



POLITECNICO
MILANO 1863

L'ORÉAL Brandstorm

Empowered by saleforce 2022

Strategy & Marketing project 2021-22

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Group N. 27

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Data science
Computer science engineering



Data science
Computer science engineering



Product Service System Design
Management engineering

AGENDA

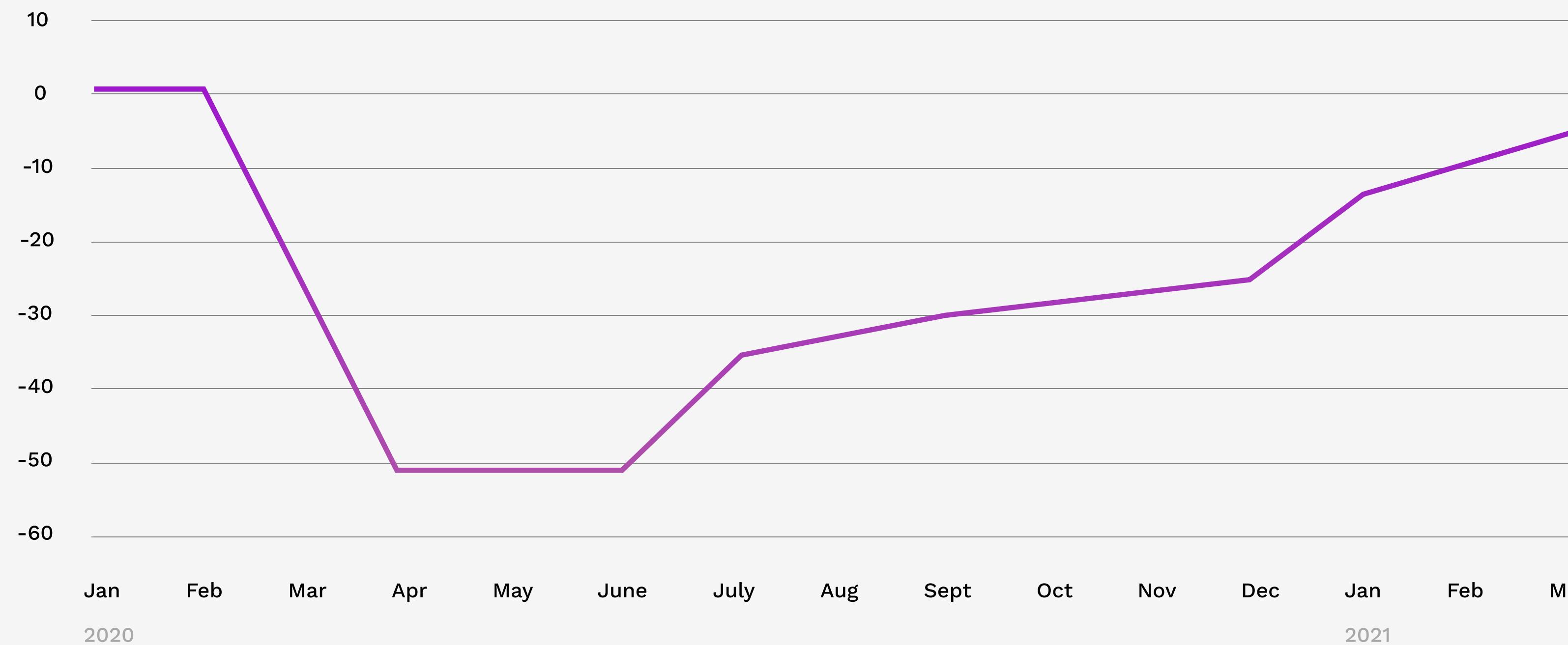
- 1 Market analysis
- 2 Internal analysis
- 3 SWOT analysis
- 4 Concept: ArmoRéal
- 5 Business model canvas
- 6 Value proposition canvas
- 7 Segmentation
- 8 Targeting
- 9 Positioning
- 10 Marketing mix
- 11 Estimation of cost & profitable
- 12 Key performance indicator

Market analysis

Covid-19

Remarkable social and psychological changes

Monthly sales compared with 2019



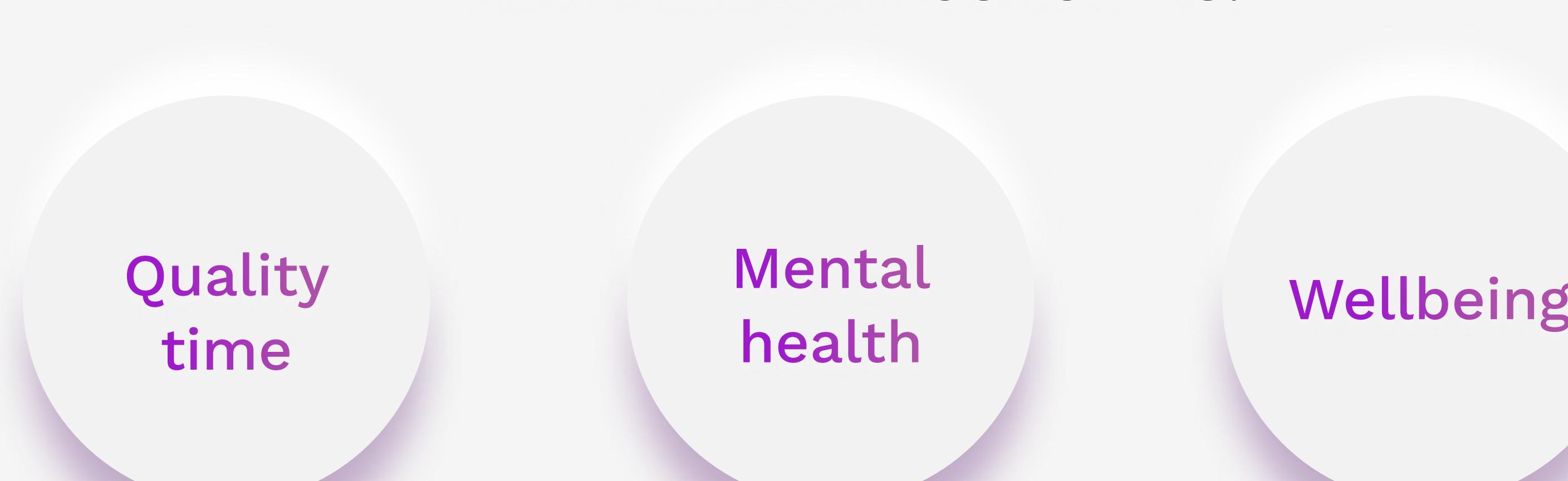
(report by Emily Gerstell, Sophie Marchessou, Jennifer Schmidt and Emma Spagnuolo from McKinsey & Company)

LOCKDOWN RESTRICTIONS HAVE CHANGED PEOPLE'S WISHES AND NEEDS

“Due to working from home, physical distancing and mask-wearing, it has become much less important to wear make-up and fragrance”

“For prestige brands, we have noticed 55% and 75% declines in cosmetic and fragrance purchasing, respectively, versus a year ago.”

NEW RELEVANT CONCEPTS:



Quality
time

Mental
health

Wellbeing

COMPANIES HAD TO LEVERAGE ON:

Resilience

Elasticity

Innovation

REVISITING ITS RANGE OF ACTIVITY



Personalization and
customization of the
purchasing experience

eCommerce platforms
are becoming a
commodity

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| V | R | I | O | RESOURCES & CAPABILITIES | ADVANTAGE | COMMENTS |
|---|---|---|---|--------------------------------------|---------------------------------|--|
| ✓ | ✓ | ✗ | ✗ | CUSTOMER RELATIONSHIP | TEMPORARY COMPETITIVE ADVANTAGE | Customer relationship is a recurring aspect of big beauty company |
| ✓ | ✓ | ✗ | ✗ | GOOD QUALITY OF THE PRODUCT | TEMPORARY COMPETITIVE ADVANTAGE | Other companies are focusing heavily on product quality |
| ✓ | ✗ | ✗ | ✗ | E-COMMERCE | COMPETITIVE PARITY | Most of the companies use E-commerce platforms nowadays |
| ✓ | ✓ | ✓ | ✓ | INNOVATION | SUSTAINED COMPETITIVE ADVANTAGE | <p>“Constant search for cutting edge scientific discoveries and game-changing technologies”</p> <p>https://www.loreal.com/en/beauty-science-and-technology/beauty-research-and-innovation/</p> |
| ✓ | ✓ | ✓ | ✓ | DISTRIBUTION NETWORK | SUSTAINED COMPETITIVE ADVANTAGE | <p>“We’re talking about over 150 distribution centres, delivering more than 7 billion products each year to half a million delivery points across the world”</p> <p>Jamie Burton, Global Head of Physical Distribution</p> |
| ✓ | ✓ | ✓ | ✓ | INCLUSIVITY | SUSTAINED COMPETITIVE ADVANTAGE | <p>“We foster workplaces where all people of every ethnicity, social background, religion, gender, age or disability - visible or invisible - feel welcomed and valued. An atmosphere where everyone can thrive and grow means our business will thrive and grow throughout the world.”</p> <p>https://www.loreal.com/en/commitments-and-responsibilities/</p> |
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S

STRENGTHS

- Brand experience
- Largest cosmetics company
- High quality product
- Entrepreneurial spirit/innovation
- Responsibility
- High personalization of the product

W

WEAKNESSES

- Too many subdivision
- High advertising costs
- High costs of developing and maintaining the technology
- Presence of many competitors in Beauty industry

O

OPPORTUNITIES

- Reach a new and younger customer segment
- Market growth thanks to the well-being concept (Beauty products became important for practical and emotional dimensions)
- Market growth in E-commerce
- Product mix expansion

T

THREATS

- Global crisis due to Covid-19
- Dynamic Nature of Cosmetics Industry
- Growing competition within the cosmetic brands
- Growing competition in E-commerce and online sells

OUR SOLUTION

ArmoRéal

Problem statement



One of the biggest shortcomings of **online shopping** is certainly the **too wide offer** that websites often offer, making the **search too chaotic**.

ArmoRéal



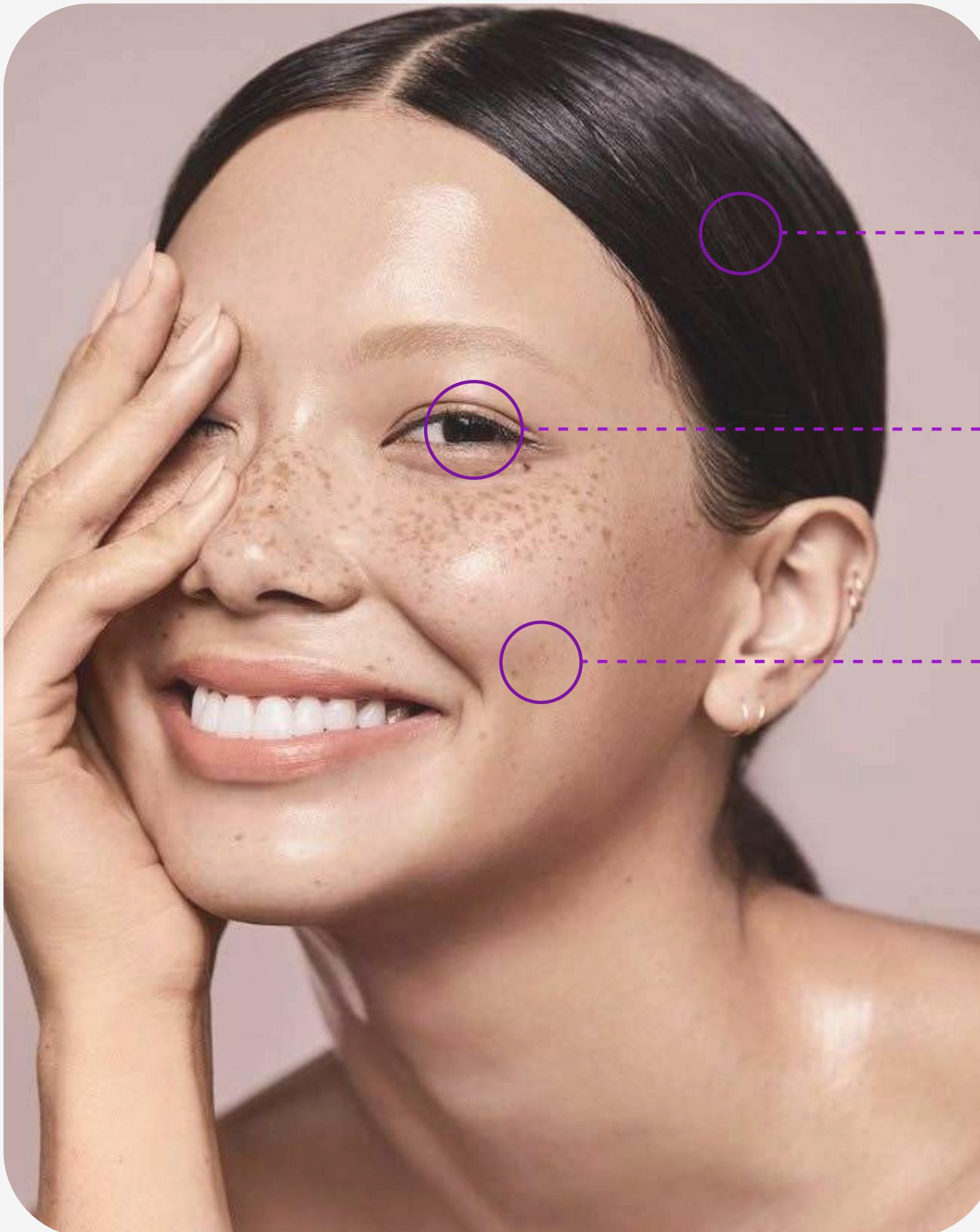
- Online shopping easier and faster
- Personalized & customized experience

ArmoRéal



A platform which **helps the user to choose make-up and hair coloring following** one of the most popular fashion trends

Armocromia



Hair

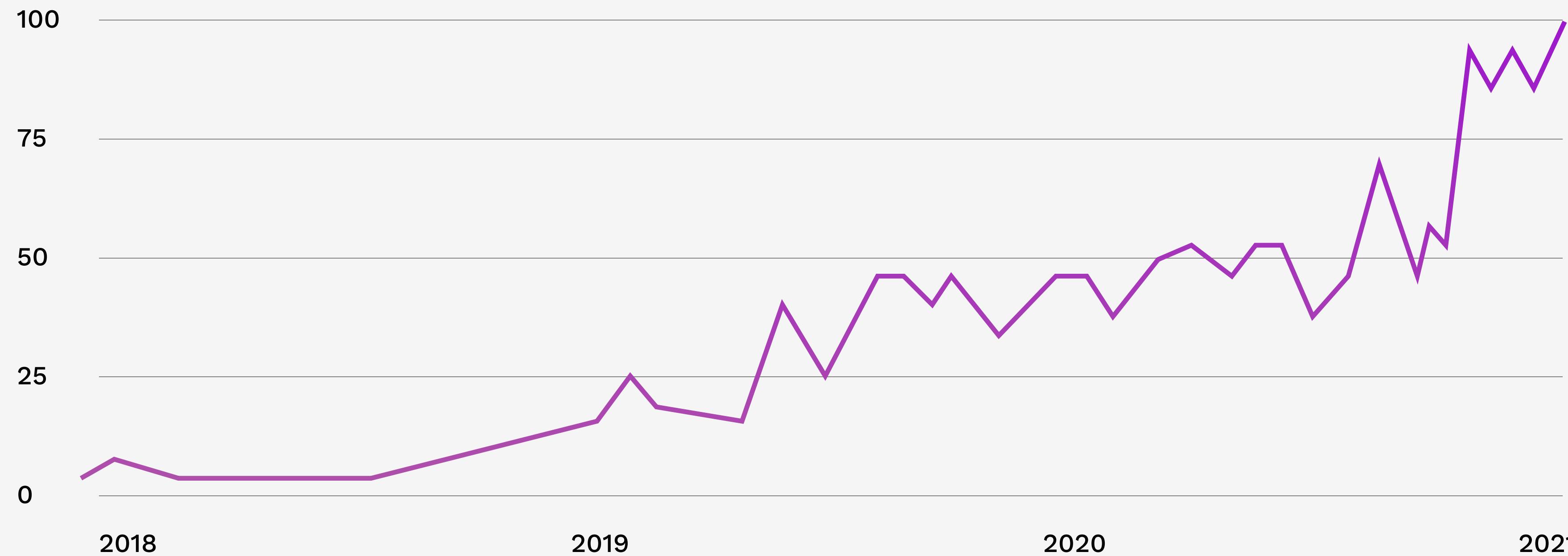
Eyes

Skin

Palette of shades which
enhances beauty and
natural colors of the face

It's becoming a trend ...

Google trends



... especially on
social media!



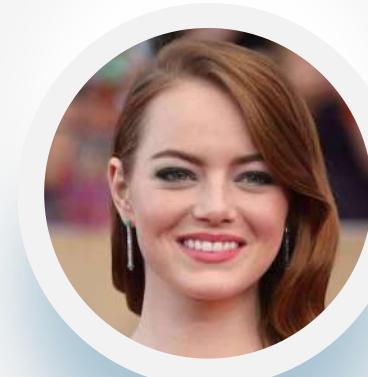
|
Winter



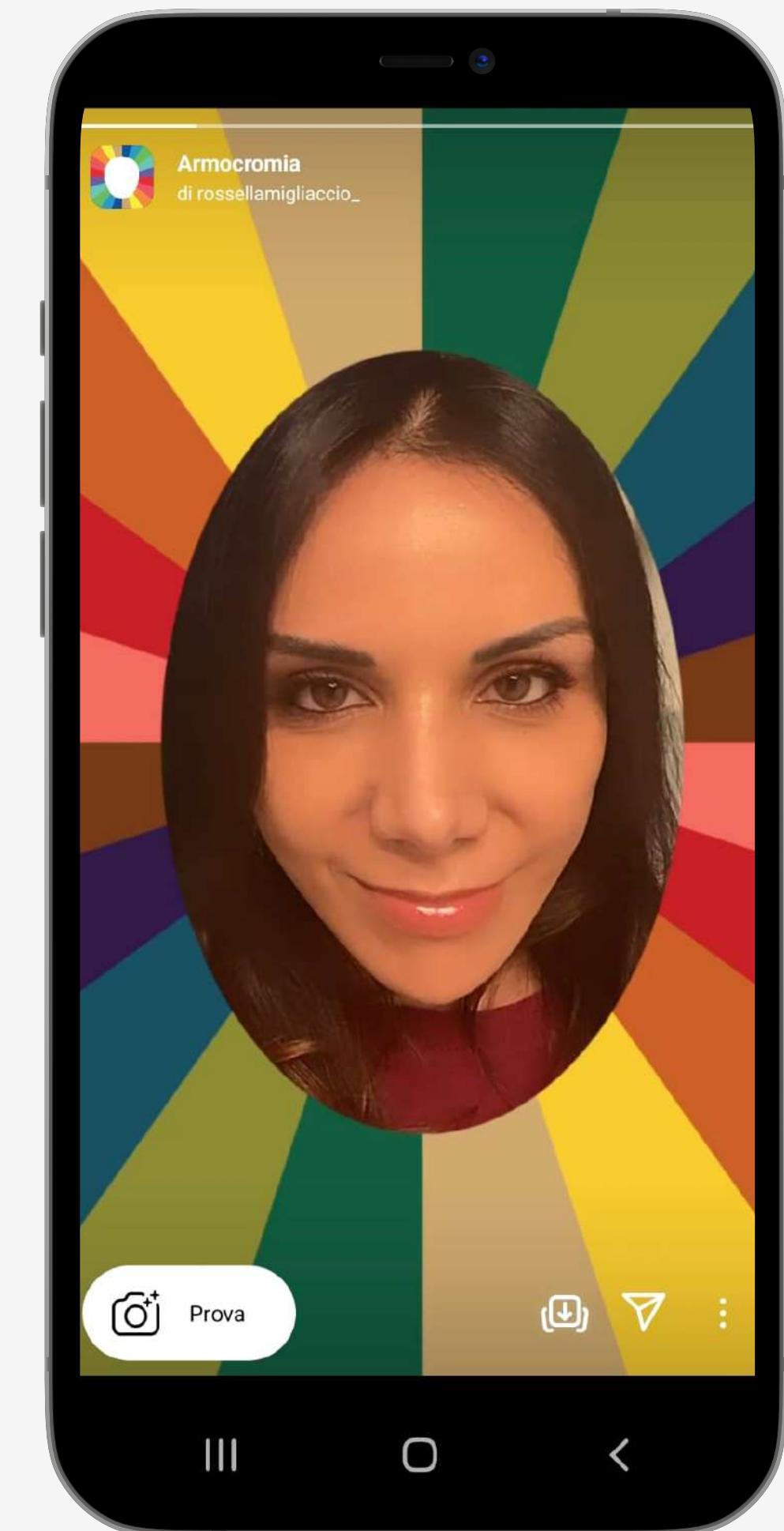
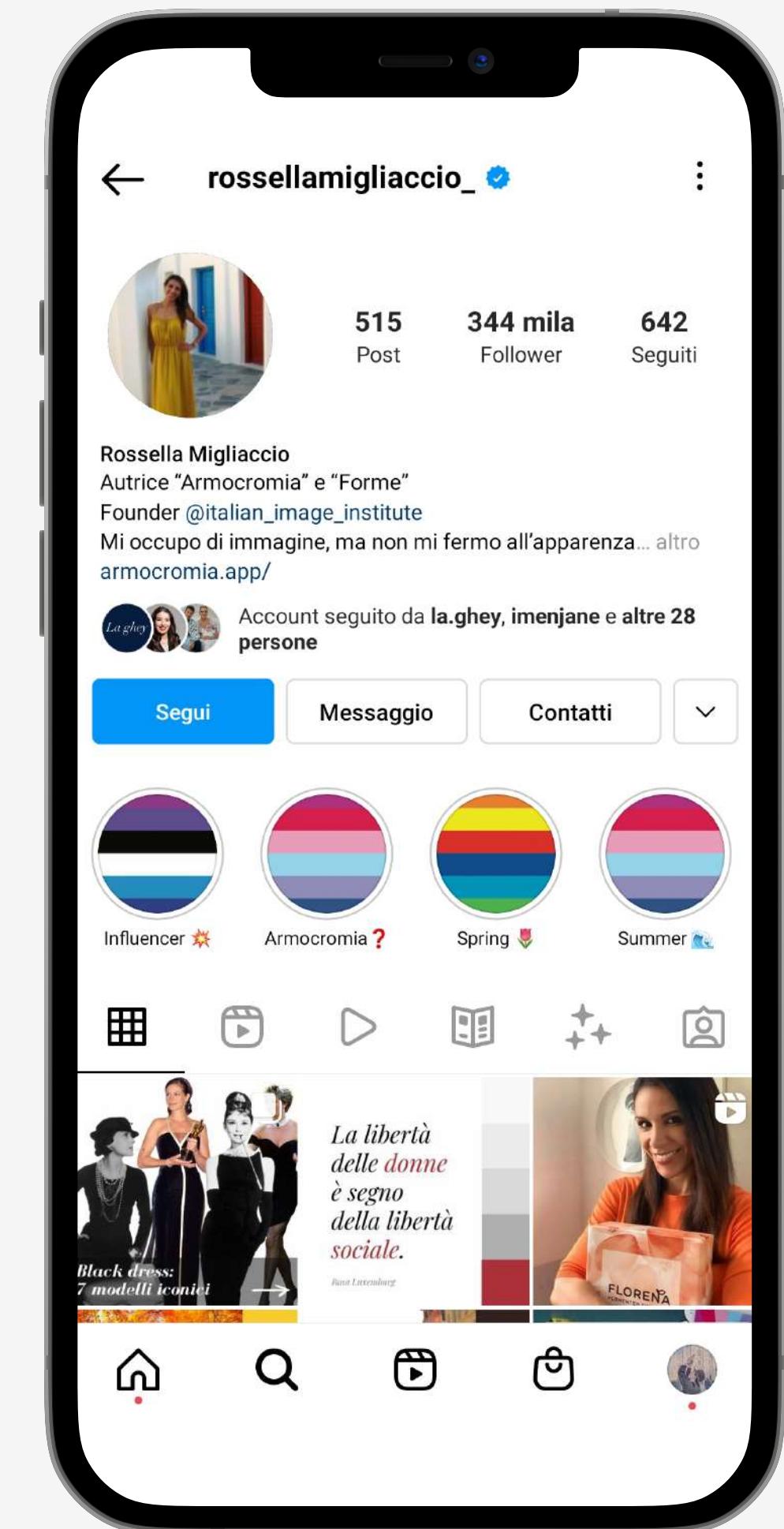
|
Summer



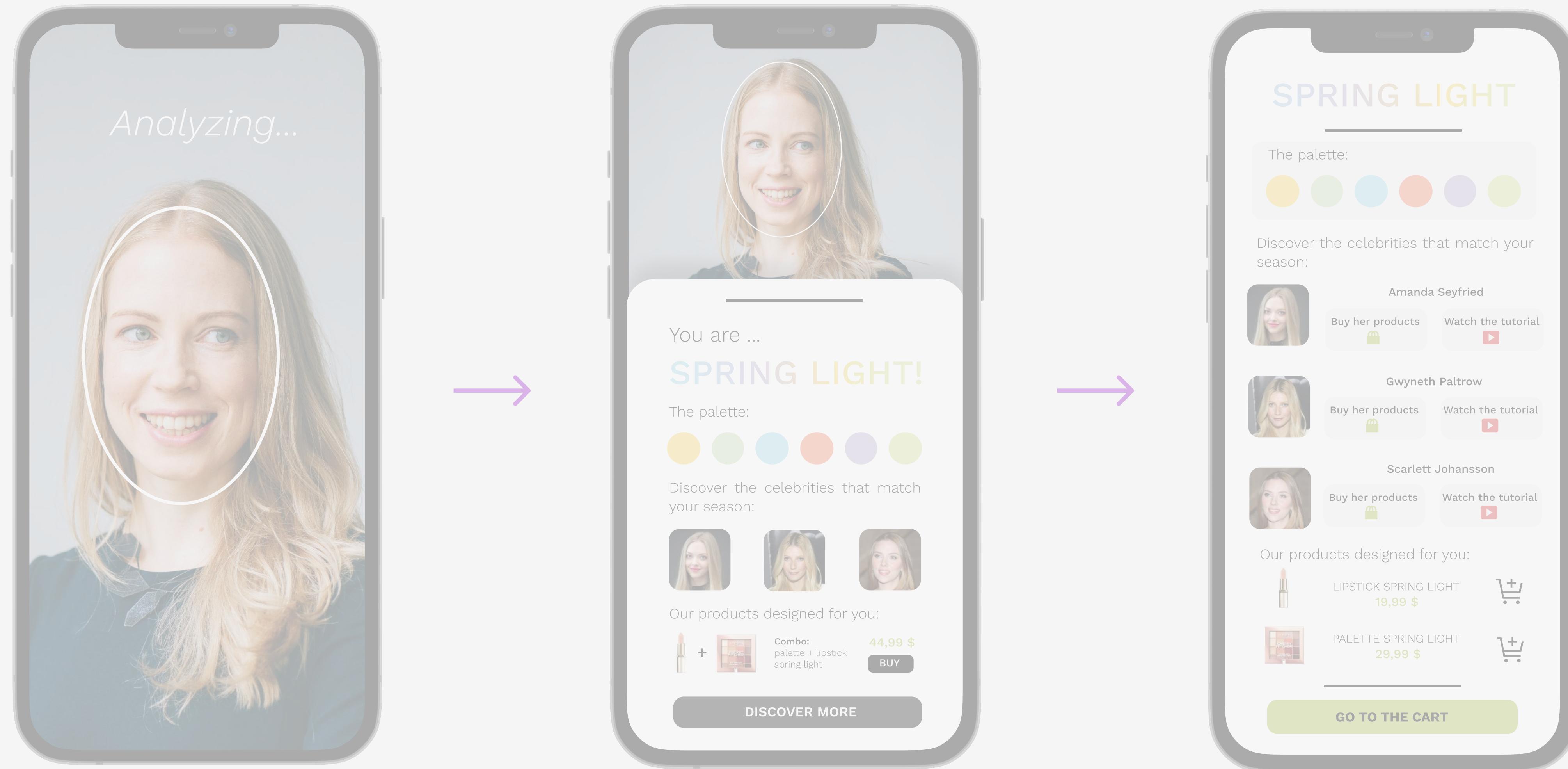
|
Autumn



|
Spring



How does it work?



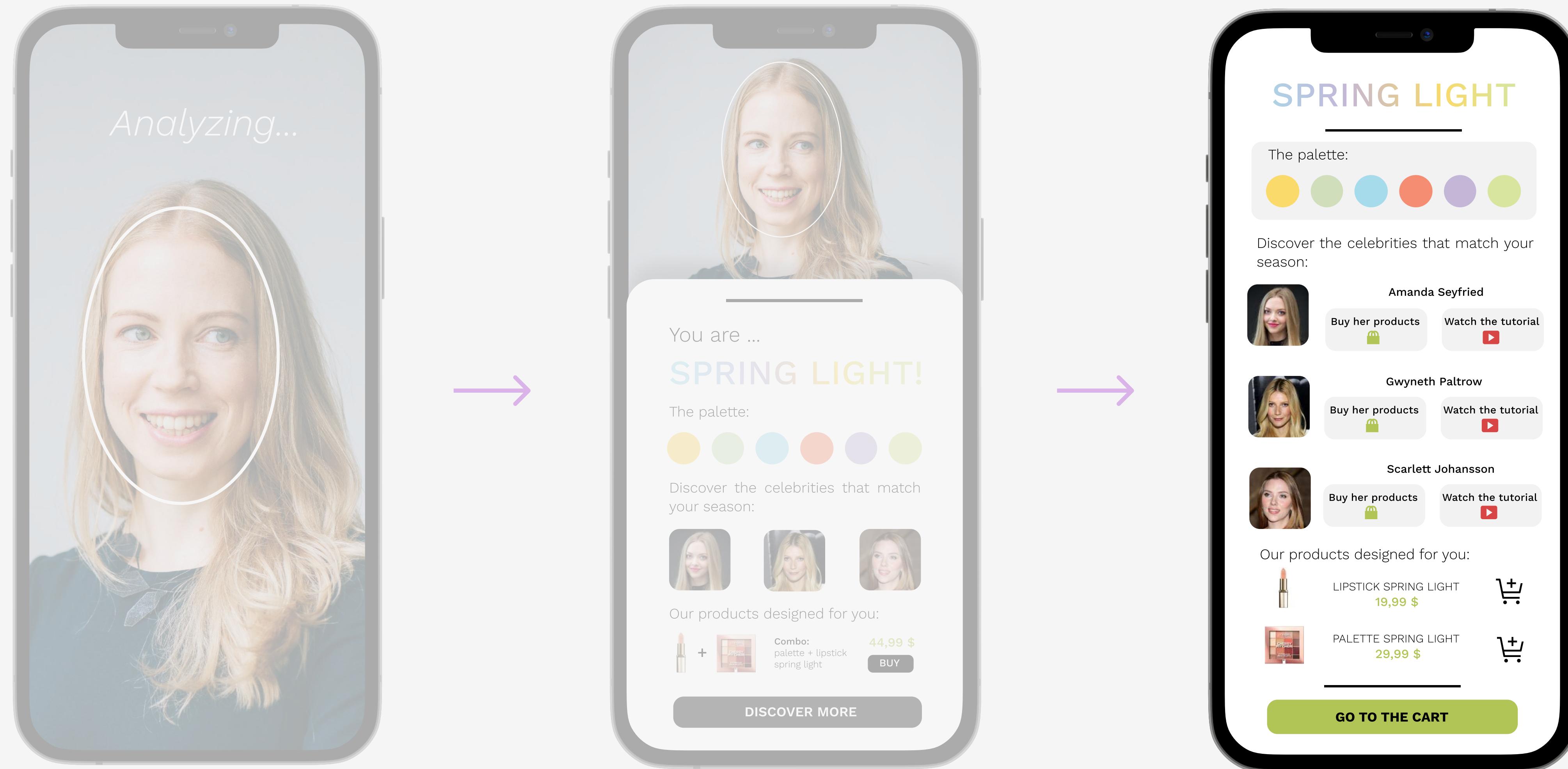
1. Analyse the face



2. Find the season



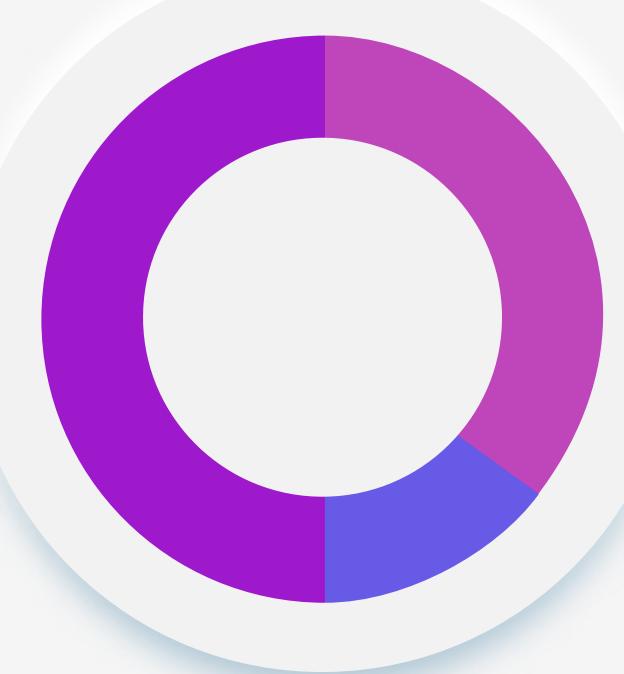
3. Show product combos and influencer tutorials



QUESTIONNAIRE

1

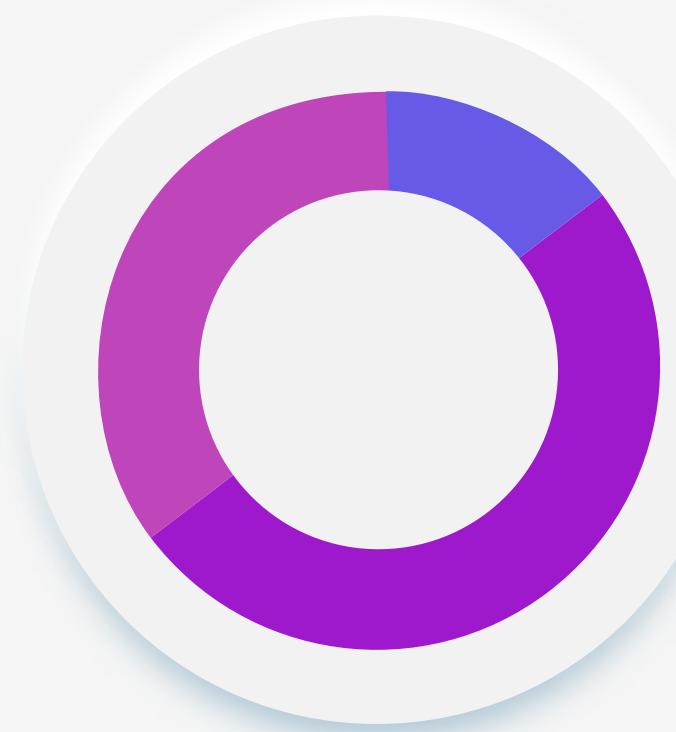
Have you ever heard about
“armocromia”?



- Yes, i know this discipline and i like it **(31)**
- Yes, i heard about that **(38)**
- No, never **(11)**

2

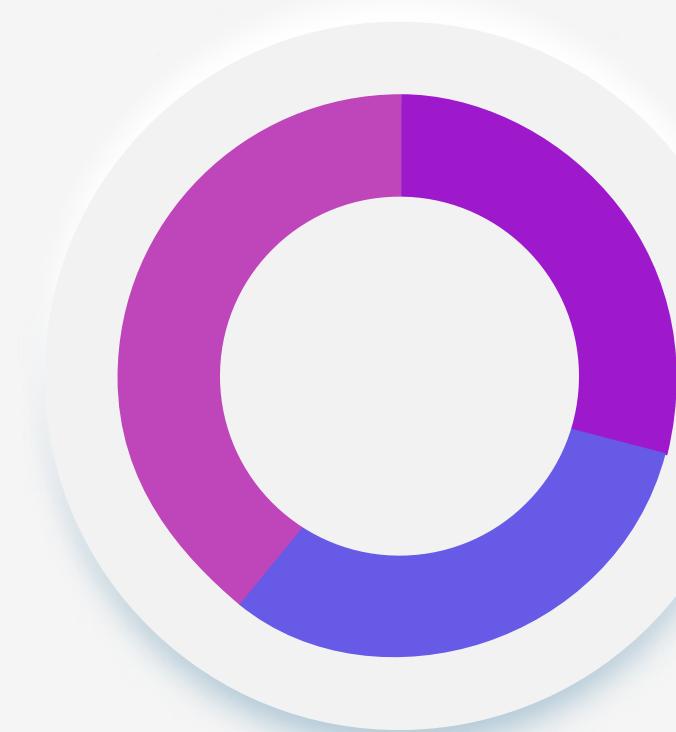
Would you buy cosmetics
according to your season?



- Yes, of course! **(38)**
- Maybe **(31)**
- No, I don't care about it **(11)**

3

Do you follow any make-up
artist on social networks?



- Yes, of course! **(33)**
- No, but sometimes I watch some of their videos **(26)**
- No **(21)**

Scalability



- Armocromia more accessible
- Digitize & implement L'Oreal E-commerce website

Functionality



- Customised user colour palette
- Personalization of the digital experience
- Customised product proposal for the user

Increasing the earnings per click on the site

Loyalty



- Shown the studies and analysis previously done
- New innovations based on his/her season

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A Sustainable Project



- Avoiding packaging waste and use reusable packaging.
- Sustainable transportation system
- Reduce the return rate by creating clear and detailed product descriptions.
- Partnership with “Green Influencers”

Business model canvas

Key partners

- Company hired for the **creation of the platform**: they have to manage technical and logistical issues;
- **Testimonial/Influencer** who are useful to trigger in the user an irrepressible desire of imitation and possession of the product;
- Partner companies that deal with **product advertising**;
- Holders of shops which are the main **interlocutors between customers and company**: they also have to manage a good part of advertising;

Key activities

- Software design and realization
- Updating of content according to the popularity of the moment
- Advertising and Marketing

Key resources

- Partnerships with **testimonials**
- Use one of the most popular fashion and innovative trend nowadays (**armocromia**)
- Use of **social media**

Value proposition

- Customers do not buy only the products but they are buying advices and **new perception of their image**
- Customers are attracted by the innovation and **novelty** of the topic
- The new service matched new **customers' needs**: they prefer to buy from home especially after COVID-19
- Direct link to **social media** and catalog of videos that you can watch as many time as you want

Customer relationship

- Social media
- Totally personalized experience

Channels

- The **platform**: E-commerce Website which contains a direct link to social networks

Customer segments

- Increase market target concentrating on **young people**: social media are used by very young boys and girls (the mandatory minimum age to use Instagram is 13 years).
- **Women/men 20/50 years**: “armocromia” is a discipline that is becoming famous even among adult women. Thanks to the novelty brought by this topic, they will visit the site more willingly

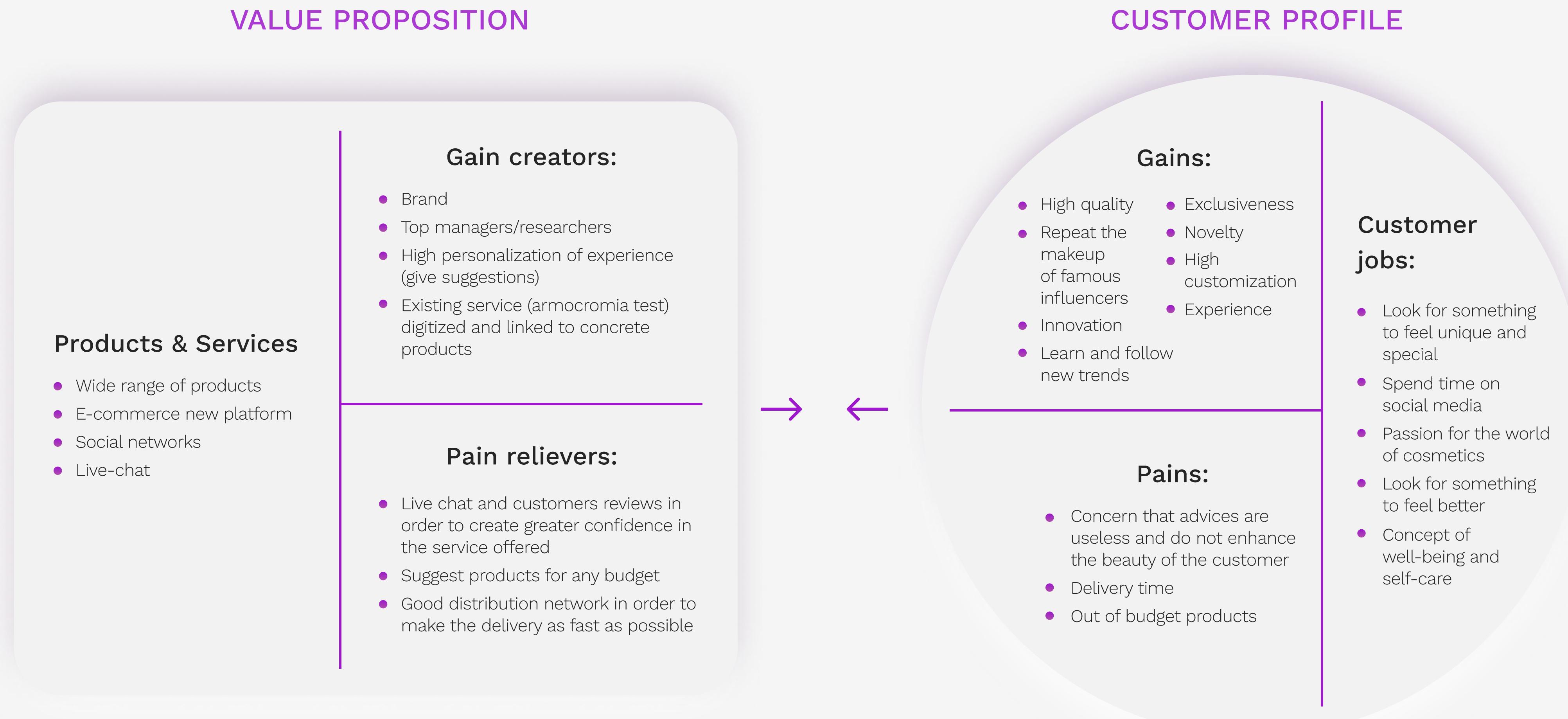
Cost structure

- One of the main costs is the **development and the maintenance of the platform**
- **Promotional and advertising activities** in order to reach as many customers as possible
- **Cost for consultants** which guide you in the various aspects of e-commerce activities (store manager, accountant, search engine positioning expert..)
- Cost for collaborations with influencers
- Cost for new partnerships

Revenue streams

- **Product sales**
- Customers will pay **products but also advices** to see a better image of themselves
- Higher revenues given by **sponsorship on social networks**
- **Data selling**

Value Proposition Canvas



Segmentation

AGE
↓
from
13 to **40**
years old

Targeting

GENDER
↓
Both men
and women

Positioning

GEOGRAPHICAL AREAS
↓

Europe, Asia and America

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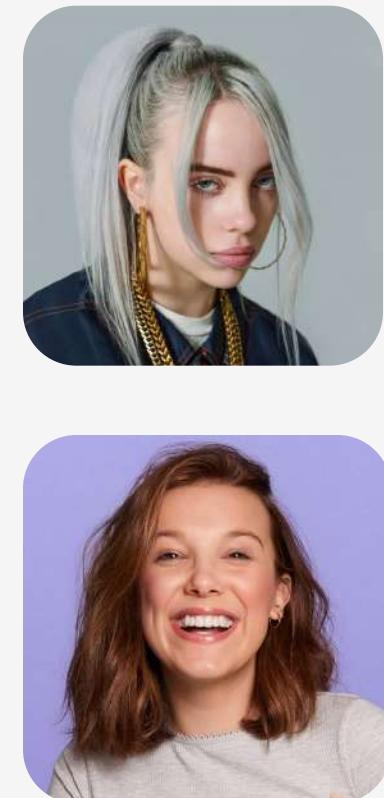
Europe, Asia and America

Segmentation

1. TEENAGERS



Interested in cosmetics & in social networks



Targeting

2. MIDDLE-AGED PEOPLE

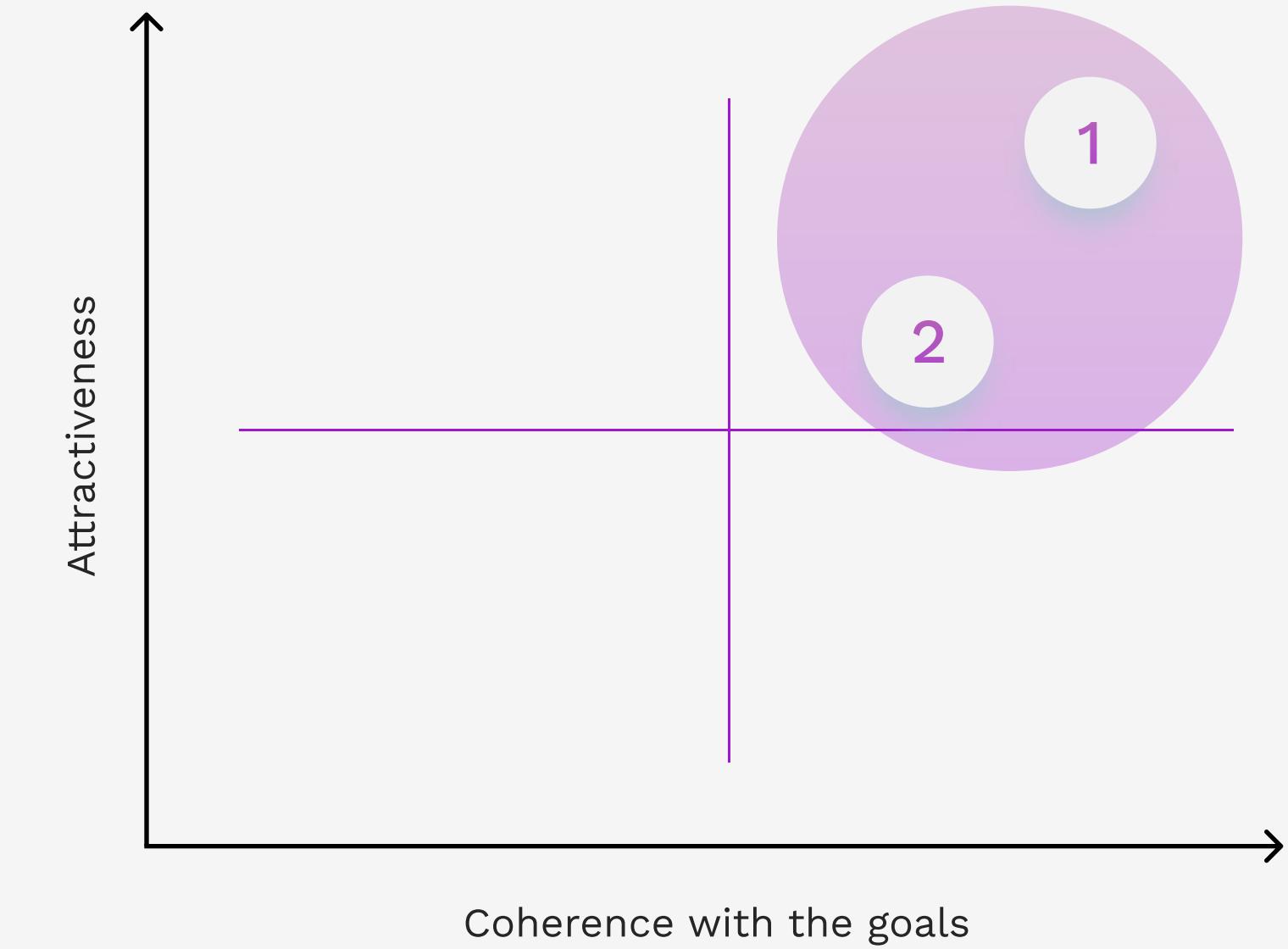


Interested in beauty industry, they are new entrants in the market, influenced by advertising and novelty



Positioning

Matrix of attractiveness:



Segmentation

Main worldwide players in sales (in billions of USD)

| | |
|--------------------|------|
| ● L'Oréal | 31.8 |
| ● Unilever | 22.4 |
| ● Estée Lauder | 14.2 |
| ● Procter & Gamble | 13.2 |
| ● Shiseido | 9.7 |
| ● Coty | 9.1 |

Online sales

+27%

Growth in worldwide online cosmetics sales

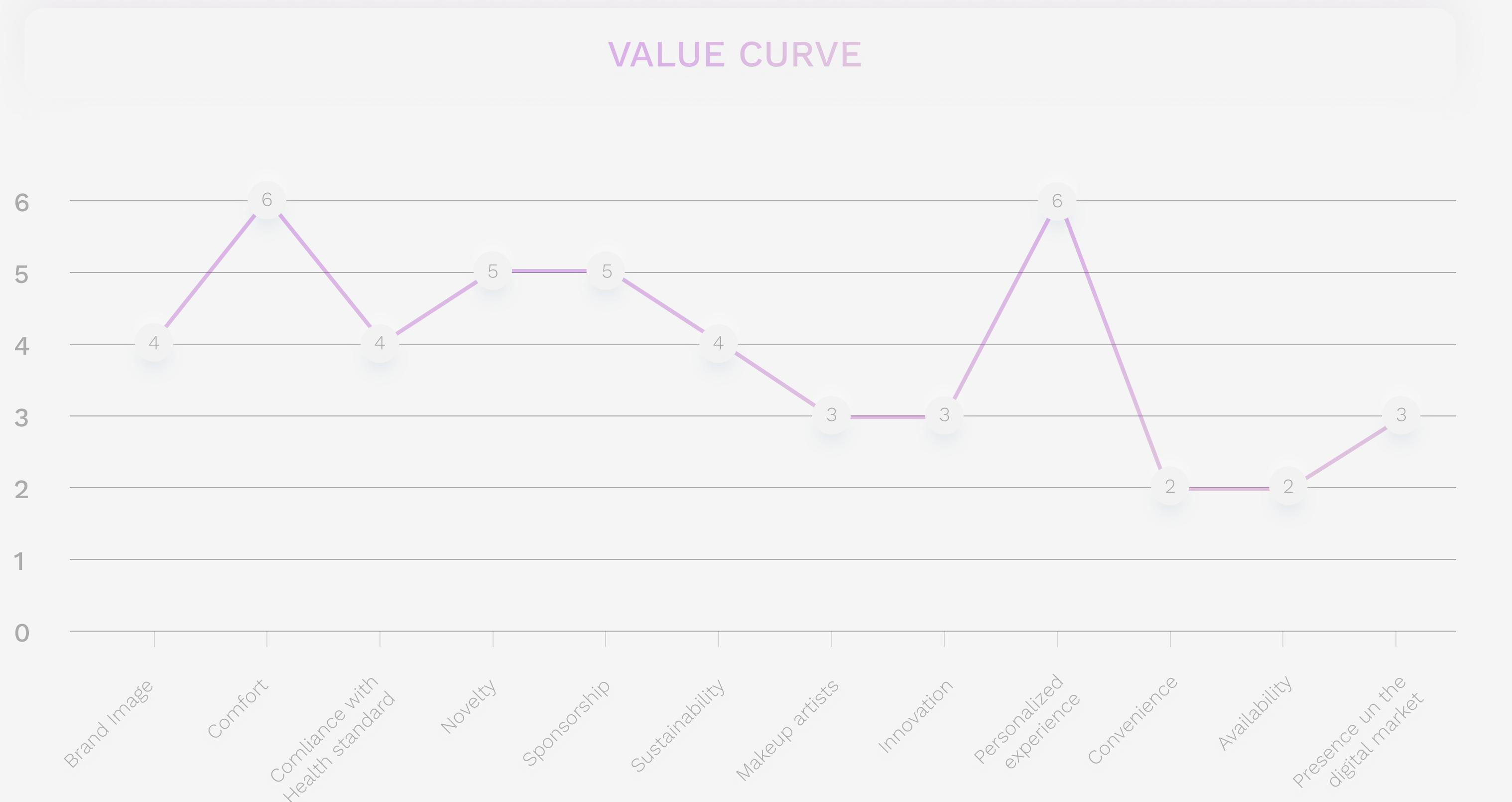
14%

Share of e-commerce in the beauty market

<https://www.loreal-finance.com/en/annual-report-2019/cosmetics-market-2-1-0/>

Targeting

VALUE CURVE



Positioning

Segmentation

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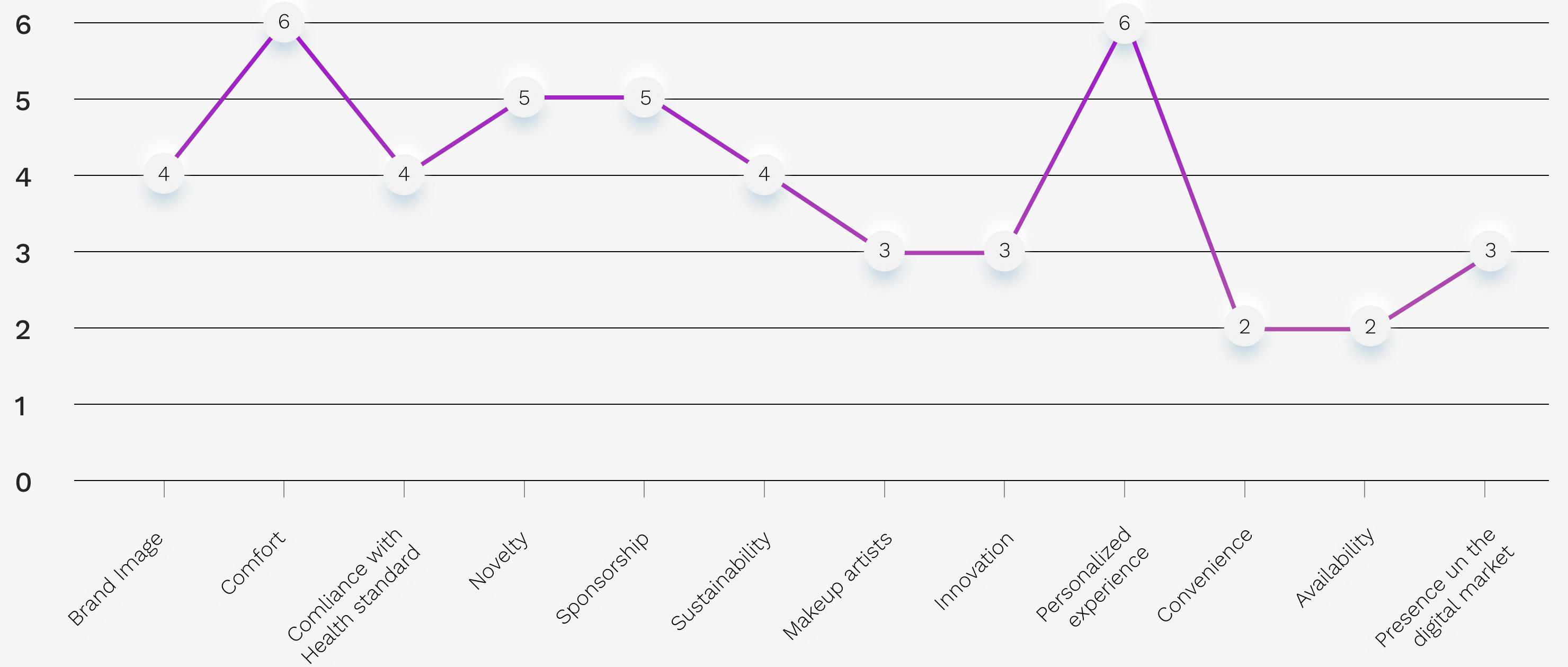
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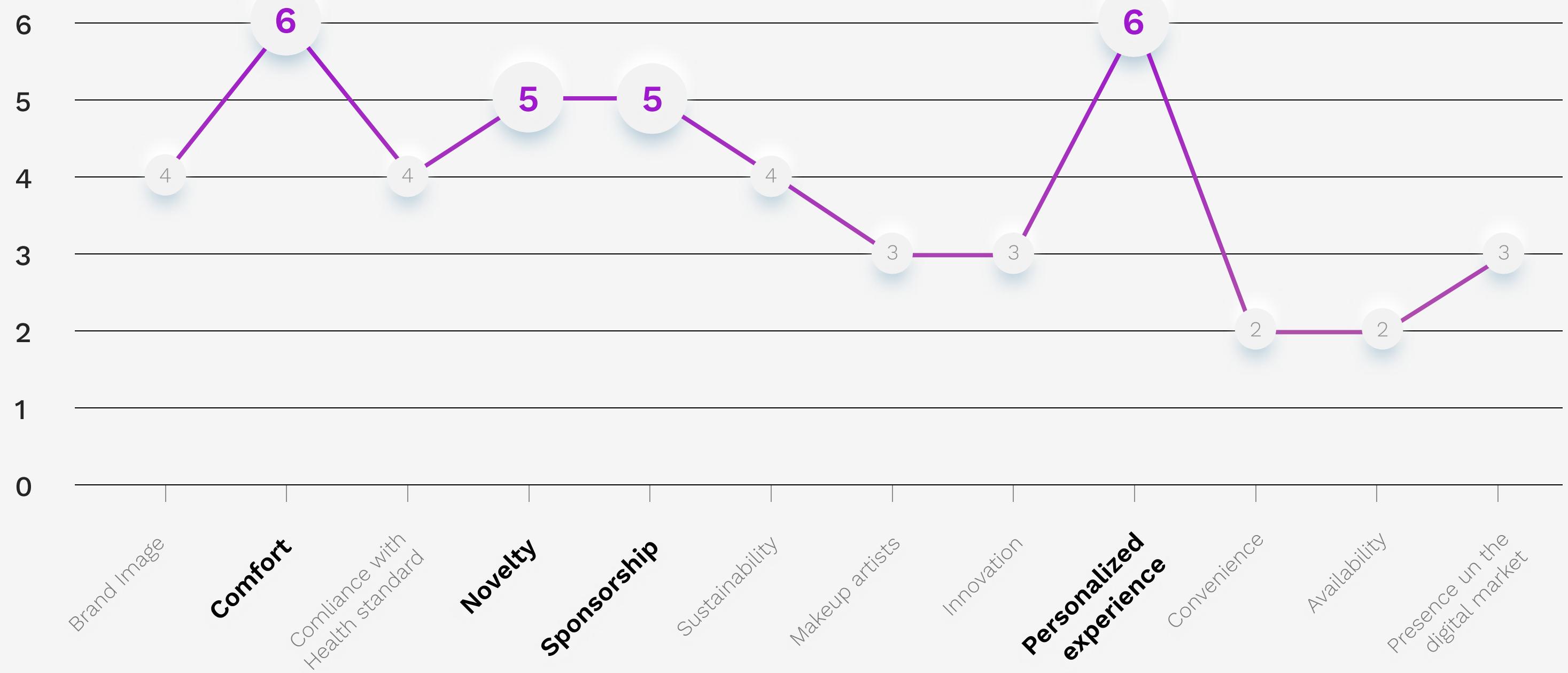
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Targeting

VALUE CURVE



Positioning

Estimation of cost and profitable

COSTS

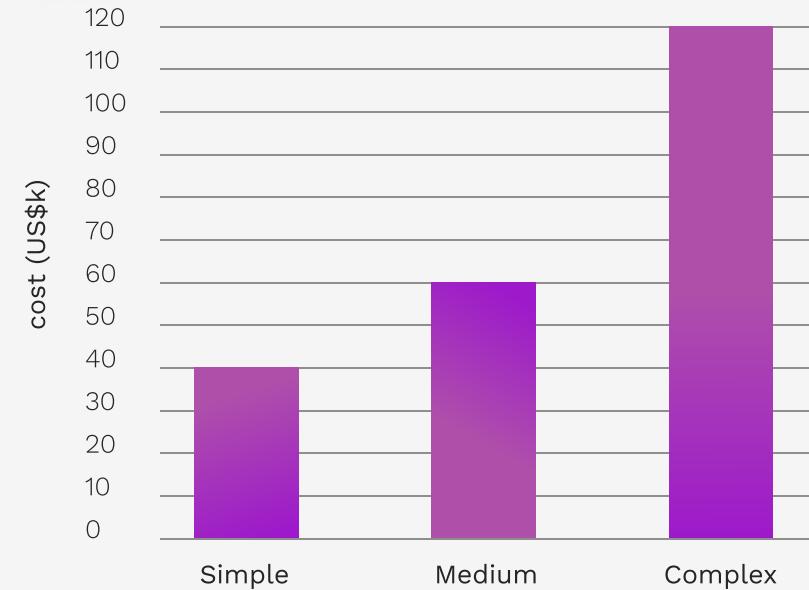
1 How much influencer earn per post?

Instagram:

- Nano-influencers: \$10-\$100 per post
- Micro-influencers: \$100-\$500 per post
- Mid-tier influencers: \$500-\$5000 per post
- Macro-influencers: \$5000-\$10000 per post
- Mega-influencers: \$10000+ per post
- Celebrities: Varies, but \$1+ million isn't new

<https://influencermarketinghub.com/influencer-rates/>

2 How much does it cost to develop an application?



<https://www.businessofapps.com/app-developers/research/app-development-cost/>

3 How much does it cost to maintain an application?

A good rule of thumb is to budget 20% of the cost of initial development when calculating how much it will cost to maintain software.

<https://www.app-press.com/blog/whats-the-cost-to-maintain-an-app>

Our estimation:
Partnership contract with influencer **1M per sponsorship**

4 How much does online advertising cost?

Average industry costs for every major online advertising platform and broke it down by average CPC and cost per click (CPC):

Online advertising costs in 2021:

| Platform | Average CPC | Average CPM |
|--------------------|-------------|-------------|
| Google search Ads | \$ 2.32 | \$ 38.40 |
| Google Display Ads | \$ 0.67 | \$ 3.12 |
| Facebook Ads | \$ 1.35 | \$ 8.60 |
| Instagram Ads | \$ 3.56 | \$ 8.96 |
| Twitter Ads | \$ 0.38 | \$ 6.46 |
| LinkedIn Ads | \$ 5.26 | \$ 6.59 |
| Pinterest Ads | \$ 1.50 | \$ 30 |

<https://www.topdraw.com/insights/is-online-advertising-expensive/>

5 How much does offline/traditional advertising cost?

| Platform | Average CPM |
|-------------|---|
| Billboard | \$ 13-22 |
| Radio | \$ 10-20 |
| Magazine | \$ 140-1300 |
| Newspaper | \$ 10-45 |
| Direct mail | \$ 500-1000 |
| Network TV | \$ 20-30 |
| Super bowl | \$ 36 (4 million dollars, reach 111 million people) |

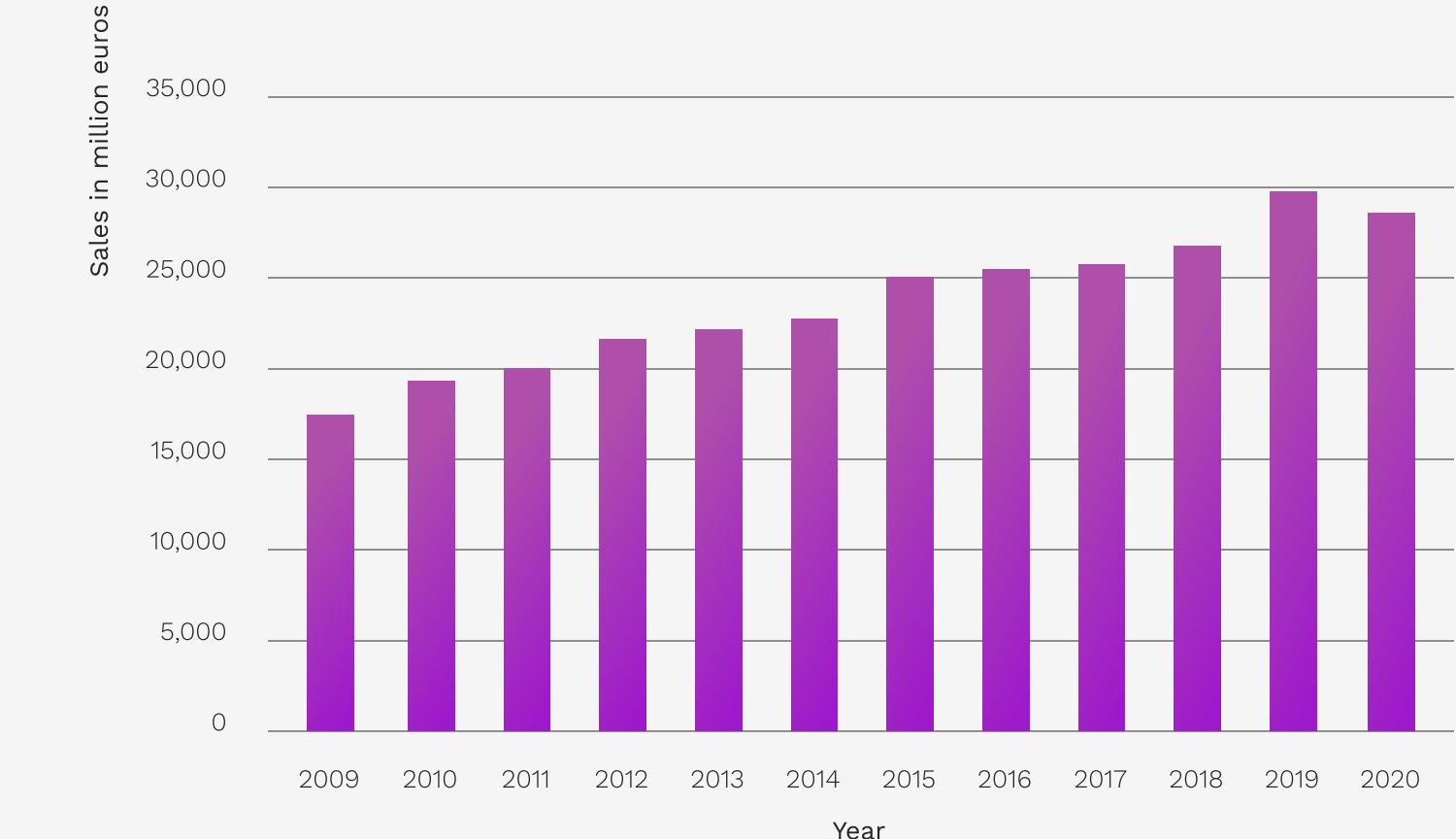
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Our estimation:
Platform development 120-150k (we considered high complexity given the system that analyzes face features and also the direct link to social media)

Our estimation:
Platform maintenance **20-30K per year**

REVENUES

Consolidated sales of l'Oréal Worldwide from 2009 to 2020 (in million euros)



<https://www.statista.com/statistics/243986/consolidated-sales-of-loreal-worldwide/>

"E-commerce growth is at +47.2% and accounts for 26.8% of sales."

<https://www.loreal-finance.com/eng/news-release/first-quarter-2021-sales>

Once considered these data we can only expect a **significant increase in online growth**, which is already growing strongly today. The highly personalized experience that we offer can only improve this condition even more.

Key Performance Indicator - KPI

SITE ABANDONMENT RATE IMMEDIATELY AFTER TAKING THE ARMOCROMIA TEST

Percentage of online shoppers who take the test but after that decide to abandon the platform.

| | |
|--------|-----|
| ● 2023 | 60% |
| ● 2026 | 40% |
| ● 2030 | 30% |

SHOPPING CART ABANDONMENT RATE

Percentage of online shoppers who add items to a virtual shopping cart but then abandon it before completing the purchase

(Average shopping cart abandonment rate for eCommerce sites is nearly 70 percent.) <https://www.ebeels.com/blog/key-performance-indicators-kpis>

| | |
|--------|-----|
| ● 2023 | 70% |
| ● 2026 | 50% |
| ● 2030 | 40% |

SESSION TIME

How much time a user spends on the site each time

| | |
|--------|---------|
| ● 2023 | 2h/week |
| ● 2026 | 5h/week |
| ● 2030 | 6h/week |

VISIT FREQUENCY

How many times customers go on the platform

| | |
|--------|---------------|
| ● 2023 | 3 times/week |
| ● 2026 | 6 times/week |
| ● 2030 | 10 times/week |

NEW PARTNERSHIPS

New partnerships that L'Oréal would sign with influencers/celebrities and social media

| | |
|--------|------------|
| ● 2023 | 50par/week |
| ● 2026 | 30par/week |
| ● 2030 | 10par/week |

AVERAGE ORDER VALUE (AOV)

The average amount of money a customer spends in one transaction

| | |
|--------|----------|
| ● 2023 | 50 euros |
| ● 2026 | 80 euros |
| ● 2030 | 80 euros |

NEW CLIENT ACQUIRED

New customers engaged thanks to the platform

| | |
|--------|-------|
| ● 2023 | + 5% |
| ● 2026 | + 8% |
| ● 2030 | + 10% |

SOCIAL SHARES

How much your customers are interested in the commerce you deliver

| | |
|--------|-----------------|
| ● 2023 | 800K shares/day |
| ● 2026 | 3M shares/day |
| ● 2030 | 5M shares/day |

3 future goals

2023

2026

2030



Get a first feedback and
make sure that the
novelty that the L'Oreal
has created is
immediately perceived



Understand if
there are any key
points to
fix / improve



See if the results
of our work meet
the expectations



POLITECNICO
MILANO 1863

Thank you

Q&A session