first fairness cream in India. Its hair-care brands Sunsilk, Clear, Clinic Plus, and Dove, which were introduced in India in 1964, 1972, 1988, and 1993, respectively, together claimed a 50 per cent share of the ₹40 billion shampoo market as of 2013. |
| Nivea | Nivea, an affiliate company of Germany’s Beiersdorf, had been in India since the 1930s and sold skincare products such as creams, moisturizers, face wash, deodorant, lip balms, and bath-care products. In 2014, the company was still importing almost 60 per cent of its products to India, which prevented it from offering more affordable products to reach out to the masses. To increase its competitiveness in India, the company was setting up a factory and R&D centre in the region. The brand was branching out into the anti-aging, sun-care, and men’s care products as well, aiming to grab more market share in India, and thus becoming a direct competitor to many of L’Oréal’s brands. |
| Procter & Gamble | P&G entered India in 1964 with a range of consumer products, and competed against L’Oréal in the shampoo, skincare, and professional hair-care and hair-colour markets. Pantene and Head & Shoulders, launched in India in 1995 and 1997, respectively, together held a 30 per cent share of the ₹40 billion shampoo market in 2013. |
| Revlon | Revlon entered India in 1995 and competed in the cosmetics, nail-paint, perfumes, hair-colour, and shampoo markets, competing most directly with L’Oréal in the cosmetics segment, with a 14 per cent market share as of 2014. |
| Oriflame India | The Swedish direct-sales company Oriflame Cosmetics set up operations in India in 1995, and sold skincare, colour cosmetics, hair-care, and health and wellness products through its sales representatives, which numbered 250,000 in 2013. It was the largest direct-selling cosmetics company in India. |
| Henkel Cosmetics | Henkel introduced professional hair-care brand Schwarzkopf Professional to India in 2003 and by 2013 had tie-ups with almost 5,000 salons, capturing an 18 per cent share in the professional hair-care market. |
| Estée Lauder | Estée Lauder entered India in 2005 with its premium cosmetics brands Estée Lauder, Clinique, and MAC. In 2008, aware of the growing interest in products with natural ingredients, it acquired a 20 per cent stake in the Indian luxury Ayurveda brand Forest Essentials. |
| Avon | Avon, one of the largest direct-selling companies in the world, marketing and selling its products through sales representatives, had a range of products in India, ranging from cosmetics and skincare products for men and women, to body soap, fragrances, and hair-care products. |
| Chambor | Cosmetics and skincare products had been distributed and marketed by Baccarose in India since 1993 and 2006, respectively. |
| Shiseido | The Japanese premium brand Shiseido had been in India since 2001. In 2013, it established a wholly owned subsidiary in India to have closer contact with the market and to sell a new makeup and skincare brand, Za, targeted toward aspirational middle-income consumers—the fastest-growing segment in the market. |

EXHIBIT 5 (CONTINUED)

|  |  |
| --- | --- |
| **HOMEGROWN COMPANIES** | |
| **COMPANY** | **ENTRY INTO INDIA** |
| Dabur | Set up in 1884 to develop Ayurveda-based health products, Dabur entered the hair-care market in 1940 with its Dabur Amla Hair Oil. Its Vatika shampoo range and hair oils, and its Uveda and Gulabari skincare products, were based on herbal and Ayurveda formulas that were traditional to India. |
| Godrej | The Godrej Liquid and Powder Hair Dyes were launched in the 1970s and 1981, respectively. Godrej, a local Indian company, dominated the Indian hair-colour market with its leading brand, Godrej Expert, which had evolved out of its initial hair dyes. This was an ammonia-free hair-colour range offered in cream or powder form and with conditioners and herbal ingredients such as henna and amla. Godrej Expert Powder Hair Dye was the bestselling hair dye in the world, available in a sachet format that the company pioneered in 1995, and selling for one-tenth the price of L’Oréal’s cream hair product, thus meeting the needs of low-income customers. The cream form, offered in a sachet as well, was developed in 2012. Renew was another Godrej brand that offered fashion hair colours and Nupur was a henna hair-colour brand. |
| Shahnaz Herbals Group | Launched in 1970, this company developed Ayurveda beauty and care products such as face masks, hair lotions, hair oil, skin creams, cosmetics, sun-care creams, and fairness creams, as well as men’s shaving, hair, and face products. |
| Emami | Emami, established in 1974, manufactured health, personal, and beauty products based on Ayurveda formulations. It competed with L’Oréal in the hair oil market with Emami and Navratna. It led the men’s fairness market with its Fair and Handsome cream, launched in 2005. |
| CavinKare | CavinKare started in 1983 with the Chik brand of shampoo, selling in small sachets, a form of packaging introduced for the first time in India at the time. CavinKare quickly amassed the rural market for which shampoo had previously been mostly out of reach and too pricey. It was the first company to develop a product for this entirely unpenetrated market. In 2012, 87 per cent of the shampoos sold in India were in sachet packaging and CavinKare had around a 30 per cent share of this. Over the years, the company had launched other hair-care brands such as Meera shampoo in 1991, Nyle shampoo in 1993, and Karthika shampoo in 2007. The company forayed into the fairness market with Fairever in 1998 and into the hair-colour market with Indica in 1998, and opened two salon chains called Limelite and Green Trends. It launched a professional hair product brand called Raaga Professional in 2010. In 2012, CavinKare had a 5 per cent share of the Indian skincare market and an 11 per cent share of the shampoo market. |
| Ayur | Since its inception in 1984, it had been innovating hair and skin products strictly formulated from natural herbal ingredients. |
| Marico | Marico was born out of the company Bombay Oil Industries in 1990, with its already established hair oil brand Parachute. It forayed into diverse and multiple markets, including skincare through the Parachute brand, and hair care, establishing Nihar Naturals in 2003 and Hair & Care for hair oils in 2005. |
| Biotique | Founded in 1992, the company combined ancient Ayurveda-based formulas made 100 per cent from natural botanicals (with no chemicals, preservatives, or animal testing) with new-age biotechnology, to develop skincare, hair, body, makeup, baby, and men’s beauty products. |
| Lotus Herbals | Set up in 1993, Lotus Herbals was an herbal cosmetics and skincare manufacturing company that spent a large portion of its resources on research and development. Its bestselling brand, Whiteglow, a skin-whitening cream launched in 2011, had the highest growth among premium fairness creams in India, surpassing Olay, Pond’s, and Garnier, with a 12 per cent market share in this segment. In the sun-protection category, Lotus was the second-largest brand, following Lakmé. |
| Colorbar Cosmetics | Founded in 2004 in India, Colorbar differentiated itself by becoming the first home-grown brand to offer the same excellent buyer experience for premium-range makeup products as that of international brands. |

Note: R&D = Research and Development.

Source: Public sources.[[41]](#endnote-41)

ENDNOTES

1. This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of L’Oréal or any of its employees. [↑](#endnote-ref-1)
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