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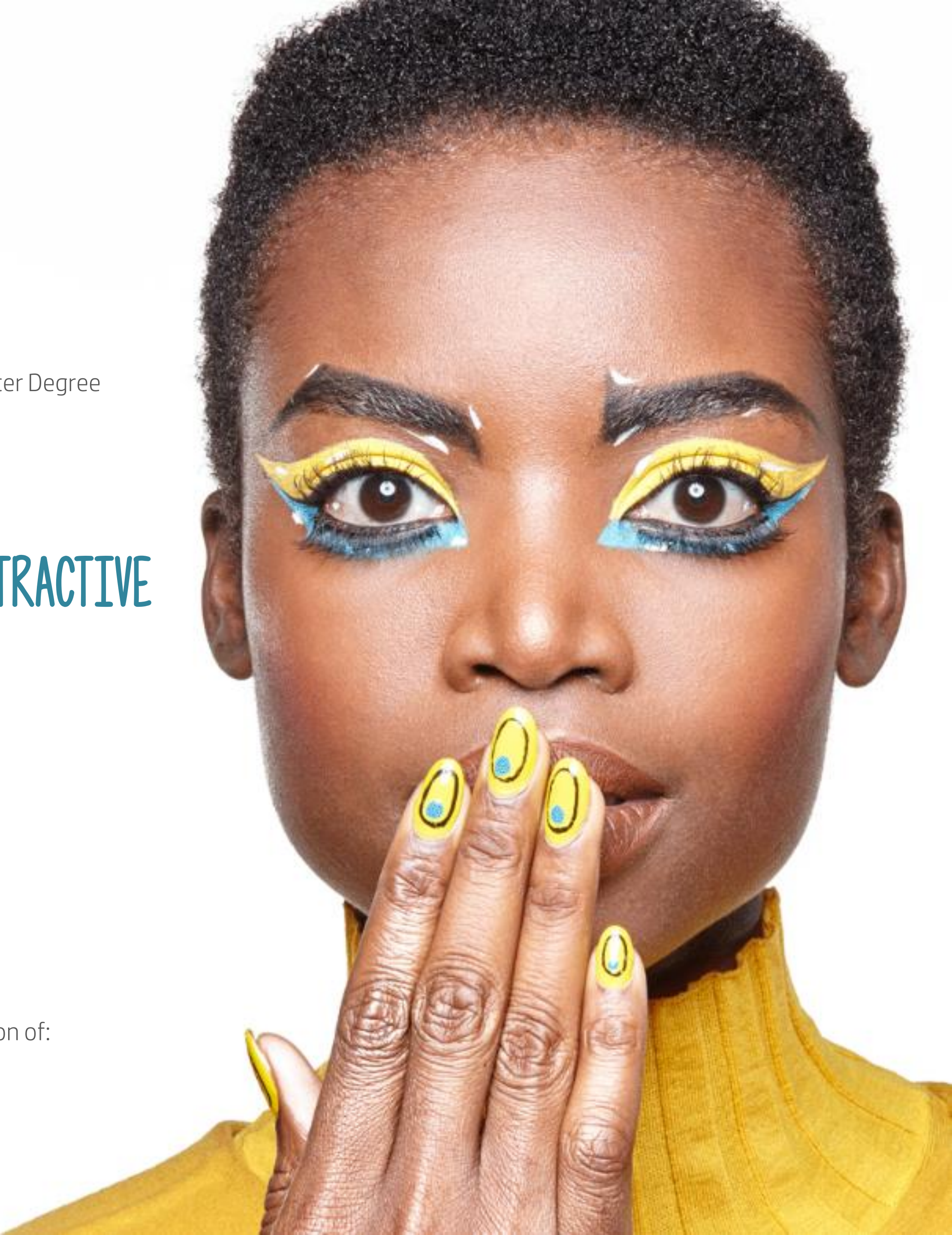
A work project presented as part of the requirements for the Award of a Master Degree in Management from NOVA School of Business and Economics.

HOW CAN L'ORÉAL PARIS (MAKEUP) BE AN ATTRACTIVE BRAND FOR MILLENNIALS IN PORTUGAL?



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ABSTRACT

HOW CAN L'ORÉAL PARIS (MAKEUP) BE AN ATTRACTIVE BRAND FOR MILLENNIALS IN PORTUGAL?

As an intern at L'Oréal Paris (Makeup) in Portugal, I developed this work project based on the main challenge that the brand is now facing: How can L'Oréal Paris (makeup) better engage the new millennial generation?". Firstly it was conducted a primary and secondary research. Based on the research, we recommended L'Oréal Paris to (a) follow a brand strategy which understands millennials and therefore fulfill their needs and expectations regarding makeup and (b) change its distribution strategy in order to improve brand image and to gain market prominence.

Keywords: L'Oréal Paris, Portugal, Millennials; Health & Beauty; Makeup; Brand Management

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I. INTRODUCTION & MAIN OBJECTIVES OF THE PROJECT

L'Oréal Paris is a brand managed by the L'Oréal Group within the Consumer Product Division and caries 5 Categories: Hair Care, Hair Color, Skin Care, Hygiene and Shower and Makeup. This work project focus on the makeup category . Nowadays his category is distributed in Portugal in two different channels: Multibrand/Selective Channel and Mass Market Channel i.e. Hyper/Supermarkets.

L'Oréal Paris (makeup) is currently facing current issues:

1. Consumer issue: the brand had target in the past 35 to 55 years old ; the core of makeup consumption in Portugal is actually ensured by the millennial generation (15-35). This generation reinvented the makeup market by using the category much more frequently.

2. Distribution issue: the new channel of Monobrand stores has emerged recently in the makeup market in Portugal, in particular the launch in this country of MAC and KIKO Milano, This new channel is growing (%) while the other makeup channels are loosing penetration. This represents a strong threat for L'Oréal Paris makeup as the brand is not present in this new channel.

As an intern at L'Oréal Paris (Makeup) in Portugal, I developed this work project based on the two challenges that the brand is now facing driven the two issues presented above: How can L'Oréal Paris (makeup) better engage the new millennial generation?

This work project is organized as follow:

a. on secondary data analysis we first analyzed the context
b. then we present the insight of the primary research with in-depth interviews with millennials makeup users
c. we present recommendations to address the two issues presented above

The main concepts used in this work project are brand image and brand identity:

Brand Image is defines as "perceptions about a brand as reflected by the brand associations held in consumer memory". (Keller,1993)

Brand Identity is defined as "what brand managers would like the brand to be, what the brand stands for and what makes it unique". (Kapferer,2008)

II. CONTEXT: PORTUGAL

HEALTH & BEAUTY MARKET

The health and beauty industry is fragmented in smaller segments including make-up, skin care, hair products, and fragrances. These segments are complementary and through their diversity they are able to satisfy all consumers' needs and expectations with regard to cosmetics. Beauty products can be also subdivided into premium and mass market segments, according to the brand prestige, price and distribution channels used.

After a period marked by economic downturn and financial instability with loss among national households' disposable incomes and a consequent fall in demand for beauty and personal care, sales started to show recovery signs with 2016 solidifying the previous year's positive results. (The World Bank,2016). The rising investment of low-cost beauty specialist retailers, such as KIKO Milano, in the country is changing the way consumers perceive the purchase of beauty products, particularly in cosmetics.

With strong financial power, wide product portfolios and incisive marketing campaigns, multinational players hold the national beauty and personal care competitive arena. Present across different channels and with a portfolio that includes mass and premium brands in different categories, L'Oréal Portugal maintains its leadership. (Euromonitor, 2016).

The Portuguese economy is predicted to strengthen its recovery over the forecast period with GDP expected to grow 2% per year until 2021. This landscape is set to boost demand for health and beauty products, with positive outcomes for all channels. Following the anticipated growth in demand for beauty products, monobrand store retailers are expected to be the most dynamic channel over the forecast period. New outlets and players are expected to emerge (The World Bank,2016).

DIGITAL BOOM

Digital democratization is boosting experimentation and visual sharing, as well as making the contact between consumers and brands more dynamic, allowing players to more rapidly adapt their strategies to consumers' changing habits and newest trends. Social networks and online channels play an increasingly relevant role and opinion-makers such as bloggers, vloggers and celebrities highly influence the success or failure of a product. Independently of age, the wider access to information is making consumers more demanding and more informed about products' formulas and ingredients.

Social media platforms have helped niche brands grow. Dedicated beauty stores (i.e. selective perfumeries and monobrand stores) offer a curated selection of small brands, which have often found online success first, and department stores are increasingly following their lead.

MAKEUP MARKET – HISTORICAL EVOLUTION

8 YEAS AGO: THE "NO MAKEUP" COUNTRY

Portugal was until recently a country with very low makeup penetration when compared with other European countries.

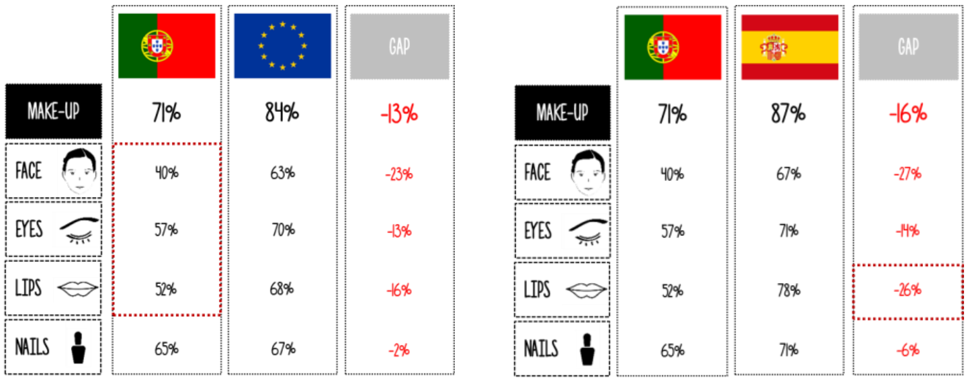


Figure 1: Portugal: Lowest Penetration Rates among Europe, U&A, 2011

Additionally, the relation with makeup always had some myths that slowed down the development of the category in Portugal. The majority of women consider the makeup application/routine a complex and lagging process, harmful for the skin and something that should only be used to hide skin imperfections. However, the true reasons for the low penetration of this category in Portugal were the association with artificial looks, the lack of knowledge about products and their application, the fact that makeup was only used to hide imperfection or for special occasions and, the most relevant, the fact that the Portuguese population was sill conservative. (U&A 2011; Europe: Beauty Track IPSOS 2012).

2016: MAKEUP IS BACK TO GROWTH

In 2016, after a period of decrease, there was and increased of 72k makeup shoppers. These change was mainly due to a new generation: the Millennials. Consumers with less than 35 years old make 28% of the Health & Beauty Market and 30% of the Makeup Market.

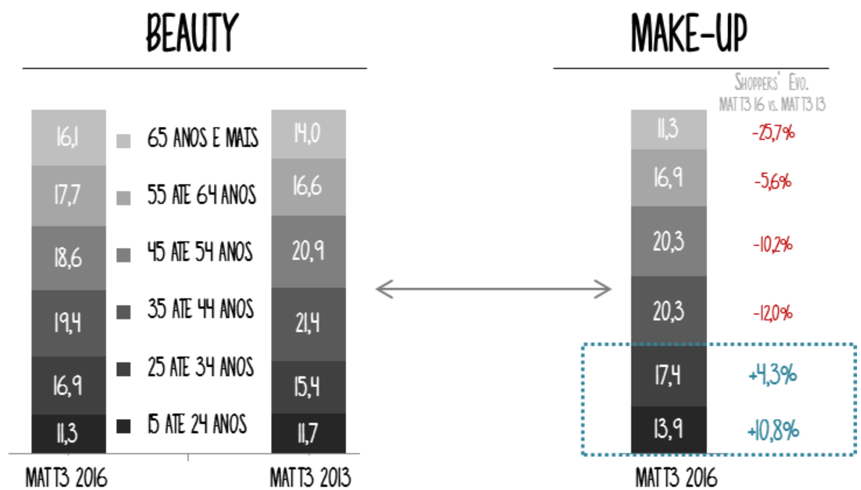


Figure 2: New Makeup Consumer in Portugal, KantarWorldpanel MAT T3 2016

Due to the different characteristics and behavior of the Portuguese makeup consumers the market can be divided in two types of consumers: women with less than 35 years old and women with more than 35 years old.

MAKEUP MARKET – THE NEW CONSUMER

DIFFERENT AGES, DIFFERENT MOTIVATIONS

The new portuguese makeup consumers can easily be differentiated by the older consumers regarding values, lifestyle and consumption behaviors.

The new consumer (<35y.o.) focuses on being independent, on social values, on beauty and figure composition. High school is one of the first moments when young women wake up to make-up. Contact with others, the need for affirmation and integration lead these women to want to be more feminine and more awake to the world of beauty. When asked about what makes them look beautiful, clothing, hair, and make-up are the immediate answers. This behavioral change of the younger generations is essentially due to a number of factors, such as the social media boom, and consequently the internationalization of content, and the increase in travelling (mainly abroad), migration to large cities and also entry into university and the consequent start of the labor market. Additionally, the consumers between 25 and 34 years old are the ones spending more money per makeup product and in larger quantities/units, and also the ones who have a higher makeup purchase frequency.

On the other hand, the older consumer (>35y.o.) focus on being more productive, in accepting themselves and on gaining relevance on social values and knowledge. Their attitude toward beauty focuses on more personal achievements and inner beauty. (Ipsos, "As Mulheres Portuguesas e a Beleza – Comunidade Online", 2015).

	THE NEW CONSUMER < 35 Y.O.		THE OLD CONSUMER > 35 Y.O.		
	<30 Y.O.	30-35 Y.O.	36-45 Y.O.	46-55 Y.O.	+ 55 Y.O.
FEEL MORE BEAUTIFUL WHEN...	HAVE GOOD SKIN, HAIR & MAKE-UP	RECEIVE GOOD FEEDBACK & COMPLIMENTS	LIFE GOES WELL	FEEL GOOD WITH MYSELF	IN ACTION
INDISPENSABLE PRODUCTS...	SKIN & LIPS CARE MASCARA & EYE LINER	SKIN CARE MAKE-UP	DAY & NIGHT SOIN BODY CARE PERFUME	ANTI – WRINKLE CARE PERFFME	ANTI – WRINKLE CARE & SERUM
LIKE TO DO...	CHOOSE A GOOD OUTFIT HAIR BRUSH SKIN CARE MAKE-UP	SPA/MASSAGE HAIR DRESSER CHANGE HAIR COLOR	USE A NEW CLOTHE OR ACCESSORY FOR THE FIRST TIME BEAUTY SECRETS	HYGIENE CARE SPECIFIC BEAUTY TREATMENTS	HYGIENE CARE SPECIFIC BEAUTY TREATMENTS

Figure 3: AMSL,2016

THE NEED AND SEARCH FOR MAKEUP EXPERTISE

Portugal isn't a country educated and expert/professional in makeup. The precious generations (>35) are still conservative and with consumption behaviors that were taught before the Portuguese revolution (25th of April). Therefore, if the new consumer looks for "older influencers" experts in makeup to educate and inform them regarding makeup products there isn't a lot of portuguese that can offer that kind of expertise.

It is important for the millennial generation to have a makeup expert community or influencers who can inspire and educate them with "national" online and offline content.

MAKEUP MARKET – DISTRIBUTION CHANNELS

A NEW ERA: 9x MORE BRANDS ON 6+1 CIRTUITS

In 2009 the Makeup Market in Portugal had a few brands such as L'Oréal Paris, Maybelline New York, Rimmel, Bourjois, Lancôme, YvesSaintLaurent, Chanel, Guerlain and Dior. These brands were mainly present in only two circuits: Mass Market and Selective/Multibrand Stores.

Nowadays, there are more than 30 brands with a significant weight on the portuguese makeup market and present in six different offline channels: Mass Market, Selective/ Multibrand Stores, Direct Sales (Catalogue), Monobrand Stores, Para/Pharmacies and Fashion Stones. 36% of the portuguese makeup market is done by the following top 5 brands: KIKO, MAC, Maybelline NY, L'Oréal Paris and Lancôme. (Kantar Worldpanel, 2016)

Additionally, along with the Digital Boom the E-commerce became a major distribution channel for makeup because of its simple purchase process and low prices. The youngest generation is very educated and expert in makeup so knows the exact products and brands that wants to buy.

WINNING CIRCUITS INVEST ON PROXIMITY & EXPERIENCE

Increasingly , in the makeup market the consumers' store experience is where the sale is won or lost. Therefore, most brands started to invest on responding to consumers needs and giving them the best store experience. The brands that are investing on proximity and store experience are the ones leading the makeup market in Portugal. This is due to the fact that the younger consumers (<35y.o.) are purchasing even more makeup on the circuits that give them a personalize and emotional experience.

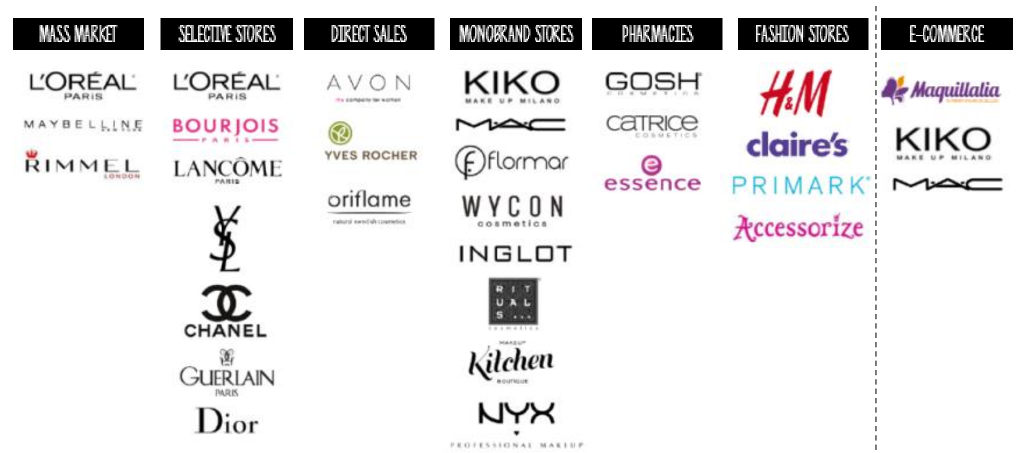


Figure 4: Portuguese Makeup Market – Distribution Channels,

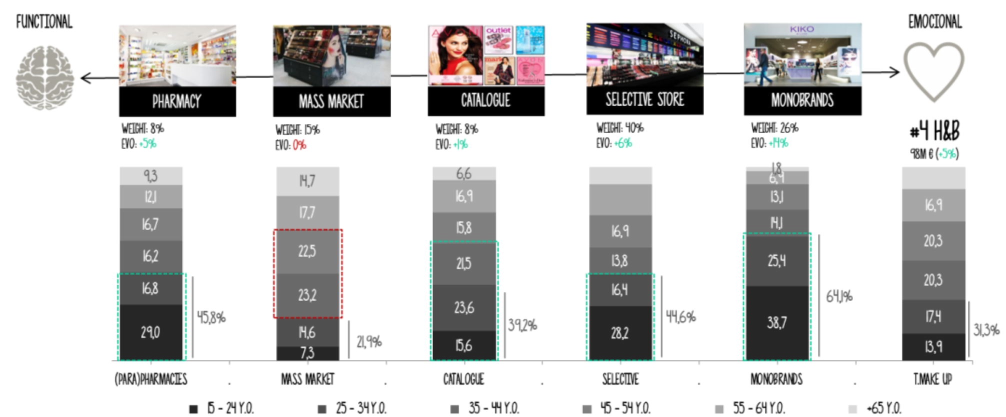


Figure 5: Portuguese Makeup Market – Distribution Channels Experience , AMSL 2016,;Kantar Worldpanel, 2016

MAKEUP MARKET – DISTRIBUTION CHANNELS

THE NEW MAKEUP DESTINATION: MONOBRAND STORES

In 2016, the Health and Beauty Market increased (+5%), valued in 105 million euros. However, this increase is mainly caused by the Monobrand Stores boom (+14%) in the beauty market (KantarWorldpanel, 2016).

The Monobrands offer a store experience and a product expertise better than other brands that are sold in other circuit. These types of experiences and expertise are the main features that the younger consumer (35y.o.) searches nowadays. The new generation prefer to spend more on experiences and on having a professional and expert advice (Euromonitor,2015). They are informed about the products and their characteristics and are increasingly skeptical about advertising and promotions , that most of times are present in selective/ multibrand stores, perfumeries and mass market.

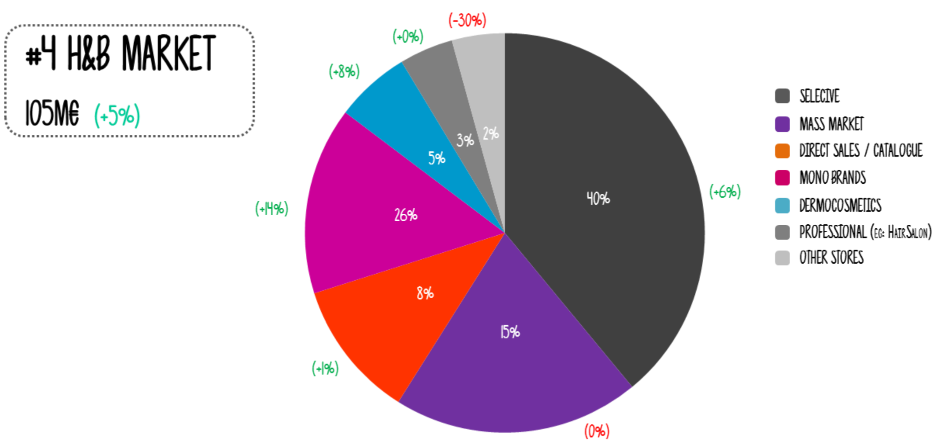


Figure 6: Portuguese Health&Beauty Market – Distribution Channels in value, Kantar Worldpanel, 2016

RECRUITING PLAYERS USE LOW PRICES & ANIMATIONS/SPECIAL COLLECTIONS

On the other hand, selective/ multibrand stores try to recruit the new generation through low priced products and brand animations or special collections. Despite these type of strategies making the younger consumer curious about the new animation, it doesn't or influence them to educate be loyal to the brands.

Nevertheless, Sephora is the multibrand (selective) store that is recruiting the most due to its expertise and store experience. In spite of having many brands, some are exclusive to Sephora stores which causes some curiosity and motivation among the younger target.

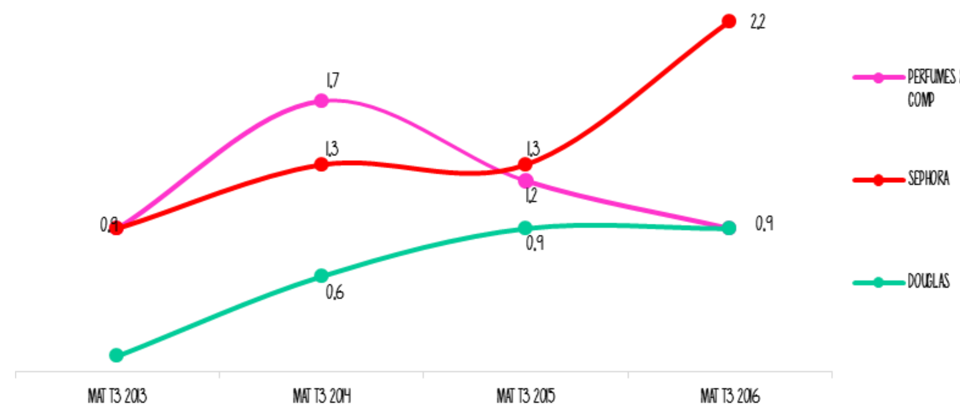


Figure 7: Portuguese Makeup Market – Selective Stores Market Share; Kantar Worldpanel, 2016

WHO ARE THE MILLENNIALS?

Millennials represent 34% of the world's population and 25% of the portuguese population.

The most common definition of "Millennials", also called "Generation Y", is the generation born between 1980 and 2000 (Euromonitor, 2015; Forbes, 2015; TheGuardian, 2016), a generation with lifestyle and consumption behavior that differ significantly when comparing with previous generations. They grew up in a time of economic disruption as well as a great technological development and innovation: the Internet and the Social Networks. Millennials are always connected and social media has become an integral part of their lives.

This new generations differs from others specially in "life priorities " which have a great impact in consumption (see figure 8).

PURCHASE BEHAVIOR & RELATIONSHIP WITH MAKEUP

The Millennials generation reinvented the make-up market. The make-up boom is driven by this selfie generation who focuses on appearance, self-expression and presentation. They are reinventing uses, giving trends their own spin, and creating buzz for new looks.

This media-influenced generation is less conservative than its predecessors, seeking the lifestyle and products that enable them to stay beautiful and healthy for more years. Additionally, with the democratization of connectivity, social networks play a relevant role and opinion-makers (bloggers/influencers) can affect the success or failure of a product. Thanks to online make-up tutorials and beauty bloggers and vloggers, technique-based make-up trends have been adapted by the mainstream market, positively influencing the color cosmetics sales.

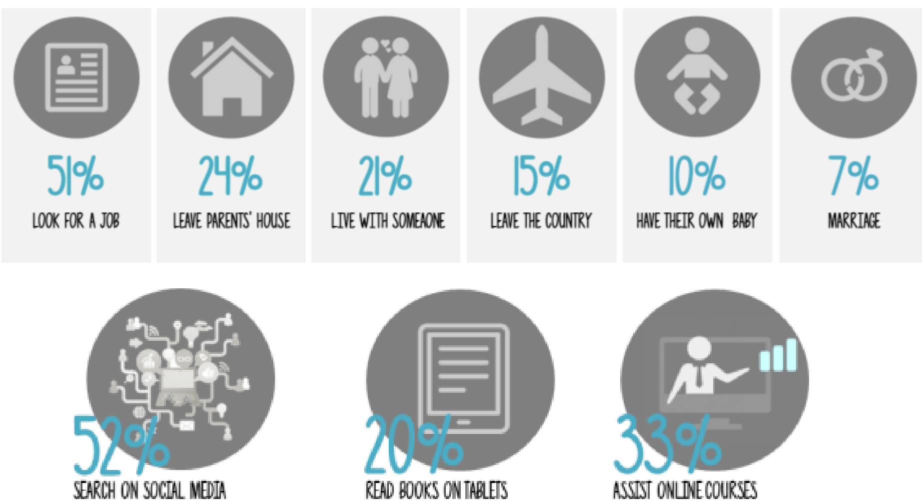


Figure 8: The New Generation – Millennials: Change in Life Priorities, OMD: Meet the millennials, 2016

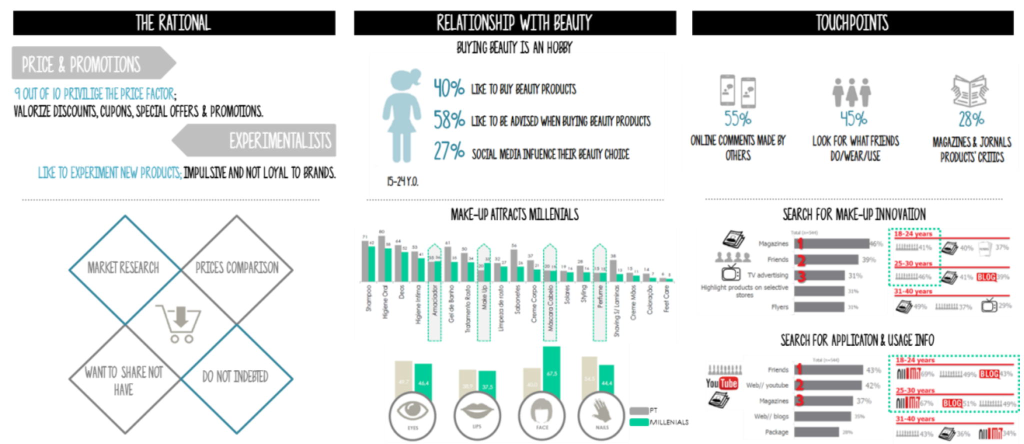


Figure 9: The New Generation – Millennials Consumption Behavior, Lifestyle Kantar Worldpanel; Visão « Millenials: A Geração que vem revolucionar o capitalismo » Social Lab Make up 2016. Make-Up Snapshot, OMD, Dec2015

II. CONTEXT: L'ORÉAL PARIS IN PORTUGAL

HISTORICAL EVOLUTION

L'Oréal Portugal was born in 1962 with the name "Sincoral – "Sincoral- Soc. Ind. de cosméticos", with a capital of 33.500€ and 59 collaborators. Only in 2000 the company was officially named L'Oréal Portugal. L'Oréal Paris is a brand managed by the L'Oréal group within the Consumer Product Division and accounts for 5 Categories: Hair Care, Hair Color, Skin Care, Hygiene and Shower and Makeup.

L'ORÉAL PARIS MAKEUP

L'Oréal Paris (makeup) had its lowest market share* in 2000. In the following years the brand increased market share every year reaching in 2008 the highest value of the brand in Portugal. From 2000 until 2012 Portugal had an economic crisis that affected all industries, specially high valued brands such as L'Oréal Paris. In 2013, a new generation started to change the market and the makeup purchase behaviors. In 2013, the brand reformed its strategy changing the target from women aged between 35 and 55 years old. to younger women aged between 25 and 45 years old.

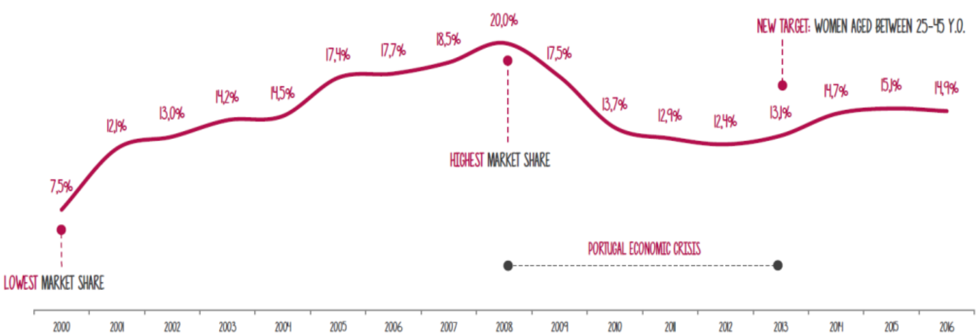


Figure 10: L'Oréal Paris Makeup Market Share in value (Mass Market) - Nielsen, H+S, Value, 2016

*mass market values

THE MAKEUP CATEGORY IN L'ORÉAL PORTUGAL

In Portugal, the Consumer Product Division (CPD) makeup category have a 9% weight in total company sell out. It manages four makeup brands:

- L'Oréal Paris – weight of 30,3% in category sell-out
- Maybelline NY – weight of 50,8% in category sell-out
- NYX Professional Makeup – weight of 13,4% in category sell-out
- Essie – weight of 5,5% in category sell-out

II. CONTEXT: L'ORÉAL PARIS BRAND IDENTITY

When defining the current L'Oréal Paris brand identity (Kapferer,2008), contextual insights were used. Some insights from the L'Oréal Paris brand managers were also collected.

PHYSICAL

"the brand's most salient features"

- Logo and name
- Aspirational Cosmetic Brand
- Iconic ambassadors: Jennifer Lopez, Jane Fonda, Eva Longoria, Julianne Moore, Liya Kebede, Karlie Kloss, Doutzen Kroes or Gong Li

RELATIONSHIP

"counterpart given by the brand to its consumers"

TANGIBLE BENEFITS

- High quality products; wide portfolio of products

INTANGIBLE BENEFITS

- Beauty inspiration
- Empowerment and self-confidence (because you're worth it!)
- Sophistication
- Glamour
- Social Status

CUSTOMER REFLECTION

"the brand's projected/desired consumer type"

(Before: Women around 35 years old who aspire sophisticated beauty.)

- Young adults who follow fashion and health and beauty trends.

PERSONALITY

"what kind of person would it be?"

- Beautiful, unique
- Sophisticated
- Empowered and self-confident (because you're worth it!)
- Follower of new fashion trend and health and beauty innovations

CULTURE

"set of values feeding the brand inspiration; the core of the brand"

- Passion for what cosmetics can bring to the world
- Brand's quest for excellence
- Innovation and entrepreneurial spirit
- Brand 4 main principles: Integrity, Respect, Courage and Transparency

SELF-IMAGE

"brand aspired target's internal mirror"

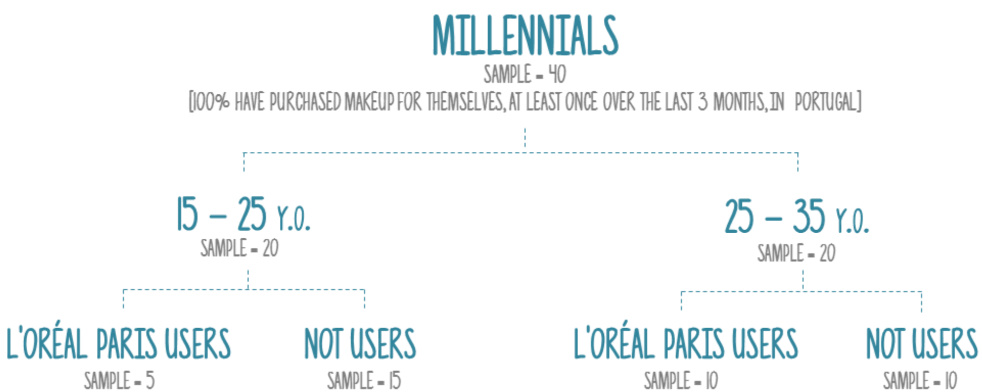
- "I'm beautiful because I'm worth it!"
- "I recognize myself with this brand and I want to look like its ambassadors."

III. ADDRESSING THE CHALLENGE: METHODOLOGY

PRIMARY RESEARCH

In addition to the secondary research, the challenge is addressed by conducting primary research. For this research we conducted 40 qualitative interviews in order to gain insights and better understand the target group (women aged between 15 and 35 years old) and their relation to makeup and to L'Oréal Paris. Please see the pre-recruiting questionnaire in Appendix I and the interviews guide in Appendix II.

The 40 respondents were first selected based on their last purchase of makeup products and then divided in 2 group ages: 15 to 25 years old and from 25 to 35 years old. The main reason for this division is that consumers aged between 25and 35 years old have more purchase power than the ones between 15 and 25 years old. Our objective for this work project is to find the best strategy for L'Oréal Paris be a brand that the youngest generation (15-25 years old) wants to buy when they increase their purchase power. The third selection criteria was based on brands used by the respondent, if she was a L'Oréal Paris (makeup) user or if it wasn't in order to understand why and why not they use L'Oréal Paris (makeup).



INITIAL QUESTION

Which brand and type of product did you buy the last time you purchased a makeup product in Portugal?

LANGUAGE

All interviews were conducted in Portuguese. – In the present work project we kept the quotes in the language of the interviews to keep the exact "tone" of the collected information. (Denzin NK, Lincoln YS. Handbook of qualitative research. 2. Thousand Oaks, CA: Sage Publications; 2000.)

III. RESEARCH INSIGHTS: MAKEUP CONSUMER BEHAVIOR

One of the main insights of the in-depth interviews was that within the new generation (15-35) there are two different makeup purchase behaviors and therefore two different types of consumers: the "heavy" consumers (23 out of 40 respondents) and the "medium" consumers (17 out of 40 respondents).

HEAVY CONSUMERS

The *heavy consumers* are the ones who use more than 6 makeup products per makeup routine/application. This type of consumer is mostly between 25 and 35 years old, is highly educated about makeup (knows everything) and uses makeup for the "perfect"/ "ready for a selfie" look with visible results. One of the main focus of their shopping is on valorized segments, such as face and eyes. Overall, in the study, the respondents showed that they don't mind to spend on makeup if it is "the best choice", they compare price and quality between products and brands.

However, they shop by experience. In order to choose a product, these respondents indicated that they inform themselves online, try in store, ask friends and family and look for new makeup trends and products on YouTube.

Heavy consumers use makeup everyday (7 days per week), spend on average 90€ and buy on average 14 products per year.

Many respondents (9/23) indicated that their favorite place of purchase was MAC and KIKO (Monobrand Stores), and the second most voted (7/23) was Sephora (Selective/Multibrand Store). These preferences explains their pursue for a better store/purchase experience, more expert brands and beauty advisors.

MEDIUM CONSUMERS

Under 25 years old makeup consumers are mostly *medium consumers* since they use between 3 to 5 products makeup routine/application. Most respondents indicate that don't use makeup everyday, only for special occasions. When using makeup they focus on a more natural look. They furthermore indicated that they enjoy trying new brands and products and use private labels and branded products simultaneously (most showed low loyalty to brands).

Medium consumers respondents indicated that they use makeup 3 days per week (on average) spend on average 20€ and buy on average 4 units per year.

The favorite place of purchase indicated by these respondents are (5/17) Hyper/Supermarkets (Rimmel and Maybelline NY), (4/17) Sephora and Perfumes&Companhia (Selective/Multibrand Stores) and (3/17) Parapharmacies such as Wells (Essence and Catrice) and Monobrand Stores such as KIKO Milano.

III. RESEARCH INSIGHTS: MAKEUP DISTRIBUTION CHANNELS

The different retail systems are becoming less standardized: some brands specialize in their own brand stores (Monobrand Stores), while others use a different strategy in Selective/Multibrand Stores, Parapharmacies, Direct Sales (catalogue) or Mass Market. Our research suggests some insights about these different types of distribution channels and the respective perception that consumers have when purchasing.

MONOBRAND STORES

Most respondents indicate that the most valuable features for purchasing makeup in Monobrand Stores such as MAC and KIKO are:

- Good shopping experience
- Wide variety of products
- Better professional advice
- Customized purchase
- Possibility to try the products (testers)
- High quality and more expert/professional products

"*Quando vou a MAC fico maravilhada e apetece-me logo comprar tudo. Para além disso sei que **posso confiar nas pessoas que trabalham na loja**. Ajudam-me sempre a perceber qual o melhor tipo de produto para mim.*" (25, employed)

"*Na minha opinião, as lojas de selectivo/perfumarias permitem uma **melhor experiencia de compra**. Especialmente as de marca própria como a KIKO e a MAC. Têm **melhor atendimento**, mais profissional porque sabem mais sobre os produtos e porque têm **mais oferta**. Eu acho que os produtos de maquilhagem vendidos no supermercado não têm qualidade.*" (32, employed)

SELECTIVE/MULTIBRAND STORES

Regarding Multibrand Stores, almost half of the respondents state that Sephora is their favorite purchase place. The reasons for this choice are very similar to the ones already stated for the Monobrand Stores. However, respondents indicate that they prefer Multibrand Stores over Monobrand Stores because of the variety of brands that this channel can offer. In Multibrand Stores the consumer can have access to a wide variety of products but also to different brands. Some respondents mentioned that they like to buy some type of products from one brand and other type of products from another one, depending on the type of features that they are looking for.

"*Lojas com várias marcas, como a Sephora, têm uma **maior oferta e com mais qualidade** do que noutras lojas. Para além disso, sempre que preciso sei que **posso pedir ajuda em loja e confiar nos conselhos** que me dão. Gosto também do facto de **poder experimentar** e ver se gosto logo na loja.* ((3, student)

MASS MARKET

The Mass Market is a distribution channel that is perceived as a "low quality" product circuit. Respondents indicated that Mass Market doesn't offer a good experience, it has low variety of products, no professional advice and therefore a standardized purchase.

"*A maior diferença entre as lojas de maquilhagem e os hiper/supermercados é o "mood". Tenho a sensação que se comprar um produto de maquilhagem num supermercado **perde-se a "magia" ou a "sofisticação" da compra de um produto de beleza**. Temos de esperar na fila juntamente com outras pessoas que estão a comprar pão ou carne e no fim colocar o produto num saco de plástico...*" (24, employed)

III. RESEARCH INSIGHTS: MAKEUP MARKET PERCEPTION

Based on the insights collected through the secondary and primary researches, we propose a map that reflects the makeup market in Portugal from the perspective of the consumers. This map takes into account two criteria relevant to the younger makeup consumers (<35y.o.):

I. **Perceived Brand/Products Expertise:** a brand can be more mainstream or be more professional/"artistry ".

II. **Perceived Price Positioning:** brand's price range – accessible vs prestige

III. RESEARCH INSIGHTS: L'ORÉAL PARIS (MAKEUP) BRAND IMAGE

Using a projective technique the following insights about the L'Oréal Paris (makeup) Brand Image were obtained.

"IF L'ORÉAL PARIS (MAKEUP) WAS A PERSON, HOW WOULD THE PERSON BE?"

During the interviews, the respondents did not indicate a high involvement or very emotional connectivity with the brand, but overall the insights suggested a generally positive image of the brand.

- *"L'Oréal Paris é uma mulher entre os 25 e os 30 anos. Trabalha em marketing e relações públicas. Gosta de ir a festas e eventos sociais e adora viajar com as amigas. É solteira e não se sente pressionada para ter nada sério. É uma mulher clássica, mas sempre cheia de estilo."*

  (Female, 21, student)

- *"L'Oréal Paris é uma mulher com 30/40 anos. Trabalha como líder de uma empresa multinacional importante. Está sempre preparada para tudo, até para ir para uma festa directa do trabalho. É muito prática, sofisticada e elegante. Tem namorado, mas não se deixa consumir pela relação. É uma mulher independente. Apesar de se preocupar com a sua aparência não se importa com o que os outros acham dela."*

  (Female, 24, employed)

- *"L'Oréal Paris é uma mulher entre os 40 e os 50 anos. Trabalha numa empresa multinacional num cargo importante. Procura produtos de alta qualidade e marcas de luxo. É "fashion" mas de uma maneira clássica e formal. É divorciada e adora passar o seu tempo livre a tratar de si própria: spa, viajar, ir às compras e ir a festas."*

  (Female, 27, employed)

"HOW WOULD YOU DESCRIBE L'ORÉAL PARIS IN 3 WORDS?"

The most mentioned associations were quite in line with the projective technique question:

- Sophisticated
- Iconic
- Classic
- Quality
- Trust
- Elegant
- Efficient
- Fashion
- Inspiration

Figure 12: L'Oréal Paris Ambassadors

In this sense we could conclude that L'Oréal Paris does not have a very young image, is not very trendy and does not address millennials needs.

III. RESEARCH INSIGHTS: SWOT ANALYSIS

When defining the current SWOT Analysis for L'Oréal Paris (Makeup) in Portugal, both secondary and primary research were used. Some insights from the L'Oréal Paris brand managers were also collected.

S

- Top Makeup Brand
- Research&Development
- Wide range of products
- High quality products
- Wide range of distribution channels

W

- Low profit margins
- Not associated to millennials needs

O

- H&B Market Potential
- Makeup Category Boom
- Millennials interest for health& beauty, specially makeup

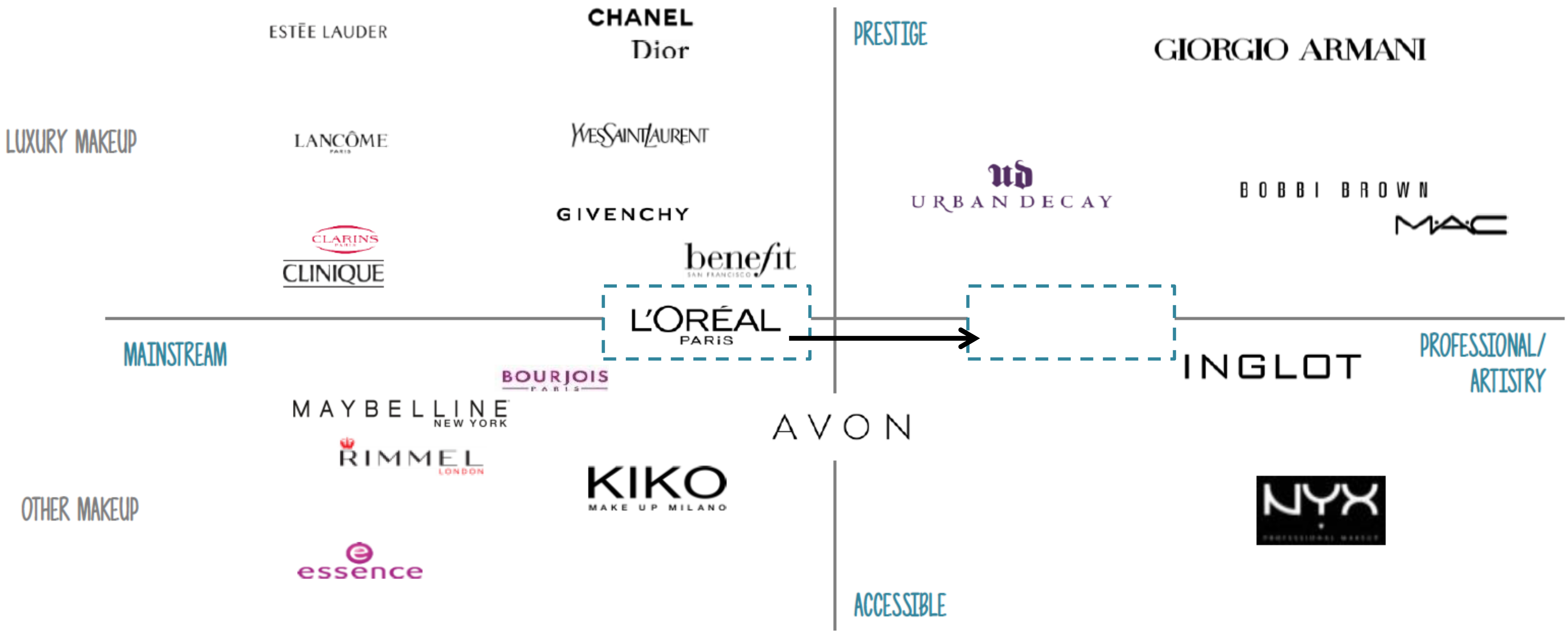
T

- Dynamic nature of cosmetics industry
- Increasing skepticism for brands
- Other brands focus on millennials – fulfilling their needs and wants
- Not distributed in Monobrand Stores

IV. RECOMMENDATIONS TO L'ORÉAL PARIS (MAKEUP) IN PORTUGAL

The recommendations to address the work project challenge "How can L'Oréal Paris (makeup) be an attractive brand for millennials in Portugal?" involve: (a) following a strategy which responds to the new generation (millennials) consumption behavior and desires, and (b) changing the distribution strategy in order to pursue a "Monobrand" strategy [i.e. open popup stores and change the brand presence in the mass market].

The main drive for these recommendations is to change the perception that millennials have of L'Oréal Paris. The new strategy should be able to "move" L'Oréal Paris a more expert and professional brand position in consumers' mind:



MAXIMIZE "BECAUSE YOU'RE WORTH IT" STRATEGY

As stated in this research the main focus of the makeup brands should be the "heavy" makeup consumers that are mostly aged between 25 and 35 years old. However, in spite of targeting women aged between 25 and 45 years old L'Oréal Paris (makeup) should also focus on the youngest women of the millennial generation aged between 15 and 25 years old in order to change their perception of the brand and to motivate them to purchase the brand once they have the purchase power to do it.

For these reasons, a recommendation for the brand would be to find a strategy to build brand equity and be able to satisfy and fulfil all millennials expectations and needs. In order to build this equity the brand could create a "Because You're Worth It!" campaign to effectively communicate and reach this generation.

The campaign should include women with different backgrounds, tastes and lifestyle, including also a group of social influencers to inspire and create additional engagement within social networks.

The main focus of this campaign would be to relate makeup to women empowerment and for millennials to relate with the brand. To strengthen the brand image among millennials and makeup category among older generations, generate word of mouth and as a result be a source of content generated by these younger consumers. Therefore, this campaign should be mainly digital but also integrating offline platforms, such as TV. Most part of the content should be testimonials or "life stories" of the participants in order for the consumers to relate to them, and also makeup tutorials to educate and incentive the consumption of the brand products.

Because you're worth it.
L'ORÉAL PARIS

MAKEUP DISTRIBUTION CHANNELS

Since 2009 there was a huge change in the makeup distribution channels. With the entry of KIKO Milano and MAC Cosmetics in Portugal, the focus on Monobrand Stores started to grow.

In 2016 the Makeup Market increased its value to 98M€ (+5%). The weight of Selective Stores grew up to 40% and the Monobrands Stores to 26%. This is specially due to the fact that in Selective Stores, such as Sephora, and Monobrand Stores, such as KIKO and MAC, the purchase experience is significantly better than in other circuits. This type of stores allow the consumer to have better support regarding products and category education, a more professional advice and therefore a more professional perception of the products. Additionally, Monobrand stores is the favorite makeup circuit for millennials because they allow them to shop by experience and to do a confident purchase.

POPUP STORES

The popup store concept has become a new strategy for retailers looking to extend the brand experience and introduce new products and technologies. Popup stores are being developed in a diversity of forms and sizes, as well as locations. Normally they can be found in shopping malls or even in the street and on special vehicles.

Consumers expect that the popup shopping experience will be unique, different from the makeup circuits, such as selective stores or mass market. They also look to popups for more specialized shopping.

L'ORÉAL PARIS POPUP STORE

As we can conclude from our research, the heavy makeup consumer focus on store experiences and their favorite place of purchase are the Monobrand Stores, due to the purchasing experience and store environment. Therefore one of the recommendations to the brand L'Oréal Paris (makeup) would be opening a pop-up store in a top shopping center in Portugal such as Colombo, that can serve as a hybrid for market response while minimizing potential risks of opening a real store. This popup should be similar to the flagship store in ElCorteInglês and L'Oréal Paris boutique in Paris, a special place where that consumer can have a more personalized and professional experience.

This popup store should focus on being able to create a professional/expert environment, while surprising the consumers with new experiences and new make-up offers such as services. Our recommendation would be (1) to have a makeup focus with the international full brand's catalogue in order to differentiate the offer and attract the consumer to the pop up store but also offer some skin care products to complement the full makeup routine and mark the expertise of the brand. This way the consumers would have the possibility to buy their full face routine, from skin care to make-up and finally cleansing, while understanding and purchasing the right products for their needs and ambitions.

Along with the insights taken from the previous research, millennials don't like to be approached on store, they prefer to start the purchase journey alone and only when they need it they ask for help. Sometimes millennials have more trust on digital content than on a beauty advisor.

L'ORÉAL PARIS POPUP STORE (CONT.)

Given the importance of new technologies and the digital world this pop-up store could have equipment and technologies of skin diagnostics so consumers could know what type of skin they have and which type of skin products are best suited for them. Additionally it could have virtual mirrors in order to consumers be able to see themselves with the selected products "virtually applied" on their face, this technology is the same already used on the L'Oréal Paris app: Makeup Genius.

The app uses advanced facial mapping technology to virtually apply the brand selected products on consumer's face, eyes and lips. Therefore, this type of technologies would allow millennials to educate them selves and know more about the products in a more digital way, without having the pressure of a sales person.

Furthermore, (2) L'Oréal Paris should invest in the store experience and customer service to meet requirements of younger consumers. The "In Store Advisors" should be official make-up experts and professionals and should be trained by the brand in order to become L'Oréal Paris makeup professionals with the expertise and knowledge beyond what millennials already know from social networks.

IV. RECOMMENDATIONS – CHANGE DISTRIBUTIONG CHANNELS

MASS MARKET MAKEUP ATELIER

Nowadays, the mass market is dominated by mainstream makeup brands such as Maybelline NY and RIMMEL. The heavy makeup consumer is focusing on Monobrand Stores and Selective/Multibrand Stores for its wider offer of products and brands but also for the store experience and advice given in store. However, 50% of L'Oréal Paris sell out is on the mass market.

Consequently, on second recommendation to L'Oréal Paris would be to give the experience and the brand expertise that the heavy consumers search for inside the mass market. Since 50% of L'Oréal Paris sell out comes from Mass Market, the brand should find a better way of offering the store experience "demanded" by millennials without leaving the circuit.

Mass Market retailer, such as Continente – SONAE, are loosing beauty market share (special on the makeup category) to other circuits such as Selective/Multibrand stores and Monobrand stores. In this way, they would not risk to have a brand as L'Oréal Paris leaving their stores. L'Oréal Paris strategy should be to become a more expert brand inside the Mass Market.

Therefore our recommendation for the brand would be to be present in the mass market exclusively in "top" Continente - SONAE hypermarkets and outside the makeup linear. Creating the "L'Oréal Paris Makeup Atelier", a special space on the hypermarket where the brand would be present but where the main focus would be on having a makeup advisor always available to explain and "educate" about the brand. This makeup advisor, as in the popup store, should be official make-up experts and professionals and should be trained by the brand in order to become L'Oréal Paris makeup professionals with the expertise and knowledge beyond what millennials already know from social networks.

Along with the Popup Store Strategy, this Makeup Atelier should have technological equipment and digital content in order to attract the attention of younger consumers.

In this sense, L'Oréal would still be present in the Mass Market circuit but in a more expert and exclusive way.

E-COMMERCE

Moreover, the brand could also leverage from this new digital generation and improve online sales. E-commerce is now becoming a "must-have" for all products and services and having a huge increase in the Health&Beauty Market. Despite of having consumers that still want to try and feel the products on their skin, it is a challenge that seems to be significantly reduced because of new technologies, digital content and the influence of social media. E-commerce allows to share and provide a lot of content, specially product or full routine education/ tutorials, to the consumer before making the final purchase. L'Oréal Paris could destroy was used to be a purchase barrier (e-commerce) and create a digital experience for their consumers focusing on the new generations needs.

V. LIMITATIONS

STORE OBSERVATIONS

- A main limitation of the primary research was not being able to do store observations since stores did not accept to deliver the required special authorization for that matter.

SMALL SAMPLE

- 40 respondents divided in 4 groups

ONLY QUALITATIVE RESEARCH

- Biased respondents: some younger respondents could respond based on a desired lifestyle than they don't have;
- Inability error: respondents could not be aware of some factors that influence their behavior as consumers, thus not mentioning them.

RECOMMENDATIONS

- Recommendations regarding change in distribution channels are obviously dependent on brand's budget for that matter. However, in accordance with the brand managers and with the work project advisor, budget was not taken into account.

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WORK PROJECT • FINAL REPORT • 2017

APPENDIX

NOVA School of Business & Economics — Shaping powerful minds

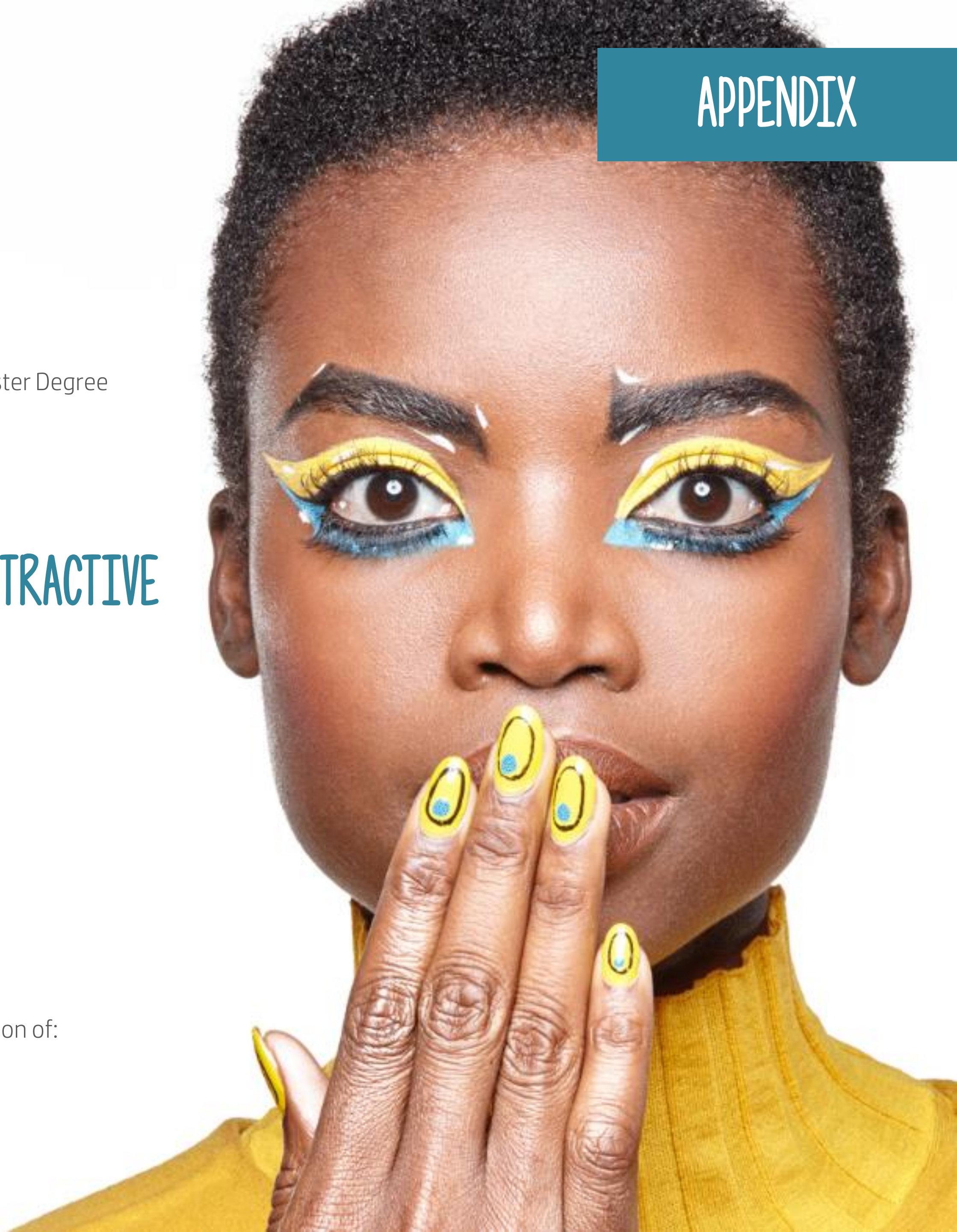
L'ORÉAL PARIS

A work project presented as part of the requirements for the Award of a Master Degree in Management from NOVA School of Business and Economics.

HOW CAN L'ORÉAL PARIS (MAKEUP) BE AN ATTRACTIVE BRAND FOR MILLENNIALS IN PORTUGAL?

Rita Costa Pinheiro Alves Monteiro - 2566

A project developed on the Master in Management Program, under supervision of:
Catherine da Silveira



Note: Permission on PowerPoint format by Rita Campos e Cunha.

TABLE OF CONTENTS

I. PRE-RECUITING QUESTIONNAIRE

FILTER 1

Costuma maquilhar-se pelo menos 3 vezes por semana?

- Sim (continua)
- Não (O seu questionário termina aqui. Obrigada.)

FILTER 2

Comprou pelo menos um produto para consumo próprio nos últimos 3 meses, em Portugal?

- Sim (continua)
- Não (O seu questionário termina aqui. Obrigada.)

FILTER 3

Qual é a sua idade?

- <15
- 15-20
- 20-25
- 25-30
- 30-35
- >35

FILTER 4

Qual é o seu nível de educação?

- Ciclo Preparatório (completo)
- 9º Ano /antigo 5º ano (completo)
- 11º / 12º / antigo 7º ano (completo)
- Curso profissional / artístico
- Curso médio / frequência universitária
- Licenciaturas
- Mestrados/ Pós-graduações
- Doutoramento

Qual é a tua ocupação?

- Estudante
- Trabalhador por conta própria/ Independente
- Trabalhador por conta de outrem
- Desempregado
- Doméstico(a)

I. PRE-RECUITING QUESTIONNAIRE

FILTER 5

Desta lista de marcas, seleccione as marcas que conhece.

benefit SAN FRANCISCO
CATRICE COSMETICS
essence
LANCÔME PARIS
NYX PROFESSIONAL MAKEUP
BOBBI BROWN
CHANEL
H&M
L'ORÉAL PARIS
PERFUMES & COMPANHIA
oBoticário
CLARINS PARIS
INGLOT
MAYBELLINE NEW YORK
RIMMEL LONDON
BOURJOIS PARIS
Douglas
KIKO MILANO
MAC
SEPHORA
THE BODY SHOP
essie
labello
NIVEA
URBAN DECAY beauty with an edge

FILTER 6

Desta lista de marcas, seleccione as marcas que comprou, pelo menos 1 produto, para si, em Portugal, no último ano.

- benefit SAN FRANCISCO
- catrice COSMETICS
- essence
- LANCÔME PARIS
- NYX PROFESSIONAL MAKEUP
- BOBBI BROWN
- CHANEL
- H&M
- L'ORÉAL PARIS
- PERFUMES & COMPANHIA
- oBoticário
- CLARINS PARIS
- INGLOT
- MAYBELLINE NEW YORK
- RIMMEL LONDON
- BOURJOIS PARIS
- Douglas
- KIKO MILANO
- MAC
- SEPHORA
- THE BODY SHOP
- essie
- labello
- NIVEA
- URBAN DECAY beauty with an edge

II. INTERVIEW GUIDE

INTRODUCTION

Como parte deste estudo, eu gostaria de entrevista-lo(a) durante aproximadamente 45 to 60 minutes. Todos os dados serão analisados e mantidos confidenciais. De forma a ter uma melhor análise destas entrevistas, gostaria de gravar a nossa conversa. Sente-se confortável com a gravação? Obrigada por ter aceitado participar neste estudo.

INTRODUCTORY QUESTION

Da última vez que comprou um produto de maquilhagem em Portugal que marca e que produto comprou?

CONSUMER USAGE AND PURCHASE BEHAVIOR

Produtos/Marcas usadas. • Frequência de consumo. • Processo de decisão (marcas/produtos). • Mono ou Multi Marca. • Lealdade a marcas. • Características desejadas (qualidade; preço; embalagem; fórmula, etc). • Objectivo final de uso. • Tipo de "ambiente" (ex: tipo de loja) preferido para comprar maquilhagem. • Maior influência de compra (preço, promoções, recomendações, etc). • Razão/Necessidade para a compra. • Aconselhamento em loja (beauty advisors).

BRAND IMAGE

Marcas favoritas - O que as faz serem melhores que outras alternativas? Normalmente usa diferentes marcas para diferentes produtos? Porquê? • Tipo de loja : Hper/Supermercados, perfumarias ou lojas de marca própria. • Percepção dos produtos de maquilhagem vendidos nos hiper/supermercados, perfumarias ou loja própria. • Como se sente quando usa produtos de maquilhagem. • Última vez que comprou um produto L'Oréal Paris (se alguma vez compraram). • Há quanto tempo conhece a marca L'Oréal Paris. • O que valoriza na marca L'Oréal Paris comparado a outras marcas (marca preferida da entrevistada). • O que valoriza mais noutras marcas (marca preferida da entrevistada) comparado com L'Oréal Paris. • Produtos que conhece da marca L'Oréal Paris. (Products Inventory) • Que marcas considera parecidas/ ao mesmo nível que L'Oréal Paris.

BRAND IMAGE – PROJECTIVE TECHNIQUE

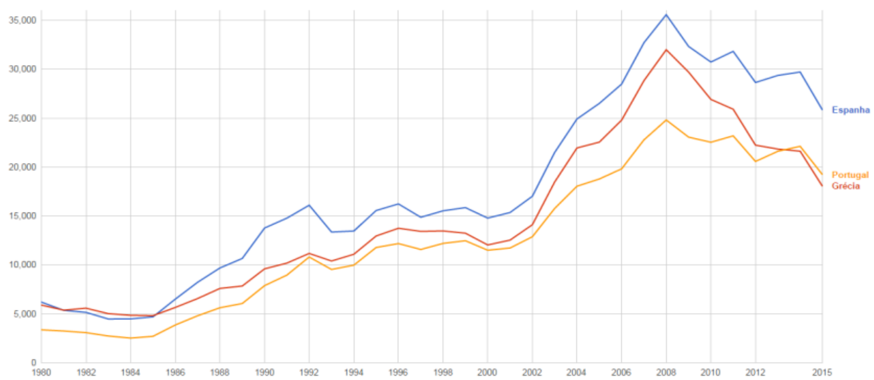
Se OUTRA MARCA (preferida pela entrevistada) fosse uma pessoa como é que seria? (personalidade, profissão, estilo de vida…) • Se L'Oréal Paris (makeup) fosse uma pessoa como é que seria? (personalidade, profissão, estilo de vida…)

ECONOMY

Portugal is the 88th most populated country in the world with 10.264.797 habitants. The median age in Portugal is 44.4 years (61% of population are between 25 and 69 years old), 76,1% are male and 82,6% are female, and 66.7 % of the population is urban (6,844,706 people in 2017). The population is comprised of a largely homogeneous Mediterranean community, with a small component of people of Asian or African descent, many who immigrated during decolonization (The World Bank,2016).

Although the Portuguese economy is gradually moving into a higher gear, a surge in imports due to higher energy prices and more dynamic domestic demand dragged on growth. Portugal's GDP increased 0.6% in the fourth quarter of 2016 compared to the previous quarter, according to the National Statistics Institute (INE).

Portugal: GDP per capita development (latest data 2015: $199.113 billion)



Portugal: GDP per capita development, The World Bank, 2016

CONSUMPTION BEHAVIOR

When making a purchase, the Portuguese consumer balances competing priorities, depending on the product. Social status and brand names are significant for very outward-facing purchases such as clothing, fashion items and cars. Portuguese consumers tend to be conservative and loyal to brands (especially when it comes to clothing). There is seemingly less brand loyalty when it comes to the purchase of foodstuffs. While the Portuguese have traditionally favored domestic wine and cheeses, their preference for other products has been primarily foreign. With purchases that are to be frequently used over time, the quality and value of after-sales service is important (this is especially true for cars and household items). However, regarding high consumption categories, such as food and hygiene products, price is a major factor. The environmental aspect of products is not a primary concern for many Portuguese consumers, but it is becoming increasingly salient to younger consumers (millennials). Portuguese consumers' consumption behavior and purchase power have been impulsive in the past, high levels of household debt (120% of income) and increased taxes (such as the VAT) have greatly limited consumption. However, consumption during peak shopping times such as Christmas has remained fairly consistent. (United Nations Data, 2017). Due in part to tradition, but also because of the lack of a real estate rental market, the Portuguese tend to invest in brick and mortar property. For that, as well as for cars, they turn to bank loans, whose payments comprise a large proportion of monthly household income. As a result, advertisements for consumer credit are quite common in Portugal. (United Nations Data, 2017; National Statistics Institute, INE).