

## **Distributing L'Oréal in China**

The current marketing campaign of L'Oréal in China crosses many product areas and the distribution of the many products offered by the L'Oréal Group has meant a variety of issues must be contended with. The L'Oréal Group's entry into China has been part of the company's global marketing strategy. The product range includes the L'Oréal range of skincare for men with an online campaign developed to support promotion and distribution in the expanding Chinese market. [Take a look at the [L'Oréal China website.](#)][1]

## **L'Oréal**

The L'Oréal Group is the world leader in the field of cosmetics and beauty products, headquartered in Paris, France. L'Oréal is successfully developing, selling and distributing products in the field of cosmetics, hair colour, skincare, sun protection, make-up, perfume and hair care. In addition L'Oréal is active in the dermatological and pharmaceutical fields.

L'Oréal is a family company founded in 1909 by Eugene Schueller. At this time, it was called 'Société Française des Teintures Inoffensives pour Cheveux'. Schueller gradually convinced the Parisian hairdressers to buy and sell his products.[2] [Take a more detailed look at the [history of L'Oréal.](#)][3] L'Oréal is currently present in 130 countries. In 2010 its consolidated sales were EUR19.5 billion and net profit was EUR2.24 billion. With 66 600 employees in 66 countries and several large and notable brands including Yves Saint Laurent Beauté, Lancôme, Kiehls, Garnier and Maybelline New York, L'Oréal sales increased by 11.6% in 2010.[4]

L'Oréal sells products to business and to professional stylists (B2B), and to non-professional consumers (B2C). In terms of its distribution, L'Oréal's outlets range from chemists to department stores, as well as its own boutiques. The French company has a worldwide presence; however, the majority of its sales come from North America and Western Europe. In addition, its international presence and distribution is increasing as new wealth in areas such as Asia has increased consumer spending power and thus their consumption of cosmetics, hence broadening the need for effective distribution.[4]

## **L'Oréal's global marketing strategy**

L'Oréal sells and distributes a wide variety of cosmetic products, concentrating on hair colour, skin care, sun protection, make-up, perfumes and hair care. Its focus is on distribution of innovation-based high-quality products. It emphasises research and development whilst offering a wide range of products in all cosmetic fields. L'Oréal's products have a high level of consumer recognition thanks to several renowned brands including Yves Saint Laurent, Lancôme, Garnier and L'Oréal. L'Oréal opted for a standardised marketing strategy, with the same products being marketed in different countries around the globe.

In order for L'Oréal's range of products to be effectively distributed to the maximum number of customers, L'Oréal offers an extensive range of products across widely different price ranges, therefore attracting different target audiences across its ever-widening distribution area. L'Oréal is involved in distributing through mass-market retailing as well through both the luxury and professional divisions. Thanks to diverse but effective distribution strategies the wide product range is able to effectively reach various market segments.

The L'Oréal Group is one of the most reputable distributors of cosmetics brands in the field due to its powerful and efficient communications. The group employs international marketing campaigns, which convey a consistent image and assure consumers of the same product quality throughout its range. Visuals and the famous slogan 'Because I'm worth it' are known all around the world. In addition, L'Oréal sponsors international events such as Festival de Cannes in order to support its luxury brand image. [Read about [Festival de Cannes](#).][5] Now see a promotion for L'Oréal [at Festival de Cannes](#).][6]

## **Distribution**

The distribution network of L'Oréal is diversified and the company places great importance on its delivery reliability which has contributed significantly to its success. The Consumer Product segment sells its goods through mass-market chemists and retailers in order to reach as many customers as possible. But the L'Oréal Group uses other specific distribution networks such as a smaller collection of department stores. L'Oréal also distributes through its own boutiques and specific retail locations have been developed for the distribution of its luxury product range. [Take a look at

the new [L'Oréal Bed, Bath & beyond Boutique](#) launched in 2010.][7] The professional product range is sold and distributed by professional stylists in hair salons. Distribution of the active cosmetics product segment is through specialised skin care professionals. They, for example, are sold in pharmacies and specialty drugstores. This wide and diversified distribution network is one of the main strengths of the L'Oréal Group.

### **L'Oréal's strategy in China**

L'Oréal entered and began distribution of its products in the Chinese market in 1996 and is now the second biggest cosmetics seller in China just behind Procter & Gamble. Between 2001 and 2009 sales increased by over 1300%. The French company reached a turnover of USD1.45 billion in 2010 with 19 international and domestic brands in the Chinese market.[8] L'Oréal has a multi-brand strategy to cover the mass market in China. By diversifying its brands in China, L'Oréal can distribute and fill multiple market positions and thereby maximise its relevance to the consumer. [\[Scroll down and view the video clip](#) of the vision of Chairman of L'Oréal China, Paolo Gasparrini, for L'Oréal.][9]

Distribution of L'Oréal's many diversified brands in China could be described as a pyramid. For example, brands such as L'Oréal Paris, Maybelline, Garnier, and Mininurse are distributed through the mass market; these products represent the base of the distribution pyramid. Vichy, Kerastase, and Matrix make-up are in the middle of the distribution pyramid, as all around the world these products are sold and distributed through pharmacies and hair salons. The very top of the L'Oréal distribution pyramid is reserved strictly for the high-end products such as Lancôme, Biotherm, Shu Uemura, and Kiehl's. These products are sold and distributed through specialised boutiques, retail outlets and high-end department stores. Each level of L'Oréal's brand pyramid occupies a different sales and distribution area. These distribution outlets are readily able to respond to different customers' needs, which is particularly relevant in China due to the wide income disparities among the Chinese population. L'Oréal has chosen to modify its distribution strategy including its localised sales and distribution model as well as developing its online shopping model. [Read about its [plan for growth in online shopping](#).][10] This chosen diversified distributions strategy is understandable due to the rapid growth and the size of the cosmetics market.

L'Oréal opened a research centre in Shanghai in 2006, which bases its research on the way women and men wash their face and apply cosmetics, and the diameter of their hair follicles. [Look at the [L'Oréal Research & Innovation Centre in Shanghai](#).][11] The decision to establish the R&D Centre in Shanghai impacts upon distribution decisions as location is critical in order to develop cosmetics and hair care products designed especially for Chinese market. The high potential of the Chinese market and the different needs and expectations of the Chinese people have led L'Oréal to adapt the marketing mix to meet local needs.[12]

Diversity of products, branding and sales distribution methods all contribute to L'Oréal's success in the beauty and cosmetic market in China. The L'Oréal Group purchased the Chinese skincare brand Mininurse in 2004. Mr Alexis Perakis-Valat, L'Oréal's CEO, suggests that 'Mininurse can reach the consumers that other brands can't reach'. This aligns with L'Oréal's long-term strategy, '[we] think it's a great asset for us in China and consumers love the brand'. With 5% market share and sales reaching nearly EUR40 million, it should be an interesting acquisition to develop and integrate its distribution into the existing Chinese market. [Read what the *China Daily* has to say about [L'Oréal's growth strategy in China](#).][13] L'Oréal also targets its distribution toward the rapidly growing men's skincare market in China. Like the women's market, the distribution strategy in this market is totally different from the Western market.

### **L'Oréal men's skincare campaign**

Projected to reach USD269.6 million in 2011, the Chinese men's skincare market distribution attracts mostly large firms. L'Oréal launched its distribution into this market only four years ago and the L'Oréal Paris brand now accounts for nearly 25% of the Chinese market. The men's share of the skincare market represents only 7–10 per cent in Western Europe. Moreover, sales of men's products in China are growing at more than double the pace of women's.[14] Chinese men are now examining their position in terms of competition for jobs and wives in the new China and cosmetics are no longer seen as 'unmanly', in fact they are a key to moving forward.

Some of the influencing factors above are why L'Oréal is investing in this emergent men's market, creating and adapting products and setting up its marketing expertise

to reach Chinese men. L'Oréal's products are number one in men's skin-care, with distribution reaching 32% per cent of the market in 2009.[15] It is important to note that women account for seven out of ten purchases within the male product range. It is often the case that consumers buy products as gifts for husbands and boyfriends. [Take a look at this Global news clip about the [difference between male and female consumers and their purchasing strategies](#).][16] The Chinese consumer's buying behaviours are totally different from those of consumers in the Western market, thus impacting upon distribution methods. L'Oréal's marketing campaign is targeting especially women. L'Oréal offers a wide range of specialised products using its efficient distribution network. The campaign for men's skincare is based on an image of modernity and wellbeing, starring international and Chinese celebrities.

### **L'Oréal online**

L'Oréal's Chinese campaign focuses on the internet and social media. China is an enormous online market, with 384 million internet users, representing 22% of the worldwide total, of whom 233 million access their internet via mobile phone. For urban Chinese people, the internet is the most important distribution media and source for information. In 2010, L'Oréal opened up its Luxury Beauty website, enabling Chinese internet users to buy products online, including most of its luxury brands. In addition, Lancôme has launched Rose Beauty, the first social network for beauty in China. [Read more about its [social media strategy](#).][17] It has already attracted more than four million people.[18] The Chinese social media landscape is totally different from the rest of the world: there is no Facebook, Twitter or YouTube but a wide variety of other social media. L'Oréal distribution has been created around several China-specific websites to reach these millions of locals. It launched distribution e-communities and e-commerce sites for the brand Lancôme, and now the e-commerce site is one of the brand's largest points-of-sale. L'Oréal created a specific website in order to allow Chinese customers to give their opinions about L'Oréal products. Thanks to this strong online presence, L'Oréal has added another network in its powerful distribution network.

## Questions

1. *What have been L'Oréal's key success factors in China to date?*
2. *How do L'Oréal's distribution tactics enable it to target the men's skincare market in China?*
3. *Has L'Oréal adapted its distribution strategy?*
4. *In a meeting with the CEO of L'Oréal China, you have been asked to outline the possible threats of selling their products online. Explain some of the issues that L'Oréal might be likely to encounter in online distribution.*
5. *Explain how and why distribution channels, such as those of L'Oréal China, are affected when the economic stage of development of a country such as China advances.*

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