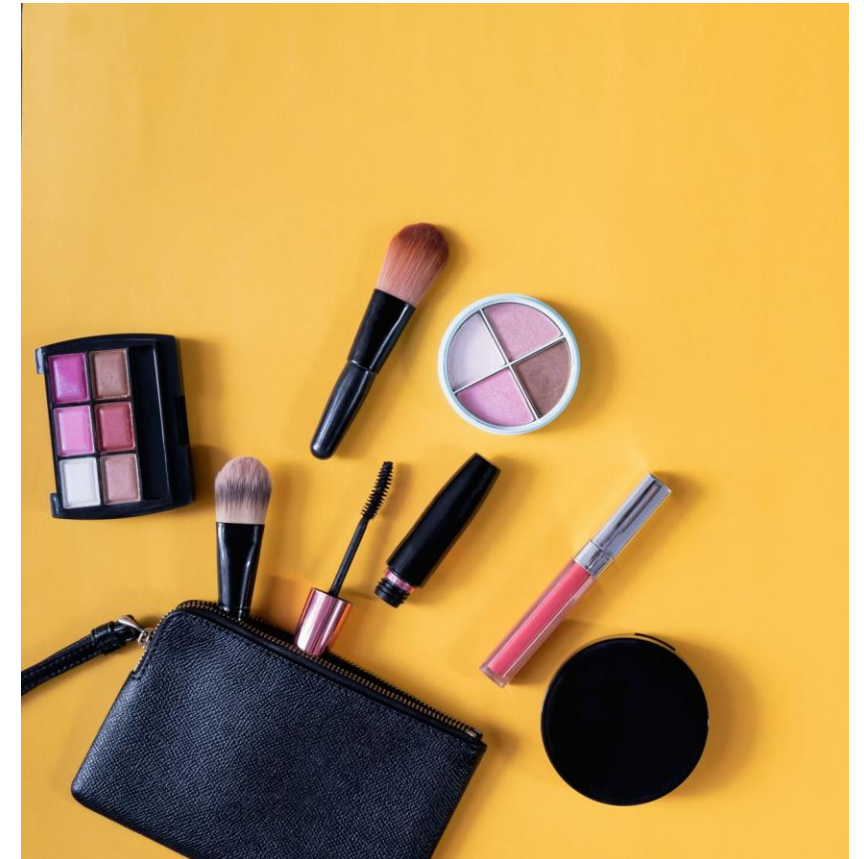


L'OREAL CHINA STRATEGY PROPASAL

MARKET SEGMENTATION

- **Market Size:**
 - **Total Market Value:** €18 billion as of 2010.
 - Skincare accounts for **70-80%** of the cosmetics market, with color cosmetics only representing **10-15%**.
 - Perfumes remain a tiny niche, largely used as gifts.
 - Color Cosmetics & Perfumes: Smaller share at **10-15%**, primarily used for special occasions or gifts.
 - Men's Skincare: Rapidly emerging, accounting for **70% of L'Oréal Men Expert's global sales**.
- **Segment Breakdown:**
 - **Young, Urban Women (20s-30s):** Major drivers of growth; increasingly interested in premium skincare, contributing to a **10-12% annual growth rate** in the premium segment.
 - **Older Consumers:** Less interested in cosmetics, focusing more on skincare basics.
 - **Men's Market:** Increasing but secondary to women's skincare.
- **Growth of Premium Products:**
 - Disposable income increases leading to demand for **premium brands**. Urban women in **Tier 1 cities** drive demand for sophisticated products with heritage value.



RECOMMENDED TARGET SEGMENT

- **Target Segment: Young, Urban Chinese Women (20s-30s)**
 - **Demographic Overview:**
 - Located in **Tier 1 cities** (e.g., Beijing, Shanghai, Shenzhen).
 - Highly influenced by social media trends and premium brand appeal.
 - Average annual income: **€15,000-20,000**, with discretionary spending focused on beauty and lifestyle products.
 - **Skincare Focus:**
 - The **skincare segment** is expected to grow at a **10-12% CAGR** over the next few years, driven by urban women's concerns over skin health, anti-aging, and pollution.
 - Average spending on skincare per year: **€500-800**, significantly higher in Tier 1 cities.
 - **Assumed Revenue Impact:**
 - Targeting this segment can increase Yue Sai's sales from **€35 million to €45-50 million** within 3 years.
 - This assumes capturing **5-7% market share** in Tier 1 cities, primarily through premium skincare lines.
 - Growth rate in the premium skincare sector is estimated at **10% annually**, meaning potential for **€10-15 million** additional revenue.
 - **Assumptions:**
 - Investment in **social media marketing** and retail partnerships to increase brand visibility.
 - Expanded presence in premium retail outlets (e.g., Sephora) and online platforms.
 - Brand loyalty building through consistent messaging around premium, local skincare solutions.

VALUE PROPOSITION

- **Product Differentiation:**
 - Incorporating Traditional Chinese Medicine (TCM) ingredients like **Ganoderma mushroom** and **ginseng**, which are well-known and trusted by Chinese consumers for their health benefits.
 - Position products as both a **skincare solution** and a **cultural connection** to Chinese heritage, appealing to consumers' desire for authentic, local brands.
- **Market Need:**
 - Urban consumers face **pollution-related skin issues**, increasing demand for products with **natural ingredients** that detoxify and protect the skin.
 - TCM-based skincare offers a **holistic approach** that is both effective and culturally resonant.
- **Financial Assumptions:**
 - **Marketing Spend:** Doubling marketing efforts from **€2 million to €4 million annually**, with focus on social media platforms (Weibo) and influencers.
 - **Projected Sales:** Assuming a **10% increase in repeat customers** due to the uniqueness of TCM-based products, leading to a **€10-15 million revenue uplift** in 3 years.
 - **Pricing Strategy:** Positioned above mass-market brands like L'Oréal Paris, but priced slightly below international luxury competitors (Lancôme, Estée Lauder). Targeted pricing could range from **€50-100 per product**, appealing to premium buyers.
- **Challenges:**
 - **High Competition:** The skincare market is already crowded with international luxury brands.
 - **Brand Perception Shift:** Moving from mass-market positioning to a luxury TCM-driven brand will require substantial marketing to ensure consumers recognize the shift in value.