



POLITECNICO
MILANO 1863

L'ORÉAL Brandstorm

Empowered by salesforce 2022

Strategy & Marketing project 2021-22

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Data science
Computer science engineering



Data science
Computer science engineering



Product Service System Design
Management engineering

INDEX

1

Market analysis

3

Internal analysis

4

SWOT analysis

5

OUR IDEA

7

Business model
canvas

8

Value proposition
canvas

9

Segmentation

10

Targeting

11

Positioning

12

Marketing mix

13

Estimation of cost
& profitable

14

Key performace
indicator

Sitography

<https://www.mckinsey.com/~/media/McKinsey/Industries/Consumer%20Packaged%20Goods/Our%20Insights/How%20COVID%2019%20is%20changing%20the%20world%20of%20beauty/How-COVID-19-is-changing-the-world-of-beauty-vF.pdf>

<https://www.loreal-finance.com/eng/news-release/first-quarter-2020-sales>

<https://content.rwbaird.com/RWB/sectors/PDF/consumer/Impact-of-Covid-19-on-Beauty-Wellness.pdf>

<https://www.insidemarketing.it/trend-beauty-post-coronavirus-quali-saranno/>

https://www.adnkronos.com/covid-cosmetica-italia-non-ha-contagiato-l-industria-della-bellezza_yV5f9jDHCNlGUB3mjJRKO

<http://elisshow.altervista.org/armocromia/>

<https://www.statista.com/statistics/273236/brand-value-of-the-leading-personal-care-brands-worldwide/>

<https://www.marketing91.com/swot-analysis-loreal-2/>

<https://mission-statement.com/loreal/>

<https://www.lorealparisusa.com/our-digital-experiences>

<https://www.khloefemme.com/it/blog/armocromia-come-valorizzarsi-con-l'aiuto-dei-colori>

<https://www.wib.it/5-strategie-di-fidelizzazione-e-commerce-per-aumentare-le-vendite/>

<https://440industries.com/customer-segmentation-in-beauty-and-cosmetics/>

<https://www.mabella.it/parita-di-genere/>

<https://www.lerosa.it/beauty/make-up/cos-e-armocromia/>

Market analysis

Covid-19 is not only a disease that affects the physical health of those who contract it, but this “black swan” **has forced** the world to close its borders and doors, bringing **a series of remarkable social and psychological changes.**

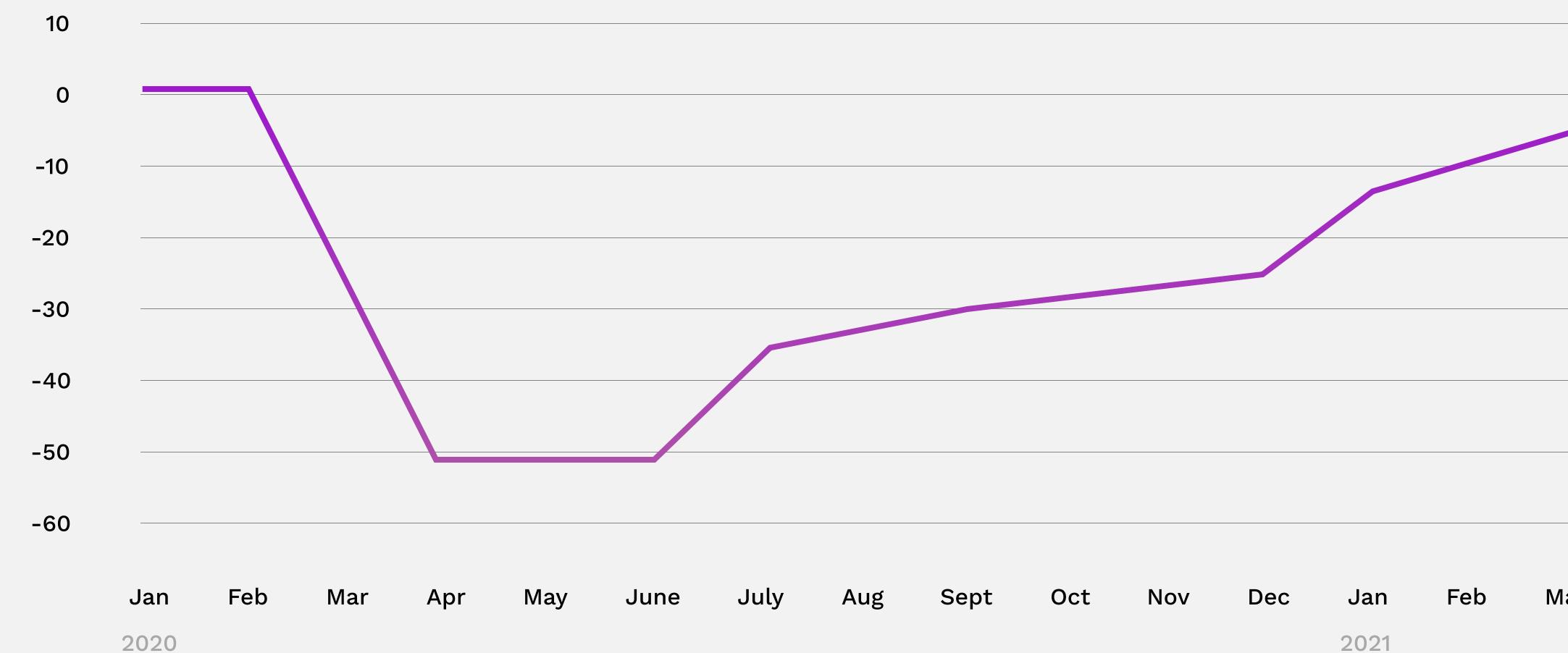
Lockdown restrictions have not only led to social distancing changing and altering lifestyle habits of most of the population, but they have also **changed people's wishes and needs:** concept of quality time, mental health and wellbeing have caused a re-evaluation of values and therefore **a consequent and quick change of consumer spending practices and priorities.**

“The global beauty industry (comprising skin care, color cosmetics, hair care, fragrances, and personal care) has been shocked by the COVID-19 crisis. First-quarter sales have been weak, and there have been widespread store closures.”

“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.”

Monthly sales compared with 2019



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

Market analysis

In order to resist and maintain a **competitive advantage**, most of the industries, especially beauty companies, are being forced to **adapt quickly and react** by leveraging the propensity for **resilience and elasticity** against the consequences of this tragic pandemic. Renato Ancorotti, president of Cosmetica Italia, pointed out how essential is the willingness to innovation and research in the sector but even more the distinctive feature of the product cosmetic: its **indispensability**.¹

In addition to revisiting its range of activity, focusing on products and offers that include the mandatory use of the mask (it is no longer possible to focus on the lips, the attention has been focused on mascara, eye shadows and cleansing solutions), companies have to change and adapt their purchasing experience: **personalization and eCommerce** are becoming **new keys of strength** for beauty industries world. The online channel for cosmetics is no longer just about the convenience of buying what you desire in a few clicks, scrolling through a large number of products at any time and for as long as you want: eCommerce allows to satisfy the need for **greater security** that continued to be felt even many months after the suspension of the limitation.

1 - "Fondamentali anche la propensione all'innovazione e alla ricerca del settore (seppur in un periodo di incertezze, le aziende hanno investito il 6% del fatturato in innovazione e tecnologia, oltre il doppio della media nazionale) e un tratto distintivo del prodotto cosmetico: la sua irrinunciabilità". - Renato Ancorotti, president of Cosmetica Italia)

"In this context L'Oréal's fundamentals remain more relevant than ever. First of all, our strength rests on our balanced business model, with our presence in all distribution channels and all categories."

Jean-Paul Agon, Chairman and CEO of L'oreal

"Brands need to stop waiting for 'THIS TO BE OVER' - there is no going backwards. Our world has permanently changed ... if you're waiting for things to be 'normal' again, you'll be waiting for a very long time."

Charlene Valledor, president sos beauty

Internal analysis

We use the **VRIO model** to analyze the resources and capabilities that give to L'Oreal sustainable competitive advantages.

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	"Constant search for cutting edge scientific discoveries and game-changing technologies" https://www.loreal.com/en/beauty-science-and-technology/beauty-research-and-innovation/
✓	✓	✓	✓	DISTRIBUTION NETWORK	SUSTAINED COMPETITIVE ADVANTAGE	"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" Jamie Burton, Global Head of Physical Distribution
✓	✓	✓	✓	INCLUSIVITY	SUSTAINED COMPETITIVE ADVANTAGE	"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." https://www.loreal.com/en/commitments-and-responsibilities/
✓	✓	✗	✗	CONSIDERABLE EXPERIENCE IN THE FIELD	TEMPORARY COMPETITIVE ADVANTAGE	This is a relevant and uncommon aspect but many other companies has expertise in this area

A **SWOT** analysis looks at internal and external factors and sums up the relevant information obtained. Thanks to this tool, we have the opportunity to keep **track of strategies and trends**, to make good decisions **and to achieve a stronger success**.

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

Armocromia finds its origin in the world of art and painting. It consists of analyzing the tone and undertone of a person's complexion with the aim of identifying the best shades in order to **enhance the natural colors of the face**. Each color combination is called a palette and is identified by referring to the different seasons of the year: **autumn, winter, spring, summer**.



Winter —



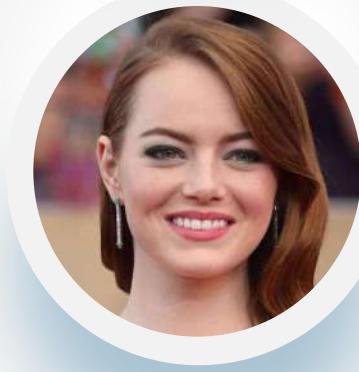
Autumn —



Summer —



Spring —



Our innovation: ArmoRéal

I need to buy something online and even though I spend hours on a websites, I never find what i'm really looking for, even using filters. Has this ever happened to you?

One of the biggest shortcomings of online shopping is certainly the too wide offer that websites often offer, making the search too chaotic. This is why we have created **"ArmoRéal"**:

a platform that makes online **shopping easier and faster** and that ensures a **personalized experience** totally focused on our expectations and desires, making us more satisfied.

"ArmoRéal" is a website which helps the user to choose make-up and hair coloring following one of the most popular fashion trends.

Have you ever heard about **armocromia**? That's a discipline that allows, through the analysis of the skin - eyes - hair mix of a person, to identify a palette of shades which **enhances beauty** and natural colors of the face. Nowadays stars from all over the world talk about this theory, which certainly becomes one of the most loved trends especially on social media.

By framing our face with the camera via the App, through highly specialized technology, the system analyzes the characteristics, colors and shape of our face, finding the season and the sub-group to which we belong. Consequently, the application shows us L'Oreal products (makeup, palettes and cosmetics) according to our color features and our needs.

Once the analysis is over, the platform displays a direct link to **social networks** (such as Instagram and Tiktok) which allows you to view a catalog of pictures and videos of the best **makeup artists** who make up people of your same season.

Are you a spring light like Chiara Ferragni? Watch the videos of the make-up artists who make up this star: once you have found the ones you are more interested in, choose from the recommended and use the products that best reflect your needs and characteristics. Once you've bought the blush and eyeshadow used in the video, try recreating the same makeup at home. Let yourself be advised by ArmoRéal and you will get a **new perception of your image** and your complexion will be enhanced in its **total beauty**!

Scalability

- We make an existing service (armocromia test) more **accessible** to everyone.
- We **digitize** and add functionality to the L'Oréal E-commerce site
- We make the service **more functional**: we do not only offer to the customer a color palette suited to the user's characteristics but we provide a range of different products through a **total personalization** of the digital experience
- We build customer **loyalty**:
 1. **Personalizing** the customer **experience**
 2. **Recording every feature of the user**: when the customer comes back to the site, he/she will be shown the studies and analysis previously done and the new innovations based on his/her season.
 3. Creating and "humanizing" a **live chat** to create a conversation and establish a relationship with the user: studies have found that about 63% of consumers are more likely to return to a website after using a live chat. At the same time, Harvard Business Review found that over 50% of online shoppers seek to engage with support before engaging in any way with a company.

Sustainability

L'Oréal has been working for years to create sustainable beauty: the company has so far invested 1 billion euros in its sustainability roadmap, with 4,000 researchers dedicated to achieving its goals by 2030.

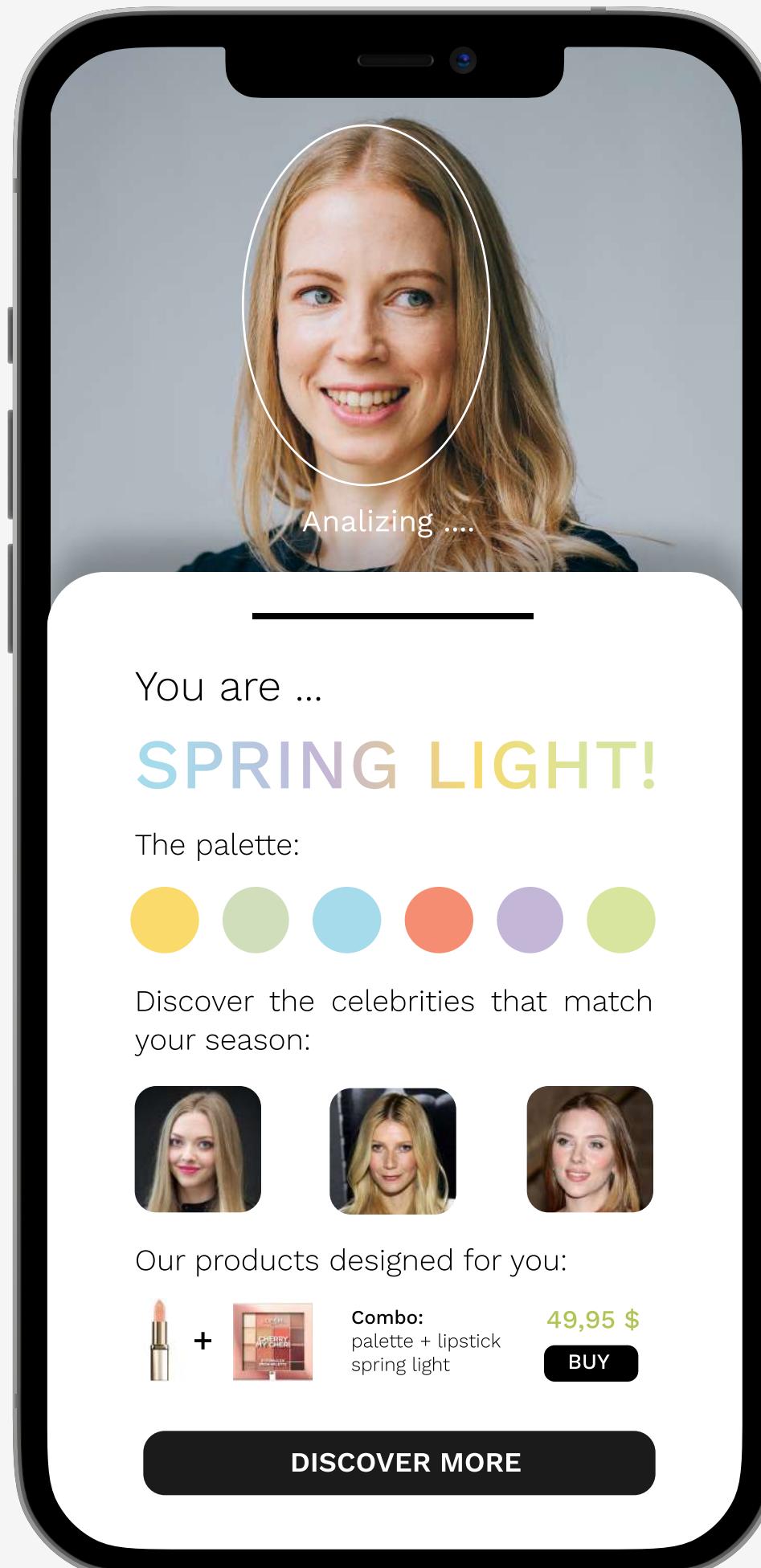
"We have set ourselves bold, measurable targets for 2030 on climate, water, biodiversity and natural resources, in accordance with what scientific experts demand and what our planet needs."

<https://www.loreal.com/en/commitments-and-responsibilities/for-the-planet/>

To respect these objectives and to create a sustainable project, we want our platform to respect some fundamental characteristics to help solve the challenges of the world. Some possible solutions could be:

- Avoiding packaging waste and use reusable packaging (safe, sustainable and low impact).
- Sustainable transportation system (with online shopping, a single truck can replace multiple car trips made by multiple families to stores)
- Reduce the return rate by creating clear and detailed product descriptions.
- Partnership with "Green Influencers": influencers will be a source of inspiration for customers to lead a sustainable lifestyle and to buy green products and services.

We have created a **survey** to understand how interesting our idea could be. Our research is focused on a sample of **80 people** with different ages. Here the satisfactory results:



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)

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

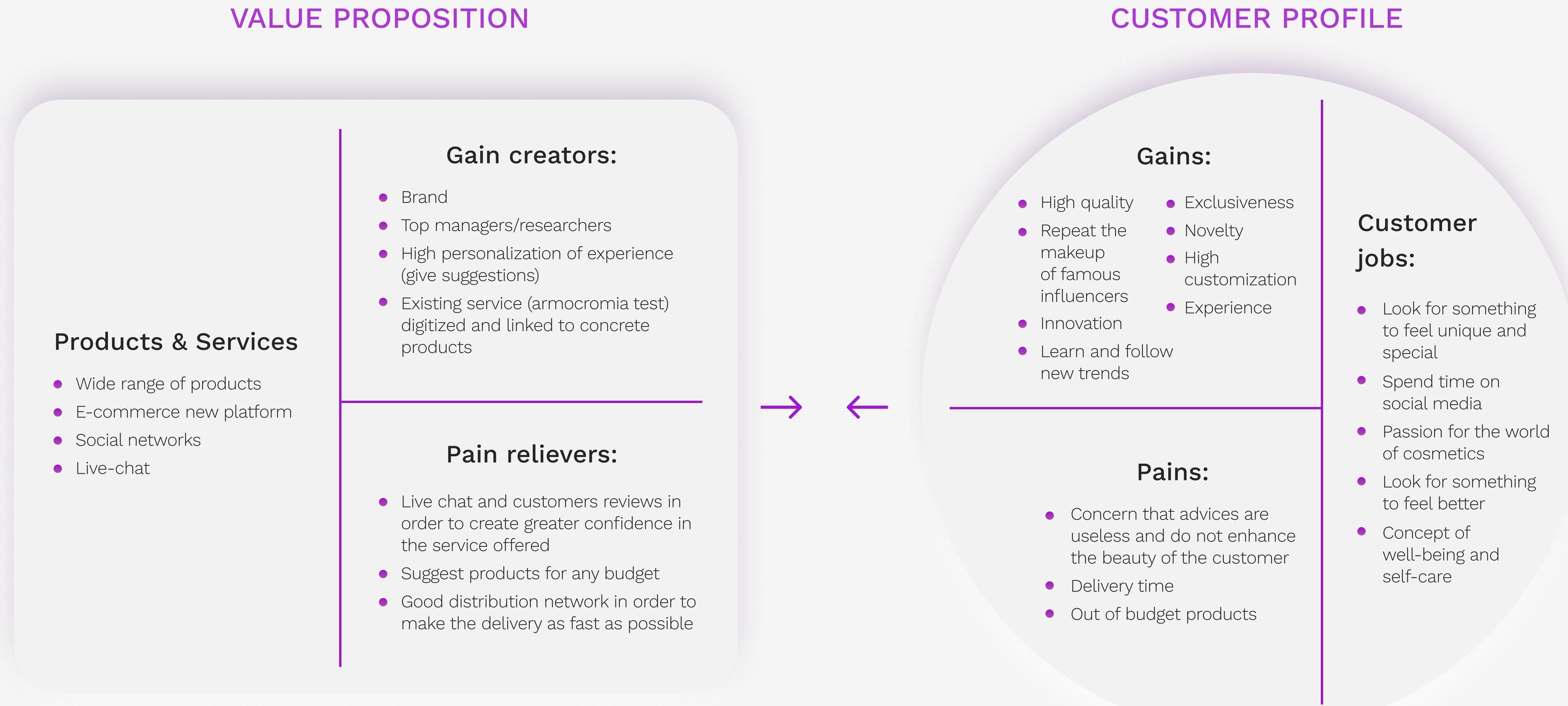
- One of the main costs is the **development and the maintenance of the platform**
- **Promotional and advertising activities** in order to reach as many customers as possible
- **Cost for consultants** which guide you in the various aspects of e-commerce activities (store manager, accountant, search 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

We have chosen to use the **Value Proposition Canvas** tool to better understand customers' needs and wishes and empathize with them. This tool has been useful to us both in solving problems, difficulties and customer needs, and in creating a more effective, concrete and thoughtful value proposition.



Segmentation

We felt it was important to organize our audience in groups based on characteristics they have in common in order to make our marketing more relevant and personalized. We focused our strategy on the **B2C environment**. Moreover, since men's cosmetics is experiencing good growth and the value of the global market has increased from \$ 48 billion in 2016 to \$ 61 billion in 2020, with a growth rate of 6.4% per year, we also **considered both men and women** with the hope to see men's makeup become the norm in order to break gender inequalities.

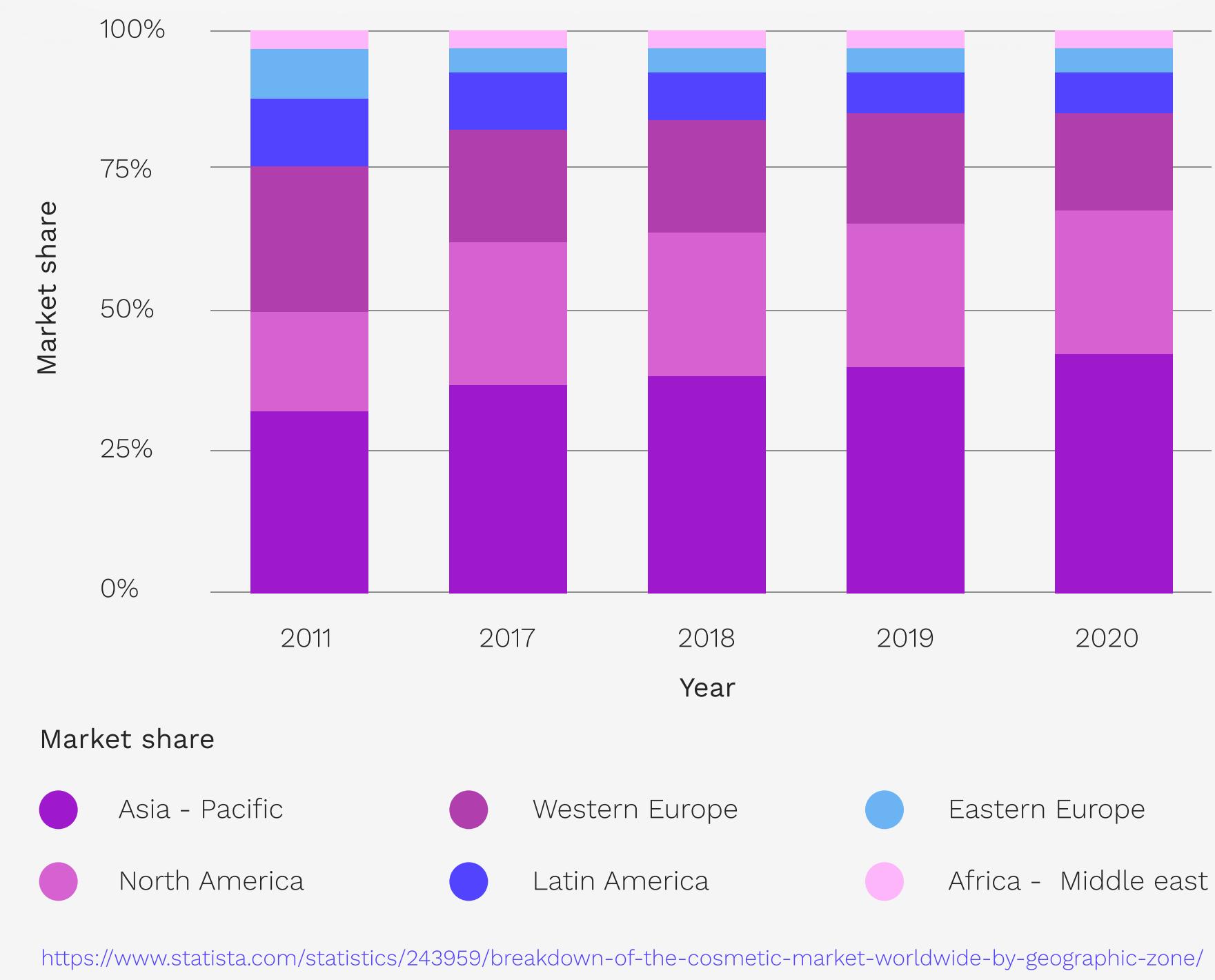
AGE	13-18 years old	High relevance
	18-40 years old	High relevance
	40-70 years old	Low relevance
CONSUMER TYPOLOGIES		
Traditional consumer	A person who normally goes to a perfumery and does not invest time for the latest trend	Low relevance
New entrant	A person who is starting to get interested in this world but does not have a strong passion	Medium relevance
Beauty addicted	A person who is interested in the latest products and novelties and follows many tutorials and make-up artists	High relevance
Beauty expert	Professional make-up artist or person who works with beauty products	High relevance

Targeting

Positioning

Marketing mix

GEOGRAPHIC ZONE



Segmentation

Targeting

Positioning

Marketing mix

Considering that our strategy is strongly focused on **inclusiveness**, we have chosen to consider a **large segment of customers** trying to engage every culture, social background, gender and age. With regard to geographical areas we focused our analysis more on **Northern, Western and Southern Europe, Asia and America**, where digitalization and technology are better known and used.

The groups more relevant for our innovation are:

TEENAGERS



They are often **interested in cosmetics** and they passionately follow influencers and make-up artists on **social networks**



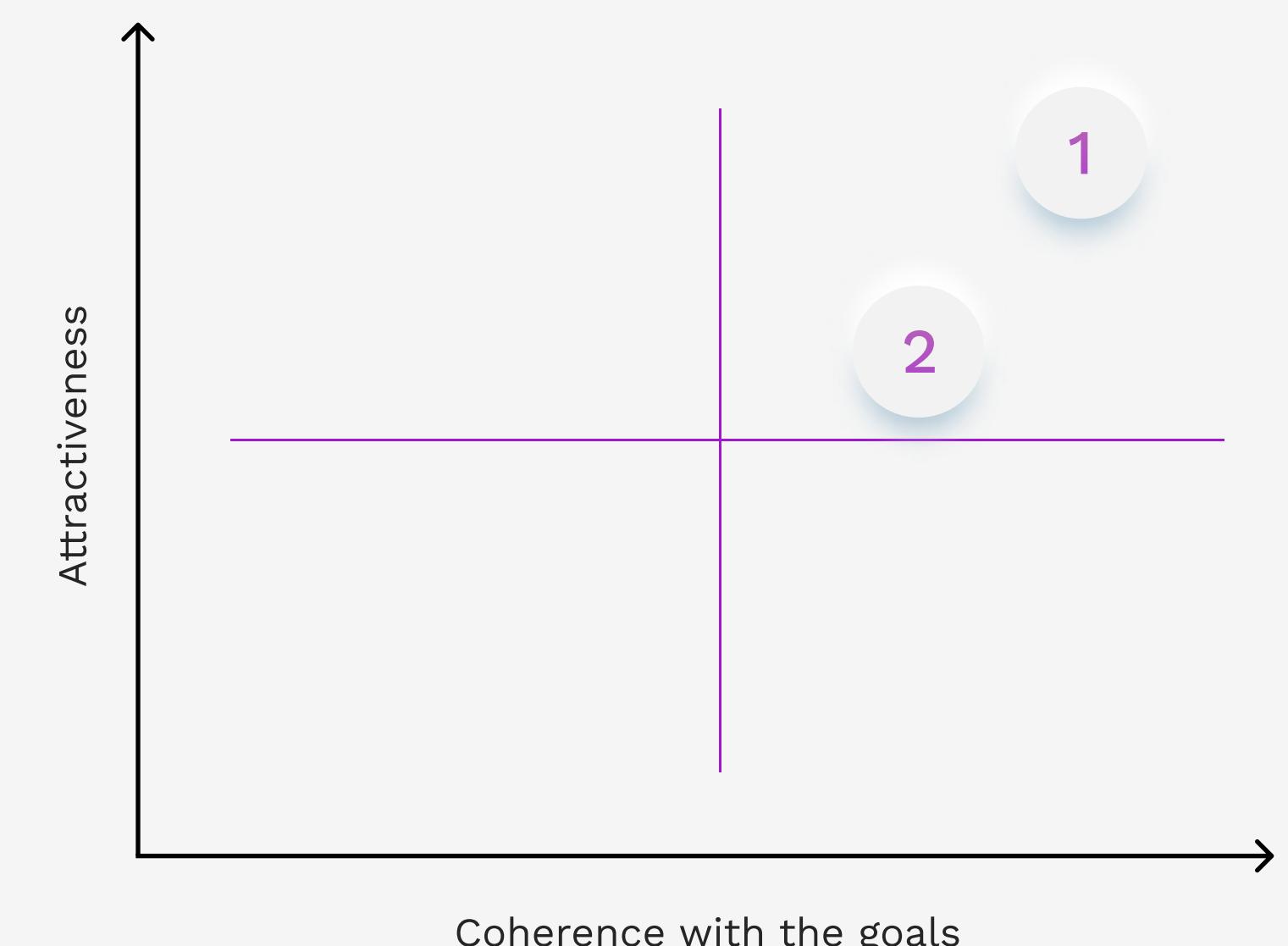
MIDDLE-AGED PEOPLE



They are often interested in the **beauty industry** or who begin to put on makeup when becoming an adult.
As **new entrants in the market**, they are more influenced by **advertising and novelty**, unlike traditional consumers who are not inclined to discover the novelties that companies offer and are not interested in the latest trends.



Matrix of attractiveness:



Legenda:

1

Teenagers

2

Middle-aged people

Segmentation

Once the target segment towards which to direct the commercial action has been chosen, we have decided to determine the most effective way to **compete in the market arena**. Our starting idea was to estimate different success factors in order to **evaluate the entire beauty market**. Unfortunately, we have discovered that there is little data available online, so we had to do a **personal assessment** to identify the differentiating aspects that our innovation brings.

In the **Value Curve** we have the most **relevant attributes** which create competitive advantages against the other competitors and we gave a number **from 0 to 6** for each characteristic.

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%

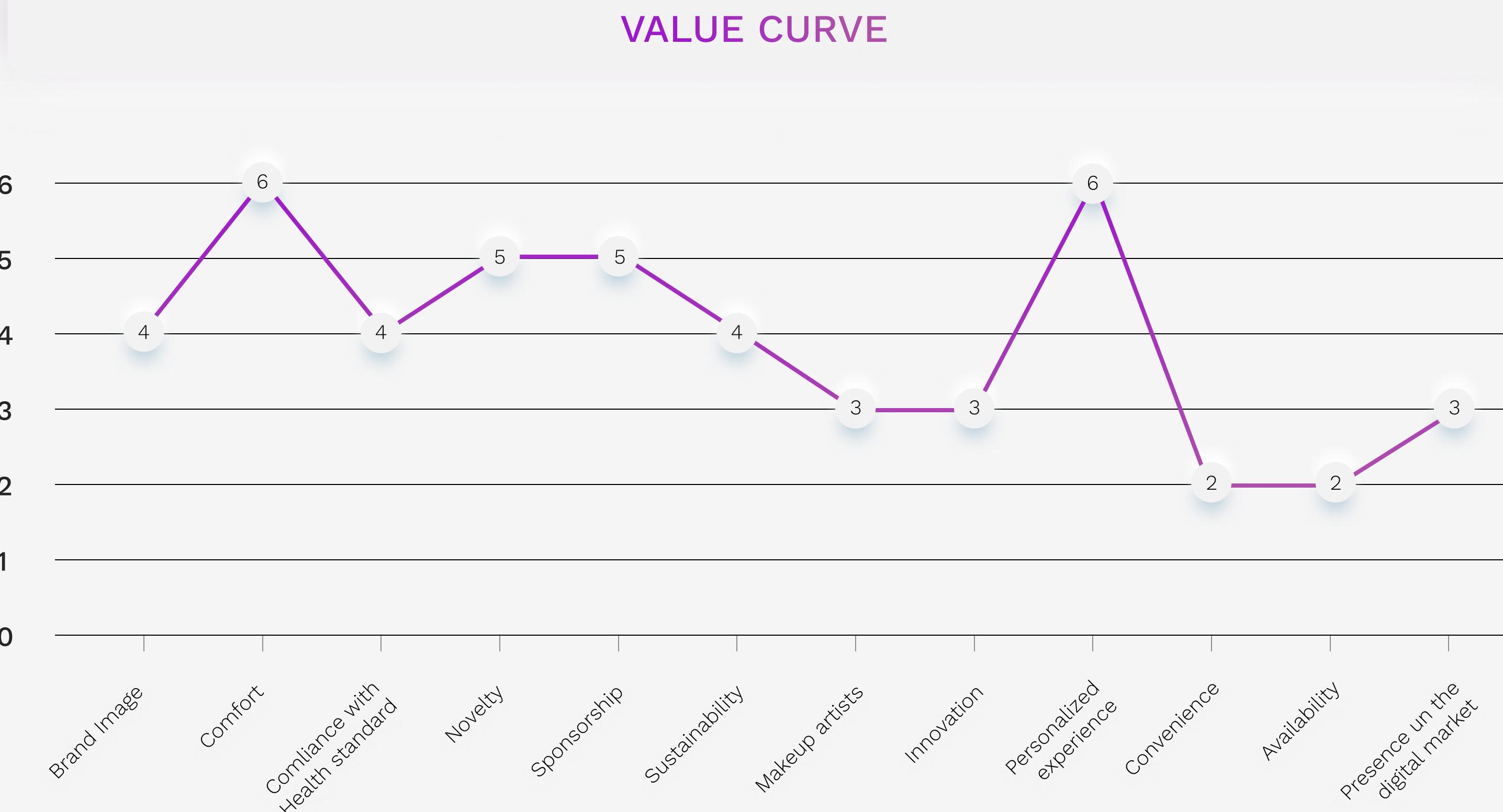
Share of e-commerce in the beauty market

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

Targeting

Positioning

Marketing mix



Segmentation

Targeting

Positioning

Marketing mix

PRODUCT

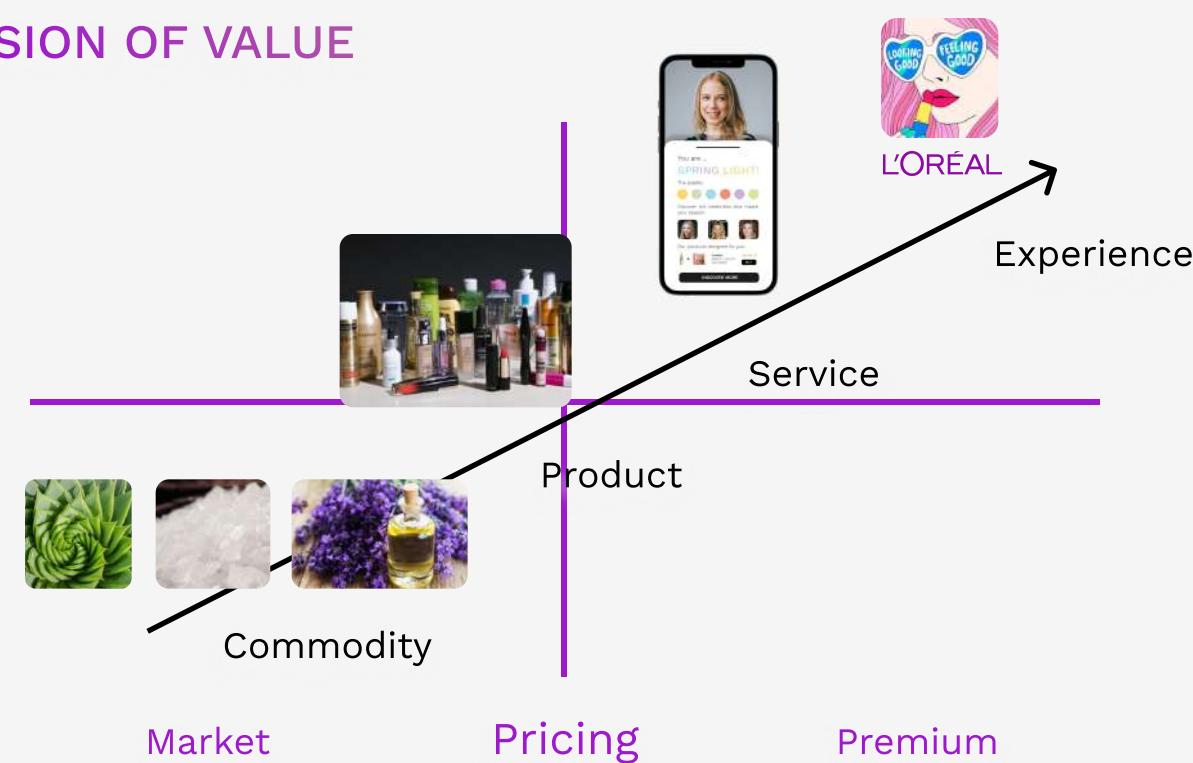
- **Product** itself (complex range of cosmetics)
- **Service:** our innovation is a membership platform program which allows us to personalize every customer profile. The creation of the service brings a better perception of the product thanks to the advice and to the careful selection of products that the platform offers. It also creates an essential direct connection with the world of social media that allows the user to stay constantly updated on the latest news.
- **Experience:** once the service has been used, the user will be linked to the company because he/she is inevitably emotionally involved in the experience itself: the user will look good and he/she consequently feel mentally, emotionally and physically better. Consequently, through these feelings of well-being, he/she will surely be led to rely again on L'oreal.

THE PROGRESSION OF VALUE

Differentiated

Competitive position

Undifferentiated



PLACE

Thanks to the various product divisions and huge distribution networks, L'oreal has a strong presence in the beauty market (nowadays, L'Oréal is present in 130 countries in 5 continents). In addition to the presence of many points of sale (it is possible to easily find this brand everywhere, in pharmacies, salons, department stores ...), the real strength is in the online shopping platform: new and innovative features added to E-commerce sites can only increase the distribution of products to customers all over the world.

PRICE

L'oreal offers a **huge range in its product price**, in order to accommodate the needs of many and reach a wide range of customers. The company has a high annual revenue thanks to products available to the **mass market** but also to the **value based pricing strategy** that L'oreal wants to maintain. In order to take different price levels, this company bases its plan on competition, geographical distribution and high product demand.

PROMOTION

The applied strategy is certainly to create **partnerships on social networks** because we believe that nowadays they are the best tool to conduct advertising campaigns: the main objective is both to focus on **successful women** as L'oreal is already doing (Jennifer Lopez is one of the brand ambassadors) and to include **celebrities** who often address and deal with **social inclusion and personal acceptance**. Furthermore, in the first period, **discounts** will be introduced to active users on the new **E-commerce channel** and an automatic system connected to the company's database will send weekly **email communications** to customers in which new offers and products are underlined.

Estimation of cost and profitable

To roughly estimate the **COSTS** of our investment, we have studied and researched articles on the web in order to be able to make estimates based on real data. For the development and maintenance of the platform we referred to an application, considering that the costs are almost similar.

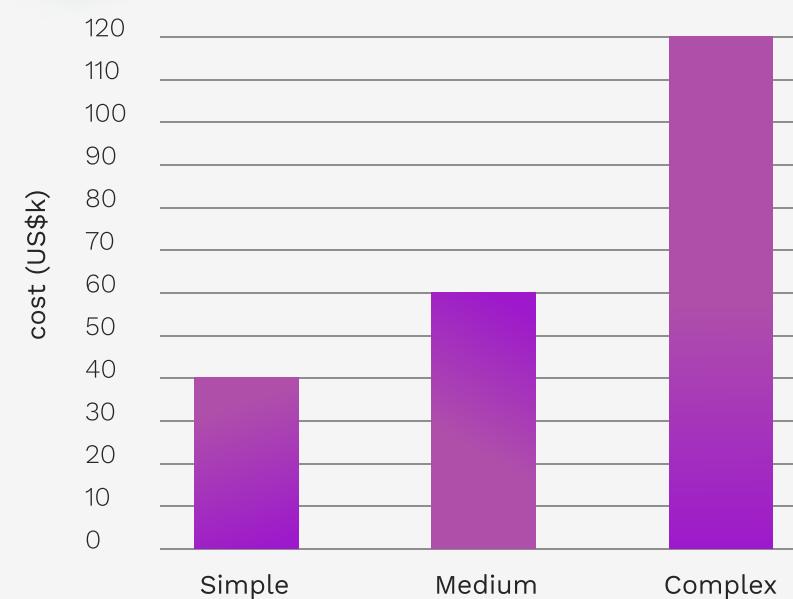
1 How much influencer earn per post?

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?

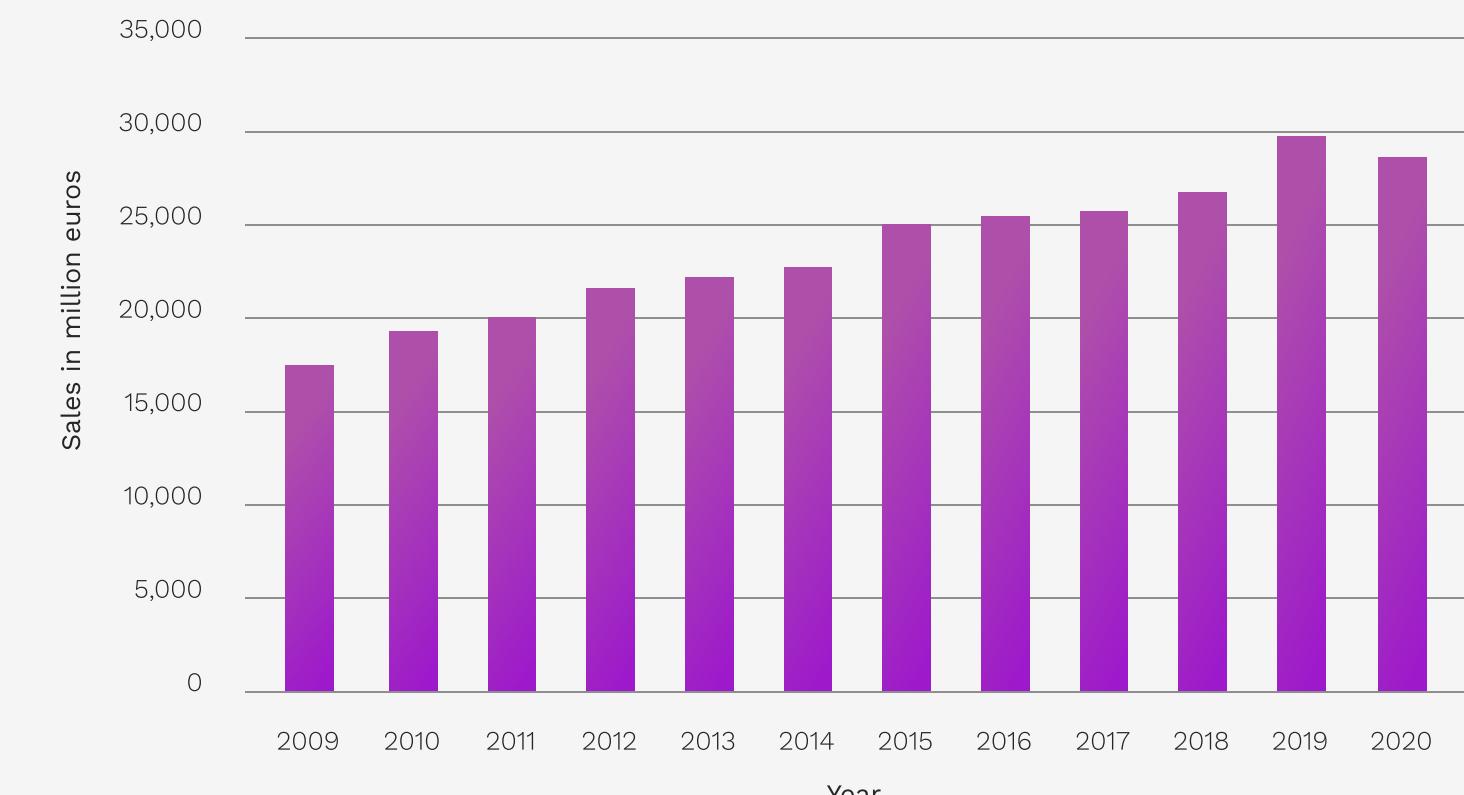
Platform	Average CPM
Billboard	\$ 13-22
Radio	\$ 10-20
Magazine	\$ 140-1300
Newspaper	\$ 10-45
Direct mail	\$ 500-1000
Network TV	\$ 20-30
Super bowl	\$ 36 (4 million dollars, reach 111 million people)

Our estimation:
(both for points 4 & 5)
Advertising costs **800K/1M per year**

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

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

To monitor and verify that our business objectives are achieved in the future, we decided to point out some key performance indicators that will allow us to figure out the success of our innovation in order to understand and determine what action the company has to take.

In order to achieve our goal and disrupt beauty we have fixed 3 goals:

2023



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

2026



Understand if there are any key points to fix / improve

2030



See if the results of our work meet the expectations

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.oberlo.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'Oreal 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