ISCTE Business School
Instituto Universitário de Lisboa

WE CARE FOR MORE THAN HAIR

Salon Emotion as the key for L´Oréal Professionnel to maintain its leadership.

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ABSTRACT

The present case study is based on the hairdressers market in Portugal. Our main objective is to study the brand L´Oréal Professionnel, together with the company´s program Salon Emotion, in order to understand how the brand will sustain its leadership and continue its growth, while contributes to the market´s transformation.

In an industry that is growing slowly, side by side with a decreasing retail business, how is the professional sector thinking about reinventing itself? New business channels, like gross sellers and e-commerce, are getting stronger. Consumers have new habits, without time to waste; they are digital and look for solutions that can bring something different to their daily life. Here is where differentiation is the key, brands need to reinvent themselves to offer experiences based on personalization of services and products, as a way to attract consumers. Going to the hairdresser must became more than a basic hygiene need; it must be seen as a truly pleasurable moment, for consumers to relax and to take care of themselves.

The quantitative and qualitative analysis here developed show that the brand has a huge potential to lead this transformation, once it is the market leader, with a strong history and reputation. Always seeking innovation and technology, to enlarge and enrich its portfolio, collaborating with the best hairdressers in the world to develop skills that empower the profession and being present as the leader of hair fashion trends all over the globe. Using these strengths the brands have the potential to impact both B2B and B2C market, helping their journeys and expectations to match in a transforming way.

Keywords: Experience, transformation, modernization, retail industry, beauty salons.

JEL Classification System: M21 Business Economy;

M23 Marketing;

L84 Personal, Professional and Business Services

RESUMO

O presente case study tem como base o mercado de cabeleireiros em Portugal. O nosso principal objetivo é estudar a marca L´Oréal Professionnel, em conjunto com o programa Salon Emotion da empresa, para perceber como é que a marca vai sustentar a sua liderança e continuar a crescer, ao mesmo tempo que contribui para a transformação do mercado.

Numa indústria que apresenta um crescimento lento, paralelamente com um setor de retalho a evoluir negativamente, como é que o setor profissional pensa conseguir reinventar-se? Novos canais de negócios, como os grossistas e o e-commerce, estão cada vez mais fortes. Os consumidores têm novos hábitos, sem tempo a perder; são cada vez mais digitais e procuram soluções que tragam algo diferente para sua vida. Aqui é onde a diferenciação é chave, as marcas precisam de se reinventar para oferecer experiências baseadas na personalização de serviços e produtos, como forma de atrair consumidores. Ir ao cabeleireiro deve ser mais do que uma necessidade básica de, deve ser visto como um momento de verdadeiramente prazer, para os consumidores relaxarem e cuidarem de si.

A análise quantitativa e qualitativa aqui desenvolvida mostra que a marca tem um enorme potencial para liderar essa transformação, uma vez que é líder de mercado, com uma forte história e reputação. Sempre atrás da inovação e da tecnologia, para ampliar e enriquecer o seu portfólio, em parceria com os melhores cabeleireiros do mundo para desenvolver técnicas que tornam a profissão mais forte e ainda estando presente como líder de tendências de moda e de cabelo em todo o mundo. Usando esses pontos fortes, a marca tem o potencial de impactar o mercado B2B e B2C, ajudando a que o seu percurso e expectativas a se adequem e interliguem de forma transformadora.

Palavras-chave: Experiência, transformação, modernização, retalho, salões de beleza.

JEL Classification System: M21 Business Economy;

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Table of Contents

Index of Figures

Index of Tables

"People do not buy goods and services.
They buy relations, stories and magic."

Seth Godin
Marketing Guru, entrepreneur and best-selling author

1. THE CASE

1.1 PRESENTATION OF THE SUBJECT

It is known that we live in a world of change. Technology came to transform every single market, requesting for flexibility and creativity. When we talk about flexibility, we refer to the capacity of quickly adapting to market changes whereas when we refer creativity we think about all the small moves that companies do every day to stand out from the competitors and reach a distinct place in consumers' minds.

Nowadays, people are used to buy everything online; they live stressful days with wild work lives, so they look for quick and simple solutions. Ordering or buying either food or other goods is just one click away. Since the world is becoming more digital, brands and companies need to constantly adapt and adjust themselves.

On the other hand, there is a huge amount of offer. There are many brands offering similar products which results in an extreme need for companies to reinvent themselves in order to reach consumers.

L´Oréal Professionnel exists since 1906. After a growth from the past few years, 2017 brought difficulties that remain until the present time. It is not only consumers who are changing, the market is also changing, with the development of new distribution channels and an increasing competition.

Retail industries have been suffering all over the world, so the brand needs to find a way to modernize the sector in order to continue to grow. This transformation will make the brand question and reinforce its identity as a way of better understanding how to help the hairdresser market.

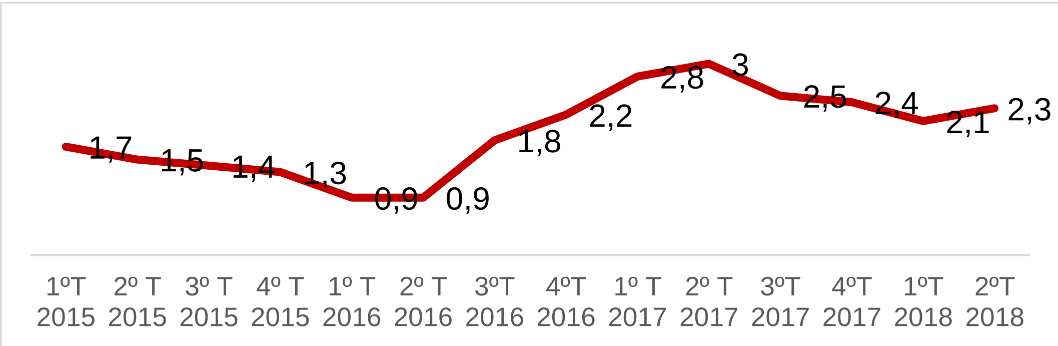
The main objective of this case study is to identify the brand´s characteristics that will contribute to the needed changes, and then understand how these features will be aligned with the steps that the company is taking, in order to develop synergies to follow the market and society needs. Salon Emotion program is believed to be the main step to achieve this change, for what its importance and contribution will also be deeply analyzed.

It´s a matter of understanding how L´Oréal Professionnel, along with the entire market and industry, has been trying to stand out and reach its audience, while assuring their continuous growth along with the world's development and everything it compromises. Although hairdressers are an industry that we all know and believe to be flat, it is believe that the market still has an enormous growing potential to be discovered and developed. Helping L´Oréal Professionnel, as market leader, to draw its place in the transformation, will contribute not only for financial growth of both company and its clients but also it will reinvent this consumer journey. The way people see hairdressers has to change. Hairdressers must be seen as hair artists, with stores capable of delivering unforgettable and personalized experiences to each consumer.

1.2. THE MARKET OVERVIEW

Portuguese economy has been growing in the past four years. In 2018 gross domestic product in Portugal accounted for a growth of 2,3% (*Figure 1*) The unemployment rate was the lowest in comparison with the last 7 years and the level of consumers´ trust increased from negative to positive values, motivating the conclusion that consumers are more confident (*EXHIBIT 1*).

Figure 1 Portuguese Gross Domestic Product- (2015-2018)



Source: INE| European Comission[1]

When compared to other European countries like Italy, France, Spain and UK, the Portuguese intend to increase their savings, showing a bigger caution regarding future.

Kline´s study (2016) shows that professional hair care represents more than one-fifth of the global hair care market. L´Oréal is the main player of this market accounting for 23.4% of the total professional hair care market. Inside the L´Oréal group, L´Oréal Professionnel is

[1] Provisional data from Bank of Portugal 2018

market leader in the world being Redken, Matrix and Kérastase in third, fourth and fifth place respectively. In the world, there are two and a half million salons, the majority being small salons.

1.2.1. BEAUTY & HAIR CARE INDUSTRY

The World Salon Hair Care market has been growing at a modest rate over the last years, between 2011 and 2016 the growth rate were around 2pp according to Kline´s Study on Salon Hair Care 2016. By 2025 the global hair care market is expected to reach 211.1 billion dollars. Nowadays, there are around 2.5 million salons in the world in a 140 billion dollars industry. *EXHIBIT 2* shows the distribution of hairdressers around world.

The market can be divided into two different areas of business, which are: services and products.

Regarding product sales, the global haircare market in 2016 registered a value of 64 billion dollars, divided between Salon Hair and Other Hair. Salon Hair represented around 20% of these sales, meaning total revenues of $12,708.6 million (Kline, 2016). When comparing to the previous year, this represent a 3.5% growth. The growth of hair related problems is one of the drivers of this positive evolution (*EXHIBIT 2*)

Still according to Kline´s Study, Salon Industry, product category can be analyzed from two different perspectives, according to if it is a take-home product or a back-bar one. Back-bar products represent around 70% of salon product sales, being North America the region with less difference between the two (with 46,8% in take-home product´s sales and 53,2% in back-bar products, and with the highest grow rate),

Table 1 Product Segment by Region

	$ Million				Change, %	
Region	Total sales	Take-home sales	Back-bar sales	Take-home/back-bar split, %	Take-home sales	Back-bar sales
Europe	4,340.6	866.9	3,473.7	20.0/80.0	2.8	4.6
Asia	3,569.5	664.0	2,905.5	18.6/81.4	2.4	2.3
North America	3,518.6	1,647.6	1,871.0	46.8/53.2	(1.0)	9.5
Latin America	742.1	171.0	571.1	23.0/77.0	(2.6)	1.9
Rest of World	537.7	168.7	369.0	31.4/68.6	3.7	4.7
Total	12,708.6	3,518.3	9,190.3	27.7/72.3	0.7	4.7

Source: Kline, 2016

Global penetration of services category has also been increasing, achieving 105 billion revenues in 2016 (Kline, 2016). In a salon context, when we talk about services we include color transformations, styling and cut. With the massification of hair related problems, that motivated the appearance of innovative products capable of addressing each person´s needs, hair care companies have created new services capable of personalizing these treatments in the salon.

Concerning the competitive landscape of this market, it is possible to identify and distinguish three major players that together possess more than 40% of the total market by value (*EXHIBIT 2*). These are well-established and international companies like L´Oréal Group, Coty and Henkel. It is important to highlight that L´Oréal alone accounts for 23.4% of Hair Care Market in 2016, being L´Oréal Professionnel the top brand contributing for 9% of the global market sales, and for around 40% of L'Oréal Group´s results in this industry (*Table 2 and 3*).

Table 2 Professional Hair Care Top 10 players

	Company	Total market			
		$ Million	Change, % (2015 – 2016)	% Of total	BPS
1	L'Oréal	2,430.3	1.6	23.4	(40)
2	Coty	1,223.5	4.5	11.8	20
3	Henkel	664.0	2.7	6.4	-
4	Estée Lauder	331.0	1.2	3.2	(10)
5	Kao	318.1	1.1	3.1	-
6	John Paul Mitchell Systems	317.7	4.8	3.1	10
7	Shiseido	312.6	5.8	3.0	10
8	Revlon	245.0	5.0	2.4	10
9	Milbon	241.6	6.1	2.3	-
10	Unilever	236.5	4.2	2.3	-
Total		10,403.0	3.4	100.0	

NOTE: Data based on sales in 22 countries

Source: Kline, 2016

Table 3 Professional Haircare Top 10 Brands

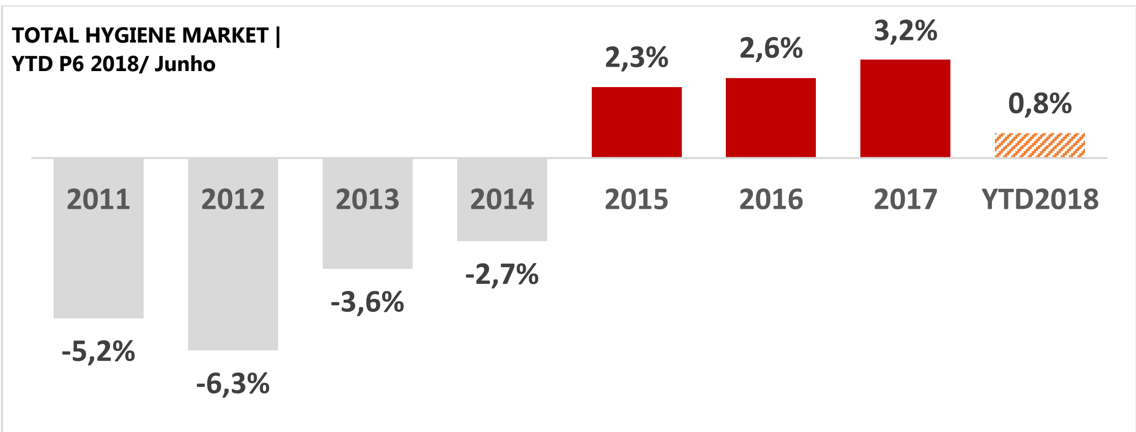
	Master brand (company)	Total market $ Million	Change, % (2015–2016)	% Of total	BPS
1	L'Oréal Professionnel (L'Oréal)	941.5	1.1	9.0	(30)
2	Wella (Coty)	898.3	5.5	8.6	10
3	Redken (L'Oréal)	479.6	3.0	4.6	-
4	Matrix (L'Oréal)	448.2	1.8	4.3	(10)
5	Kérastase (L'Oréal)	431.4	0.2	4.1	(20)
6	Schwarzkopf Professional (Henkel)	412.1	1.7	4.0	-
7	Paul Mitchell (John Paul Mitchell Systems)	317.7	4.8	3.1	10
8	Goldwell (Kao)	293.3	2.5	2.8	-
9	Aveda (Estée Lauder)	246.1	(0.4)	2.4	(10)
10	Milbon (Milbon)	241.6	6.1	2.3	-
Total		10,403.0	3.4	100.0	

NOTE: Data based on sales in 22 countries.

Source: Kline, 2016

In 2018, the Portuguese hygiene and beauty market had a 2.4% increase and it is estimate that it will grow 2,6% in 2019. In *Figure 2* it is visible the comparison between the global market and the evolution of L´Oréal group. Face care, body and deodorants were the categories that most contributed to this positive development (*EXHIBIT 3).*

Figure 2 Total Hygiene Market Portugal (2011-2018)[2]



Source: Nielsen, 2018

[2] Total Hygiene Market = Hair Care + Styling + Coloration + Face Care + Body + Sun Care + Make Up + Deodorants + Perfumes + Shaving + After Shave + Hands + Shower Gel

Looking at beauty categories, we notice that hygiene is the still the most important one, being beauty a segment with a lot of potential. Inside hygiene, Shampoo is the second category with highest penetration rate (62,9% in 2015, according to KantarWorldpanel).

In Portugal, more than half of the female population does color treatments; in 2016 this category had a 62% of market penetration. Consumers said that they resorted to these treatments to change the way they look, so they could feel good about themselves or simply because they would like to change the color of their hair (L´Oréal, 2016). In Portugal, by having an aged population, covering white hair is one of the biggest triggers for the evolution of hair color category. Younger consumers prefer highlighting treatments. Although salon color treatments have been registering a more positive evolution when compared to mass market, there are still a lot of consumers that prefer to do it at home. The time factor is pointed as one of the main reasons to do it (*EXHIBIT 3.1).*

Nevertheless, it should be noticed that when referring to the hairdresser industry it is being considered the following clusters, regarding the industry´s offers: Hair Coloring products, Hair Care products (shampoos, conditioners and masks), Hair Styling products and sprays and Texturizing products.

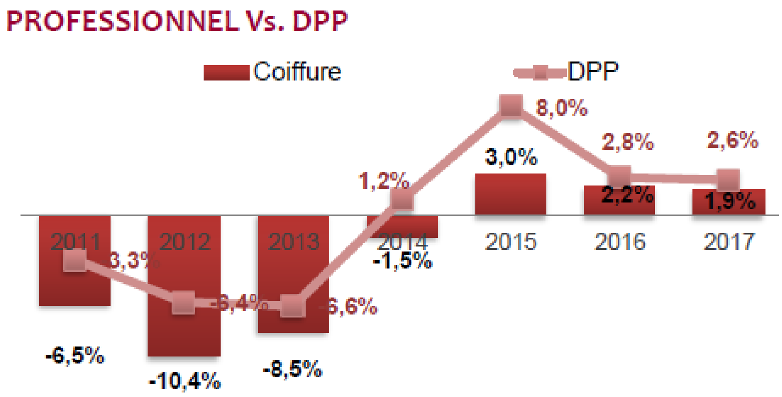
Hair color category includes products to color or discolor hair. It can be in a permanent or semi-permanent way, made in the salon or at home. From 2009 to 2016 the age of the first hair color, changed from 31 years old to 27 years old showing that hair color is starting earlier. By looking at *EXHIBIT 3.1* we can see that nuances and highlights are the favorite type of hair color, and the motivations to do it are now much more focused on emotional benefits rather than on functional ones. This category represents 38,9% of Salons Haircare Products Industry (Kline, 2016).

Hair Care category, that accounts for 39,1% of the market, is composed by different treatments such as shampoos, conditions and masks in order to guarantee that all kinds of hair can be treated. In the past years, this category has been having a significant growth because women are using longer hair, and more brushing tools, which makes the hair more vulnerable and needing for more treatments *EXHIBIT 2.*

Inside Hair Care Product´s consumers, the Styling category has a penetration of 26%. Used to maintain/fix, construct or better model the hair, these products are the key for a perfect look. According to *EXHIBIT 3.3* one of the main touchpoints to choose a styling product is the professional recommendation, however the main driver of this decision is the product output.

In 2015, Professional Market registered a growth of 3%, after years of negative results. L´Oréal Professional Products Division (PPD) has been growing more than the market and reached an 8% growth rate, in the same year. Since that boom, both market and the company have been growing slowly as you can see in *Figure 3.*

Figure 3 PPD Performance in The Professional Market



Source: Nielson, 2017

Inside the market, countries distribute hairdressers thought business levels, having in mind two variables: number of employees per space and average ticket of a color service (thick scale vary from country to country). The price of color service is used as comparison base, because it is a common service of all hairdressers. This analyzes allows us to draw a four per three matrix, with 12 possible outcomes. There are four levels for average tick (A, B, C and D), where A is the highest, and three levels for number of employees (1, 2 and 3), where 3 is the highest (having five or more employees). A hairdresser that has a medium/low ticket with a lot of employees, usually has faster and less premium service, while spaces with a high ticket and less employees, usually offer more personalized services.

Table 4 MAG for Portuguese Salon Industry

MAG FOR PORTUGAL SALON INDUSTRY

	76%	19%	5%	
A	12,94%	7,29%	3,03%	23%
B	27,17%	7,23%	1,12%	36%
C	30,73%	4,02%	0,78%	36%
D	4,88%	0,71%	0,11%	6%
	1	2	3	

Source: L´Oréal, 2018[3]

In Portugal of a universe of 11.275 hairdressers, the majority of the distribution belongs to levels B or C (72%) which means that they charge between 17 and 27 euros per color service. Most of them have between one to two employees.

1.2.2. RETAIL INDUSTRY – THE NEED FOR EXPERIENCES

Since the 20th century, retail has been suffering many changes in order to better adapt to consumer´s needs and expectations.

Back in 1852, a new shop concept appeared called Department Stores, characterized by large assortments in huge surfaces. The success of this new business model increased the entrance of new competitors with more sophisticated operations, resulting in higher costs and prices. Therefore, in the 20´s a new concept came to life, with smaller areas and an assortment not so large, with the idea of fixed prices. Thirty years later, appeared the first super and hypermarkets the true category killers.

With the beginning of a new millennium, and the boom of internet, retail shift from discount stores to online shopping.

[3] Matrix developed by L´Oréal to categorize it´s clients according to their number of employees and average ticket, 2018

Although retail has been suffering changes along the years, one thing is constant: after a new concept, with the entrance of new competitors, companies have the need to differentiate their businesses in order to stand out. Differentiation has a cost that used to be reflected in the increase of prices. Higher prices causes demand changes, which created an opportunity for new concepts to be born.

Retail industry has been decreasing since the born of online shopping, and brands already realized that the way to fight this apocalypse is true experience, by engaging consumers with the brand, offering products and services with added value. In order to empower this evolution it is crucial to know the consumer's needs and expectations, as well as understanding the competitive alternatives they have to spend their money.

A PWC study (2018) about the future of retail showed that retailers are looking for inspiration outside the retail industry in order to better adapt to new consumers and new shopping habits. Although some people believe that retail is falling down, we believe that the future of physical stores will be based on the creation of totally personalized experiences, these experiences will be focused on service, by adapting it to consumer trends and technology (BCG, 2017).

1.1.3. CONSUMER BEHAVIOUR AND PREFERENCES

Traditionally, women reflect a lack of self-confidence in their abilities to take care of themselves. In order to improve their look they have the habit of going to beauty spaces, looking for specialized places, with professional services as a differentiating factor. They are more afraid to take risks and are more reluctant to adapt to new trends, mostly because they have some lack of knowledge about it.

On the other hand, younger consumers have a need to express themselves towards others. They are aligned with fashion trends because they are curious and extremely digital. The digital world gives them more confidence, originating a #DoItYourself movement; in *EXHIBIT 4* it is possible to understand the reasons why women increased the time they spend with beauty at home. Young consumers go to hairdressers with less frequency, electing spaces with personalized services where the professional service is the differentiating factor (L´Oréal, 2016).

More and more, nowadays digital has a presence in everyone´s lives, and in business is no difference. E-commerce is growing exponentially as a result of the people´s needs and behaviors, which can be very different between generations. Since 2016, e-commerce is growing mostly because of mass market products, however the professional categories registered a growth of 2,2% (company´s estimates).

Millennials are much more connected to new technologies, having these an important and constant role in their lives. An example of this is social networks. What used to be a place for sharing personal life experiences, now works as a sales platform, where companies have their own pages, adds are everywhere and even influencers are used to share their experiences with products and services, as way to convince followers to buy. Therefore, different companies have been adapting their offers as well as their marketing campaigns. The way of doing business is now more through technologies, rather than physically, leading to a world where everything is done online (*EXHIBIT 4)*

Since we are talking about digital revolution, we can take a look to the evolution of internet penetration. According to Eurostat, in 2017 it had an increase of 75%, in Portugal. Consumers are googling more, using smartphones more and social media channels, as well as e-commerce as a buying channel.

Millennials are known to be very curious and always searching for more information and wanting to know more. By having more information, they become a more difficult consumer to satisfy; everything needs to be more challenging and innovative to attract their attention and desire. This becomes the biggest challenge of every company, regardless the sector of activity. Therefore, companies are starting to do more than focusing on the product: they are focusing on all the experience around the process of selling. Making the consumer want to come back to the store for the environment and all the involvement that it provided is a priority (ex: Disney Store, American Girls).

With the growth of online channels, it is believed that consumer experience is the key word to develop retail businesses. According to a study of Econsultancy (2018), consumer experience has a weight of 22% percent among the most exciting business opportunities in 2018, followed by content marketing, mobile, personalization and social. Studies show that consumer experience will improve retention, satisfaction and cross-selling. When consumers are involved with the brand, they become three times more receptive to recommend it in a spontaneous way, three times more open to rebuy the product, they became less price sensitive and they follow more their positive emotions (50% of buying decisions are emotionally driven).

The beauty & hair relationship

In Portugal, 68% of women want to maintain a good physical appearance, having basic care, according to C-lab (2016), however 47% said that they would like to have more time to take care of their look and 84% agree that esthetical treatments are important for individual wellbeing.

Hair has a huge relevance to women, once it maintains a straight relationship with the person´s appearance and emotions. For men this element is also growing in importance, driven by the appearance of new barbershops (with cooler concepts), the diversity of hairstyles to choose and more brands and products to use.

From men and women we can highlight some differences that influence their consumption in this market. Women have longer hair, which leads to more problems like dry hair, rebel hair, tiny and weak hair. These are caused by stress, the use of brushing tools, color treatments. These problems make them the biggest hairdressers´ target. On the other hand, man suffer more from oiliness and dandruff. Although both genders have common problems like hair loss, that occur mostly in Spring and Autumn, caused by stress and tiredness.

Globally, around 60% of people visit hairdressers. Although men usually do it to control the hair size, women go to salons with more frequency as they have more hair needs. The choice of hairdresser is often moved by the quality of the professional, their sympathy and the cost of the treatments. The average amount spent per visit is 23 euros, however if it includes a technical service (like application of color) it is in average 51 euros (L´Oréal, 2016).

The same internal study showed that 76% of women trust their hairdresser, and 67% of them decide what treatments to do together with the professional. However, when consumers have more specific hair problems like sensible scalp or hair loss, mass market (for scalp) and pharmacies (for hair loss, buy driven by medical prescription) are the chosen places to buy. The hairdresser appears in third and second place respectively (appendix).

Following this theme, consumers were asked if they had ever bought products in the hairdresser, to take home. 67% of them said no, mostly because of the price. The ones that said yes, point the professional recommendation and the superior quality as decision drivers.

If we analyze the hairdresser's consumption, according to the number of women that buy retail products to take home, we can see that 1 in each 4 buy products in the salon, when recommended by the professional, and because they associate these products with products of better quality. The biggest barrier to this consumption is the cost of the products.

Pantene and L´Oréal (without specifying witch L´Oréal brand they are referring to) are the leaders of notoriety and "Top of Mind". Regarding the professional hair care brands, Kérastase is the brand with more spontaneous notoriety. L´Oréal Professionnel is distinguish among consumers as a brand with history at an accessible price. The brand is described as chic and elegant, friendly and nice, honest and sincere.

1.2.4. COMPETITIVE ANALYSIS

Regardless of the industry or sector in study, every company must always be aware of the competition that it faces. In this case, in order to understand what are the main competitors of L´Oréal Professionnel it was made a list of the main players in the hairdresser industry, as well as a consumer analysis.

Concerning hair market, it is possible to identify two categories of competitors - the direct and indirect ones - based on the following criteria**: location and products**.

Direct competitors are those that offer the same type of products and services - other hairdressers & retailers. In *EXHIBIT 5* it is possible to see the price tree of the market, in order to understand the practice prices. In an industry with many offer, price and quality are determinant factors. Hairdressers are easily influenced by discounts, so each brand has to play with its points of difference.

In order to build a clear image on the brand´s two main competitors. Wella for Haircolor, and Kérastase for Haircare.

Wella – Founded in Germany, in 1880 by Franz Stroher, Wella is one of the world biggest cosmetic suppliers. The company started with the development of a wig´s base. Present in one hundred and fifty countries, the brand offers products for hair care and hair color. In 2015 Procter&Gamble sold the company to Coty. If we analyze the brand´s suggested notoriety, we see that it has a good rating *EXHIBIT 4.*

In 2018 the company accounts for a profit of 8M (L´Oréal 2018), present in around 2000 hairdressers. Their main clients are Miguel Viana and Facto. In *EXHIBIT 5*3.5 EXHIBIT 5. Competitive Landscape It is possible to see the comparison between color prices of Wella and LP. Wella is higher both in prices and promotions, attracting clients with the second factor.

Kérastase – With luxury premium reputation, Kérastase was founded in 1964, joining L´Oréal family. The brand stands for continuing to present bespoke products and treatments that satisfy in an exceptional way, the needs of each women. Consumers strongly recognize and value the brand by the quality of its portfolio of hair care products.

In Portugal Kérastase is present in 928 hairdressers and has a profit around 5M (L´Oréal, 2018) .

Regarding indirect players, they are the ones that offer the same products (shampoos, treatments, color), but sell them at the supermarket at a much lower price, without the service component. L´Oréal Paris, Pantene and Garnier.

When we talk about beauty, we can think of it as a pleasurable experience. Sometimes people go to hairdressers just to feel more beautiful and happy. All activities that can give them the same personal satisfaction can be considered as indirect competitors. Restaurants, trips, clothes are some examples where sometimes people prefer to allocate their money on, instead of going to the salon.

1.3. THE BEAUTY MARKET & THE ROLE OF L´ORÉAL GROUP

A study of Nielson (2018), called The Future of Beauty, believes that in 2018 the global beauty industry will be valued in $461 billion. The study highlights four main drivers of change: The natural movement, where consumers look for natural and healthy beauty options; The millennials movement that is changing retail, offering a more diverse beauty shopper base; The connection between online and offline channels to attract and engage consumers in every step of the journey. Overall, brands will continue to adapt their offers in order to reach diverse groups of people. In 2013, the group stated this intention by creating the movement: Sharing Beauty with All.

L´Oréal´s Professional Products Division (PPD) was founded by a chemical scientist, for beauty professionals to develop the salon business entrepreneurship with education as a key driver. The main core ambition of the division is to promote the professional business to people all over the globe. Present in 66 countries, it is the third largest division of the group and it fights a double challenge: educate and inspire its clients (the hairdressers) and at the same time, conquer consumers by offering them expertise, fashion and advices.

The PPD defined some key priorities. Maximize the brand´s portfolio, trying to identify opportunities and trends. Creating consumer habits of new hair colour dynamism, with the motto: Hair Colour is The New Make-up. Catch the natural trend opportunity by presenting 100% natural solutions in hair care and hair colour segments. Recruit and build loyalty by delivering new sensorial experiences, accelerating salon e-motion project with an omnichannel strategy and empowering digital education for both clients and consumers (through business related apps and e-commerce development).

The company made an analysis, in order to understand the consumer behaviours in the hairdresser industry. In Europe and in the United States, the frequency visits to hairdresser salons has been decreasing, while other beauty industries such as spas and luxury beauty salons have been developing positively.

This emergence might be related to the fact that more and more women live stressful lives so when they have time for themselves they look for sensorial pleasurable experiences. That little time that they have should be perfect and emphasised by an outstanding consumer service, completely centred in each client. Here is where personalization appears as a differentiation attribute, by placing the individual at the centre of each service and technical beauty approach.

The culture background of each women can have impact in the way they look for beauty. While women from France and Germany support the natural beauty concept, regarding femininity in a natural way, if we go to Italy or to the United States, women want to celebrate femininity by paying attention to every detail, looking for a more sculptural beauty.

The hair represents a huge role in femininity once it is a part of our image, and can influence individual and social identity issues. Summing up all of these elements, L´Oréal believes that the hairdressing salon is a place with a huge potential, however it still under-exploited.

In interview for Observador (February, 2018), Gonçalo Nascimento, the director of L´Oréal Professional Products Division in Portugal said that “The hairdresser follows so many magical moments in our life. The first haircut, the Christening, graduations, the first job interview, the first date, even marriage… The magic of the hairdresser´s profession is immeasurable and it is time to position these extraordinary professionals as what they really are: stars. The hairdresser himself has to be an influencer. We can reflect about how a cooker became a chef. And this route must be an example for hairdressers to work on their visibility both online and offline".

The professional products´ division is the second division with the highest growth inside the group. In Portugal, this business unit registered a growth of 4% in the first semester of 2018. Table 5 shows the contribution of each business channel to these results.

Tabela 5 L´Oréal Professional Products Results by Channel

	TOTAL TO	
	% VS 2017	CUM VS 2017
HAIRDRESSERS	1%	1%
CHAINS	-2%	1%
E-RETAIL	46%	51%
INDIRECT	3%	3%
TT MARKET	4%	5%

Source: L´Oréal, 2018

1.4 SALON E-MOTION – REINVENTING THE CLIENT´S EMOTIONAL JOURNEY

Salon E-motion is a project that helps to value, modernize and transform the hairdresser in a salon of the future, to deliver an emotional and unforgettable experience.

Studies show that women are changing all over the world. Very active and without time to waste, they wish to find new places and live new experiences that allow them to learn, create and have fun, feeling good at the end of the day. When the subject is the salon they ask for individuality, privacy, originality, transparency and trendiness!

In order to meet these expectations, the L´Oréal Division of Professional Products developed the program: Salon E-motion. A program that is adapted to each single hairstylist and that battels for transforming the salon in a space of global beauty, allowing women to live an emotional and unforgettable experience that they appreciate and makes them come back.

L´Oréal defines consumer experience as every emotion and feelings felt by a client before, during and after the purchase of products or services. After an internal study that shows that the consumer´s satisfaction during a visit to hairdresser doesn´t meet the hairdresser perception of it *EXHIBIT 6* the company developed Salon Emotion. A seven step program that aims to promote the development of consumer experience, in each step of the journey, matching perception and real satisfaction. These seven steps were developed based on the following insights that came out of the same study:

1. 30% of the consumers enter in a hairdresser because of the window´s attraction – Step 1 The Window Display
2. 70% of consumers are anxious when they visit a hairdresser for the first time, so the first impression and the way they are received are extremely important – Step 2 The Reception
3. Although 97% of the hairdressers say they make a good diagnostic before starting the treatment, only 7% of the consumers state that received one. – Step 3 Diagnostic´s Zone
4. When we asked consumers what were their favorite moment in a hairdresser´s experience, 87% refer that was the moment of the hair massage and shampooing – Step 4 Treatment and Color
5. Most of the analyzed consumers expressed that during the styling, they didn´t know the products that were being used, so they were not able to replicate the same technique at home – Step 5 Technique
6. In average 8% of the consumers used to buy products in the hairdresser – Step 6 Shopping
7. 61% of the consumers said that all the journey was very impersonal – Step 7 Rescheduling and Check Out

Based on these insights, the seven steps were deeply characterized in order for the company, its clients and partners, can have the same guidelines and philosophies in every action they develop. Therefore, the seven steps are:

1- The Window Display

It causes the first impression about the space and is very important to help the consumer deciding whether to enter or not.

This step doesn´t have to start in the physical space, but should start online. Being visible in all channels is the best way to attract new consumers. Online through social media platforms and physically way through well designed displays., in order to create desire among the consumers. The ideal Window Display must include: a digital window (it increases in 35% the number of people that enter in the space), visibility to the inside, information about the space (time, contacts), the logos of the brands used in the salon and the name of the space.

It is proven that it is 6 times more visible that a vinyl, increasing the number of new clients in 30%, which leads to a 10 to 16% growth in revenues, and it allows the hairdresser to customize the communication by choosing the contents to play.

2- Reception

The way the client is received in the salon is a crucial moment. The reception zone must be comfortable; the waiting time shouldn´t be too extensive and the treatment must be personalized.

The first 20 seconds are very important since the client must feel welcomed from the moment they put a step inside the store. Rules say that a good welcome must be done in less than a minute in order to understand the motivation behind the visit.

3- Diagnostic´s zone

The consumer must be seat at the diagnostic´s zone, where the client has to feel listened to, inspired, calm, convinced and conquered by the professional. A good diagnostic is the key to develop the business and to promote consumer´s value, following three simple steps – the discovery (of the consumer and its needs), the professional expertise diagnosis and the treatment proposed.

Here is where the personalization becomes the hero. Personalization is one of the hottest trends and one of the biggest challenges that the hairstylists are facing nowadays. The question is how to offer a personalized service in the salon? Through Diagnostic: by better adapting each service to each client. This is a crucial moment of the consumer's experience, because it is when the client must feel understood and somehow supported. The hairdresser has the opportunity to show professionalism and to start building a trustful connection with the client.

4- Treatment and Color

Backbar services are proven to be the favorite moment of women when visiting a salon. Around 86% of women say that the washing moment is the top moment of the journey and 70% refer that if this step is not a good experience, they will not return to that salon. Hair Care services should be improved in quality to guarantee that the consumer is more relaxed, satisfied and open to understand the importance of maintaining their capillary treatments.

In order to accomplish that, the professional must make sure that the consumer is well installed before explaining and starting the treatment ritual. Time is not a barrier here, the hairdresser can take all the time needed to make sure that the massage is complete and satisfying. A good way to enhance the sensorial experience again is to invite the client to feel the hair so that they can understand the difference of using professional personalized products.

5- Technique

The area of cut and styling is used with a lot of frequency, so it is important to guarantee that the space is always clean and ready to welcome a new consumer.

After the shampoo treatment, the styling moment is very important to the client, who is both anxious and nervous to see the final result. That is why it is very important for the hairstylist to explain every step of the technique, as well as the products used to show his expertise and to increase thrust. Transparency and share are the key words for the consumer to be able to replicate the final styling at home.

6- Shopping

If during the entire journey the client already heard about the best products for her/his hair, it becomes easier to understand which products could make the same results at home. Therefore, the shopping zone, that is an extension of the treatment, should be able to speak for itself, easily showing the consumers which products they are looking for. Appendix show the golden rules of hairdresser merchandising.

Fighting for the maintenance of the treatment at home is a way to retain clients. If they are satisfied with the result of the recommend products, they will come back more often (to change the look or to adapt the treatment to new hair phases). Shopping can represent 25% of salon´s revenues.

7- Rescheduling and Checkout

Offering an appointment card, understanding the satisfaction level and scheduling the next appointment is a way to maintain and empower the relationship.

Salon Emotion´s transformation is not simply about physical transformation, it is the strengths offered by three crucial pillars – the physical space, the education and the digital world. In Error! Reference source not found. of *EXHIBIT 6* we can see a matrix that allow us t o understand the characteristic that each salon should have in order to be considered as a Salon Emotion Store.

There are three possible levels of Salon Emotion. The first one is the lowest one and it´s called a Salon Expert. The minimum requirement is that the space uses all color and retail products from L´Oréal Professionnel Product´s Division (this includes L´Oréal Professinnel, Redken, Kérastase and Shuemura). From the three pillars above described, a Salon Expert must have four physical steps well implemented, they must have had certified training as well as an Access* account and product education (*Figure 4*).

Figure 4 Salon Emotion´s Matrix

	PHYSICAL	EDUCATIONAL	DIGITAL
Level 3	7 STEPS - POS KIT - Equipment - Furniture - Brand Expretion - 100% PPD	Mensal Visits Education Day In The Salon Salon Emotion´s Formation Acess	Google my business 100% digital tools
Level 2	5- 7 STEPS - POS KIT	Education Day In The Salon Salon Emotion´s Formation Acess	Google my business Digital window Diagnosis´ app
Level 1	4 STEPS - POS KIT	Salon Emotion´s Formation Acess	Google my business Diagnosis´ app

Source: L´Oréal, 2018

In July 2018, the Division of Professional Products from L´Oréal Portugal registered 10% of its distribution in one of these three levels. The goal is to end up the year with twice this number. From an internal analysis, we can see that 97% of these clients, who have already done a transformation, use L´Oréal Professionnel.

The hairdresser distribution channel is decreasing around 2% (without accounting for gross sales and online), although if we analyze only the clients that already went through a salon emotion transformation we come across a different reality. The 300 clients have registered a growth of 6% (homologous period), growing 4% in take-home retail sales, 8% in color services and 34% in customized services (personalized treatments).

From the 165 from level 2, that already have a digital window, 60% of them are growing in terms of demand, when comparing the 6 months period before and after the transformation. It is important to stand out that this evolution is positive in general terms, based mostly on the positive results of Color Category that balances the negative ones from hair care retail products.

1.5 L´ORÉAL PROFESSIONNEL – THE BRAND

In 1906 Eugène Schullur, a true pioneer in capillary science that spent all his life trying to find new trustful solutions to satisfy hairdresser´s needs, developed L´Oréal, the first harmless hair color treatment. This was the begging of an historical brand, the first brand of a still to be a successful company.

Since day one, L´Oréal Professionnel has been the leader of capillary treatments technology. The new products are developed, tested and approved by the best professionals from all over the world, always following the standards of performance, comfort, security and sustainability.

Strongly connected to fashion industry, the brand sponsors hundreds of fashion shows and fights to be the main reference of hair trends, capable of inspiring hairdressers to create the looks that women most desire.

Looking at hairdressers as its main partner, the brand is strongminded to help salon´s professionals with their daily activity, by developing educational courses to teach the best techniques that they will need in order to replicate trending looks. The goal is to value their expertise while helping them to have better working conditions. Once 75% of the professional diseases, mostly associated with this career, are from muscle-skeleton disturbs, L´Oréal Pro developed a 15minuts daily training to prevent these disorders.

The Brand´s ambition is to continually reinforce this partnership, servicing hairdressers all over the globe, standing out the idea that both are together in a long run, building a global leadership with benefits for everyone and elevating professional beauty to a next level.

When it comes to the company main activity- developing and selling professional hair care products- the following values are always kept in mind:

Pioneering Research; Fashion and Professional Expertise.

The brand´s pioneering research together with a creative initiative and professional specialized education, allow hairdressers from all over the world to bring out the star in every women. All products are developed using the most recent technology, exclusive molecules in the highest concentration of active ingredients.

As a global brand and market leader, the brand mission is to help developing all beauty professionals with amazing products and services, specialized education, guaranteeing an unique experience with the brand L´Oréal Professionnel, in every step of the consumer journey.

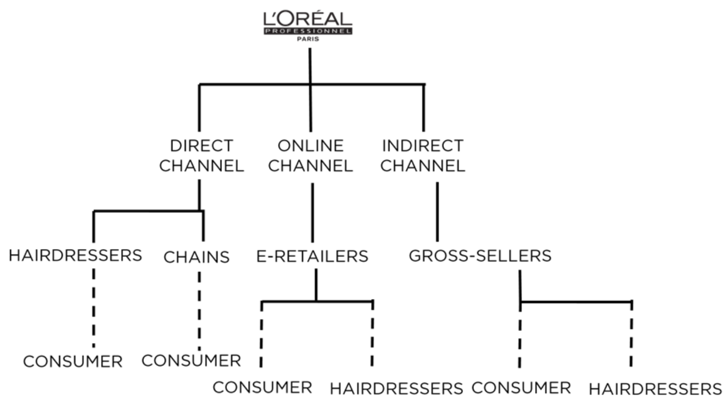
The business model that supports professional expertise

L´Oréal Professionnel´s organization includes different departments. Although the technology and product development come from Paris, in Portugal the brand has the support of L´Oréal´s company as a group that includes human resources, legal and scientific team (to validate translations, local campaigns) and a consumer market insights team, to help every single brand of the group with knowledge about local consumers. The Department of Professional Products also has a customer service area to complement the commercial work, and a purchasing department to guarantee a good relationship with our suppliers, always looking for the best business opportunities.

The products are produced in France and then go to a warehouse in Spain (that is shared for all the group brand´s from both countries). Local products like marketing materials to complement sales also have to go to Spain because all purchasing orders start there, and then are distributed in 3 to 4 days to the clients.

These clients can be single hairdressers or gross-salers. In *Figure 5.* it is possible to understand the distribution chain of the company.

Figure 5 L´Oréal Professionnel - Distribution Chain



Source: L´Oréal, 2018

L´Oréal Professionnel offers a huge portfolio of products. We can analyze this portfolio according to 3 main categories: Hair Color, Hair Care and Hair Styling. In Figure 6 (*EXHIBIT 7)* is present all the portfolio of products. All sub brands can be recognized by its quality and by fulfilling the promises.

L´Oréal Professionnel is a global brand which focus on education. Present in more than seventy countries, the brand accounts for more than two thousand and five hundred trainers, in three hundred million salons and one million hairdressers.

In Portugal the brand has three thousand clients, and a team of 7 educators that partner with 20 ID artists. An Id Artist is a hairdresser that is a reference for the brand and the consumers. They collaborate with the education team to understand new products and techniques and they share them with other clients, in order to inspire and develop this industry. Some of them are brand ambassadors, having a strong role in representing L´Oréal Professionnel DNA.

All this IDs are role models as professionals and their salons represent the ideal salon experience and transformation. In salonemotion.pt it is possible to take a look of some of this spaces. Three examples are: Griffhairstyle owened by Helena Vaz Pereira (Brand ambassador that is present in all Lisbon Fashion Weeks), Chiado Studio (The brand´s flagship that you can see in appendix by having all salon emotion´s steps implemented) and Manubela (a hairstylist that became a phenomenon to consumers, after start taking care of major TV reality shows influencers).

Capturing Trends

From more than 20 years L´Oréal Pro has been present in all fashion weeks (Paris, New York, London, Millan). In Portugal Helena Vaz Pereira, in representation of the brand, is the face of Lisbon Fashion Week.

Since its beginning that the Brand tries to bring women and hairdressers closer, promoting know-out and knowledge to encourage women to increase their salon´s visits. In order to help consumers in the process of finding inspiration, choosing a new hair cut or color, choosing the perfect hairdresser, L´Oréal Pro launched in 2016 the app Style My Hair.

An App that allows clients to try in real time new hair colors and looks, and that has a huge amount of articles and photos about the hottest trends for hair. More than three hundred articles per year, two thousand and four hundred looks, professional advices and store locator to help consumers finding the closest hairdresser

The brand´s promises – an ecological conscience

From the packaging to the formulas and merchandising, the brand is enrolled in reducing ecological foot-print, while promoting the well-being of its hairdressers. In 2018, as a part of Sharing Beauty with All program, L´Oréal Professinnel goes one-step further by launching an innovative product that promotes a more sustainable production and consumption.

Botanea – the first hair color 100% natural

Source Essentielle – the first hair care 80% to 100% natural, with refilling capacities.

2. QUESTIONS

1. Describe the current hairdresser market in Portugal, identifying the main reasons for modernization of the sector.

2. Explain how L´Oréal Professionnel could use its differentiation factors to overcome the present challenges that hairdresser industry faces right now.

3. Examine the swot analysis of L´Oréal Professionnel current strategy and develop a tows analysis based on it. (How can the company use its strengths to take advantage of its opportunities to avoid potential threats and exploit its opportunities to overcome weaknesses).

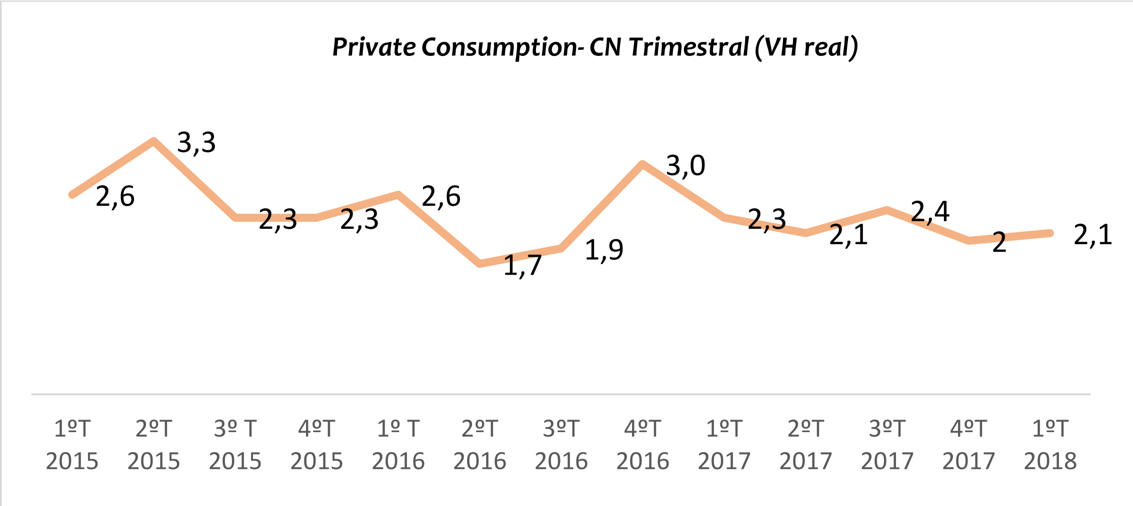
4. Describe the brand´s current strategy and explain how salon emotion is a key driver of it.

5. What would you recommend the brand to do next to continue to contribute for the modernization of the sector.

3. APPENDIX

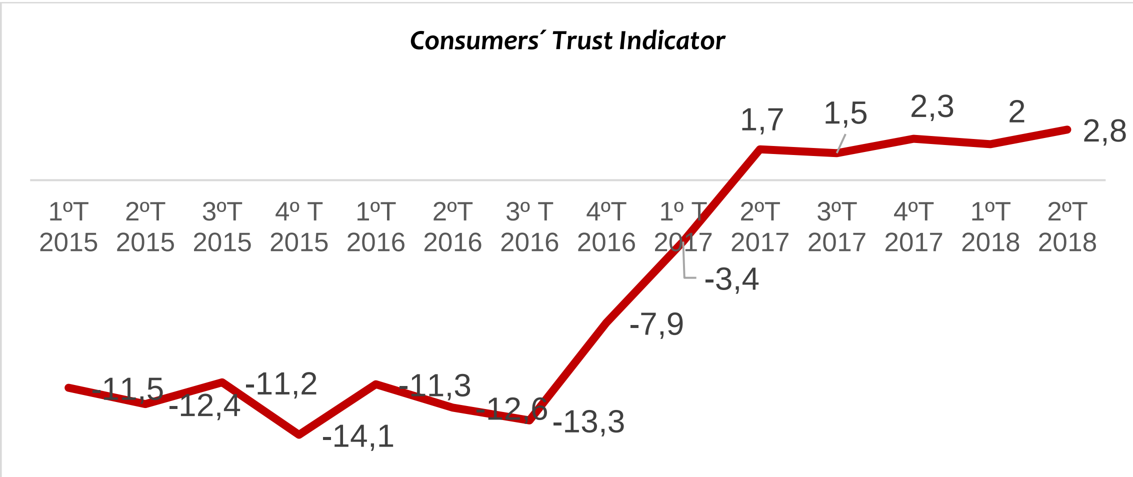
3.1 EXHIBIT 1. Portuguese Economy Overview

Figure 6 Portuguese Private Consumption – (2015-2018)



Source: INE| european comission[4]

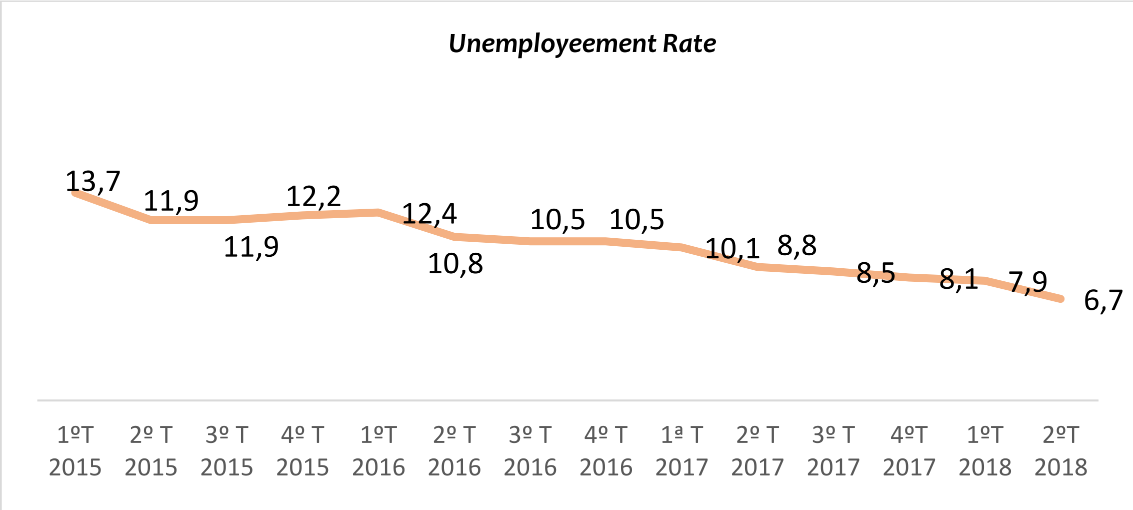
Figure 7 Level of Consumers´ Trust –(2015-2018)



Source: INE| european comission[4]

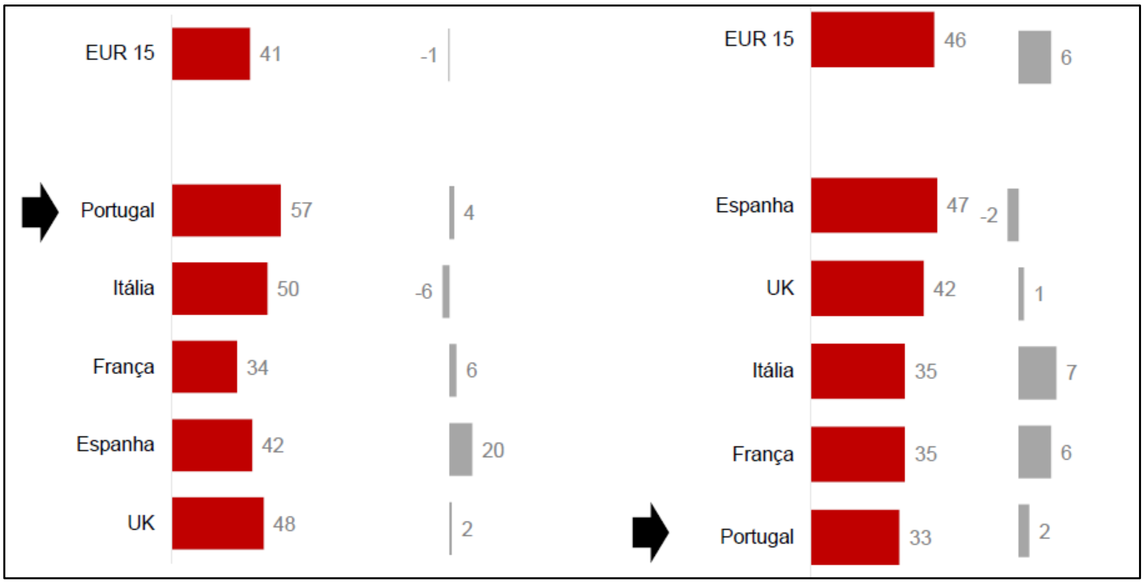
[4] Provisional data from Bank of Portugal 2018

Figure 8 Unemployeement rate – (2015-2018)



Source: INE| european comission[5]

Figure 9 Portuguese Intentetions to Save and Expend



Source: Observador Cetelem, 2017

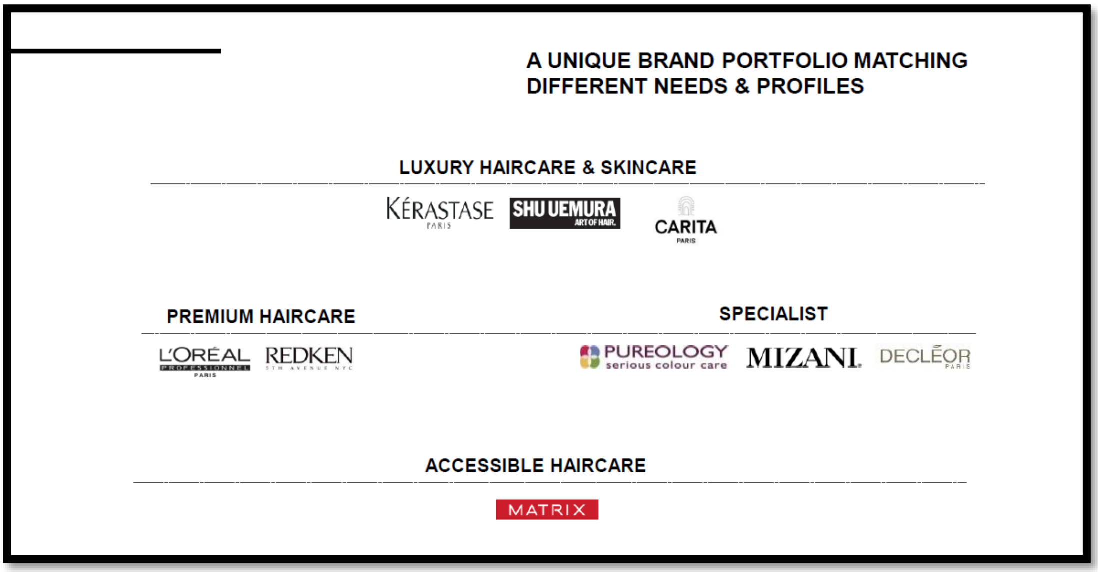
[5] Provisional data from Bank of Portugal 2018

3.2 EXHIBIT 2. Global Hair Care Market

Figure 10 Top 10 Countries by Net Sales & Growth Contributors

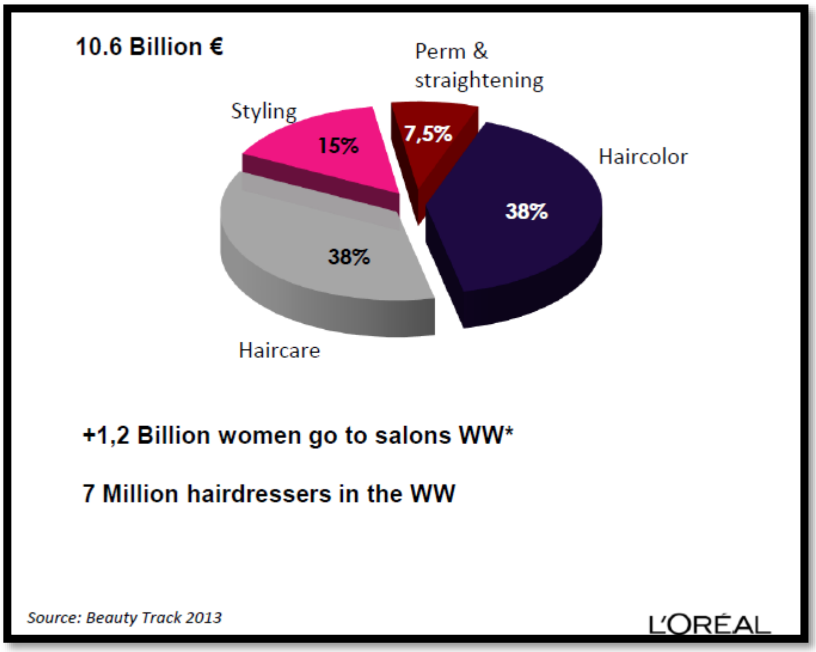
Source: L´Oréal, 2016

Figure 11 L´Oréal Professional Product´s Division Portfolio of brands.



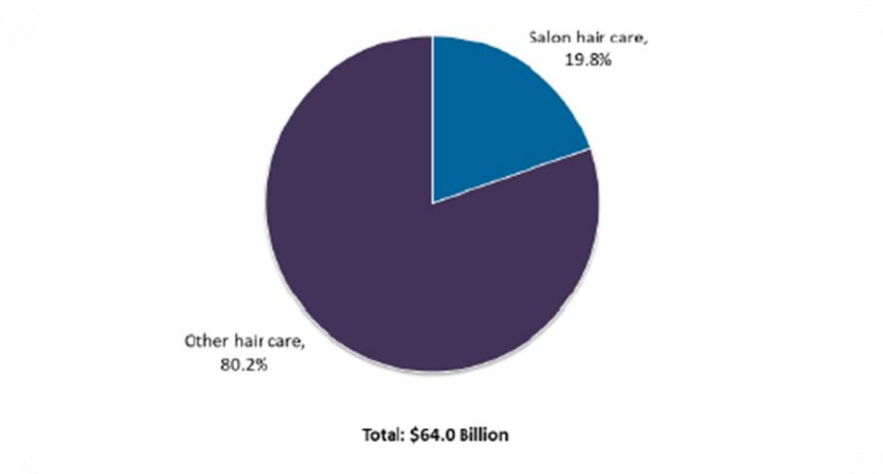
Source: L´Oréal, 2016

Figure 12 World Professional Haircare Market



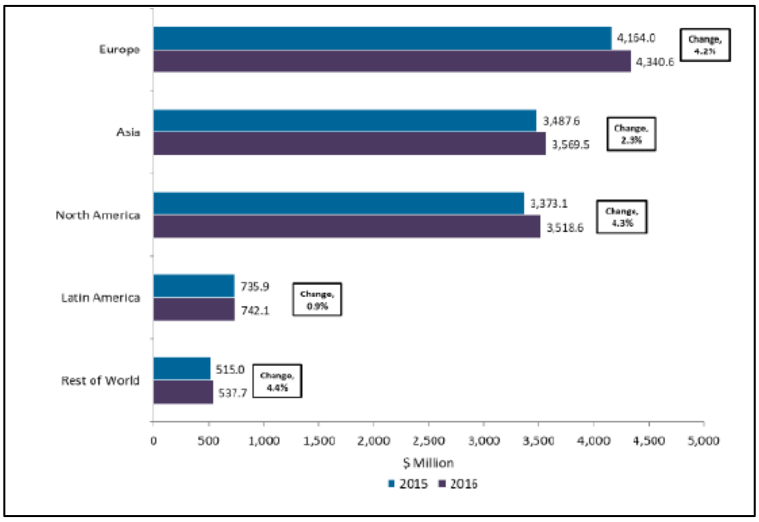
Source: Beauty Track, 2013

Figure 13 Salon Haircare Sales as Proportion of Overall Global Sales, 2016



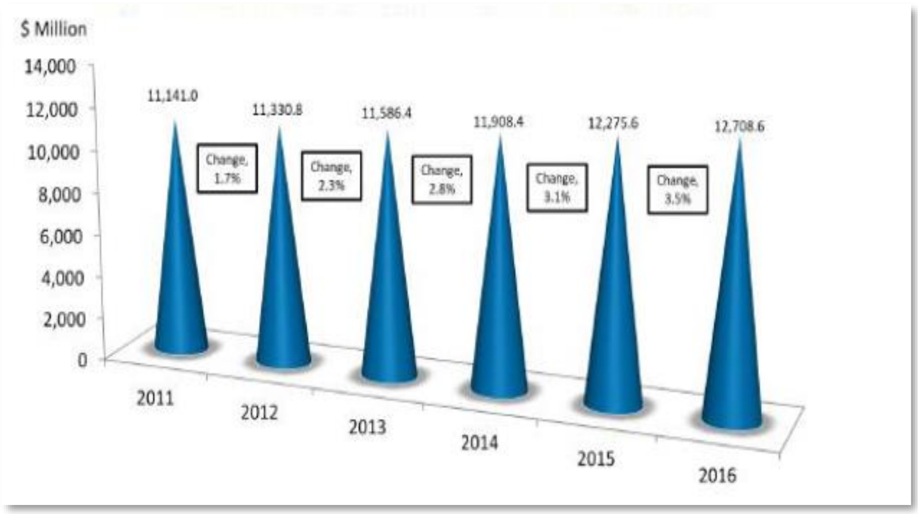
Source: Kline, 2016

Figure 14 Sales and Growth of Hair Care by Region



Source: Kline, 2016

Figure 15 Historical Sales And Growth Of Global Salon Hair Care Products, 2011-2016

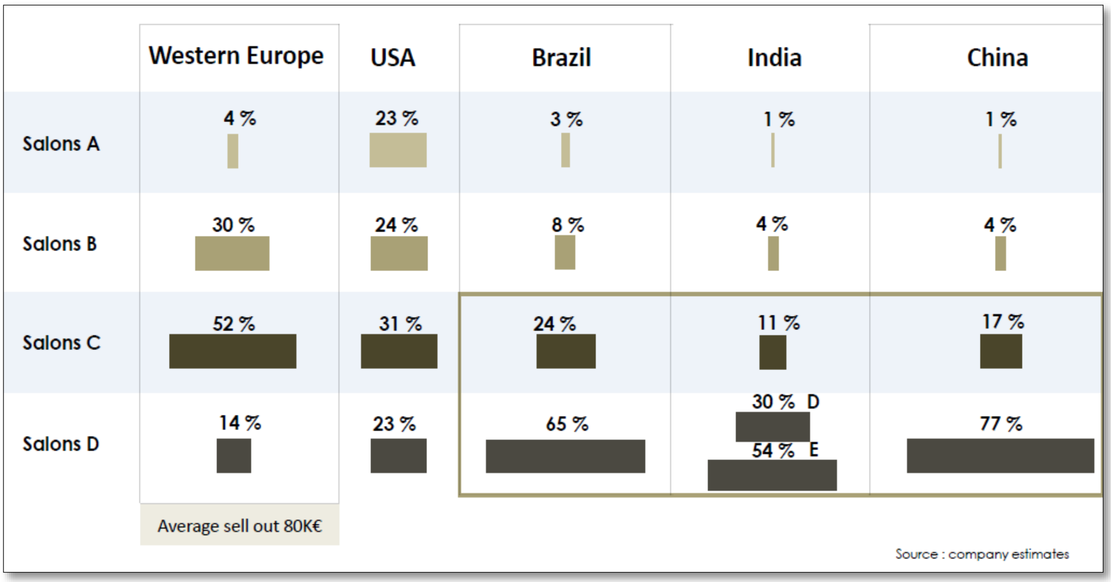


Source: Kline, 2016

Figure 16 Industry Around the world

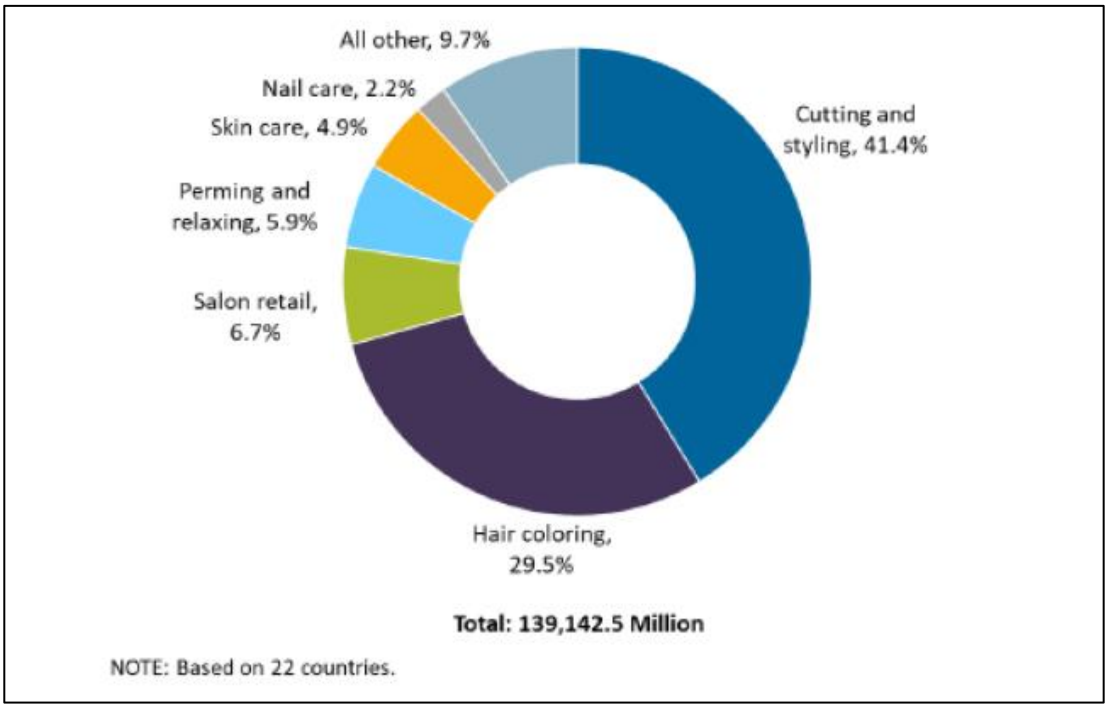
Source: L´Oréal, 2017

Figure 17 Salon´s Global Distribution by salon category



Source: L´Oréal, 2017

Figure 18 Global Gross Revenues for Professional Salon Services and Product Sales, 2016



Source: Kline, 2016

3.3 EXHIBIT 3. Portuguese Hair Care Market

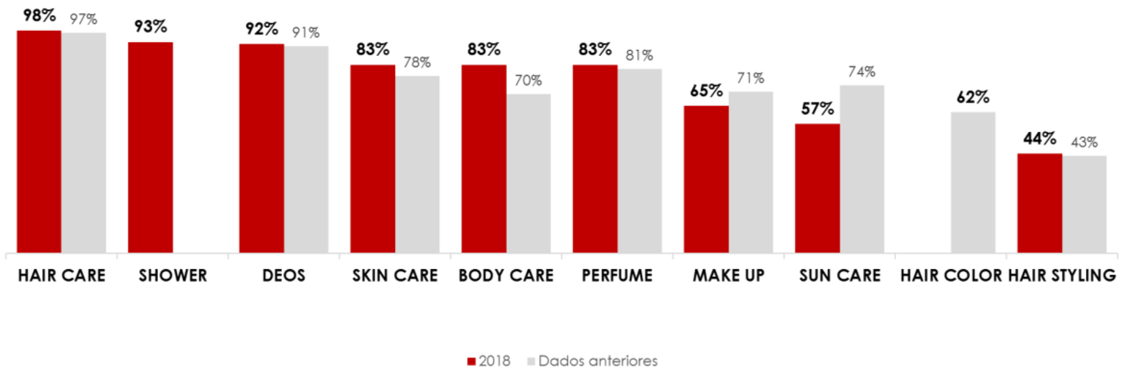
Table 6 Categories Value in the Cosmetic Market

	2014	2015	2016	2017	% Evol 2017 Vs 2016	YTDP6 2016	YTDP6 2017	YTDP6 2018	% Evol YTD P6 2018 Vs YTD P13 2017
TOTAL HYGIENE MARKET	978.865	1.001.356	1.025.477	1.058.031	3,2%	434.002	468.363	472.315	0,8%
Hair Care	223.709	225.635	228.303	233.342	2,2%	102.744	103.974	**107.801**	3,7%
Total Face Care	184.833	186.378	185.265	191.843	3,6%	86.034	89.678	**95.014**	6,0%
Face Care Soin	166.531	166.672	165.164	169.777	2,8%	76.759	79.584	**84.143**	5,7%
Face Care Toilette	18.302	19.706	20.101	22.066	9,8%	9.275	10.052	**10.810**	7,6%
Body	92.738	99.694	101.998	107.726	5,6%	46.849	55.732	**54.385**	-2,4%
Perfumes	122.441	124.803	131.475	138.607	5,4%	47.559	47.607	**50.500**	6,1%
Make Up	86.514	92.250	99.086	99.415	0,3%	33.371	45.648	**46.401**	1,6%
Sun Care	44.299	58.862	63.618	65.416	2,8%	24.758	30.397	**25.565**	-15,9%
Shower Gel	50.385	53.495	54.540	57.442	5,3%	21.854	26.538	**26.392**	-0,5%
Deos	56.072	57.510	58.355	61.531	5,4%	23.040	26.391	**24.900**	-5,6%
Coloration	43.052	43.606	43.440	44.621	2,7%	22.303	21.085	**21.195**	0,5%
Styling	32.380	32.565	31.702	30.779	-2,9%	14.386	14.350	**13.986**	-2,5%
Shaving and After Shave	20.046	21.383	19.014	18.805	-1,1%	7.127	7.701	**7.265**	-5,7%

Source: Nielson, 2018 YTD6

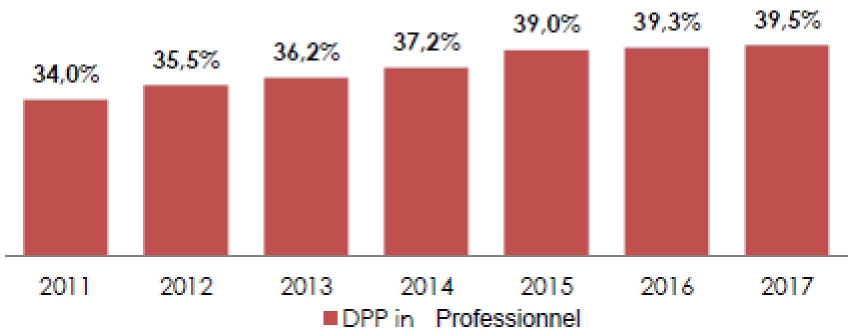
PENETRATION TRACKING 2018

Figure 19 Penetration Tracking by Category (2018)



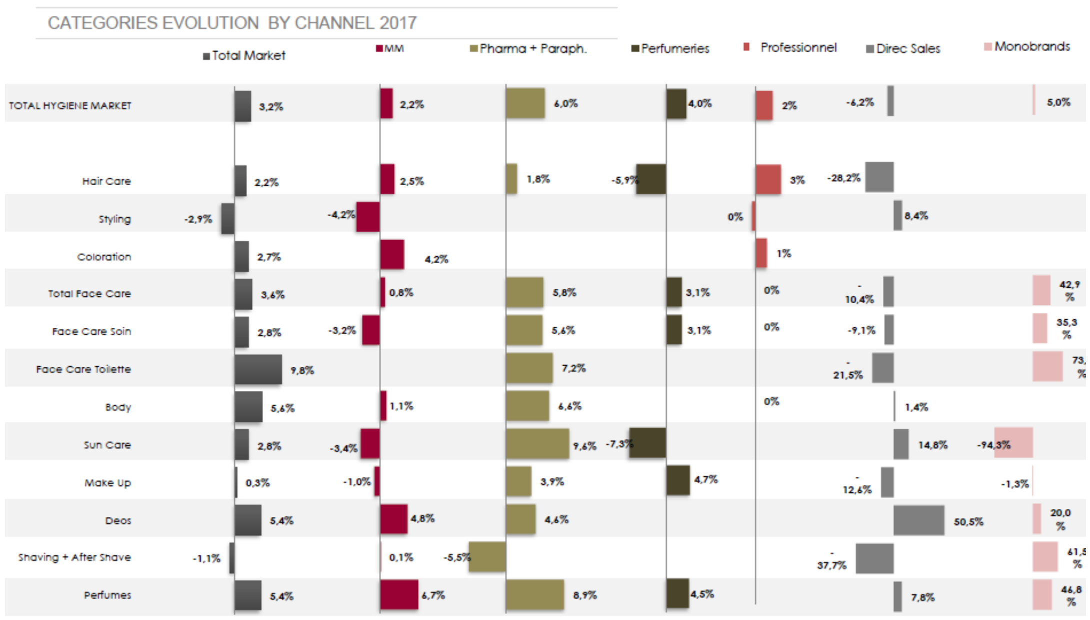
Source: Nielson, 2018

Figure 20 DPP Market Share in Professionnel



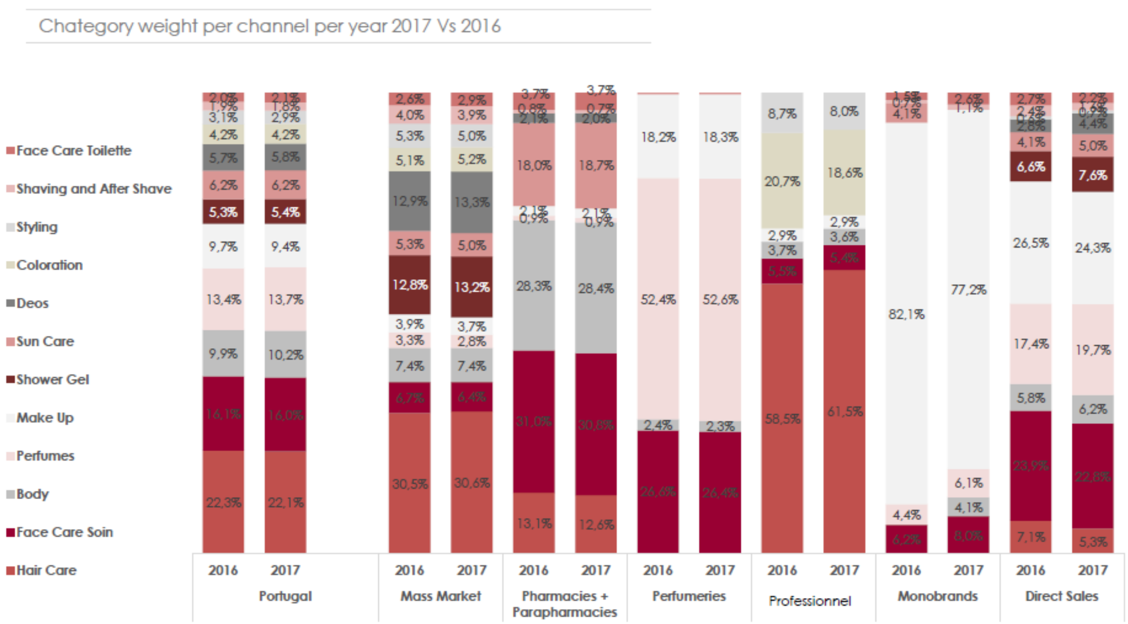
Source: Nielson, 2018

Figure 21 Portuguese Hair Care Market by Category of Service



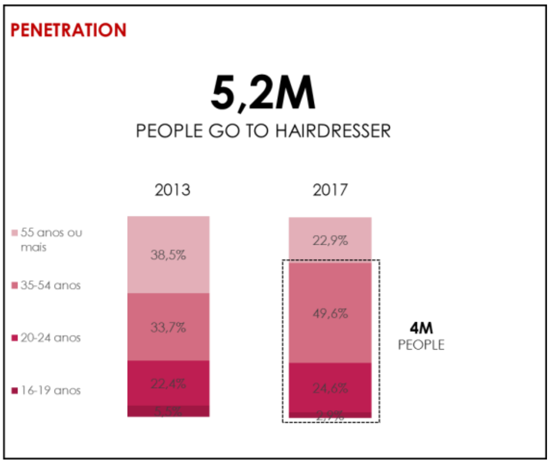
Source: Nielson, 2018

Figure 22 Category Weight per Channel



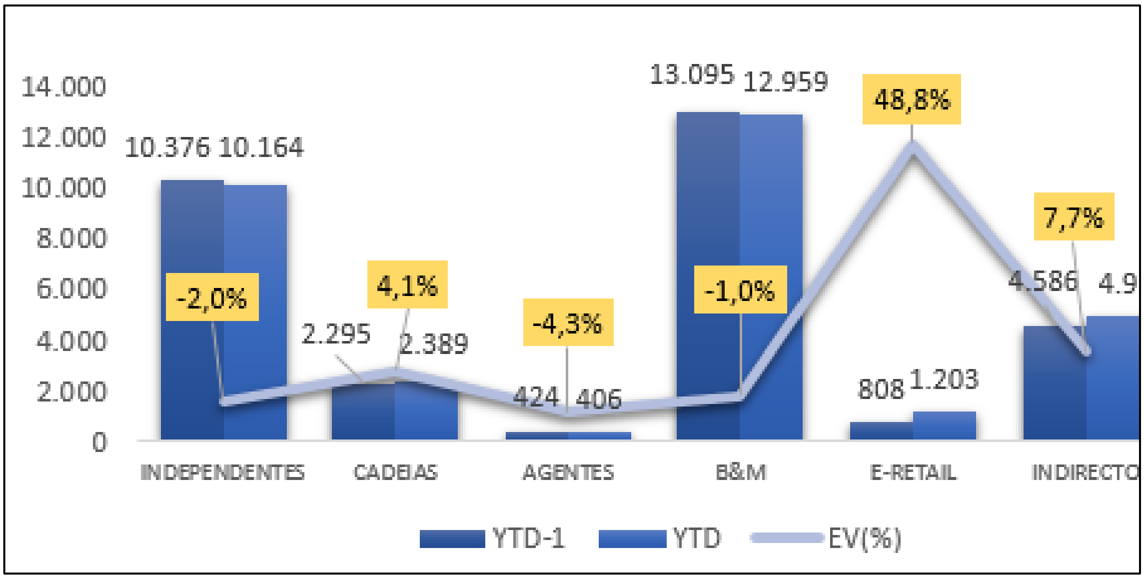
Source: Nielson, 2018

Figure 23 Penetration of People that Goes to the Hairdresser



Source: L´Oréal U&A Hair Care, 2016

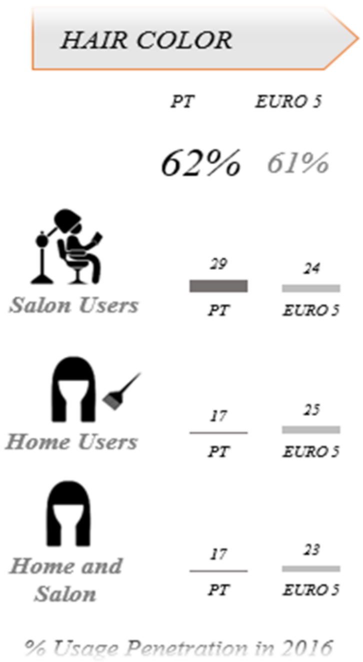
Figure 24 PPD YTD Evolution by Channel



Source: L´Oréal, 2018

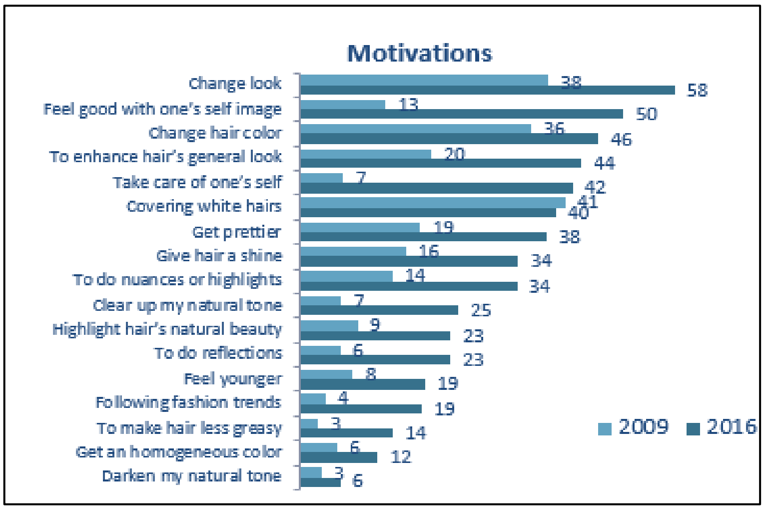
3.3.1 EXHIBIT 3.1 Hair Color Market

Figure 25 Hair Color Market Penetration



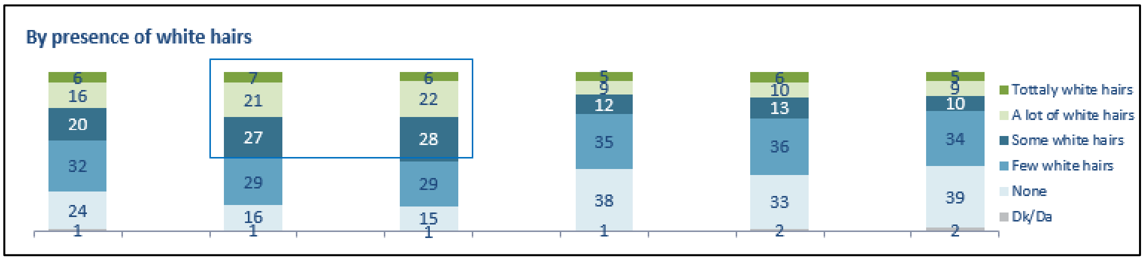
Source: L´Oréal U&A Hair Color, 2016

Figure 26 Motivations to change Hair Color



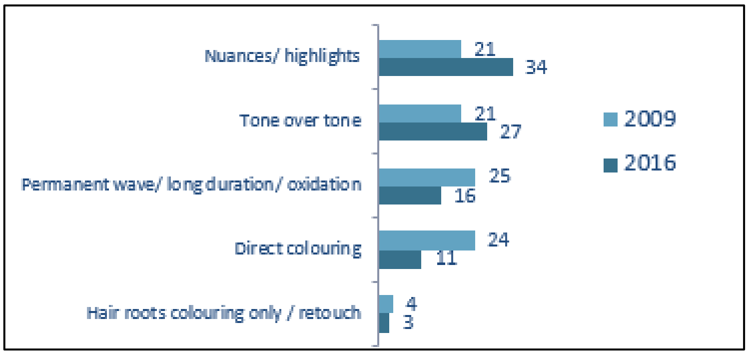
Source: L´Oréal U&A Hair Color, 2016

Figure 27 Hair Color Importance To Cover White Hairs



Source: L´Oréal U&A Hair Color, 2016

Figure 28 Type Of Hair Color Done In The 1st Time



Source: L´Oréal U&A Hair Color, 2016

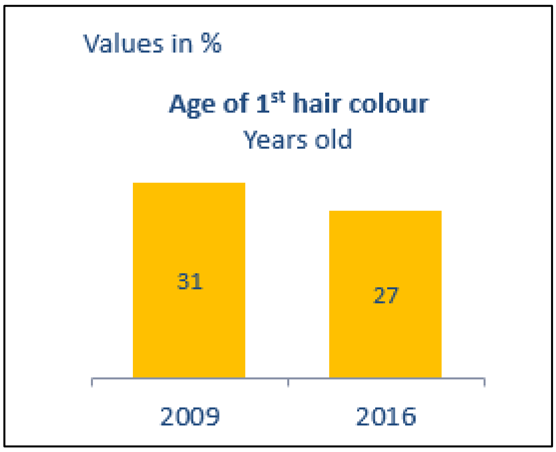
Tabela 7 Reasons for Choosing Haircolor at Salon vs at Home

Couldn't make on her own	19%
Needed a professional advice	18%
Was afraid of the result	14%
Likes having a professional taking care of her hair	14%
Was going to make nuances/ highlights	10%
Couldn't choose the best type for her hair	10%
Couldn't choose the best colour	8%
It is very hard to make it	5%
Wanted a smooth change	2%
It was meant to have only some reflections	1%

Price/ more cheap	32%
Relative's/ friend's recommendations	11%
Results at home are satisfying	9%
Home products/ brands are of quality	7%
Takes less time/ it is more rapid	6%
One can choose the tone/ colour	6%
Was meant to cover the white hair	6%
Wanted to have a smooth change	5%
Doesn't like to go the hair salon	4%
Wanted to have some reflections	4%
Was able to choose the brand	3%
The result would depend on me	3%
Wanted to give a shine	2%
Saw an advert for a home brand	2%

Source: L´Oréal U&A Hair Color, 2016

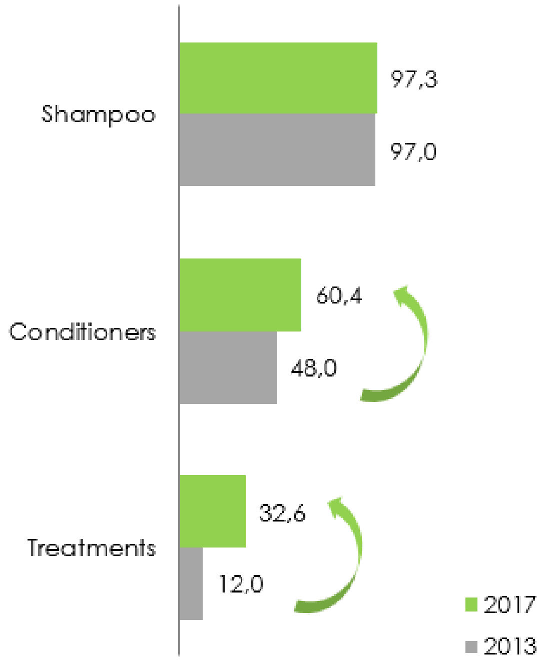
Figure 29 Age Of The First Hair Color



Source: L´Oréal U&A Hair Color, 2016

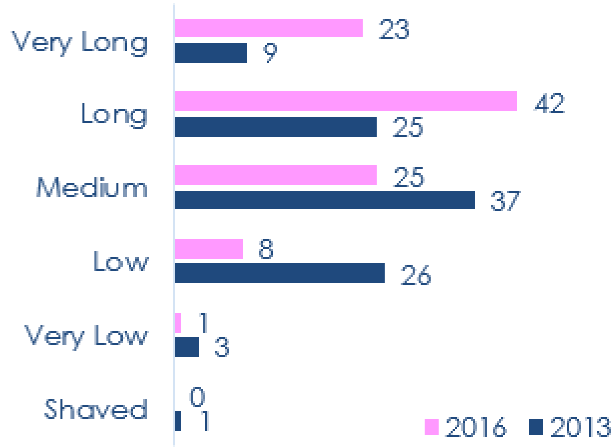
3.3.2 EXHIBIT 3.2 Hair Care Market

Figure 30 Different Hair Care Treatments Penetration



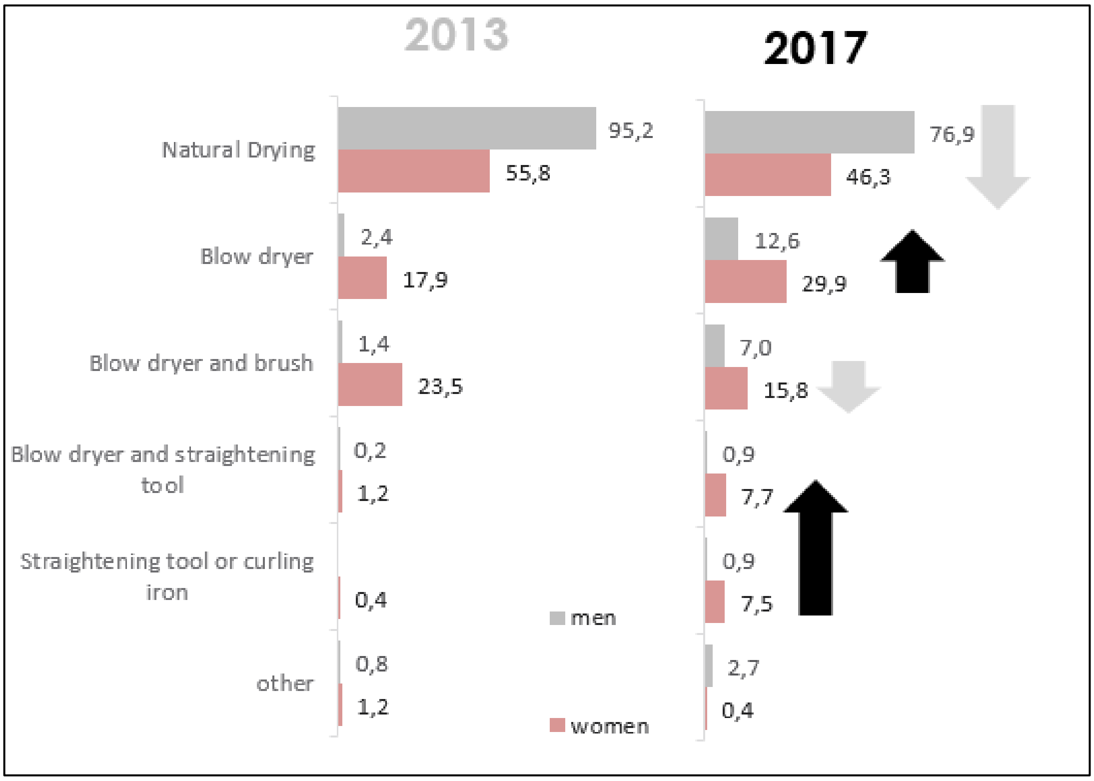
Source: L´Oréal U&A Hair Care, 2017

Figure 31 Hair Size Evolution



Source: L´Oréal U&A Hair Care, 2017

Figure 32 Hair Brushing types



Source: L´Oréal U&A Hair Care, 2017

3.3.3 EXHIBIT 3.3 Hair Styling Market

Figure 33 Hair Styling Products Penetration

Source: L´Oréal U&A Hair Styling, 2017

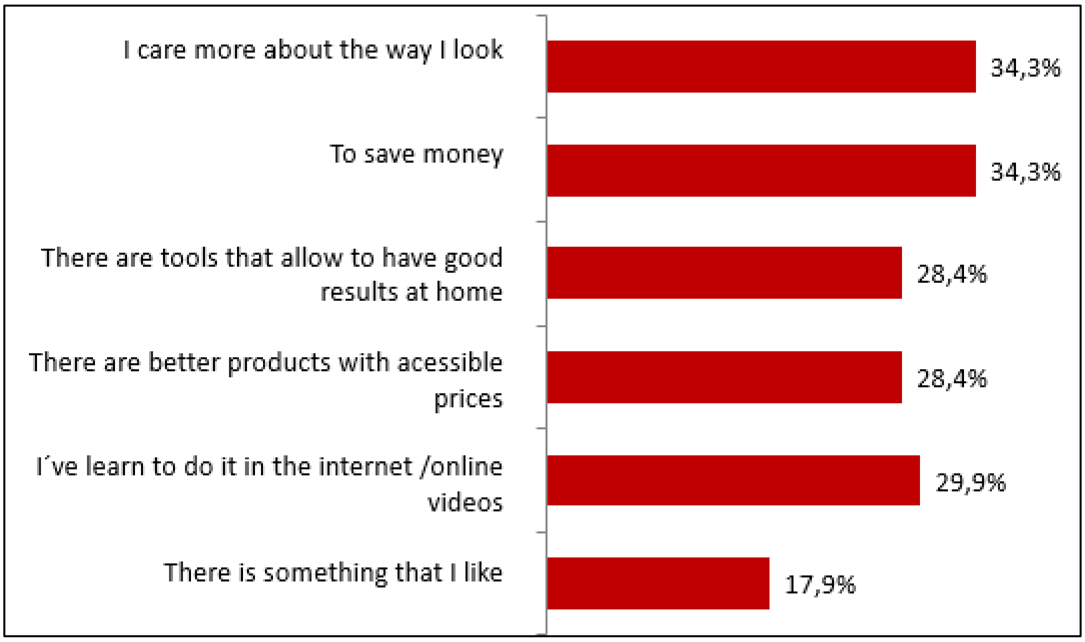
Table 8 Reasons For Choosing Hair Styling Products

	TOTAL	MASC.	FEM.	16-19	20-34	35-54	55 or +
Family and Friends Recommendation	46,5	43,3	47,6	53,8	53,4	43,3	42,5
Hairdresser Recommendation	39,3	23,7	44,5	30,8	31,2	37	50,4
POS Recommendation	6,4	9,9	8,1	13,6	9	5,2	6,4
TV Advertising	35,7	47,4	31,8	38,5	40,4	40,2	26,8
Magazines Advertising	24,4	24,7	24,3	30,8	22	30,7	18,9
Internet Advertising	4,6	8,2	3,4	11,5	8,3	3,1	1,6

Source: L´Oréal U&A Hair Styling, 2017

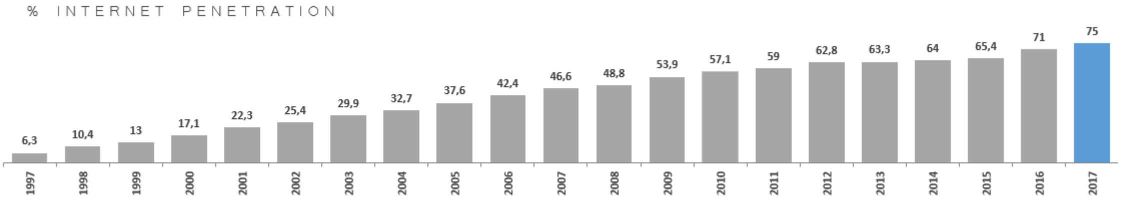
3.4 EXHIBIT 4. Hair And Beauty Consumer´s Habits

Figuea 34 Reasons for having beauty care at home



Source: C-Lab, 2016

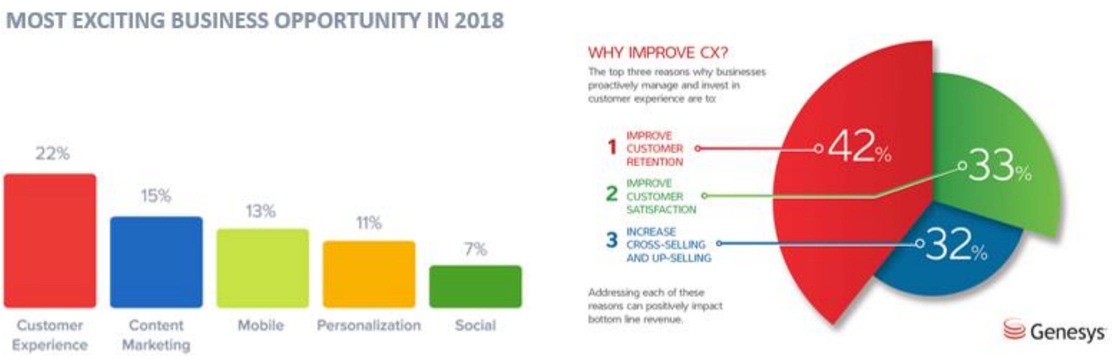
Figure 35 Internet Penetration in Portugal



Source: Eurostat, 2016[6]

[6] Eurostat* Consumer Barometer** and Web Index Q2 and Q3 2016*** and Annalect

Figure 36 Consumer Experience – an opportunity



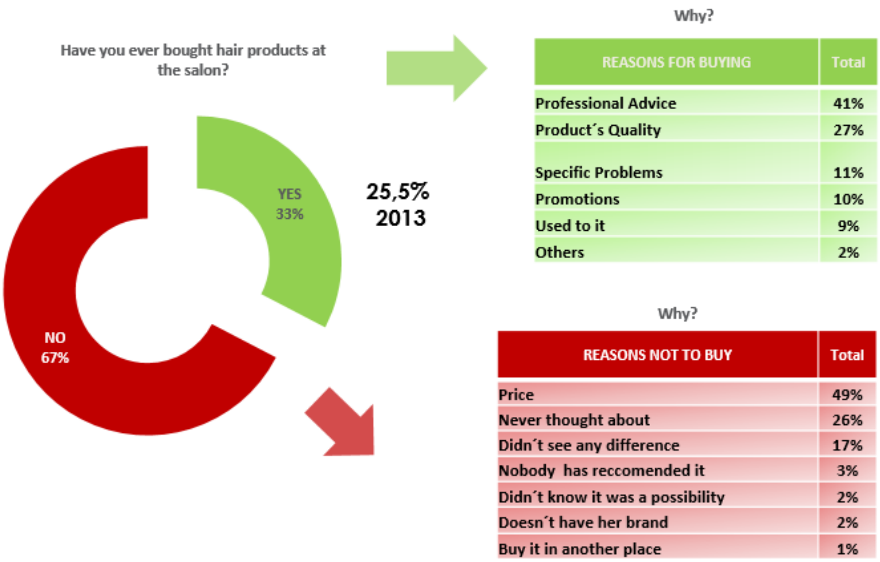
Source: Econsultancy, 2018

Table 9 Choices Regarding Hair Related Problems

	1º	2º	3º	4º
Anti dandruff treatment	Super/ Hiper (64% vs. 83%)	Pharmacy (16% vs. 12%)	Wells (4%)	Catalogue (3%)
Product to stop hair loss	**Pharmacy (35% vs. 28%)**	Super/ Hiper (26% vs. 35%)	Hairdresser (13% vs. 21% Hairdresser/ barber))	Wells (11%)
SolaR Hair Products	Super/ Hiper (54%)	Farmácia (15%)	Hairdresser (6%)	Catalogue (6%)
Treatment ampoules **	**Pharmacy (45% vs. 29%)**	Hairdresser(21% vs. 40% hairdresser/ barber))	Super/ Hiper (16% vs. 16%)	Wells (12%)
Scalp treatments	Super/ Hiper (32%)	Pharmacy (22%)	Hairdresser (12%)	Wells (9%)
Other products for treatment	Super/ Hiper (54%)	Hairdresser (13%)	Pharmacy (10%)	Catalogue (7%)

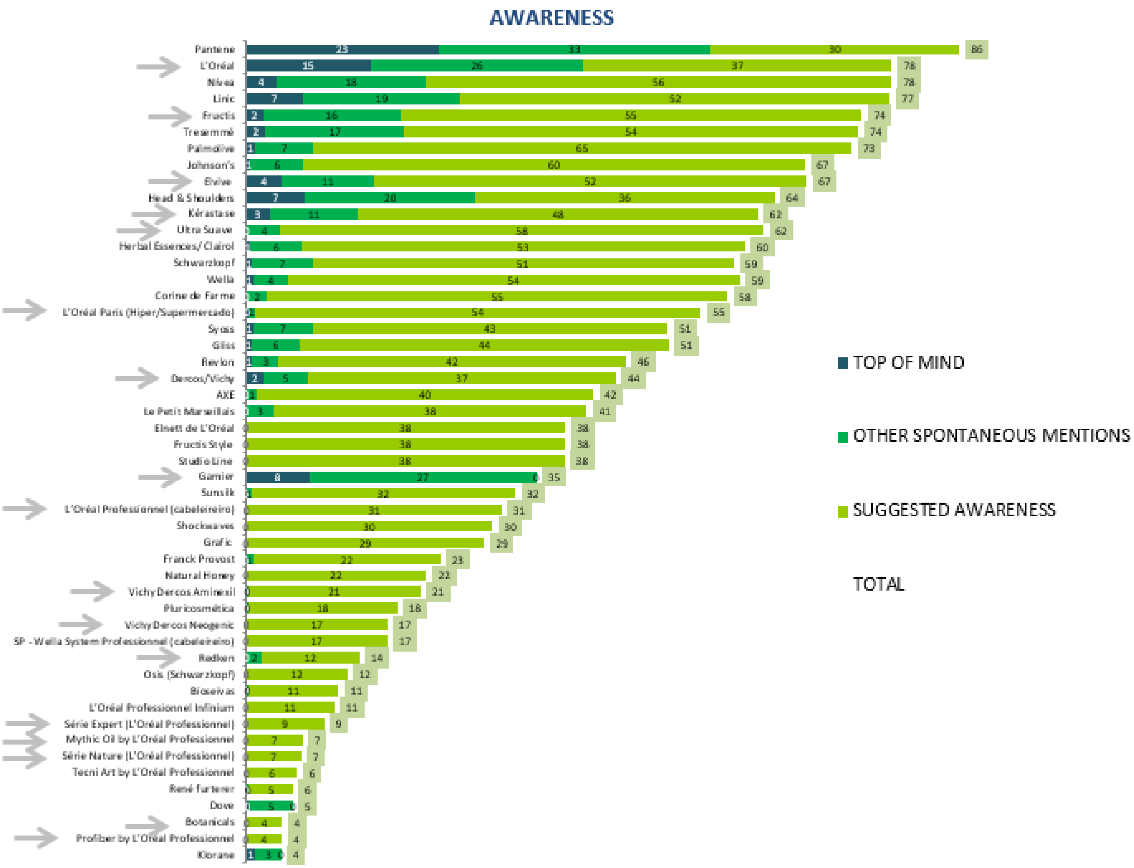
Source: L´Oréal U&A Hair Care, 2017

Figure 37 Consumers And Their Habit To Buy Professional Products At The Hairdresser



Source: L´Oréal U&A Hair Care, 2017

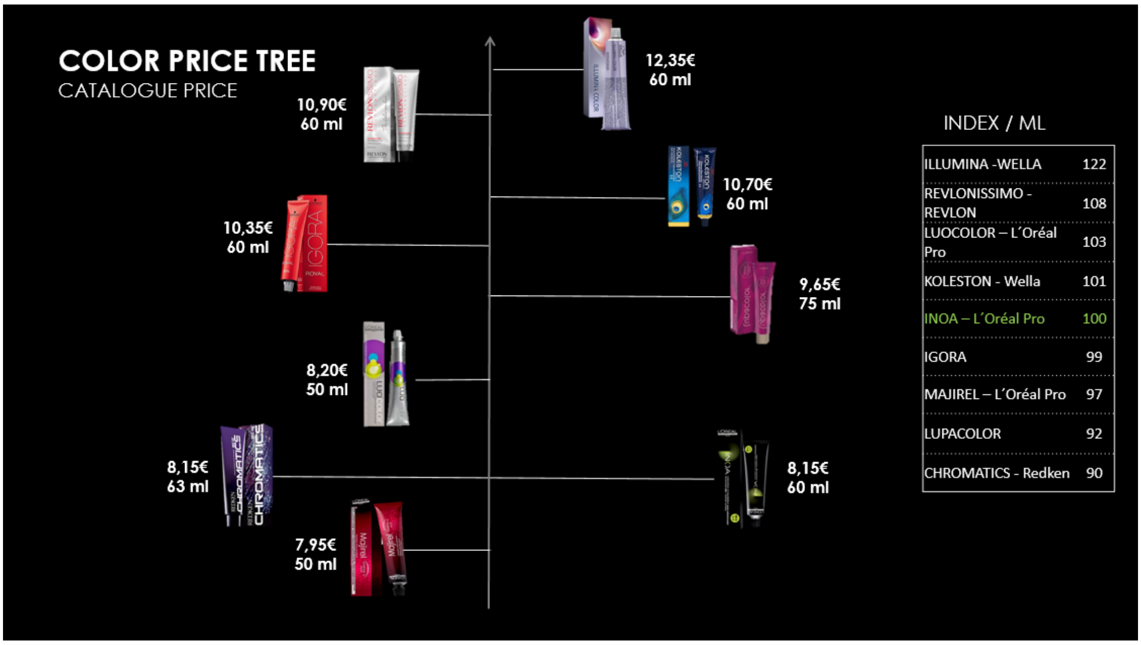
Figure 38 Brand Awareness Among Consumers



Source: L´Oréal U&A Hair Care, 2017

3.5 EXHIBIT 5. Competitive Landscape

Figure 39 Color price Tree



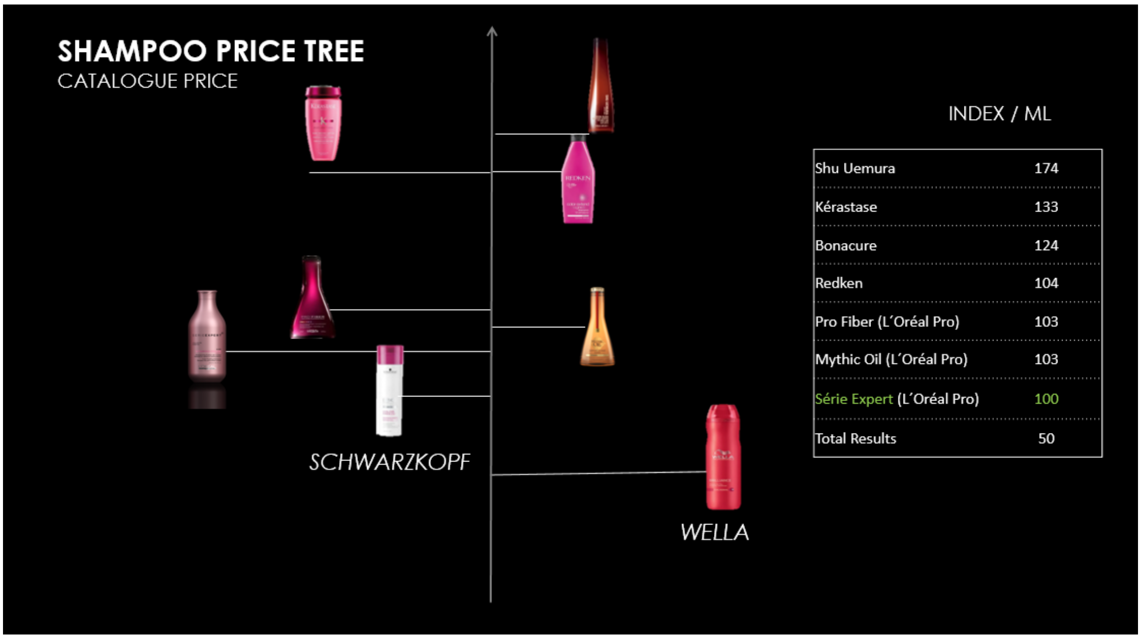
Source: L´Oréal, 2018

Table 10 Wella and L´Oréal Professionnel prices per application

BRAND	PRICE PER APPLICATION*
ILLUMINA	**4,26€**
KOLESTON	**3,60€**
INOA	**4,81€**
MAJIREL	**4,20€**

Source: L´Oréal, 2018

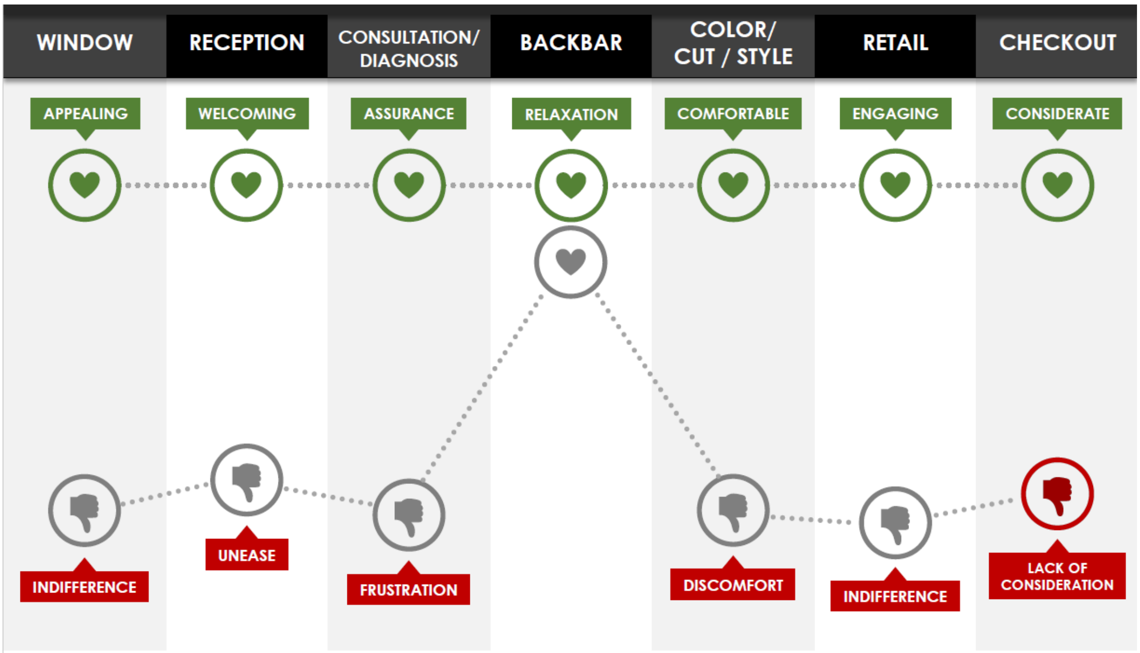
Figure 40 Shampoo Price Tree



Source: L´Oréal, 2018

3.6 EXHIBIT 6. Salon Emotion – The Project

Figure 41 Consumers Satisfaction During a hairdresser visit



Source: L´Oréal, 2018

Figure 42 The seven steps in the visit

Source: L´Oréal, 2018

Table 11 Salon Emotion Clients Divided by Level - Evolution

DOORS	2015	2016	2017	2018	CUM YTD
L1	0	0	65	59	**124**
L2	25	29	58	58	**170**
L3	0	1	1	1	**3**
DOORS SE	25	30	124	118	**297**

Source: L´Oréal, 2018

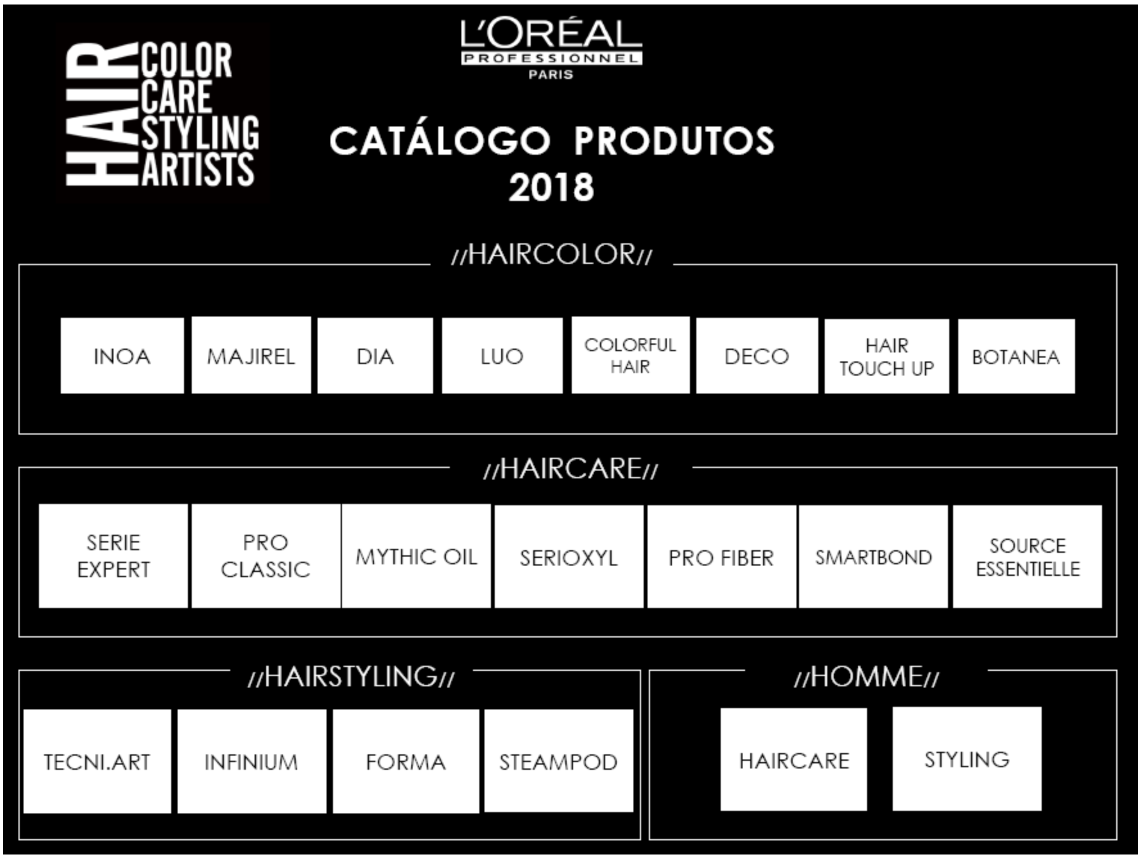
3.7 **EXHIBIT 7.** L´Oréal Professionnel – The Brand

Table 12 Quantitative Weight per Distribution Channel

GROWTH	YTD 2018	EV. %
TOTAL	1	1,80%
DIRECT	59%	-1,50%
Independents	48%	-2,60%
Chaines	7%	4,40%
Agents	2%	-9,20%
E-Retailers	2%	24,60%
INDIRECT*	41%	7,10%

Source: L´Oréal, 2018

Figure 43 L´Oréal Professionnel Portfolio



Source: L´Oréal, 2018

4. TEACHING NOTES

4.1 TARGET

The present case study was developed for students from management, marketing and strategy that need to put into practice some theoretical frameworks. Hairdresser industry will be an extra challenge for these students, once it is a sector that few people think or study about. A very complete case study that will allow students to understand the importance of both B2B and B2C approaches, for the same objectives.

4.2 OBJECTIVES

To accomplish this purpose the case-study is divided into two distinct, though connected, parts. Firstly, it is presented a brief analysis of the Portuguese Hair Care market and the Portuguese consumers' behaviors that affect this industry, followed by an overview of the company with special focus on the Salon Emotion project. It is also analyzed what have been the main focus of the company since it was created as well as a brief discussion of its values, mission and vision and more importantly its key success factors. In addition, the current business model of the company must be examined, with a special highlight on what are the most differently factors of the brand - its educational offers, the excellence and variety of its products and its focus on modernization.

The second part of the case intends to challenge students from different areas of study to be creative and to think critically about the strategies adopted so far by the company, and what can be done differently in the future to sustain market growth.

4.3 ANIMATION PLAN

Session	Objectives	Approach	Time
1st	Get familiar with the case	Presentation of the case study to students Brief discussion about the market and the company 1st – Distribution of the case study to the class 2nd – To create some buzz around the topic ask the students about their relationship with hairdressers, frequency of visits, money spend, brands they associate with 3rd – Make a breve summary of the case study objective as well as an introduction of the company 4th- creation of work groups	60 min
Out of class	Understand the case	Individual Reading 1st – each student must read, comprehend and be able to diagnose the company 2nd – In group they must start discussing the topic	30 min
2nd	Understand the Case Study and be familiar with the first questions	Class division in different groups of students Doubts discussion	160 min
3rd	Case Resolution	Case presentation by each group Feedback and discussion	90 min

4. 4. LITERATURE REVIEW

4.4.1 RETAIL INDUSTRY

Technology is developing faster and faster, this phenomenon has been having a lot of impact in retailing. As a way to improve consumers' experience while shopping, retailers are using smart technologies to stand out from the competition. Furthermore, new generations are more and more in touch with technology and internet as a way of communicate and interact, so brands have to keep up with this development. Since the number of online shopping has been strongly increasing in the past few years, local store retailing had to adapt and reinvent the ways of selling to better connect with consumers (Priporas, et al. 2017).

Vargo & Lusch (2004) wrote about the importance of changing the way people see and do marketing. More than think about the product that you want to sell, companies must reflect on the process of selling it. Otherwise, it will just be a standard, tangible product, with no consumer involvement, that will not be able to answer to the changing consumer´s needs. This service centered logic, which the authors defend, says that the main objective is for brands to customize their offers, promoting co-creation with consumers, allowing them to feel more involved with the product that will better fit their needs.

With the decrease of traditional mass market techniques (Gummesson, 1999), consumers became more demanding. There was a saturation of mature markets and a need for processes and interactions to attract and enhance customer´s relationships in the long run. Companies moved from a transactional way of selling to a relationship one. This new way to retail was based on the idea that everything should be considered with long term focus. Organizations should a relationship all the time, with all stakeholders. Marketing activities, should be interactive, focusing on value co-creation (more than on value exchange), to better address the needs of each selected customer.

When the company establishes a close relationship with the client, he or she will develop emotions, which will make the consumer more influenced by less rational stimulus, becoming less price sensitive. Although this emotional effects, quality continues a strong issue (Blut, Teller & Floh, 2018), not only the output (end product) quality but also the intangible quality, of all the interactions and functional benefits associated with the product or service, that will have an impact on trust, commitment and satisfaction. In order to better understand if the client is satisfied or not, feedback must be asked in the retail moment (offline and online, thought a ratings and reviews base for instance). Gummesson in 1999 stated that suppliers must be able to establish and identify networks of relationships, as a way to differentiate and interact with consumers, to learn, to customize and to strengthen emotional bonds.

Understanding how social environment has impact consumption on a retail context is essential, in order to better predict what are the new consumer´s needs and opportunities. Nowadays, technology has as strong effect in every single business. Technology-based services are becoming an integral part of shopping (Verhoef et al., 2009). Self-service technologies, interactive screens, informative touch points, digital signature and apps for smart phones or stores with virtual reality technology are some examples of smart retailing (Priporas et al., 2017).

Consumers have different wants and needs so companies must address that in different ways. Smart retailing is a way of managing these interactions in order to guarantee personalized and optimized retail options to each consumer (Pantano & Timmermans, 2014). Knowing that these interactions are always changing, technology appears in this system as a way to reinvent and reinforce shopping experiences, both for companies and clients.

In order for brands to better allocate their investments in the right retail technologies, it is very important to understand consumer expectations, using smart retailing to meet or even exceed them. Priporas et al. in 2017 showed the importance of retailers to quickly adapt to these new technologies, so that they can use them as tools to better impact consumers.

In a world full of information, with omnichannel environments, consumers struggle to decide which brand they want to choose. At the same time, retailers have a huge challenge that is to connect with consumers in a way they will deeper engage with the brand. Retailers can do it by providing them with target information and adding value to their services and products. To better target consumers, and reach each segment with the right information, companies can use technology. Advertising the right products to the right target consumers is a way to guarantee that the information is well allocated. These technology-based methods are also good for retailers to have a better data about their consumers and their consumption habits. (Grewal et al., 2017).

Grewal (2017) believes that there are other characteristics changing the retail environment. Inside the stores consumers are surrounded by merchandising, so retailers have to be creative to find ways to make products and specific services to stand out. Retails also need to design those products in a way they offer additional value to consumers. One way to achieve this goal is by creating superior customer experiences, not only inside the store but also on social media networks (to better connect with consumers).

Retail management of store brands focus on the degree of identification between the consumer and the brand, by offering more value inside the store. This identification has positive behavioral outcomes such as cross-buying, up-buying and word of mouth (Rubio et al., 2015). Price, loyalty, perceived quality and familiarity are factors that influence consumer´s buying behavior inside the store. Chattopadhyay and Laborie in 2005, stated that the physical point-of-sale is one of the most important brand contacts with the client, and one of the strongest antecedents of brand experience.

Otherwise Khan & Rahman (2015), defined some creative ways that retailers can use in order to increase experience. Event marketing, a technique used to create associations between a brand and a specific activity, being considered as a strong source of brand equity and sales, once it promotes consumer engagement, by enrolling consumers in a long lasting brand experience. An example of event marketing might be NOS Alive, a music festival sponsored by the brand NOS that is automatically identified with the activity. Other stimulus might be created, inside the retail atmosphere, to enhance these associations, such as the infrastructures, the smell and the music. They will influence the emotions that consumer feels during all the buying process (Khan & Rahman, 2015).

Furthermore, brands are resorting to storytelling in order to create passionate interactions with consumers through online and offline moments of their journeys. In 2006, Keller and Littman wrote that storytelling is perceived to be more convincing than facts, generating positive feelings in customers' mind. Since they are kids, people are used to hear and tell stories. The facts told in a story line are easy to remember, and the message became more fascinating once it appeals to people's dreams and emotions. When a brand uses storytelling to send a message to their consumers, the brand are creating an experience in which consumers will strongly associate the brand with that story (Liljander et al, 2013).

In order to better understand why retailing is changing, it is crucial to deeply analyze the new consumer´s behaviors.

4.4.2 A NEW CONSUMER GENERATION

A new generation of consumers is called of Generation Z and can be described as young adults (borned in 1995 or later), highly educated, creative and who seek innovation and technology. In 2013 Wood described the individuals of this generation, by saying that they are always interested in new technologies, they seek for products and services that are easy to use, they have the desire to feel save, and they show a desire to escape from their realities. According to psychology foundation, these desires make them more available to try new activities that connect both team spirit and social service (Ozkan & Solmaz, 2015).

In 2014, Dan Schawbel wrote a study, where he defines these individuals as entrepreneurs, tolerant, more realistic than previous generations (for example about work expectations), and less moved for money. However, they are also more impatient and dependents on technology, having less attention time. They were born with YouTube, cell phones and short messages, computers and iPads, so one of the main characteristics of Generation Z is the addition to mobile phones, which they use in every step of the purchase process (Ozkan & Solmaz, 2015). Some people refer to them as Gen I, Gen Tech, Digital Natives or even Gen Wii, a generation that has an informal, individual and straight of communicating, and that uses social networking to do it (Dangmei & Singh, 2016).

In order to survive in this new world, retail became more consumer oriented by creating shopping environments with more quality (Sipahi & Enginoglu, 2015).

When talking about satisfied consumers and their needs, we can distinguish an important type of needs: Hedonic ones. Satisfying hedonic needs implies that consumers emphasize subjective and experimental aspects of the product like the excitement, self-confidence or fantasies associated. In hedonic consumption, the level of satisfaction tends to be based on the pleasurable experiences that result from using the product or service.(Blut et al., 2018)

Satisfaction occurs when the product meets or exceeds the utilitarian criteria that the consumers have associated to it. However, if the product also exceeds the hedonic criteria, consumers might feel more than satisfaction – they might experience delight and excitement (Chitturi et al, 2008). Hedonic consumption has those facets of consumer behavior that relate to the multisensory, fantasy, and emotional aspects of one´s experience with products (Hirschman and Holbrook, 1982).

Pleasure can be determined by different aspects. The product itself as well as the thought and style that are put into it. The aesthetics and design of the product can influence the understanding of pleasure in three different levels (Norman, 2014). First, a hard-wired that responds primarily to physical product features. Second, a behavioral level that involves the performance and the actual usability of the product. Third, a reflective level that includes thinking about the meaning and interpretation of each product.

Involvement works as a motivation to process information, enhancing the person´s perceived relevance of the object based on their own needs, values and interests. Appeals to consumers' hedonic needs lead to higher levels of attention and involvement. The degree to which consumers are involved in the consumers' experience can determine the degree to which consumers enjoy a product or experience.

4.3.3. EXPERIMENTAL MARKETING - CONSUMER AND BRAND EXPERIENCE

As it as been stated above, brand experience is considered to be a vital strategy for brands in order to build long-term relationships with their consumers. Building better and unique experiences help to create stronger brands (Keller and Lehmann, 2006; Morrison & Crane, 2007). The same authors also defend that all the experiences that increase the contact between the brand and its consumers, will have a relevant impact on consumers' behavior.

Schmitt, in 1999, started developing this concept, categorizing brand experience as being individual or shared. Individual brand experiences can be divided into SENSE, FEEL or THINK. Sense experiences occurs when the organization appeals to consumer´s senses with the purpose of creating sensorial experiences through sight, smell, touch, sound and taste. Feel moments appear when appealing to consumers´ inherent feelings and emotions, with the objective of creating affective experiences than range from middle to positive moods linked to the brand. On the other hand when the brand appeals to intellectual with the objective of creating cognitive, problem-solving experiences that engage consumers creatively, it is considered a Think experience.

However, companies can also create shared experiences, by promoting relationships among people that are living the experience together. These experiences can be to ACT and to RELATE. It means to do something that you are able to relate to others (Schmitt, 1999). Here is the opportunity for companies to co-create with consumers, which means to develop new and unique experiences with the help of consumers, it is about join creation of value, not just to customers but with customers. It allows the development of memorable experiences (Fellesson & Salomonson, 2016).

Furthermore, Schmitt, in 1999 , also stated that experimental marketing focus on consumption as an Holistic Experience, where fore instance a company instead of talking about shampoo, blow dry and perfume will communicate all the experience associated with grooming in the bathroom. He also said that marketers must look to consumers as both emotionally and rationally driven, meaning that although consumers choose in a rational way, they are frequently driven by emotions.

In today´s retailing environments, creating superior customer experiences seems to be one of the central objectives, once it is believed to be a key factor for companies to use in creating loyalty (Verhoef et al., 2009). As an example we can think about retailers such as Starbucks, Victoria´s Secret or Apple, that design amazing experiences for consumers across channels. Brand Image strongly influences brand experience once it is essential for the customers to distinguish the brand from their competitors.

Today, companies have moved away from traditional "features-and-benefits" marketing towards creating experiences for their customers (Schmitt, 2011); in other words experiential marketing is the new norm.

Consumer experience can be described as the total experience, including the search, purchase, consumption and attitudes after consumption like repurchasing or advocate for the brand (Verhoef, 2009). Store atmosphere, social environment, service interface, price and promotions are all factors that influence consumer experience. There are often many consumers inside stores at the same time and each one of them asks for attention and personal practices.

Lemon & Verhoef (2016) said that consumer experience should be understood as multidimensional once it focuses on different consumer elements such as cognitive, emotional, behavioral, sensorial and social responses to a company’s offerings during the buying process. Companies can enhance consumer experience at three different engagement levels. These are: outstanding consumer experience, emotional connection and shared identity.

Outstanding customer experience can be created not only by elements controlled by the retailers (such as the store atmosphere, assortment and price) but also by elements like worth of month. The retailer will create an experience that emphasizes the brand core values so that consumers might easily connect with them. These experiences will help retailers to differentiate from the competition and gain a special place in consumers´ mind by creating memories. Emotional connections happen when the consumer not only remembers the retailer but also feels an emotional connection (Grewal *et al*., 2017).

4.4.4 ENGAGEMENT & LOVE BRANDS

In marketing, consumers are a key factor, and nowadays satisfying them just by selling homogeneous products is not a solution. A company must engage customers in various ways such as asking for feedback and creating social media interaction (Mehra, *et al.*, 2013).

The retail experience leads many customers to engage in the company´s purpose and values, representing a unique, powerful customer experience (Grewal *et al. 2017)*

Engagement has been becoming a major topic in customer management. Customer engagement can be described as the attitudes and behaviors of consumers that go beyond purchase (Lemon & Verhoef, 2016). Brodie et al. (2011, p.206) stated that consumer engagement is “a psychological state that occurs by virtue of interactive, co-creative customer experiences with a focal agent/object (e.g., a brand) in focal service relationships”. In other words, engagement implies that consumers act together and are involved in co-creating with the company.

Retailers may use different techniques to engage consumers. The use of social media is a way of improving consumer experience. Through social media networks customers became more connected with the brand and with other consumers (creating larger networks), information is shared in an easy and more efficient way and communication becomes more original and dynamic (Roggeveen and Grewal, 2016).

The consumers´ emotional attachment with brands brought companies to build marketing strategies based on the idea of “something new” and “something different” as a way to connect with more and more consumers, and to create loyal relationships between both parts (Kang, 2015).

Moreover, it is import to state that organizations care about brand loyalty because it influences not only the way consumers relate with the brand but also has a strong impact on business performance. Studies show that brand loyalty has three major antecedents, which are: consumer involvement with the product, perceived value of the brand and customer satisfaction. The higher these variables are, the higher the loyalty level is (Vera & Trujillo, 2017). The way the consumer identifies with the brand and its values can also be a way of increasing loyalty. If a consumer feels a match with the brand personality, he will tend to bond with the concept and trust the brand, becoming more loyal and advocating for the brand (Nikhashemi *et al.*, 2015).

Brand love can be described as the degree of passionate, emotional attachment that a satisfied consumer feels for a specific brand (Carrol and Ahuvia, 2006). This love can appear in many forms such as passion for the brand, attachment, positive evaluation and response, and it is stronger and more affective than satisfaction. (Kang, 2015) It is believed to be more meaningful and long lasting than a simple preference for the brand, motivating the maintenance of closer relationships. When a consumer is so involved with the brand that he feels love for it, the consumer will identify himself with the brand identity (Anggraeni & Rachmanita, 2015).

There are several facts that make consumers love some brands more than others. We can call these facts, brand attributes such as: the image and design of the products and services that are being offered or the quality of the experience delivered (Mishra, 2016). Apple is a great example of how the design of the product makes consumers love the brand, being more loyal and having stronger relationships with it.

4.5 ANALYTICAL FRAMEWORK PRESENTATION

4.5.1 METHODOLOGY

This study adopted a combination of qualitative and quantitative approaches to provide the most valid and representative conclusions.

First, a quantitative research must be conducted in order explore the market drivers and its growth´s picture both in Portugal and in the world. This analysis must be able to represent the global hair care market, the Portuguese hair care and beauty market and how the brand is positioned in it.

For that, the secondary data to analyse must include:

1. Hair & Beauty Global data
    - Growth Rates
    - Existing categories and its weights
    - Top Players in the market
    - Main business drivers

2. National Data
    - Buying Power

- Growth Rates
- Main Players
- Clients sizing

3. L´Oréal Internal data
   - Categories
   - L´Oréal clients growth and sizing

As mentioned before, the study was based on a qualitative and quantitative research.

The benefits of the qualitative approach are that data will enrich the previous one, allowing to get a deeper insight on the market. It is a subjective and an interpretative way of analysing collected results, discovering new ideas, ways of thinking and predictions about the hairdressers´ world.

1. Consumer behaviour
2. L´Oréal Professionnel – The brand and what it stands for
3. Salon E-motion´s Program – The power of experience
4. Literature Review

Yet, the students must be able to develop some marketing and strategic tools to better understand the subject in question, such as develop a dynamic swot or a porter´s analysis.

4.6 ANIMATION QUESTIONS

- How many times per year do you go to a hairdresser?
- Which professional hair care brands do you know?
- Have you ever bought professional hair care products? If yes, where have you bought it?
- Does any hairdresser gave you a hair diagnostic before starting your treatment?
- What are your main fears when go to the hairdresser? And how can the hairdresser help you to overcome that?
- In your opinion, your hairdresser should be the person you most trust to solve your hair problems?

5. CASE STUDY RESOLUTION PROPOSAL

5.1. QUESTION 1. DESCRIBE THE CURRENT HAIRDRESSER MARKET IN PORTUGAL, IDENTIFYING THE MAIN REASONS FOR MODERNIZATION OF THE SECTOR.

In Portugal, the sector of hygiene and beauty is growing 2,4% in 2018, according to Nielson). L´Oréal is the main player of this market, presenting a growth above the market, of 1,8% in 2018, and having a market share of 25,5%.

In a 1.058.031 million euros market, if we look to hair categories we can see that Hair care and Hair color are both growing (2,2 and 2,7% respectively). Hair care is the most profitable category of the market accounting for 233.342 million euros in 2017 and 107.801 YTD6 2018, while hair color registered 44.621 million euros in the same year, registering in 2018 YTD6 21.195. It´s important to refer that these numbers are accounting both professional and mass-market sectors. In the professional market hair care is growing 3,7%, color is growing 0,5% and styling is decreasing.

According to Nielson the Professional Market in Portugal in 2017, registered a 1,9% growth, while L'Oréal Professional Products Division growth 2,6%, having around 39,9% of market share and 30% of market share in terms of number of clients (the group has a total of 3.513 clients in an universe of 11.275 hairdressers).

When comparing these numbers with global ones, we see that Portugal is aligned with the global salon hair care market, that has been growing 2% per year, a 140 billion dollar industry with 2,4 million hairdressers. L´Oréal group has market share of 23,4% in Hair Care Market, being L´Oréal Professionnel the main player with a weight of 9% in the global industry.

If we look at this market according to the categories of clients, figure x show us that, 76% of hairdressers have between 1 and 2 employees working and 71% of them practices an average ticket, for color treatments, between 17 and 27 euros. This show us that in Portugal there are a lot of hairdressers but most of them are really small.

Hairdresser Market can be divided according to products and services. Services grow at a bigger scale, because women show more hair treatments needs. They have longer hair and use more brushing tools leading to more hair damages. Also, although a lot of women try to color their hair at home, salons are still to be the favorite place to do it or to solve it (52% of coloration services are done professionally, according to Nielson). Covering white hair and doing highlights, are the two main color services required on the salon. Here we can identify three main categories of services: Hair care service, hair color and hair styling.

In the past nine years, the average age for doing the first hair color treatment, changed from 31 to 27 years old, showing that women are starting doing it earlier, moved by emotional benefits like wanting to feel better with the way they look.

Hair care services inside the salon refers to the watching and nourishing treatments that should be personalized to each hair need. Styling and cut are the final service, to deliver the final, desired look. Both hair care and styling products can been sold to consumers. Although 67% said that they never bought an hair care product at the salon, the ones that said yes, did it mostly because of the professional recommendation and because they recognized the superior quality of professional products.

The sales of professional products in the salon has been suffering not only because of online channels, but also because of the growth of gross-sellers like Pluricosmética and iBeauty that can offer consumers prices that are more competitive. Furthermore, when women suffer from problems like hair loss or sensitive scalp, the hairdresser is not their first shopping choice.

Men and women have different reasons to visit a hairdresser. Men do it in order to control hair´s size, while women do it more frequently because they have more hair needs, and they see it has a way to feel better about their appearance. In general 60% of people go to hairdressers, and they choose where to go based on the sympathy of the professional, the quality of the treatment and the price of the service.

Once there are a lot of hairdressers to choose in Portugal, these factors can be determinants. The relationship between the hairdresser and his clients is extremely important. L´Oréal internal data shows that 67% of women ask for professional advices to decide what treatments and changes to do.

Consumers' habits are changing and the new generations have different ways to behave. While traditional women are more afraid to change the way they look, and look for professional expertise to do it, younger ones are more informed and more receptive to new trends, choosing to try new styles at home.

These newest generations are characterized for being very curious and technological connected. They are always looking for things online, in websites and social networks, changing the traditional distribution channels. E-commerce came to change retail industry, and hairdressers are no exception. Hairdressers have to find ways for consumers to find them online, and then they have to deliver personalized and exceptional experiences. The big picture shows us that selling products in the salon is becoming more difficult because there are more distribution channels, however if hairdressers put their efforts in delivering pleasurable experiences, their expertise will be the most differentiating factor of the market.

5.2. QUESTION 2. EXPLAIN HOW L´ORÉAL PROFESSINNEL COULD USE ITS DIFFERENTIATION FACTORS TO OVERCOME THE PRESENT CHALLENGES THAT HAIRDRESSER INDUSTRY FACES RIGHT NOW.

After being in the market for over one hundred years, L´Oréal Professionnel continues to grow and maintains its market leadership in Portugal, and all over the world. The brand as a 9% weight in the global market sales. In Portugal L´Oréal Pro accounts for 26% of market size, being for that reason the main market player. Color is the brand´s core business around 51% of sales, while hair care accounts for 36% and hair styling for less than 6%.

Although the brand is growing, this growth has been slowing down, based on several industry factors above described, such as: the increasing competitive landscape, the new buying and distribution channels and the change in consumer´s needs and behaviors.

L’Oréal Professionnel is present in 2967 hairdressers in Portugal, having 72% of its clients in the level A or B regarding average ticket. This shows us that, although the brand is much generalized, it is also present in the top salons of the country. With a distribution channel divided into three business models, the brand can reach a higher number of consumers. Nevertheless, it has to be careful to manage gross-sellers and online clients, once they can sell to both consumers and hairdressers.

Looking at Figure 5, we can see the three different distribution channels (direct, online and indirect). The direct channel represent 59% of the brand profits, growing in the chains channel by 4,4% and decreasing 2,6% at hairdressers. E-retail registered a growth of 24,6% representing around 2% of the brand´s business. Gross-sellers that, with a 7,1% growth, have a 41% weight for L´Oréal Professionnel (*Table 12, EXHIBIT 7*).

One of the first steps to understand the key success factors of a brand is to clearly identify its identity points and the image that occupies a distinctive place in the minds of the target market (its positioning). In order to better define the brand´s positiong an STP analysis might be developed.

Segmentation

L´Oréal Professionnel is a categorized as a premium haircare brand. However the fact of being present, as market leader, in the majority of salons and professional products´ stores, make it a generalized brand, that intend to reach the greatest number of consumers by working and fomenting professional expertise, all over the country. However, not all the population has the interest to purchase it. Some prefer to buy mass-market haircare products, others choose more selective and luxurious brands like Kérastase. We are analyzing the brand first in a B2B (business-to-business) perspective, once they are our first vehicle to reach the B2C angle.

Therefore, it was established some segmentation criteria:

1. **Geographic** – Although the brand is present in all the country, the population of different areas have different habits regarding hairdresser. The frequency, the value spent the number of treatments.

For that reason, the hairdressers' modernization, number of visits, medium amount of the services, sales, vary according to the geographic areas where they are. Also some geographic regions suffer from seasonality (in Algarve summer months are stronger, while in Coimbra for example these months are weaker because people leave town to go on holidays).

2. **Demographic** – Women are the biggest consumer in this market (although men grooming is growing). In this segment we can also include age, since younger people don´t spend so much money in hair treatments, especially if we talk about coloration.

Most hairdressers are women. However, male hairdressers are growing in experience and quality of the service delivered.

3. **Psychographic** – Salon habits vary with social class and lifestyle. Some women are used to spend more time taking care of their appearance, because they consider it an important part of their lives. Others make it a once a year routine, looking for price and necessity more than for wellbeing and satisfaction.

4. **Behavioral** – We can even look at this market according to the consumer knowledge and interest about the products and services. The stronger this interest, the more the value they give to a personalized treatment and to the quality that professional products can offer.

Targeting

According to the segmentation criteria established, it was considered that L´Oréal Professionnel´s target are: Women between 25 and 55, with different hair colors, hair types (straight, curled, wavy, natural, tinted, streaked), and hair lengths, that prevail in a medium or higher level of social class status.

- Concern about quality
- Multiple-segment concentration

Positioning

Frame of Reference: L´Oreal Professionnel is a global professional hair care brand, being recognized by its quality, innovation and presence in the world of fashion.

Consumer Insight: The brand works in partnership with the best hairdressers to release the star in each women

Points of Difference: Innovative products; Style My Hair App; Presence in fashion weeks.

By focusing on consumer insights, it will become easily to place the brand their minds, maximizing the potential benefits of it. A relevant consumer insight might be the fact that when they go to a hairdresser they are looking for personalized services, with high quality products. Women are starting to change hair color sooner, and they can do it either with mass-market products at home or with professional treatments at the hairdresser. Younger consumers don´t have time to loose and are always looking for new trends to follow.

Being the first brand of L´Oréal´s group, L´Oreal Pro carriers the group name for good and for bad. Sometimes it can be confused with L´Oréal Paris but that also helps to increase recognition in the market.

This recognition spread out through the years, not only because of the brand´s name but also because of the quality of its products. L´Oréal Professionnel is always looking for innovation, following market trends and needs the company develop innovative products capable of fulfil existing gaps. With a portfolio that has products of all categories, capable of offering personalized treatments to each consumer, the brand has always been one-step ahead of the market. For example, by being aware of the recent natural movements and behaviors, the brand developed the first 100% natural color treatment together with a hair care line of products and with refilling capacities.

Still thinking about brand success factors, we can identify the fight to empower professional expertise. For that the brand has a team of ID artists, composed by the best professionals of this market, that help the brand with product development and education, by sharing their knowledge with the other hairdressers and by having salons that are real role models of transformation and modernization. Based on these factors the brand is prepared to help hairdressers become more modern, by showing them the importance of delivering a unique experience to each consumer.

5.3. QUESTION 3**.** EXAMINE THE SWOT ANALYSIS OF L´ORÉAL PROFESSIONNEL CURRENT STRATEGY AND DEVELOP A TOWS ANALYSIS BASED ON IT. *(How can the company use its strengths to take advantage of its opportunities to avoid potential threats and exploit its opportunities to overcome weaknesses).*

As in all markets there are opportunities to follow and threats to avoid, having all companies strengths and weaknesses that define their market presence.

L´Oréal Professionnel accounts for a huge portfolio of products, for all hair necessities, being in constant innovation. This strength can be used to attract new consumers, by making them understand that each hair problem has a personalized solution, and that the hairdresser is the right person to make that diagnosis. The brand has unique resources, not only in terms of technology and products but also by being together with the best professionals of the sector.

If the brand builds a strong relationship with hairstylists and clients, they will become brand ambassadors, serving as role models to other clients but also showing consumers the art and the magic behind this profession. The brand must continue to be the main hair sponsor of fashion events, and this should be communicated to all sectors and to consumers in order to reinforce the fact that the brand is always looking for being ahead of hair trends.

All these success factors together must help the brand to collaborate with the best suppliers to help developing new work tools, methods and materials to modernize the sector.

Digitalization should be seen as an opportunity and not a threat. Online channels can be used to empower B2B channel, by the development of platforms for hairdressers to improve their skills, sharing their work and expertise with each other, (access platform is the innovation that will help to improve professional proficiency). Furthermore, the brand can develop its online presence to engage consumers, by showing the power of professional treatments. Through social networks, the brand can be where consumers are and use that to build strategies and dynamics to drive them to salon.

Understanding consumers is the first step to fight the market. Knowing where they are and what they want in order to communicate the right services and products that match their needs, through the right channels. Listing consumer moments can help the brand building offers that fulfill those same moments, while being aware of new movements like natural and sustainability, which will improve the brand´s image as an innovative and trend aware brand.

Using this information, it is possible to first build a SWOT analysis and then a TOWS in order to better understand how the brand can take the most of its strengths, to catch opportunities and to avoid threats.

STRENGHTS	WEAKNESSES
What does the brand do well? - The brand has an huge portfolio, that offers products and services to all hair needs - L´Oréal Professionnel works side by side with the best hairdressers of the market - The brand is market leader, accounting for 30% of the distribution *What unique resources can we draw on?* - The partners: the hairdressers, the consumers and the suppliers of technical tools that complement the brand´s offer.	*What could the brand improve?* - The quality of its educational lessons - Storytelling for both B2B and B2C context - Credibility in all business chain (marketing, logistics, commercial), to guarantee that the brand´s name keep its value. *Where does the brand have fewer resources?* - Price elasticity, once the brand cannot give to many discounts. *What are others likely to see as weaknesses?*

- The brand ambassadors – celebrities and hairdressers that elevate and advocate for the brand *What do others see as your strengths?* - The brand´s history and recognition in the market - Always seeking innovation, through research and technology - The relationship between the brand and its consumers.	- The evolution of the brand, that after many years of innovation might start slowing down - The brand´s DNA, that one day is French, the other is Fashion, and is always Professional. - The fact that L´Oréal Professionnel is present in different channels.
OPPORTUNITIES *What opportunities are open to the brand?* - The Online Sector is growing - The brand already has 10% of its distribution starting to modernize - The Educational resources *What trends can the brand take advantage of?* - Consumer moments (Christmas, summer, weddings) - The movement : Hair Color is the New Make-up - Personalization - Experiences - The digital Growth	THREATS *What threats could harm you?* - The growth of online - The growth of gross-sellers *What are the competitors doing?* - They are also innovating - Delivering lower prices or bigger discounts - They are empowering their education methods, star having their own courses and academies.

Based on these factors, a Tows analysis might be developed.

	OPPORTUNITIES	THREATS
STREGHTS	*Use strengths to maximize opportunities.* - Use the brand reputation and the reputation of the brand´s professionals to attract more consumers - Increase brand reputation, by partnering with the best professionals, and by communicating these partnerships in other to show the best of our market. - Use the digital platforms to communicate the variety of products and services offer, with drive-to-salon dynamics. - The brand´s portfolio is so diverse, that should be used to increase personalization. Each consumer has its own hair needs and need to know that are products designed to solve it.	*Use strengths to reduce threats.* - Fight the price sensitive of the market, by using storytelling. With a huge portfolio it is possible to find complementary products that can make the story together and bring added value. - Once gross-salons and e-commerce are growing, so company could use its well stablish communication channels to create clique to buy and drive to salon dynamics - By enriching their education courses and teams, the brand can stand out in front of its competitors by delivering superior value.

	- Continuing to innovate its offers in other to enjoy consumer moments like Christmas, holidays and mother's day.	
WEAKNESSES	*Use opportunities to reduce weaknesses* - Digital platforms are an opportunity both for selling products but also to communicate services and spaces. Use storytelling to engage consumers online and reduce competitors´ strength. - Reinforce brand´s DNA, by empowering professional expertise, fighting to be present in important events that can bring visibility to our partner hairstylists.	*Reduce weaknesses to avoid threats* - Credibility – improving service, delivery. - If competitors are innovating faster than before, the company must not only keep innovating but also try to develop professional education and experience consultancy in order to add value to its offer.

5.4 QUESTION 4. DESCRIBE THE BRAND´S CURRENT STRATEGY AND EXPLAIN HOW SALON EMOTION IS A KEY DRIVER OF THIS.

We care for more than hair - L´Oréal Professionnel has positioned itself as a premium brand in the Professional haircare market in Portugal. Caring for more than hair, the defined vision of the company is to reinforce the relationship between the brand and hairdressers, by developing the most innovative and quality products and services, so that together they can elevate the professional beauty to the next level, by offering unique consumer experiences.

However, the brand faces not only a growth of competition that offer similar products at similar (or lower) prices but also a development of new channels such as online and gross-sellers. These channels are a great opportunity for the brand to growth but they require some strategical changes: the brand has to develop its presence in both of these channels, without losing the professional value, by creating drive-to-salon dynamics and by communicating the hairdresser as the place to live amazing and personalized experiences.

Considering the brand’s values and what it stands for, it might be questioned if the current strategies and its positioning are the most suitable to transmit these values to its customers. In order to answer this question, first we should analyze which customers the company wants to serve and how it wants to create value to them.

Following the situation above described, the company wants to serve final consumers by first getting hairdressers, online distributors and gross sales, aligned with its products. In order to create value and build profitable relationships for all, the brand keeps researching to find out the best quality and innovative products, capable of fulfilling market´s needs and opportunities, as well as tools and methodologies to improve expertise and to engage the final consumer both with the brand and with the hairdresser´s sector.

Furthermore, we can identify some specific differentiating factors, which the brand has been using in order to reinforce its DNA (of fashion, professional expertise and innovation) such as Access Platform. This platform was developed for professionals to improve and share their skills. Furthermore, there are Style My Hair App, for consumers to see the newest hair trends as well as helping them losing the fear of changing their visuals and events like Hair Fashion Night to show consumers the magic behind this profession.

Finally but yet important, Salon Emotion´s program is already contributing for the growth of the industry, by helping clients improving consumer journey every step of the way.

Appendix show us that clients that have already transformed their businesses are having a 6% growth.

Literature shows that the new retail trends forced brands to build strategies that laid on brand experiences (both for B2B and B2C context), and that has the goal of developing long-term relationships. Brand experiences must be total and multidimensional, in order to meet consumers when they are searching, purchasing, consuming or just seeing. The stronger this experience is, the higher the loyalty towards the brand. Store atmosphere, service interface as well as price and promotions are elements that can make part of the all experience. The main reason for this strategy to have a positive impact on profits and businesses' growth is that the three players (the brand, the client and the consumer) became engaged with the concept. Engaged customers can turn, easily and spontaneously into brand ambassadors once the engagement makes them go beyond purchase.

Based on this, the company created Salon Emotion program, a seven-step methodology that intends to reinvent the consumer journey when going to hairdresser, by teaching clients to add value to the services and products, while offering an unique experience based on personalization and trust.

The seven steps are: 1- The window display, that must be both digital and physical, capable of attracting new consumers to the salon. This is the welcome card, and must start online, once each hairdresser must have well designed webpages and social networks, that empower the space visibility and show the work that can be done; 2- The reception, that is more than the physical space to wait before the service start. It is the way the hairdresser receive each client and the time he takes to do it, that define a good reception. 3- The diagnostic zone or the key for personalization. A crucial moment that will make the consumer feel listened and less anxious and where the hairdresser must show all its expertise in order to explain what are the recommended treatment and style based on the consumer´s needs and desires. Here is the perfect opportunity for the hairdresser to build a close relationship with the consumer, engaging him/her with this journey. 4- The treatment that should be as relaxing and pleasurable as possible. Women already feel they are losing time when they visit a salon, so this moment must be very sensorial and relaxing to make them feel more satisfied with the experience. 5- The technique or the moment of true, where consumers are both anxious and curious to see the result. It is extremely important for the hairdresser to explain what he is doing and what products he is using, so that the consumer can trust on the professional expertise. 6- Shopping.

If all the previous steps were done in a transparent way, always showing the importance of each product to solve specific hair needs, the buying act become much easier. 7- Check-out. The objective is not only to recruit new consumers but also make them come back regularly to the space. Although a good experience is a key factor, some actions can be made to increase and motivate these visits like a membership card or app, with extra benefits.

L´Oréal Salon Emotion´s team has been helping hairdressers to modernize their business based on this criteria, and for that create a three level evaluation to understand the sector´s transformation level.

From the 2797 clients of L´Oréal Professionnel, around 10% already star this transformation. These clients are growing more than the market (2% versus 1%). The most interesting fact is that, they are growing both in retail (6% while the average clients are negative in these kind of products), and in services (11%). Another interesting result is that salon emotion´s spaces are growing 34% in personalized services (treatments that are adapted in the moment to each hair need).

5.5 QUESTION 5. WHAT WOULD YOU RECOMMEND THE BRAND TO DO NEXT TO CONTINUE TO CONTRIBUTE FOR THE MODERNIZATION OF THE SECTOR.

We have been talking about modernization, transformation, digital options, steps and experiences. So maybe it is time to take all of this and build a storytelling program around Salon Emotion, rather than a physical one.

It is believed that in the future the brand should take a risk in order to create a true omnichannel journey. The steps should be driven by the different phases of a purchase decision and they should be integrated to deliver a consistent message, in line with the strategic brand´s positioning. Inviting consumers before the experience, indulging them during it and intensifying the relationship after.

So, the first step would be to create awareness both online and offline, to *attract* consumers. Google, Instagram, YouTube and Facebook have to be the first communication channels between the brand or its clients, and the final consumer. Therefore, the brand should reinforce its digital presence informing consumers about products and new services, as well as the magic that can come from hairdressers, by advertising the spaces that already suffered transformations, so that consumers can experience the differences. Apps like style my hair are also a good tool for consumers to know what are the recent trends and what are the treatments they can have in the salon. Through salon locator they can find the nearest salons which offers the services they are looking for.

In addition, the brand, once it has more tools and know-out to do this type of digital dynamics, should also be prepared to help its clients doing it, by explaining them what are the information and contents they should share in their social media platforms (like the service's prices, the operating hours or photos of the transformations done there).

Awareness must not be forgotten- hairdressers must present careful design window displays, with digital windows to show brand´s content.

The second step has to be conviction, by the way consumers are *welcome, wowed, relaxed and reveled*.

Since the moment consumers enter in the salon, they should be received with a welcoming smile. Then the journey must continue with bespoke welcome rituals such as coffee or tea while the consumer is waiting. The *wow* moment will occur during the diagnostic, where the consumer will be listened and advised by the professional, feeling sensorial experiences that will make them feel more connected both with the hairdresser and with the products. Again, digital can appear to complement this step with apps to experiment new looks in real time (style my hair) and diagnostic cameras to evaluate the scalp and hair´s damage and density.

Then, the consumer must feel *relaxed* during the treatment, feeling that the moment is hers, because she deserves to be having that enjoyable experience. The costumer must feel as if taking care of her appearance is not a waste of time and money, but rather a valuable moment that every women should have frequently.

Furthermore, there comes the establishment of a connection between consumers and the hairdresser expertise in what we could call the *reveal me* moment, where the skills of the professional will reveal the star in every woman and cause a certain impact.

At that point it is time to retain consumers, by *empowering* the way they look, with selfies and photos that both the hairdresser and the consumer can share. Likewise, if all the experience was successful until then, the consumer will be convinced to take the hair care treatment her hair needs home, empowering herself by continuing to take care of her appearance at home.

However, the journey does not stop here. Hairdressers should keep in touch with their consumers by sharing news and contents at online platforms and also by organizing events (like small hair fashion nights), to show women that everyone deserves to shine.

Moreover, if Salon Emotion was born to make salon experiences match consumers' perceptions and expectations, it is important for the brand to analyze if this transformations not only increased revenues but if they also increased consumer satisfaction and engagement in every step of the way.

In order to do it, it would be recommend for the brand to launch a mystery client analysis. Consumers would go to the hairdressers that had already had transformations, in order to live the experience and to analyze it afterwards (in a questionnaire defined by the brand). Then the results would be compared to see if consumers are perceiving this transformation the way L´Oréal is.

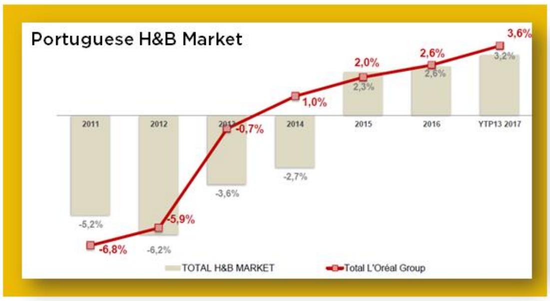
6. SLIDES


L'ORÉAL
PROFESSIONNEL
PARIS
SALON
emotion™
We care for
more than hair.
Salon Emotion as the key for L'Oréal Professionnel to
maintain its leadership


Index
1. CASE STUDY PRESENTATION
2. CASE STUDY RESOLUTION
Q1. DESCRIBE THE CURRENT HAIRDRESSER MARKET IN PORTUGAL.
Q2. EXPLAIN HOW L'ORÉAL PROFESSINNEL COULD USE ITS DIFFERENTIATION FACTORS TO OVERCOME THE PRESENT CHALLENGES.
Q3. EXAMINE THE SWOT ANALYSIS OF L'ORÉAL PROFESSIONNEL CURRENT STRATEGY AND DEVELOP A TOWS ANALYSIS BASED ON IT.
Q4. DESCRIBE THE BRAND'S CURRENT STRATEGY AND EXPLAIN HOW SALON EMOTION IS A KEY DRIVER OF THIS.
Q5. WHAT WOULD YOU RECOMMEND THE BRAND TO DO NEXT

CASE STUDY

The objective of this case study is to understand how L´Oréal Professionnel is using the Salon Emotion´s program to growth, while contributes to the sector´s modernization.



Problems

- Retail Industry is suffering changes duo to the growth of e-commerce
- Younger consumers are more open to try hair services at home rather than going to the hairdresser
- The competitive landscape for Professional Hair Care Brands are getting higher

Objectives

- Get in touch with the hairdresser industry
- Analyse the Salon Emotion program as the key to reinvent consumer journey inside the salon
- Study the brand L´Oréal Professionnel to understand the competences that will help the brand to modernize this sector.

/RESOLUTION
Question 1

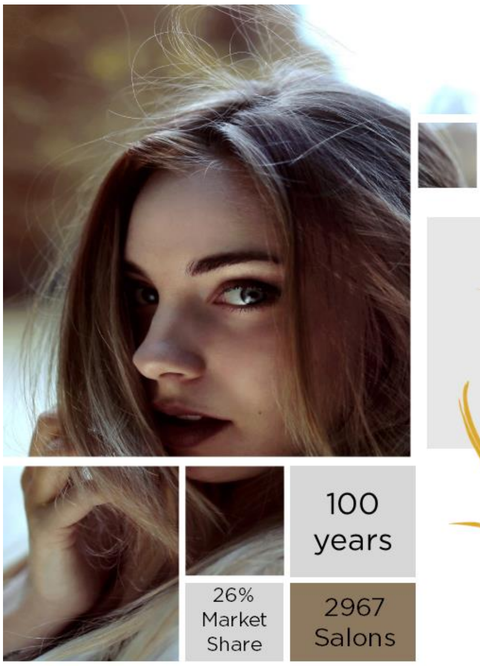
Hair Color ↑ 2,7%

Hair Care ↑ 2,2%

Hair Styling ↓ -2,9%

Main Reasons For Modernization:

- Growth of new retail channels (online and gross-sellers).
- Younger generations are always looking for new trends, searching everything online and trying it at home.
- Consumers have more hair needs, and hairdressers should be able to develop the pesonalized services to satisfy them



/RESOLUTION
Question 2

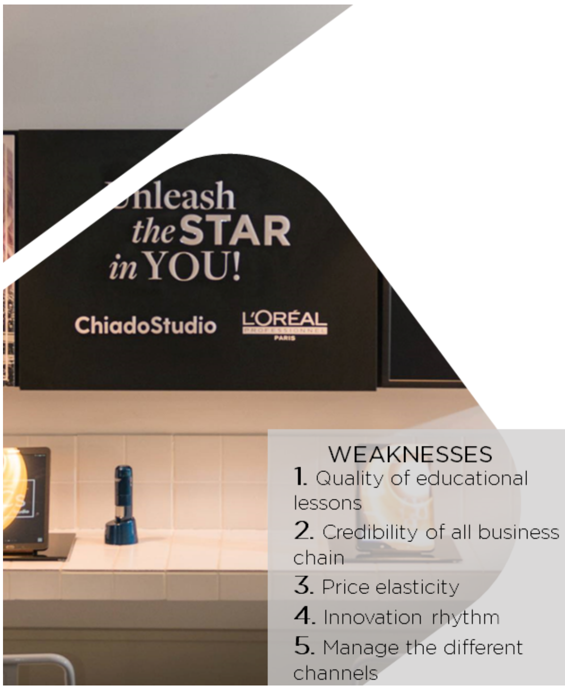
L´ORÉAL PRO SUCCESS FACTORS:

Brand´s Recognition
Huge portfolio of treatments and services
Always leading innovation and quality
Work with the best professionals of the industry

- Increase personalized services
- Present innovative solutions that follow new consumer trends
- Transform the image of the hairdresser into hairstylist, empowering professional expertise

RESOLUTION
Question 3

	OPPORTUNITIES	THREATS
	1. Online Sector is growing 2. 10% of the distribution already start modernizing 3. Eduacation Resources 4. Consumer moments 5. Personalization	1. Online Sector is growing 2. Gross-sellers are growing 3. Competitors are innovation faster 4. Competitive Prices
STRENGHTS 1. Recognition and history 2. Huge Portfolio 3. Work with the best professionals of the market 4. Research and Technology 5. Market Leader	- Use reputation to attract new consumers. - - Communicate the brand´s partnerships to increase reputation. - - Use digital growing, to create drive-to-salon dynamics. - - Increase personalization, using the brand´s portfolio and using consumer moments has na opportunity to create moments.	- Use storytelling to fight price sensitivity - Build strategies to use gross sellers and e-retailers together with salons. - Enrich education courses and teams, to increase the added value that the brand can give to its clients.



RESOLUTION
Question 3

	OPPORTUNITIES	THREATS
	1. Online Sector is growing 2. 10% of the distribution already start modernizing 3. Eduacation Resources 4. Consumer moments 5. Personalization	1. Online Sector is growing 2. Gross-sellers are growing 3. Competitors are innovation faster 4. Competitive Prices
WEAKNESSES 1. Quality of educational lessons 2. Credibility of all business chain 3. Price elasticity 4. Innovation rhythm 5. Manage the different channels	- Use digital platforms to manage the different busniess channels, building omnichannel strategies. - Reinforce brand´s DNA by empowering professionnal expertise, developing events that can give visibility to the hairstylists.	- Improve the quality of services to increase credibility among consumers, that can be valued against competitors - Keep researching and innovating


RESOLUTION
Question 4
Profitable
Leader
BRAND
Develop Loyalty
Recruit More Consumers
Reinforce
relashionships
CLIENT
CONSUMER
Skilled
Motivated
(training techniques,
communication,
artistic shows, digital
tools)
SALON EMOTION
EXPERIENCE
Professional Services
Top Results
Positive Emotions
Expertise
ACCESS
Personalization
Digital
Diagnosis


RESOLUTION
Question 5
STORYTELLING
- Create a true omnichannel journey : before, during and after the salon experience – online & offline
- Increase the digital dynamics between the brand, its clients and consumers
- Fight for services and tecnologies that are able to strengthen the relationship between the hairdresser and the consumers.

7. MANAGEMENT LESSONS

In every single business of retail industry, companies have to change the way they do business. In order to adapt to the new technological and digital world, where consumers search, look and buy thighs online, physical retail spaces need a transformation.

It is believed that digital growing does not mean retail apocalypse. Managers can look at Amazon for example, knowing that although the company is an example of e-commerce power, it had the need to create physical stores that complement and differentiate their business. By studding the new generations and the new consumer´s habits, it is possible to stand out that experience and personalization key for reinventing retail.

First, in order to be creative and discover unique things to offer, companies have to strongly positioning themselves, clarifying and identifying characteristics that can have added value to building a differentiating offer. Furthermore, they need to bring these benefits into stores as a way to create experiences. These experiences must be able to enroll people, with a well-designed storytelling based on personalization, making consumers to feel unique and exclusive.

In order to align this physical space with the new consumer trends, an omnichannel strategy must be followed. Companies must have strategies capable of find consumers in every single step of their journey. If consumers search online, brands must have a visible, clear and strong online presence. The challenge is to create dynamics capable of leading consumers from digital to physical spaces, in order to complement their experience with the brand, making them feel a part of the process. It is not just about selling products and services to clients, it is about creating value for both parts, together with clients, to make the experience much more valuable and memorable.

The next question might be how beauty industry fits in this omnichannel strategy. Technology is also transforming consumer´s daily beauty routines, once they read and search about new brands, ingredients and treatments, being more aware of the products they want to include in their routines. They also find tutorials, blogs, vlogs, that make it easier to do some beauty services at home rather than in a hair salon, for instance. Connected beauty is for that a part of a global revolution, that changes the way consumers interact with services, products and also experiences.

Internet is helping some trends to growth such color cosmetics, by inspiring new color techniques online or even opening space for make-up category to grow a lot in the near future. Together with these, hair color is starting to be seen as a new makeup, or at least as an extent of our personality. Beauty companies have to be very alert to catch growing beauty trends, in order to reformulate their offers. For instance, in the past fewer years people have start looking for more natural options. Food companies were the first to start commercializing products with more natural ingredients, there was a considerable growing of vegan restaurants and even clothing industry appeared with fabrics that are more natural. Beauty has no exception; consumers seek for cosmeticity and quality but they are aware of this natural movement, so beauty companies create natural solutions for different categories (make-up, shampoo, hair color, skin treatments, between others).

Moreover brands like L´Oréal Professionnel, that fight to maintain and sustain its market leadership, after being in the industry for more than one century, have to have strength to change and to adapt to the market. It is not easy to change a market mentality. Hairdressers must reinvent themselves in order to offer personalized treatments and experiences, making consumers to go to the salon for pleasure and not just for a basic hygiene need. The brand has a very important role in explaining this importance, showing that the ones that are already following these strategies are growing. In addition, as market leader L´Oréal Professionnal should continue to develop other distribution channels (like e-retail and wholesalers), finding synergies between them and the professional expertise, by building drive-to-salon dynamics. As Alvin Toffler once said, “The illiterate of the 21st century will not be those who cannot read and write, buth those who cannot learn, unlearn, and relearn”.

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