L’ORÉAL PROFESSIONNEL HOMME
“Redefining the Market with a New Extension”

Inês Martins dos Santos Fidalgo Fonseca

Pedagogic Study
Master of Science in Marketing

Supervisor:
Professor Hélia Pereira, Assistant Professor, ISCTE Business School, Marketing, Operations and General Management Department

April 2012
“THE INTELLIGENT SOLUTION,
INVISIBLE TO OTHERS.”
This thesis would not have been possible without the guidance and the help of several individuals who, in different ways, have contributed for the preparation and completion of this study.

Firstly, I am extremely grateful to Professor Hélia Pereira, supervisor of this thesis, who helped me throughout this process and guided me on my study. I would like also to thank her, for the freedom of action that she allowed me to, something that has been quite decisive for this work and definitely contributed for my personal development.

Secondly, I would like to leave a word of consideration to my teachers in ISCTE for all the knowledge that provided me during my academic studies.

I also wish to show my sincere appreciation to ISCTE Business School for providing me the opportunity to participate on L’Oréal Brandstorm. Without that event I would have missed a life changing opportunity, which was indeed the starting point of my thesis.

Additionally, I want to express gratitude to José Mendonça for helping me on the final stage of my thesis, giving me wised advices and valuable inputs.

I, above all, would like to thank my caring family for the encouragement and support that they gave me. They are my best friends and the people that are always unconditionally there for me. They hear my thoughts and moans when everyone else is gone. Now, I want them to feel proud of me, in the same extent that I feel admiration for them.

And finally, I would like to express my deepest appreciation to António Carvalho, because he stood by me during all this process and have push me to perform beyond what I believed would be my best.

To all of them, I leave here my sincere thank you.
The market for beauty and personal care has been target of much attention for several years; however, nowadays, the attention has been more directed particularly to the male beauty and personal care market. This market has grown rapidly since men began to be more concerned about their appearance and that society has stopped to be so judgmental about men taking care of themselves, making them more opened to go to hair salons and use beauty and aesthetics services.

This new trend has led brands to invest in the professional male market, which was the case of L’Oréal Professionnel Homme, a professional brand (inserted in L’Oréal Company) that is exclusive for men. This brand has created a line of products especially for men’s hair, to be sold in hair salons and barber shops.

Findings from personal research provided evidences about what men need and want in salons and barber shops. So, throughout this case study it is given to students and professionals of this area the necessary tools to extend the existing LPHomme hair care range of products to a new segment: beard. Those tools will also allow them to create a suitable communication campaign, in order to promote the extension.

Having said that, it was also developed an extensive research on brand extensions. This research will support the target of this case study with a valuable and practical tool about the topic of extensions, making them more capable of applying it to the LPHomme brand.

As previously stated, this thesis, presented as a case study, has the purpose to support students and professionals in certain contexts of their academic and/or professional careers. Giving them a real life case of a multinational company and providing information on an industry that is evolving at a rapid pace.

**Keywords:** Brand extension, male grooming, professional male market, communication plan

JEL: M31 - Marketing
JEL: L66 - Food; Beverages; Cosmetics; Tobacco; Wine and Spirits
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INTRODUCTION TO THE CASE STUDY

This thesis began with the participation in the contest of L’Oréal Brandstorm 2011, a global challenge.

The decision to run for the first round was with a colleague of the Master program. She had a degree in management and her working capacity was impeccable. Both were ambitious and had the strength to achieve success and win.

When both were selected to represent ISCTE University, their hearts were filled with happiness, although they had to split up into different groups.

This suddenly meant that it was here that the adventure was beginning for one of these two girls!

Two colleagues from the Master program on Marketing in ISCTE, that had also been selected, started working with one of those girls. They were quite competent, but they didn’t have much in common with each other.

Right from the first few times they got together to work, they rapidly discover that they were very different people and with very different perspectives.

After a while, they found out how to make it through this contest… Their differences would soon become their main competitive advantage. Each of their personalities, tastes, characteristics and temperaments, were beginning to culminate into one cohesive strategy, which represented their energy, passion, pride and vitality. It was a winning and clever project that it soon became a passionate assignment that made them work with more determination than they ever had before.

The truth is that, although they were not been selected to the international final, and hence, have not been able to show the world their potential and enthusiasm, their work was full of quality ideas and many winning capabilities. Publically acknowledge by Portugal McCann’s Chairman, Dr.Pedro Pina, that always recognized our ability and charisma.

It was decided that it is important to pass on this experience and show the knowledge acquired about the brand L’Oréal and L’Oréal Professionnel Homme, displaying a new perspective on the evolution of consumption habits of the male consumer. This was possible to be presented, because of an acquired expertise with a personal research inside the field where L’Oréal Professionnel Homme acts, and a continuing research conducted next to the real male target.

This challenge was intended with an international character and therefore, throughout it, it will be presented worldwide information.
1. **CHALLENGE**

When thinking of image and beauty, people are beginning to realize that is something our society values and require. As we only have one opportunity to cause a good first impression we have to grab that opportunity and try to look the best as we can. That’s one reason why beauty and appearance are becoming a big concern, even for men.

Other reasons pointed out by most men, when responding to a questionnaire of the magazine: “Men’s Health”, in 2008, was that beauty and appearance are a big concern because: our society demands it (30,7%), because of employment reasons (22,1%), or because it is important for them to feel younger (15,8%). It is clear that even men feel pressure to look better every day.

Additionally, Datamonitor survey (2005) revealed that more European and United States men (73%) than women (72%) felt that it are ‘important’ and ‘very important’ for them to spend time on personal appearance.

In addition to that, there has been a big growth on the male beauty market, in the last few years, even bigger than the total beauty and personal care market (as it is shown above).

<table>
<thead>
<tr>
<th>Table 1: Growth of the Beauty and Personal Care market, worldwide</th>
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Source: Euromonitor

<table>
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<th>Table 2: Growth of the Male Beauty Market, worldwide</th>
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</table>

Source: Euromonitor

Besides, this market will keep on growing; as market research done in 2010 by the Euromonitor predicted; the male beauty market is estimated to reach 84,9 Billion Euros, excluding shared products like soaps and shower gel.

**Graphic 1** – Male Beauty Market Growth in Billion Euros

![Graphic 1](image)
With the entrance of emerging markets and the worldwide business of male grooming market expanding at a rapid pace, L’Oréal saw an opportunity in the professional area to start a brand, exclusive for men, creating the L’Oréal Professionnel Homme brand, as men become more image-conscious and concerned towards social expectations.

In the previous period, men had to go to the female section where men felt as the weird. Moving forward to current modernity as an increasing demand of men in grooming products, brands like L’Oréal Professionnel Homme have paid more attention on giving the comfortable in-shop environments allowing male customers to feel more content and to facilitate their purchase, and aim to offer them a better shopping experience.

Now, with the exhibits presented before, the challenge is for students to introduce a new L’Oréal Professionnel Homme range of products, to extend the brand to a new segment (thinking beard perhaps) and an advertising strategy to promote the launch of the new range. The goal is to be creative and find a way to revolutionize the male experience when men go for a haircut.

The best way to do that is to:

1. First, analyze the current offering of male beauty products available in the professional distribution channel.
2. Then, study what’s out there for men in terms of beauty products. What is the current market situation? What are the current trends? What are the growth opportunities and threats? What are the characteristics of distribution channels?
3. At the moment, how can we identify the main competitors? Define their positioning and targets.
4. Then, understand the consumer, identify new trends. Who is the male consumer? Who goes to barber shops, mixed salons? Who don’t go at all? What are their habits (frequency, preferences and rituals)? What are their expectations? Consumer trends.
5. And finally, analyze the brand status (L’Oréal Professionnel Homme). Analyze business performance, products (packaging, range composition), market share, positioning and image, mix (price, promotion, etc.), consumers, previews advertising strategies.

Case Study undertaken by Inês Fonseca and supervised by Hélia Pereira
This case study was written by Inês Fonseca, marketing master student with the supervision of Hélia Pereira, Assistant professor at ISCTE Business School. The data presented are not an accurate depiction of the sector in question nor of the brands which belong to it. It is not the intention of the writer to assess or judge the strategic movements of the brands under study. The case study is exclusively for academic study and discussion, and its use in any other shape or form is forbidden. Violation of copyright will be result in prosecution. Copyright Inês Fonseca.
“Beauty for Everyone”

Its story began a hundred years ago, when L’Oréal founder, Eugène Schueller, a visionary chemist with tremendous entrepreneurial instincts, created the very first completely safe hair coloring product and sold it to all the hair salons in Paris. Since then research and innovation to enhance beauty has became to be the L’Oréal DNA.

Nowadays, L’Oréal is the number one, worldwide, in the cosmetic market and for more than a century has been pushing back the boundaries of science to invent beauty and meet the aspirations of millions of women and men.

Its mission is to offer everyone, all over the world, the best cosmetics and care in terms of quality, efficacy and safety, in order to give everyone access to beauty by proposing them products in harmony with their needs, culture and expectations, and offering a wide portfolio, present in all the different distribution channels.

This portfolio is constituted by very powerful international brands that are currently allocated into five major divisions: Consumer Products (fast moving consumer goods), Professional Products (hair products used in the professional sector), Luxury Products, Active Cosmetics (cosmetic for pharmacies), and The Body Shop. Appendix 1 shows the whole L’Oréal portfolio for 2012, a quite wide assortment that approaches all the consumers’ different needs within the beauty world.

In 2011, L’Oréal consolidated sales were of 20.34 Billion Euros, worldwide. This represents a global growth of more than 4%, and a strong increase in new countries like: Russia (+19%), China (+17%), India (+28%) and Brazil (+22%). The investment in research was pretty considerable (720.5 Million Euros), and 6291.6 Million Euros in advertising and promotion campaigns. The company has more than 23 international brands with annual sales of over 50 Million Euros each, and it is present in 130 countries with over 66 600 employees and 612 patents.

In 2010, its sales totaled 19.5 Billion Euros, 11,6% of growth comparing with the preceding year of 2009. As presented in appendix 2: L’Oréal Annual Reports Worldwide indicates that 2009 was a challenging year, since there was a decrease of 0,39% on sales. However, if compared with the sales of the market where L’Oréal is inserted in (topic which will be discussed further on), and the harsh economic context of 2009, the decrease was not that considerable and the brand has been holding up quite well.

That is why L’Oréal keeps on being the leading brand in beauty products in the world today, namely, the number one in Europe and Latin America, number two in Asia, number four in Japan and number seven in United States of America.
Currently, the company’s main competitors worldwide are the WELLA group (1.3 billion Euros), SCHWARZKOPF (0.5 billion Euros) and GOLDWELL (0.3 billion Euros).

L’Oréal is also committed to carry out its mission to make beauty universal in a sustainable and responsible way. L’Oréal is socially responsible and keeps on developing sustainable programs that include eco-responsible strategies.

In 2009, the company announced three environmental goals – to cut by half its i) greenhouse gas emissions, ii) water consumption and iii) waste generated in its factories and distribution centers. Notwithstanding the excellent technological steps L’Oréal has to meet its environmental goals, the next challenge is to manufacture products which are both naturally/organically placed and effective. Ranked amongst the 100 most sustainable and ethical companies in the world, L’Oréal’s ambition is to be an exemplary corporate citizen, to “help make the world a more beautiful place”.

3. L’ORÉAL PROFESSIONNEL

“L’Oréal Professionnel, the expert, trendsetter brand for the world’s greatest hairdressers”

The L’Oréal Professionnel first products initially distributed under the name of L’Oréal were designed only for hairdressers. L’Oréal Professionnel’s particular distribution channel, via service providers, encouraged the brand to focus on top-class creativity and technical sophistication to satisfy hairdressers in the consumer role.

Today, L’Oréal Professionnel is a favorite brand between hairdressers across the world, thanks to unquestioned expertise gained from decades of research into hair care and beauty needs: shape, care and color.

The L’Oréal Professionnel brand has historical links with hairdressers. It supports them during every phase of their development and offers them high-levels of education, first by working with them to develop products in creative workshops, that are genuine laboratories of ideas, then by investing heavily in their vocational training, consequently promoting their skills development and knowledge.

L’Oréal Professionnel is an important brand of L’Oréal professional segment, which is also constituted by L’Oréal Professionnel Homme, Kérastase, Redken, Pureology, Keraskin Esthetics, Shu Uemura, Matrix and Mizani. This represents a wide portfolio of differentiated brands to meet the needs of all types of salon, offering more than 1.400 products and working with 1 in 3 salons in Portugal, where the competition is very aggressive. Although the professional products division is generally a slow-moving market, it achieved in 2010, worldwide, growths of +13.8%, with sales of 2,717 Million Euros (See sales and growth rates of the professional segment, worldwide, in the appendix 3).
Present in 56 countries, L'Oréal Professionnel is the business and creative partner of over one million of the world's most dynamic hairstylists, turning it into the leading professional brand, with sales of 1362 Million Euros, worldwide, in 2011 (For further information, see appendix 4).

**Brand values:**

In everything the brand does it carries its values of education, innovation and inspiration.

**Brand mission:**

One million of the world’s greatest stylists and most talented colorists choose L’Oréal Professionnel technology, which has the most innovative products and techniques, and set the fashion trends. L’Oréal Professionnel offers consumers guaranteed results and endless possibilities. Combine L’Oréal Professionnel and creative stylist and there is nothing you can’t do.

**4. L’ORÉAL PROFESSIONNEL HOMME**

Two factors made L’Oréal company realize the need to offer men an expert and quality brand exclusive for them. First, the fast growing of the worldwide male grooming business. Second, the appearance of a new type of man, a more self-confident one, that stands out from the crowd, thanks to the subtle and sophisticated use of grooming products. Therefore, under the L’Oréal Professionnel name, it was born the L’Oréal Professionnel Homme (LPHomme): a luxury man’s grooming collection for men who are more image-conscious and concerned towards social expectations, but want the very best of the professional products.

This brand rapidly became unique, sophisticated and very masculine with a complete range of professional products and services designed exclusively for men.

Nowadays, men, when going for a haircut, have a range of products from L’Oréal Professionnel Homme exclusive for them, including: Seven shampoos to address hair vitality, thinning manageability and scalp issues as well as six styling products, anti-hair loss solutions, and a grey blending service, Cover 5. The range has a simple scent of galbanum, nutmeg, cardamom, jasmine and cedarwood, and is masculine, fresh and elegant. The table below shows the entire collection with prices by quantity and, in appendix 5, it is possible to see the current products and their packaging.
The L’Oréal Professionnel Homme brand is inserted in the L’Oréal Company, inside the professional products category as a professional male brand, nearby Kérastase and Redken male brands, exhibited in figure 1 underneath:

**Fig. 1** - L’Oréal Professionnel Homme, a L’Oréal brand:

![L'Oréal Professional Homme Diagram](image-url)

Source: Personal source

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### Table 3: L’Oréal Professionnel Homme range of products

<table>
<thead>
<tr>
<th>Figs. in Appendix 5</th>
<th>Product Range:</th>
<th>Prices of an exclusive men hair salon:</th>
<th>Quantity:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fig. 1</td>
<td>Densite Densifying Shampoo</td>
<td>€12.50</td>
<td>250ml</td>
</tr>
<tr>
<td>Fig. 2</td>
<td>Tonique Revitalizing Shampoo</td>
<td>€12.50</td>
<td>250ml</td>
</tr>
<tr>
<td>Fig. 3</td>
<td>Purete Anti-Dandruff Shampoo</td>
<td>€12.50</td>
<td>250ml</td>
</tr>
<tr>
<td>Fig. 4</td>
<td>Control Shampoo</td>
<td>€12.50</td>
<td>250ml</td>
</tr>
<tr>
<td>Fig. 5</td>
<td>Grey Anti-Yellowing Shampoo</td>
<td>€12.50</td>
<td>250ml</td>
</tr>
<tr>
<td>Fig. 6</td>
<td>Energetic Energizing Shampoo</td>
<td>€12.50</td>
<td>250ml</td>
</tr>
<tr>
<td>Fig. 7</td>
<td>Energetic 5’ massage Lotion</td>
<td>€22.40</td>
<td>250ml</td>
</tr>
<tr>
<td>Fig. 8</td>
<td>Strong Hold Gel</td>
<td>€17.05</td>
<td>150ml</td>
</tr>
<tr>
<td>Fig. 9</td>
<td>Wet Gel</td>
<td>€17.05</td>
<td>150ml</td>
</tr>
<tr>
<td>Fig. 10</td>
<td>Matt Sculpting Pomade</td>
<td>€17.05</td>
<td>80ml</td>
</tr>
<tr>
<td>Fig. 11</td>
<td>Renaxil advanced or light: Anti-Hair Loss</td>
<td>€45.90</td>
<td>125ml</td>
</tr>
<tr>
<td>Fig. 12</td>
<td>Cover’5 – 5 minute Color for Men</td>
<td>€25.50</td>
<td>3 x 50ml tubes</td>
</tr>
<tr>
<td>Fig. 13</td>
<td>Clay Strong Hold Matt Clay</td>
<td>€17.05</td>
<td>50ml</td>
</tr>
<tr>
<td>Fig. 14</td>
<td>Sculpting Fibre Paste</td>
<td>€17.05</td>
<td>150ml</td>
</tr>
<tr>
<td>Fig. 15</td>
<td>Definition Wax</td>
<td>€17.05</td>
<td>50ml</td>
</tr>
</tbody>
</table>

Source: Personal source
This brand represents 3% of L’Oréal Professionnel turnover. Sales in 2011 were estimated to be around 40.86 Million Euros, worldwide (more information in appendix 6). In Portugal alone, it was present in more than 1,000 salons.

L’Oréal Professionnel Homme is a professional male hair care line to be used by hairdressers, and it is developed to meet men specific needs. The aim is to allocate these products in hair salons and barber shops, in order to make men understand that this is no longer a women’s environment and they have a place for them too. At the end, the product is available to be bought and taken home, with a quality that no supermarket brand can offer.

As present in the picture at the right, the label of the brand recalls masculinity and prestige. The white with the shining silver shows a sense of sophistication, luxury and elegance.

When thinking of the packaging design, marketeers have to pay a special attention because package is the first thing that customers see. So it should illustrate products in an appealing and suitable way to draw the customer’s attention. In the case of a men’s product, a masculine packaging is crucial because they need to feel that the product seems different from the women’s products, otherwise they won’t buy them. Men, even in more conservative markets, can be persuaded to try out traditionally female products as long as they have been rebranded to look “male”.

Regarding to Desborder & Kimmel (2002), the packages that are small, clear, soft, pink, will be sensed to be rather female than male, as opposed to dark, tough, hard, or blue packages. Therefore, L’Oréal Professionnel Homme is presenting itself to capture male market by using the silver, brown, black and white colors for the packaging, logo and name, in order to get a masculine sophisticated looking package, which is what the brand stands for.

All that criteria on package can be seen as sensory marketing to capture the male customer, using a specific color, smell, texture or form, that embody a more masculine product. (Blanchin, 2007)

“A key difference when it comes to male product and packaging is that men are more interested in what the product does for them”, says Space NK founder Nicky Kinnaird (Woods, 2005)

L’PHOMME TARGET

Men, medium high class, aged between 25 and 55, with some professional experience that are concern about imaging and looking better with their overall presentation.
Usually, they look for solutions provided by convenience, because they are men who are always on the go and need something that is effortless and convenient, yet delivers high-performance results (Liam Donoghue, 2005). They also look for simplicity and style on products or services that actually achieve a specific functionality. They do not mind paying more for certain products due to importance of quality (clothing and shoes for example). They just want solutions that work and don’t want to have too much effort with its usability, but other things they do not give importance to, is the brand and price.

**DISTRIBUTION**

L’Oréal Professionnel Homme distribution is distributed exclusively through the professional distribution channel.

LPHomme is a professional brand. Therefore its products are exclusively distributed in a professional distribution channel. This distribution strategy seems quite appropriate because this is a channel much more selective and that offers professional services and high quality, exactly the idea that the brand wants to pass to the consumer’s mind.

This brand is not designed for “everyone”, as supermarket brand are, so LPHomme products are considered, as a matter of strategy, to have a big need of technical prescription from the hair professionals. This select distribution channel is quite useful to project a quality trademark, but on the other hand, the sales will mostly depend on the persuasiveness the professional uses, so LPHomme will lose some of its control over the final consumer. To reduce this lack of control, the brand invested on providing men a comfortable in-store experience (in an environment mainly designed for women), allowing male consumers to feel more comfortable and to facilitate their purchases in offering them a better shopping experience.

**PRICES**

In the present market, there are various price ranges of male grooming products. Price-setting normally relates to the distribution channel the company uses. In the case of L’Oréal Professionnel Homme, products are launched and distributed to hair salons, so, the need of getting higher margins will increases prices. Adding to that, as higher prices in consumer’s mind means higher quality, the brand also uses this strategy to automatically give a superior product image.
COMMUNICATION

The company’s communication strategy does not invest in any type of traditional media, (TV or radio), using instead, non-media communication, such as the sponsoring of fashion events or using sales force in a selling space to stimulate the consumer’s purchase

The sales force done at the place of distribution consists on offering merchandise for hairdressers and barber shops as a way to promote the brand at the point of sale, which allows a greater visibility of the brand at the local where it is consumed. It also, provides training for hairdressers, who are the key influencers on the time of purchase. They receive training on selling the brand, on the proper use of the products and on explaining the benefits of buying L’Oréal instead of other brands.

The brand does not use any kind of celebrity endorsement. As it is a professional brand, the goal is mostly to appeal to the high quality and not to emotions and hedonic feelings. For this reason, the brand mainly sponsors runway events and parades in the professional sector, to be perceived as the serious and professional brand that it wants to be. The campaigns always use the logo, the brand, slogans and products as much as possible, in order to obtain customer awareness using a compatible event with the brand wanted positioning.

The website tries, as well, to transpire that professionalism and quality, by using a very clean layout, simple and masculine, just like the brand itself. You can actually see through the website what the brand is really all about.
5. MARKET

BEAUTY AND PERSONAL CARE MARKET

The global market for beauty and personal care (BPC) valued, approximately, 285 Billion Euros in 2010. After one year of crisis (appendix 7: Annual sales of BPC market worldwide, 2007 to 2010), it recorded a growth of approximately +7%, which is getting very close to its historic rate.

The BPC market is divided in different segments: Hair care, skin care, fragrances, oral care, bath and shower, etc; as it can be seen in the Figure 2, below:

Figure 2: Beauty and Personal Care segments

Source: Euromonitor 2010

In 2010, the growth of each one of this segments was relatively homogeneous. Hair care products grew by nearly +3%. Skincare and make-up growth rate were nearly +5%. Perfumes and toiletries were more dynamic with increases of approximately +5%, driven by Latin America. Finally, men’s grooming products experienced a rise of more than +7%, motivated by the new male consumer habits. These results clearly show a in growth of men’s grooming industry. (Euromonitor, 2010)

The BPC market was fairly static in recent years. Factors like, the leading companies with stable high values of share or all basically following the same development strategies, might have helped the stability of this market to occur.

This stability enabled the market to move into new and emerging marketplaces. In 2010, there was a market shift in cosmetics towards the new markets. 52% of the worldwide cosmetic market was located outside of Western Europe and North America. The Asian continent, mainly China and India, is the main driving force behind the shift and in value terms has now overtaken Western Europe. Nevertheless, markets of major developed countries remain strategic sources of growth.

THE MALE BEAUTY MARKET

According to Euromonitor 2010, the world male beauty market reached approximately 28.2 Billion Euros, in 2010, accounting for almost 10% of the total global beauty and personal care market.
The male beauty market is divided into four major segments: Shaving (shaving preps, razors and blades, post-shaving), Hygiene (bath and shower, deodorants, cleansers), Skin care (face care, body care, sun care), and Hair care (shampooing, conditioning, treatment, styling, coloring). To better understand the market were L’Oréal Professionnel Homme is inserted in, see Figure 3, below:

**Figure 3: Male Beauty market and its segment and sub-segments**

Inside the Hair Care segment there is a sub-segment for professional male hair care, which is going to be studied with caution, since to this date, the brand only have had hair care products in the professional sector.

Nowadays, men have new paradigms and habits of consumption. They have no more taboos in assuming that they like to take care of themselves and they want to spend time and money in looking better. “Men are taking an active interest in looking good, living well and feeling confident” (said Dr. John Spencer Ellis, CEO of Metro Male Inc.). As it can be verified in the next table, this market is growing; with its possible ups and downs, caused by exterior factors; but it seems that will not stop anytime soon.

**Table 2: Evolution of the Male Beauty Market Worldwide**

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
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<tbody>
<tr>
<td>Annual Sales (Billion €)</td>
<td>23.270</td>
<td>24.834</td>
<td>26.381</td>
<td>28.243</td>
</tr>
<tr>
<td>Growth Rate (%)</td>
<td>6.72%</td>
<td>6.23%</td>
<td>7.05%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Euromonitor

In the men channel, the leading companies in men’s grooming products are, at a global level: Procter & Gamble with the brand Gillette (with 30.7% brand share in 2010, topping in shaving products). Unilever with the brand Axe with 7.2% of brand share in 2010. L’Oréal Paris, with 1.6% of brand share, American Crew with around 0.6% of brand share; Schwarzkopf with 0.2%; Redken with 0.2%; and, finally, Matrix with 0.1%. (Euromonitor, 2010)
THE MALE HAIR CARE MARKET

The world’s male hair care segment was worth, in 2010, 3.4 Billion Euros (Appendix 8), representing approximately 12% of the overall male beauty sales, and was mainly composed by shampoo, conditioners, treatments, styling and coloring products. (Euromonitor, 2010)

As the recession affected key markets like the US and the UK, in 2009 there was a drop in the sales related to beauty or hair care, with negative growths or growths lower than the usual, (see it in appendix 7, 8 and 9, in the year 2009). These drops can be attributed to the fact that many consumers have opted for cheaper brands with private labels. Some consumers have even adopted a more drastic approach and have cut out products altogether - conditioners and styling agents have proved particularly susceptible to this.

In the following year 2010, the hair care sales rose again, reaching its normal values, at the expense of higher-priced aspirational brands.

THE MALE PROFESSIONAL HAIR CARE MARKET

The hair care market is essentially about the mass-market channel which accounts for 72% of the sales. However, the professional channel, representing only 6% of the hair care market (source from Euromonitor, 2009), was expected to grow due to the expansion of “men-friendly” hair and beauty salons (Exhibits in appendix 9).

Nowadays, at the professional men’s channel, the top brands in market share are: Matrix and Redken with 0.7 and 0.6, respectively. Then we can find the L’Oréal Professionnel brand with 0.4 brand share, and brands like Kérastase and American Crew, with 0.3. (All belonging to L’Oréal group but the American Crew brand).

The professional hair care market does not suffer as much the effects of the economic crisis as most other beauty and personal care products. Despite the market becoming more mainstream due to the new paradigms of men consumption, salon brands such as Kérastase, Redken, L’Oréal Professionnel or Wella are starting to be at risk. There are now other brands starting to offer salon-inspired products to be sold in supermarkets, such as TRESemmé or Franck Provost, slowing down the selling of hair care in hair salons and putting the growth of the professional market at risk.

SOCIAL-ECONOMIC CONTEXT:

Changing Attitudes to Male Grooming to Drive Growth

As behaviors related to the concept of masculinity keep changing, this will continue to provide new opportunities particularly in men’s grooming industry. Nowadays, with the uncertainty of employment, this market is actually driving sales, as the concept of the successful male in the world of work is becoming increasingly linked to looking good, in addition to performing well. As wrinkles and signs of ageing, are now increasingly seen as being as unacceptable among men, this concept will continue to bring growth to the sector.
Men’s willingness to pay for grooming products has risen in line with the importance generally attached to a well-groomed appearance, which has come to be considered vital for success in the private, public and professional domains. However, the current economic recession slowed down this trend. Consumers are cutting back on expenses on beauty, opting for cheaper alternatives in essential categories and cutting out products altogether in discretionary areas which is likely to continue, despite improvements in the global economy. To prevent a shift away from salon beauty treatments, hairdressers and beauty salons are fighting back using discounting, diversity of treatments offered and attracting the new consumer: Men.

In rural areas habitants tend to hold more conservative ideas about male grooming, but in urban areas, the use of men’s grooming is far more prevalent. Globally, the world’s urban population grew by 2.08% between 2010 and 2011 (see appendix 10) and has been raising 66.25% since 1990, while, the total rural population was practically unchanged, even with a 0.77% decrease. In key markets for male grooming, the trend was even more pronounced, Brazil’s and China’s city populations increased by 2% and 3% in 2011, while their rural population declined by 1% and 3%, respectively. (Euromonitor, 2010)

There is now more money to play with. The average per capita annual disposable income for men globally has increased strongly in recent years, from 170 € in 2003 to 300 € in 2008, (Appendix 11: Total Global Male Disposable Income, 2003-2008, in US dollars). There was also an increase on the overall annual disposable income per capita of 9.7% in the last year (2011), following a total growth of 339.19 since 1990 (Appendix 12). This growth has played a role in the increase in spending on men’s grooming products. Coupled with the increased emphasis that men now place in looking good, this should mean a rise in the amount of money they will continue to allocate for personal care products.

This is surely not the only factor at stake at the men’s grooming. However this is an avoidable parameter for planning for the market.
6. COMPETITION

Globally, more than 3,600 male beauty product launches had been tracked only in 2009.

The cosmetics’ largest in the male grooming market is Procter & Gamble which leading the market with a market share of 39% mainly under the Gillette brand. L’Oréal Company, accounts for 10% with L’Oréal Men Expert and others. Unilever represents 8% of the market sales, under brands such as Axe/Lynx/Ego, Rexonan and Dove Men. Finally, Energizer Holdings holds a share of 6% (razors and blades), and Beiersdorf gets 4% of the market, under the Nivea for Men label (Euromonitor, 2009, World).

With a share of 36%, Procter & Gamble reaffirmed its absolute position in 2010. The company outstood its leadership thanks to the Gillette and Old Spice reputation. Procter & Gamble is one of the largest consumer goods companies in the world and the top global player in men care. The company has a diverse portfolio including Gillette Mach3 and the older product lines of Gillette Series and Gillette Sensor. Furthermore, the company is quite popular among the male population due to its longstanding presence in the market, its high quality advertising and its constant innovation.

The men’s grooming market is fairly saturated and there are many competitors and substitutes even in the professional channel, which means that L’Oréal Professional Homme needs a very big competitive advantage in order to live in this market.

L’Oréal Professional Homme is engaged into three types of competition: In-line competition, for the brands that belong to the same company (L’Oréal); Out-line competition, involving brands that don’t belong to the L’Oréal; and, the Substitute brands that represent a big competition to professional brands because they are positioned in the market as professional brands but they are much more affordable and are present in every supermarket nearby any consumer.

IN-LINE COMPETITION:

The brand Kérastase Homme projects a sense of a wise brand, with vast expertise, credibly healing, though is more expensive than the majority of the brands. Therefore, it obviously targets a high class man. Kérastase Paris has always been associated as a good brand for women. The use of the world “Paris” on the brand evokes sophistication and glamour. Now with Kérastase Homme consumers can find the same sophistication and quality but with a more masculine design. It is associated with high fashion designers, expertise, knowledge, serious, and luxurious hair care. It is a brand that is most focused on results, in order to attract men that are looking for functionality, but at the same time for status. This brand is not present has the main competitor of LPHomme, just because it has been, for years, a female brand, and it is hard to take this feminine perception off the consumer’s eyes.

Redken for men is a very young and irreverent brand, trying to show over the edge styles with a sense of fashion. The brand uses the logo: “Get inspired”, and illustrations of the NY 5th Avenue, in order to transmit the perception of a metropolitan brand for urban men. The brand
sells a personality extension of any man that relates to that irreverent, genuine, young and fresh persona. The brand mostly targets men with strong personalities, although it can also catch men that are still finding their own style and aspire for a busy life. This is the right brand for those men who take really good care of themselves and are proud to show it. It is appropriate for metrosexuals, “the men of today”. See below the brand’s logo and range of products.

OUT-LINE COMPETITION:

American Crew, the vintage masculine, experienced but irreverent brand, offering a solution for every problem, is a very consistent brand and has chosen an appellative masculine name. This brand calls herself by the name: “official supplier to man”, and it is a very, very cool brand, well established, with American quality and style. It is perceived as the very best in the professional masculine sector. American Crew seems to be the most popular brand if you ask in salons and it appears to be a key competitor. They are an American brand with great packaging and quality services for almost every hair or shaving problem. This brand targets mainly confident men, self-assured of their class yet with a cool style in everything they do. The brand logo and range of products can be seen on the next page.
System Professional just men, from Wella group is a brand focused on hairdressers as target and wants to be perceived as a brand that really works (functionality focus). Tries to break down society barriers and has a long credible past. Although it is mostly seen as a woman brand because of its association with the Wella group name. It is a trend follower and claims...
that hair salons that use their products can say without a doubt that: “Hair comes alive in our hands”.

Schwarzkopf Professional for men is a modern, expert, fashionable and trend aware brand, sells affordable luxury products for hair and is a trendy brand with a very sophisticated look.

**SUBSTITUTES:**

Professional brands in the supermarket, like:

- Franck Provost is a very active brand in the sector of professional brands for masses. After launching lines of shampoos and conditioner, it introduced a line of styling agents and a line of electro-beauty products and small accessories. All this is available for supermarkets, where one can get the quality of a professional product with a price of a supermarket brand.
- TRESemmé is one more professional and affordable brand that consumers can find anywhere, with an industrial type of packaging. Till now, it deals shampoos, conditioners and mask lines for colored hair or any other types, but it is beginning to expand at a rapid pace to other segments.
- Combe launched the Just for Men, specially designed for taking care of men’s grey hair, by offering any type of hair color products for masses. It targets grey hair men and offers mostly products to color hair and some shaving solutions.
- Henkel also launched the Syoss Men brand to join the others professional hair care brands in super and hypermarket. It offers consumers simplicity, quality and a clean look for masses. Coming in an industrial packaging to offer affordable professional products, it counts with shampoos and styling products for the moment.
7. THE MALE CONSUMER

NEW PARADIGMS FOR MALE CONSUMERS

“In the post-modern world, men are more actively involved in consumption and purchase decisions” (Soudien, Nizan and Diagne, Mariam; 2009). Currently, men appearance-related behavior has increased tremendously and is intruding on traditional masculine consumption behavior (Holt & Thompson, 2004). Men no longer consider effeminate investing time and money on improving their look and appearance (Soudien, Nizan and Diagne, Mariam; 2009).

The male market was developed under the ‘metrosexual’ marketing label. The term comprehends “young, sophisticated men who spend time and effort on his appearance, this man is better groomed and dressed than most other men” (Lertwannawit, Aurathai and Gulid, Nak; 2010)

What have led to a change in male fashion consciousness and enabled men to redefine masculinity? See Figure 4.

Figure 4: Major influences on male appearance consciousness

Source: Cathy Bakewell, Vicent Mitchell and Morgan Rothwell, 2006

There has been an “intensification of social and commercial pressures on men to become fashion consumers” (Bakewell, Cathy; Mitchell, Vicent and Rothwell, Morgan; 2006). And, women are becoming more empowered in competitive workplaces. So men are more concerned and end up consuming grooming products to keep up with the expectation (Saurabh, 2008).

Also, metrosexual celebrities are used to offset the negative attributions that are associated with this concept (Nizar & Mariam, 2009). Advertisements commonly feature “macho” celebrities sending a message that the use of these products and masculinity are not mutually exclusive. Consequently, consumption of such products is becoming more accepted (Soudien, Nizan and Diagne, Mariam; 2009). The sportsmen such as David Beckham and Johnny Wilkinson are seen as fashion models that have a huge impact on male attitudes towards male grooming (McCracken and Roth, 1989).
NEW MALE CONSUMER HABITS

It is important to understand the basis for what drives men behaviors, because it can help planners to identify quality properties for reaching them and understand how to introduce brands within that environment.

“Men are taking an active interest in looking good, living well and feeling confident” (Dr. John Spencer Ellis, CEO of Metro Male Inc.). There is also a growing number of younger-feeling seniors who are willing to spend increasing amounts on maintaining their appearance (Donoghue, Liam; 2005). Those men choose products to achieve a desired image, but they don’t really know what exists for them and what to choose concerning aging lines (Soudien, Nizan and Diagne, Mariam; 2009).

The majority of men (75,9%) assume that takes care of his image and say that they pay attention to the brand of a hygiene product (52,9%). 61,2% say that what they want the most is to look attractive (mostly men from 15 to 34 years old) (Marketest, 2007).

Latest studies have found that most men translate their behavior into a worry with their appearance mostly because the society demands (30,7%), for job requirements (22,1%), or else else because they want to look younger (15,8%), (Market research, 2010).

Factor analysis showed that men view fashion in “highly simplistic terms” (Bakewell, Mitchell and Rothwell, 2006), but “want products that perform more than one function” (Donoghue, Liam; 2005) and demand result-oriented products.

Men look for products targeted specifically for them (Cole, 2008) and feel more comfortable with those products (Tuncay, 2008). They also make time for things that are important and focus their attention on them (Dominiaak, 2006) and do not want to look inexpert in the marketplace (Tuncay, 2008). They are concerned worried about appearing either homosexual or feminine as they shop for fashion and grooming goods and services traditionally associated with women and gay men. (Kimmel, 1994).

Recent surveys say that three-quarters of men think spending time in front of the mirror is important, though consider equally important doing it without compromising their sense of masculinity.

“It can be seen that men have gone so far from the past and men have changed a lot on their consumption behavior, but, it is important to never forget that: men are still men” (Shalén, Per and Molander, Sofia; 2010).
CONSUMER BEHAVIOR

Through a personal research it was possible to find the following considerations:

Observing Men’s Attitudes On Hair Salons:

Men’s attitude towards the use of hair salons shifts from country to country and what men expect from hairstylists depends on a wide variety of social habits. In some countries, men would rather go to a barber shop (for men only) where they generally get a quick haircut, with none of the real styling and hair care products & services other men in other country would wish they could find there. In other countries, men might go to hair salons (for both women & men) but feeling uncomfortable. Since they would see themselves as entering into a mostly feminine environment, men would feel ill at ease, and not know how to act, where to stand, etc.

Talking With Professionals:

As David Frazão, a professional hairstyles and owner of “Bento Cabeleireiros” told, “men are becoming more confident and more assure of themselves when it comes to taking care of their image, although, they still have a long way to go compared to the female consumers”. One thing is certain, men really need influencers around them in order to choose any kind of personal care products, which means that hairstylists must be educated by the brands in order to create in the professional a long term habit of use and trust when recommending the product (“and is not just about one simple session, is more about a whole year of preparation”). When David Frazão was talking about his male client target he described: a consumers that is quite loyal, doesn’t want to wait, and wants to be recognized to get his own space and attention when going for a haircut. He also revealed that men are actually much influenced by one another and are concerned about what people will think of them (especially when something can jeopardize their sexuality). “If the first guy tries a pedicure treatment, the other will try it, but if the first does not try it, then you can forget about the others”.

Then, in an interview with Samuel Rocher, another professional hairstylist, he gave some insights about how men behave in his hair salon (Atelier de Coiffure), and told that there are no more restrictions on the frequency of men in beauty salons. A man who seeks a special service, doesn’t just want the “square cut” that any traditional barber is able to accomplish, but will require the professional to understand his hair and offer solutions (for example, to hair loss problems, that are the most usual). Samuel Rocher also adds that in his salon there are other services like manicure and pedicure, quite requested by males, and that might be missing services that are usually performed in barber shops. For him, nowadays if a man does not attend both a mixed salon, it is because of the big amount of waiting time. “Man likes to be practical and fast”.

Random interviews:

To complement my research, I decided to talk to a small and random sample of men (16 men) passing on the streets of Chiado, Lisbon, Portugal. My conclusions were: 91% of men attend hair salons (majority goes to barbershops or mixed hair salons). 31% of those used to go once
a month. 17% when washing their hair, they do it elsewhere than at home, usually at the gym, office, etc. The services that they value the most were: first the “convenience and proximity”, secondly, “getting the asked result”, thirdly, “a personalized service”; and the finally “a salon that is aware of new fashions and trends”.

Other conclusions made during the interviews were that the male consumer buys their own products mostly on supermarkets, boutiques or pharmacies. The majority buy these products under these criteria: the perfume, the price and finally the brand. To appeal men the main attractive words are “protecting”, “natural”, “healthy” and “moisturizing”. Lastly, their main purchase barriers are the price and the difficulty to choose.

To finish, in order to demystify some stereotypes above mentioned, they were asked if they still feel a little uncomfortable about going for a cut in mixed salons. 87, 5% said they felt quite comfortable and not judged at all, which indicates a tendency to see more men in hair salons. However, this is still not enough, because when they were questioned if they were concerned about their grey hair and if they were willing to try any type of coloration, the majority considered satisfied with their grey hair (some of them even added that it was somehow sexy), and the huge majority (81,25%) said that would not color his hair. Additionally they have showed a big concern about what society might think men that color their hair and, the more restrict ones, also added that “no men should ever do that”.

It is obvious that there still are some stereotypes left, but one must realize that men have come a long way from more radical prejudices to the current situation. This is good for brands like L’Oréal Professionnel Homme, Kérastase Homme, Redken for men or American Crew. And, as more brands banalize the behaviors of men going to mixed salons, the more comfortable men will feel in this ambience.

This was a small sample to extract to the population, but the results confirm the conclusions of most recent studies.

As a final point, other consumer behavior studies were also considered:

A Market Research done in Portugal (2010) concluded that man’s main concerns nowadays are: first the face (55%), then the hair (35%), following the body (31%) and finally virility. In fact, facial skin is the major concern also due to the impact regarding their appearance to women.

Other interesting research on male consumers, from the magazine Men’s Health, done to 1.729 men, on the magazine website, back in 2008, revealed that the reader’s average age was 28 years old; that 28,7% were students; 21,6% hold medium/superior jobs; 53% had secondary education and 46% had high education. Regarding male beauty care, the following information was obtained:

- 76,5% were willing to try esthetic treatments;
- 20,1% need products against hair loss;
Most men bought themselves the products and hairdressers were much influential in the purchase decision;
They wanted to find new ways to improve their routines especially through new technologies;
High and medium high class were the kind of men who invested the most on this sector (73,2%);
34% dedicated 10 minutes to the body care every morning (excluding the shower);
72,8% took care of the face, 31,9% of the hands and 27,1% of the body;
75% shaved or waxed their body hair;
21,3% would do a tooth whitening treatment, 21,3% would do a facial cleaning, 11,4% would do a facial mascara and, 8,5% and 8,3% would do a manicure and pedicure treatment;
In 2006, 57% were “comfortable” to assume that they were taking care of themselves, and, in 2008, 91% had “no problem or embarrassment” in assuming that.

Marketest - TGI studies to male consumer - Product usage related:

46,3% used normal shampoo and 20,3% used shampoo for greasy hair.
65,9% used shampoo once a day or more.
The majority of men’s scalp was greasy, and, between ages from 15 to 34 years, they suffered from dandruff; from 35 to 44 years old their hair was dry; and finally men from 45 to 64 years old presented their hair quite greasy.
96% had natural hair, not dyed at all.
83,3% used cream, gel or shaving foam and 45,6% used it two or three time a week (being the shaving foam the most popular).
77,6% used after-shave in the previews twelve months, and 48,7% of them used it once or more times a day (mainly lotion or balsam).
70,4% did not use gel, spray or foam to shape their hair in the last 12 months, but 44,9% of them used once a day or more.
The most used product for men to shape their hair was gel (80,7% users, against others, using foam or cream).
8. WHERE TO EXTEND TO?

L’Oréal Company realized that much improvement was needed to make male consumers feel they were at the right place, with salons paying enough attention to their needs. There are many brands in the L’Oréal Professionnel range, including L’Oréal Professionnel Homme, created for men only. But, so far there is only one range of products developed for L’Oréal Professionnel Homme brand, a hair care product range. In order to really make men feel that salons pay enough attention to them, L’Oréal Professionnel Homme needs to extend their existing range to a new segment.

Nowadays, male consumers are more comfortable in taking care of themselves and trying out products that can enhance their best self. However, this evolution in consumption and habits doesn’t mean that they are at ease using female products or losing their masculinity. Actually it is the opposite that is happening. They claim a place for them in beauty salons, so they can have a good care without jeopardizing their virility. They need and want products that don’t take their masculinity away, but at the same time offer them results, convenience and performance.

L’Oréal Professionnel Homme brand only offers men professional hair care products (shampoos, styling and coloration products), which is a good starting point to make men realize that they have a place for them too in hair salons.

But, what should be next for the male market?

L’Oréal Professionnel Homme Extending to the Shaving Market!

The care of a men’s beard is obviously the most masculine solution, and through the beard care segment it will be possible to create a shaving ritual that is absolutely exclusive for men. In fact, the beard is becoming a symbol of confidence (a way for men to express themselves) and not of laziness anymore, which leads to a care for it that goes beyond the usual care.
9. LITERATURE REVIEW – Brand Extension

The need of extensions is increasing every day in the marketplace. Nowadays, with the intensification of competitors, firms must grow in their offers to be one step ahead of competition.

9.1 How to Launch a New Product - Defining Extensions:

Brand extension has played an important role in the new products development, since new product launches represent higher spending costs, so by using brand extension, corporation could reduce costs and effectively gain their reputation while selling new products (Yung-Wei Chan, 2011). By using well-known brands, the costs of launching a new product can be reduced drastically through marketing and distribution efficiencies (Arslan and Altuna, 2010), and it can provide a sense of security and trust to consumers (Milberg, Sinn, and Goodstein, 2010).

So, it is not surprising that in today’s competitive environment many firms choose to rely on their existing brands to introduce new products (Arikan, 2010).

Using extension to introduce new products is now a popular strategy for firms seeking growth. As Panwar and Bapat (2007) say, the objective of most product launches is to attract more customers and therefore increase market share, create organic growth and differentiate brands from their competition, and using extensions, that can be done even with more efficiency.

A lot of research about this topic has been done, and as Grime, Diamantopoulos and Smith (2002) have notice, most of the extension literature has concerned upon brand extension and not line extension. Brand extension research is mainly derived from Aaker and Keller’s seminal work on consumers’ “fit” and quality evaluations of brand extensions. And, line extension research has tended to focus more narrowly on issues such as cannibalization.

According to Aaker and Keller (1990), “the kings” of extensions, there is a variety of strategic options that firms can apply when thinking of launching a new product. For them, in order to reduce the risk that the new product can carry, it is mostly important to market the new product under a well-known brand name. From that starting point, they define two strategies for new product launches under the parent brand’s name. The first is entitled as line extension, where a current brand name is used to enter a new market segment or offer in the same product class or category, they differ from their parent brand in relatively minor ways, such as flavor, sizes, and compositions (e.g. Diet coke, Liquid Tide, etc.). The other strategy, for new product launch under a parent brand’s name, is called brand extension, where a current brand name is used to enter a completely different product class (e.g. from perfumes to photocopiers). Aaker (1991) found that 89% of new product launches were line extensions.

Taking in consideration a more recent definition of Panwar and Bapat (2007), there are three types of new product launch strategies: The brand extension which consists in a parent brand entering into a different product category, meaning, products and services that an organization offers beyond its core product (Keller, 2003); the new brand strategy that is when a company
introduces a product in a category with a new brand name; and finally, the line extension, which is introducing variations of the same brands in a given product category. That last type of strategy (line extension) is said to be divided in two strategy types: the vertical line extension and the horizontal line extension.

The first one has become a common practice for companies seeking to provide a range of products under an existing trademark – from entry-level to premium products - for product category where branding is a differentiating factor (Keller, 2008). E.g. Marriott extended its hotel chains to “Courtyard Inn by Marriot” (step-down extension) for economical travelers; and American Express introduced “American Express Platinum” (step-up extension).

And, the horizontal line extension is when you extend a parent brand to different varieties in the same product category (Panwar and Bapat, 2007). E.g. Colgate whitening, Colgate mint, Colgate Fresh, etc.

In Kotler’s Marketing Management text book (edition 11- 2003) line and brand extensions are defined as: Line extensions being the introduction of an additional items in the same product category under the same brand name, such as new flavors, forms, color, added ingredients, package sizes etc. For example Palmolive soap comes in different variants like Palmolive Natural, Palmolive Thermal Spa, Palmolive Aroma Therapy, etc. And, Brand extension consists in a company using its existing brand name to launch products in other categories. For example, Caterpillar which is a corporation that designs, manufactures, markets and sells machinery, has extended itself to a fashionable shoes brand.

Meanwhile, the term “category” can be interpreted in different ways, which creates certain ambiguities. So Kotler’s new marketing management text book (edition 12 - 2006), with a new outcome of the author Keller, comes to explain that possible ambiguity of the term “category”, and it begins to define that brand extension is a form of line extensions or a form of category extensions. For this new edition, line extensions is defined to be: a brand launching new product in the same category, targeting a new segment through new flavors, added ingredients, package sizes, etc. And, category extensions occur when the parent brand is used to enter a different product category.

Therefore, according to the new Kotler and Keller’s edition (2006), brand extension becomes the umbrella concept which can be used whenever a brand uses its name to any new product. The gurus have introduced a new term category extension to replace brand extension in the earlier definition.

According to other author, Farquhar (1989), this new strategy called category extension is when you take an existing brand name and give it to a new product category that is new to the firm (e.g. Coca-Cola and fashion clothing). On the other hand, a line extension applies an existing brand name to a product in one of the firm’s existing categories (e.g. Freelander by Land Rover).

The definition about brand and line extensions is often ambiguous and can differ among many authors which make it confusing for some. Either way, defining the type of extension to
choose is important, but the most important concern should be how to make a new product turn into a successful one, reduce any risk in the launch, lower marketing costs and other additional costs, in order for new lines or categories to be successful without damaging the parent brand’s name.

9.2 When to Introduce a Brand Extension:

When introducing a new product into a new market, professionals often advocate early entry in the life cycle, but when talking about a new product that is a brand extension, “the early entry might not be so appropriate” (Sullivan, 1992). A brand extension is associated with an established brand and it has different marketing capacities than a new name product (Sullivan, 1992). Since brand extensions and “new-name products” have different failure rates over the market life cycle, they probably have different optimal entry times. Sullivan (1992) found arguments in favor and against early entries for brand extensions, which are the following:

The arguments in favor of extending early are:

- The advantages of having extensions in young markets;
- Getting the advantage of “early-movers”,
- Early entrants obtain larger market share more often, as empirical studies have proved;
- In addition to that, the early entry can lead to loyalty and experience effects, that will turn the life of late entrants more difficult when trying to achieve theirs competitive market positioning.

The arguments against extending early consist in:

- The positioning uncertainty in young markets;
- And, high product failure rates that will subject the parent brand to be in risk, as, Gort and Klepper, (1982) suggest, failure rates are higher in young markets than mature markets (in case of new-name products).

Although, after Sullivan empirical study, the results indicated that “entering late is the preferred strategy for brand extensions”, and that entering early is more likely that the extension would fail. First, brand extensions earn smaller market share when entering early than the new-name product, so they will have less to lose by waiting. And, extensions can take advantage of the market share from their established brand names when entering late.

Waiting may enable managers to design a positioning strategy that targets a desirable segment and is also consistent with its brand’s established image (Tauber, 1981; Kimrey, 1984; Urban et al., 1986). Also, by entering late, extensions can lose the early entrants move, but using the extended brand name it can act like a break down to the customer loyalty of the early entrants.

Robinson and Fornell (1985), found a possible explanation for the higher market share of early entrants, and is that the pioneering businesses have more product lines than later entrants, so their larger market share can be attributed to their broader product lines.
9.3 The Impact of Brand Extension (The Positive and The Negative):

According to the literature, when brands are looking to extend, they need to realize that the parent brand will have an impact on that extension, which can be favorable to the extension or unfavorable. But, meanwhile, the reverse can also occur: The extension can also affect the parent brand; as many authors call it: The feedback effect (Milberg et al., 1997; Balachander and Ghose, 2003).

![Diagram](image)

For Balachander and Ghose (2003); Milberg, Sinn, and Goodstein (2010); and Yung-Wei Chan (2011); if the parent brand and the extension have a good perceived fit, then the impact of the parent brand will be favorable to the extension helping the new product to succeed, but if the fit is not perceived by consumers then this could be unfavorable to the extension, and, as Build, et al., (2009) say, it can lead to its failure.

With the feedback effect, the extension can help the parent brand image or harm it into a point of a possible dilution of the parent brand image. As Loken and John (1993) emphasize, when a consumer response to the fit is positive towards a new product that will help the parent brand or enhance its equity, however if the opposite happen and the consumer evaluation to the fit of the new product and the brand is negative, that could harm or dilute the parent brand image. In more recent studies, done by Build, Chernatony and Hem (2009), it is stated that brand extensions with high fit will decreases that negative feedback effect of extensions on parent brand equity and their results also reveal that parent brand equity dilution is higher when the brand used to launch the extension has high equity.

Earlier studies of Loken and John (1993) indicate that “The impact of the feedback effect of an extension on its parent brand is influenced by the degree to which the extension is (in)consistent with the parent brand”. Their findings state that unsuccessful brand extensions can dilute the parent brand. Questions also have been raised about the possibility that repeated brand extensions will eventually “wear out” a brand name and that unsuccessful brand extensions will "dilute" the equity associated with a well-established brand name.

Sood and Keller (2012) investigate how to manage that negative feedback effect that might occurs with brand extensions. Sometimes extensions can dilute brand beliefs and affect
negatively the parent brand, which according to Milberg, Park and McCarthy (1997) is caused because: Extensions are perceived as belonging to a product category dissimilar from the parent brand, or, the extension attribute information that is inconsistent with the image beliefs of the parent brand. “Unsuccessful extensions may weaken brand associations as well as lead to negative effect towards the brand” (Milberg, Park and McCarthy, 1997), so it is really important to consider the negative effects, as Buday (1989) said: “each new introduction under a parent brand umbrella forces the consumer to redefine what the name stands for”.

Milberg, Park and McCarthy (1997) and, a more recent research of Sood and Keller (2012), examine strategies that lead to negative feedback effects and try to discover how to minimize these negative effects. After the investigation they discovered that this negative effect can be softened by an alternative strategy called sub-branding: it happen when an existing brand name is used with a new brand name, creating a new name without making obvious that is the parent brand that is behind this new one. E.g.: Courtyard by Marriott. This sub-branding strategy is effective in minimizing the negative consequences of inconsistent extensions. This strategy differentiate the extension from the parent brand and this way allow consumers to resolve inconsistencies, while at the same time providing brand equity benefits and eliminate negative feedbacks. Low similarity extensions are technically and functionally dissimilar to the parent brand, so adding the quality name of the parent brand it might led the consumers to think that the extension was manufactured by a licensee and not by the parent brand (this could actually be the explanation of why the sub-branding strategy reduces the negative effects). And, even if the consumer perceived as the extension does not have the skills to manufacture a type of product, this will not affect the parent brand because the parent brand is not perceived to be responsible for manufacturing the extension (Milberg, Park and McCarthy, 1997). “This sub-branding strategy can offer the best of both worlds, by both enhancing extension evaluations and protecting the parent brand from any unwanted negative feedback” (Sood and Keller, 2012).

Because unsuccessful brand extension affects the parent brand evaluation (Keller and Aaker, 1992), and the higher the image of a brand, the more the dilution that occurs (Arslan and Altuna, 2010), brand managers and marketing planners can never forget to preserve the parent brand while seeking to extend into different product categories (Arslan and Altuna, 2010).

In a subsequent topic it will be discussed, more deeply, how other characteristics of the parent brand, extension characteristics and consumer characteristics will moderate the impact that the fit has on the extension success and it will be explained how consumers evaluate extensions, in order for managers to know how to induce consumers to have a good attitude towards the extension and this way achieve success.

9.4 Advantages and Disadvantages of Extensions:

There are a number of benefits and consequences of using an extension strategy. This topic focuses on those.
Advantages and disadvantages that the Parent Brand generates in the Extension:

When a new product is marketed under a well-known brand name, failure rates and marketing costs are reduced (Keller, 2003; Arslan and Altuna, 2010; Milberg, Sinn, and Goodstein, 2010). Brand extensions tend to have a higher survival rate than new name products (Sullivan, 1992), since new products carrying the existing name are more readily accepted in the market (Arslan and Altuna, 2010), which corresponds to the whole literature that relies on the assumption that “a known brand reduces the risk associated with buying new products” (Smith and Parker, 1992).

Another advantage of introducing extension products is that they do not require as much promotional support as new products, because the brand name is already familiar to consumers, so the advertising investment needed is much lower (Smith and Park, 1992; Arslan and Altuna, 2010). Also, the existing relationship with the distributor facilitates the extension introduction (Keller, 2003; Arslan and Altuna, 2010).

In the other hand, taking in consideration that the parent brand when trying to help the extension, can actually harm it, it is important to think about the disadvantages that this type of strategy brings to the extension. A known, strong brand name not always guaranties success when it does not bring additional value to the new product, so it is really important to check if the name will bring any additional value for consumers, because if not, this might not be the best strategy (Aaker, 1990).

One more factor which may be negative for the extension is the fact that, although the parent brand can be very well known in the market, consumers might have had bad experiences with it or think they have poor quality for some reason, so, the use of that brand name on the extension may limit the market for those who are against the brand (Aaker, 1990).

Advantages and disadvantages that the Extension generates in the Parent Brand:

Occasionally, the support that the brand gives to the new product can often lead to a change in the brand image associations (Czellar, 2003). That change can be an advantage because it can improve the positioning of the parent brand itself (Morrin, 1992; Aeker, 2002). Besides, the introduction of an extension can increase sales for the parent brand, due to the enhancement of consumers’ perceptions of brand values and image through increase of communication (Arikan, 2010). But, other times, the change can be a disadvantage, because if the extension does not succeed it can harm the parent brand reputation (Sullivan, 1992), which can result in a substantial loss of brand equity (Aaker, 1991; Gurhan-Canli and Maheswaran, 1998; Swaminathan, Fox and Reddy, 2001; Keller and Sood, 2003). Or, simply when there is a poor fit between the extension and the brand, or the extension is differing to much form the original brand associations, the extension might harm the parent brand (Arslan and Altuna, 2010), which Martínez and Pina (2003) explain that is possibly caused by the consumers not “getting” the connection, a possibility of the extension creating issues around product quality, problems with the image of the product category itself or harms in the manufacturing process.
And, according to Arslan and Altuna, 2010, if the extended product is too closely connected with the original product of the parent brand, consumers may purchase the extended product at the expense of the company’s other products, inducing cannibalization.

9.5 **Determinant Factors of Extensions Success**

9.5.1 **Direct influence to success:**

In this topic it is going to be approach, given the large literature on the matter, the key success factor that managers have to consider when trying to create successful extensions. In order to achieve success, the parent brand, extension and consumers, need to have a set of characteristics which can lead the extension to succeed, but, adding to those characteristics, a positive consumer evaluation of the extension and how consumer respond to them, is, most of the times, the needed ingredient for extensions to be successful. As the majority of studies defend: consumers are the best indicative of extensions success.

First of all, there are three groups of characteristics required for extensions to succeed: The parent brand characteristics, the brand extension characteristics and the consumer characteristics.

In order to reduce the risks of extension’s failure, there has to be a transfer of favorable characteristics from the core brand to the extension (Aaker and Keller, 1990; Pitta and Kastsani, 1995) which are:

For Reddy, Holak and Bhat (1994) results indicate that the key for success is the parent brand strength and expertise, which they define as the “brand’s symbolic value”, that also includes the firm’s size, distinctive marketing competences, the advertising support allocated to the extension, and, as Arikan (2010) adds, the corporative image of the firm.

Parker *et al.* (1991) defend that the prestige of the parent brand and any strong association with the brand is crucial for new products success. Associations that differ from the original ones can dilute or even damage the brand’s image (Arslan and Altuna, 2010).

Fiske and Pavelchak (1986), includes the level of “affect” which most costumers have in the parent brand.

For Boush and Loken (1991), and Arikan (2010) is the perception about the coverage of the parent brand portfolio that can influence a new product success and actually enhance the parent brand image and bring significance to the consumer by offering new categories.

Martínez and Pina (2003), and Arikan (2010) explain that parent brand quality associations are necessary for the success of the extension.

Several Keller and Aaker (1992) studies reveal that in order to achieve success, brands when looking to extend, need to give perceived credibility, strength and expertise of the parent brand; fact which Blichfeldt (2005) also emphasize: “Most manufacturers…rely on strong brands to increase consumers’ acceptance of new products and increase success rates”.

Inês Martins dos Santos Fidalgo Fonseca
For Jon D Reast (2005), when looking for extensions success it is important to transfer the consumer’s trust in the parent brand to trust in the extension. For example, L’Oréal Professionnel Homme brand fits well with the new product for beard, and the brand is a consumer’s favorite for hair products, so it will also be for beard products as well. “The loyalty that consumers show to a given brand is, in part, constructed from consistent satisfaction with the performance of the brand (...) if the consumer is loyal to the parent brand there is a good chance that they will try the extended brand.” (Jon D. Reast, 2005).

Finally, Mitchell and Greatorex (1993) also add that in order to get success for the extension it is important to make consumer perceive no risks in the parent brand, in order to give them perceived security in the extension as well.

Those where the major success factor considered in the literature, that the parent brand should contain in order to succeed, but the extension can’t live only at cost of the parent brand positive characteristics, the extension must also present some required characteristics for success, and authors include those as being:

The extent to which the extension is launched as part of a sequence of launches (Aaker and Keller, 1992); the extent to which the quality of the extension is consistent with that of the parent brand (Aaker, 1992); the category similarity, where there is a small distance between the brand and the extension to a new category (Martínez and Pina, 2003); the product differentiation (Parry and Song, 1994); the impact of the chosen communication strategy for the concept, on its acceptance (Kim et al., 2001); and, the product and brand “fit” (Martínez and Pina, 2003; Yung-Wei Chan, 2011), that among all the various factors, it is shown to affect more the brand extension success, this one “is given special emphasis as the most important determinant of success” (Arikan, 2010; Martínez and Pina, 2010). Tauber (1988) studied 276 extensions and concluded that the perceptual fit, (when the consumer perceives the product as being consistent with the parent brand) is a key factor in predicting the success of the extension. But why? One reason is that the parent brand transfer the perceived quality to the extension, influencing it positively. Another reason is that a poor fit can, not only weaken the transference of positive associations, but can also stimulate undesirable beliefs and associations (Lane, 2000).

In order to achieve success and therefore improve consumers’ evaluations, the consumers must also have some characteristics, which involve in:

The consumer acceptance and awareness of the brand which are highly correlated with the success of a new product; either if it is in a line extension, a brand extension or a new brand entry (Panwar and Bapat, 2007); the consumer involvement level (McWilliam, 1993); the brand or category knowledge (Murphy & Medin, 1985); and, the consumer innovativeness (Klink and Smith, 2001; Klink and Athaide, 2010).

Finally, because the majority of authors say that the success of an extension is largely determined by how consumers evaluate the extension. In order to improve success rates of brand extensions it is also important to study what factors affect their evaluation in order to
generate a good consumer response towards the extension and also towards the parent brand, and this way, achieve success.

9.5.2 So...How does Consumer Evaluate -Indirect influence of success:

Prior research also suggests that consumer acceptance of a brand extension is affected by the perceived fit (category and image fit) between the extension and the parent brand (Grime, Diamantopoulos and Smith, 2002), in order for the consumers to perceive the extension as appropriate with the brand and accept it (Chakravarti et al., 1990; Park et al., 1991).

Martínez and Pina (2010) results indicate that consumer evaluation is determined by a positive parent brand image; familiarity of the parent brand to consumers; perceived image & category fit and consumer innovativeness. Although, Glynn and Brodies (1998) works have failed to prove that familiarity affects consumer attitude to an extension.

In addition, Sattler and Volckner (2002) identified that the major factors affecting consumer evaluations of the extension and the core brand after have extended itself, are the fit between the parent brand and the extension categories, and the quality of the parent brand. Their research was one step ahead since they also analyzed differences of these success factors; across product categories, parent brands and consumer segments; and discovered that the factor of fit and quality can be generalized across the different kinds of product categories and brand, but not in the consumers segments.

“The evaluations of the extension and the core brand rely heavily upon perceptions of fit” (Aaker and Keller, 1990) also defended by: Milberg, Sinn, and Goodstein (2010) and Yung-Wei Chan (2011). As we go through the literature, there is a common bound between most authors that discuss this topic that relies on the assumption that, in order for consumers to have a good evaluation of the extension, they need to perceive the fit between the extension and the parent brand. But, in the other hand, there is an issue that contradicts these theories: the consumer marketplace is replete with successful extensions that appear perceptually distant form their parent brands and other that where perceptually close extensions have failed. The divergence between research findings and marketplace observations suggest that some important conditions affecting the fit-extension relation may be overlooked (Milberg, Sinn and Goodstein, 2010).

Milberg, Sinn and Goodstein (2010) are not the only researchers to note that extensions research may exclude relevant factors that diminish the relationship between category fit and consumer preferences. Several studies consider variables that moderate the effects of congruency or fit on evaluations:

Grime, Diamantopoulos and Smith (2002), for example, in order to explain the discrepancy between those successful cases in the marketplace and prior researches (that defend the perception of fit as a key for extensions success), started studying what influences the relationship between perceived fit and the consumer positive evaluation for success, and found that: the relationship between perceived fit and consumers evaluations is moderated by the quality of the core brand; by their own consumer characteristics (certainty or knowledge
of the brand and extension); by the strategies that the brand applies and the portfolio characteristics (coverage of the parent brand portfolio that can bring significance to the consumer by offering new categories). To better understand it, see Table I.

Table I – Conceptual framework

As demonstrated on table I, there are characteristics of the parent brand, extension characteristics and consumer characteristics that will MODERATE the impact that the fit has on the extension success. For example, the higher the level of a characteristic (previously presented), the lower the impact of fit on the consumer evaluations of the extension; or, the higher the level of a characteristic (previously presented), the lower the impact of fit has on the consumer evaluations of the core brand. And, that is probably why the lack of fit can, sometimes, mean success anyway (Grime, Diamantopoulos and Smith, 2002).

In Arikan (2010) opinion, even thou this author always said: “extensions evaluation are more favorable when there is high perceived fit between the extension and the parent brand”, when also trying to explain the discrepancy between the marketplace reality success studies and researches on fit, she defended something else: “when managers want to introduce such distant product (non-similar extensions) they can improve the perceived fit of this new extension in the eyes of their consumers via other success factor”, those factors can be: using advertising campaigns to emphasize the main parent brand association and increase the perceived fit; enhance the quality of the parent brand; improve the strength of parent brand portfolio and communicate a strong corporate image, which can also increase the consumer perception of fit and this way, also achieve success, even with non-similar extensions.

Shen, Bei and Chu (2011) findings - concerning similar and non-similarity extension - explore a different idea from Arikan when explaining the discrepancy between the marketplace and need the of fit for success. For them, the poor fit perceptions or non-similarity can be overcome independent of congruence. That idea consist on reminding consumers of a more similar existing brand or product in the extension category or a more similar existing brand or
product concept (since for this author, those are the two major factors affecting evaluation: the category similarity and the brand concept consistency). For example, the Apple brand trying to enter in the automobile category, since similarity are required for consumers to accept it, the option is to create a similarity between the concept of, for example, the Smart car and the wanted concept of the Apple car, since both are chic, cute, stylish, colorful and creative, this way it will clarify the consumer’s definition and characteristics of the Apple car. This example can be applied, not only with brand-to-brand similarity (Aaker and Keller, 1990), but also with product-to-product similarity (Aaker and Keller, 1990) and brand-to-product similarity (Broniarczyk and Alba, 1994; Park, Milberg and Lawson, 1991). At the end of their results they affirm that this effect of “similar case reminders” is most pronounced in moderately similar extensions, more than in highly similar or highly non-similar extensions”.

Yeo and Park (2006) experiments demonstrated that similar extensions were evaluated more favorably than less similar extension when consumers were prevention focused (people that attach a greater weight to perceived risk), and for consumers promotions focused (people that attach a greater weight to hedonic value) that effect was eliminated or even reversed. Researches shown that when consumers perceived a lack of category fit, the extension is given a smaller probability of success (Aaker and Keller, 1990; Martin and Stewart, 2001; Smith and Park, 1992), and both prevention focused and promotion focused consumers perceived the non-similar extensions to be risky than the similar extensions (Yeo and Park, 2006).

9.6 How to Measure Extension Success:

In the literature, it can be found different ways of measuring extension success, like measuring the likelihood of consumers on trying the extension (Aaker and Keller, 1990), or evaluate the core brand after an extension introduction (Keller and Aaker, 1992; Dacin and Smith, 1994; Nijssen et al., 1996), additionally researchers can use favorability or likeability as measures (Sheinin and Schmitt, 1994; Smith and Andrews, 1995; Kirmani et al., 1999).

For Reddy (1994), Chernatony (1998) and other authors, to measure the extension success is simple as comparing market shares, profitability or number of years the extension has survived, but Reddy (1994) also adds a few more measures like: sales volume/revenue, the share of the extended category, the relative share, creation of entry barriers or limiting share of later entrants.

The impact that the extension have on the core brand and on the brand equity can be, in fact, other way to measure the extension success (Reast, 2005).

However, for Aaker and Keller (1990), Boush and Loken (1991) and Grime et al., (2002), they defend that we should give particular attention to consumer evaluations because they are the most important measure to indicate the extension and the parent brand success.
9.7 Financial Considerations:

The value of the brand can be built in two dimensions terms, one is the contribution to the success of existing products, and the other is the contribution to the introduction of new products, which may be referred to as the latent value of the brand (Smith and Park, 1992). The latent value of a brand can be conceptualized as the difference between the discounted value of future cash flows expected from an established brand and a brand new, summarizing the full range of viable products for which the brand can be extended (Wentz, 1989).

9.8 Conclusion:

To better understand all the process involved in the extension of a brand, it was built, based on the literature, the following graphic:
The starting point of any new product launch is to choose the best strategy that will be more efficient and carry less risks of failure. In this particular literature review, the strategy consisted on doing a brand extension type and more specifically a category extension, because the parent brand will enter into a different product category.

Then, that type of strategy will conduct the parent brand to have an impact on the extended product and the extension will also impact the parent brand image, in reverse. Some authors explain that a good impact can be determined by whether the parent brand fits the extension and the extension fits the parent brand, making the parent brand image a good tool to favor the extension, and making the extension a positive mark to the parent brand image. On both possible impacts, there are advantages and disadvantages.

When trying to focus on the good impacts/effects, managers need to know how to get the good and how to achieve success?

The answer to that question is responded in the majority of researches done about extensions, but opinions diverge. First of all, in order to achieve success; the parent brand, the extension and the consumers; need to have a set of characteristics which can lead the extension to succeed. Adding to that, there is an important factor that will get managers to achieve success, which is basically to know how consumers evaluate extension and how they respond to them.

Principal, it is known that “The evaluations of the extension and the core brand rely heavily upon perceptions of fit” (Aaker and Keller, 1990; Milberg, Sinn, and Goodstein, 2010; and Yung-Wei Chan, 2011).

For Martínez and Pina (2010) what actually makes consumer have a good evaluation of the extension, and, this way, achieve the extension success, is: The image and category perceived fit, a positive parent brand image, familiarity of the parent brand to consumers, and consumer innovativeness.

In addition, Sattler and Volckner (2002) identified that the major factors affecting consumer evaluations of the extension and the core brand after have extended itself are: the fit between the parent brand and the extension categories, and, the quality of the parent brand.

For Grime et al. (2002), what affects the extension and the parent brand consumer’s evaluations is their perceptions of fit (image and category fit). Although, their research didn’t stopped right there, they have also added the study of what moderates the consumer evaluation and that perception of fit, and found that it was moderated by: The degree to which some characteristics of the parent brand, extension or consumers, gets higher, the lower the impact of fit has on the consumer evaluation. For example, as the quality of the core brand; consumer knowledge; branding strategy; portfolio characteristics; and, consumer certainty, get higher, the lower the impact of fit has on the consumer evaluation of the extension and the parent brand.

Arikan (2010) research showed that the “extensions evaluation are more favorable when there is high perceived fit between the extension and the parent brand”, even when launching non-similar extensions. If that dissimilarity happens, managers really have to try to preserve and
enhance the consumer’s perception of fit, which can be done by improving the similarity in the eyes of their consumers via other success factor.

For Shen, Bei and Chu (2011) to resolve the situation when there is poor fit and similarity between the parent brand and the extension, the way to still have consumer positive evaluation to achieve success, is to remind consumers of a more similar existing brand or product in the extension category or a more similar existing brand or product concept.

Finally, Yeo and Park (2006) experiments demonstrated that similar extensions were evaluated more favorably than less similar extension when consumers were prevention focused (people that attach a greater weight to perceived risk), and for consumers promotions focused (people that attach a greater weight to hedonic value) that effect was eliminated or even reversed. But, for both prevention and promotion focused consumers, non-similar extensions are always more risky.

The decision to extend a brand has strategic implications. This can have an enormous impact on the direction and growth of the company. However, this decision puts an asset at risk, and rule out the possibility of establishing a new name with unique associations and probably with growth potential. For all these reasons, this decision requires a thorough analysis of strategic and tactical issues (Aaker, 1990).
10. EXTENDING L’ORÉAL PROFESSIONNEL HOMME FOR BEARD CARE

The opportunities spotted on the market, are that the male beauty market is growing really fast and is expected to keep on growing, so the key is to keep on investing in L’Oréal Professionnel Homme to start innovating in new segments before all the competitors do.

But, Why Beard?

The shaving market, in 2009, worldwide was worth 13,992 Billion Euros. Razors and blades account for the overwhelming majority of sales globally, and despite the excitement surrounding male care products, men’s razors and blades is still the most important contributor to men’s grooming globally. It not only leads the sector but also saw the largest growth in absolute terms. (Euromitor, 2009)

THE EXTENSION STRATEGY:

GOAL

- Identify the beard as a symbol of confidence of man.
- Create the conditions for men to believe they can use our products without others knowing they take care of themselves.
- Increase the visibility and awareness of the products in the existing salons.
- Create the habit of buying hair care and shaving products in the hairdressers.
- Attract men to mixed salons, motivate them to buy products in the point of sale and achieve it through the creation of a product range and salon experiment.

INSIGHT

- “Gentleman don’t kiss and tell”
- I am worried with my appearance but don’t want others to notice I do
- I am worried with my appearance but don’t want to be seen as less masculine

MAIN MESSAGE

- Beard is a classy/charming way to express the true you,
- Be the best yourself without others noticing you care
- The intelligent masculine solution, invisible to others
- The beard is becoming a symbol of confidence and not of laziness which leads to a care for it that goes beyond the usual care.

SAME BRAND NAME

L’Oréal Professionnel Homme
The brand will offer men the possibility to take care of themselves without other people judging them for it, with simplicity and a lot of functionality.

The first rule will be: Gentleman do not kiss and tell, meaning, they can take care of themselves, without others knowing they do, but feeling they actually look better, more confident, more assure and well put together.

L’Oréal Professionnel Homme will be the choice for men to express their confidence and to take care of them without having to be judged for it, which will demystify the complexity of going to hair salons.

This strategy will bring very new interesting shaving rituals and will also give men more convenience, since it will start to offer all the basic products that men need, in one place only, and that can make them start buying everything for their facial and hair hygiene in hair salons.

Shaving rituals can be future expanded to a skin care line, especially in the case of men that do not keep their beard (the majority).
PEDAGOGIC NOTES:

11. TARGET OF THE CASE STUDY

This case study is designed for college or master degree students that are taking management, marketing, communication, strategy or business courses. Additionally, it might be also used by marketing professionals involved in the process of brand extensions, or performing functions related to the Male Grooming industry.

12. PEDAGOGIC OBJECTIVES

- The first purpose of this pedagogic case is to give students and professionals in this area the tools to understand the male mind, in order for them to be able to identify what can be done to change men’s consumption habits. This ways, they will know how to motivate men to start buying beauty care products in hair salons, creating the habit of buying hair care or shaving products under hairdressers’ advice;
- The next purpose is to give the target of this case study utensils to extend the existing L’Oréal Professionnel Homme brand to a new segment;
- This work also aims to give the participants the necessary competences to understand how to implement a communication campaign with a real life case study and to identify which are the best and more adequate strategies that could be implemented when extending a range a products for men (while exploring the new male consumer habits and paradigms);
- Additionally, it was also intended to increase the visibility and awareness of L’Oréal Professionnel Homme, which is going to be achieved through the creation of a new product line and a communication strategy, in order to attract more men to mixed salons;
- Finally, prepare students for a real life situation.

13. PEDAGOGIC QUESTIONS

1. Develop a diagnostic that allows you to better understand: the market, the competition and the consumer, where L’Oréal Professionnel Homme is inserted in.
2. Develop a SWOT analysis for L’Oréal Professionnel Homme (complete at least 3 topics for each).
3. Reflect, based in a Porter Analysis, in order to better understand the dynamics of the male’s grooming industry.
4. L’Oréal Professionnel Homme brand extending to a new range of beard products is a line extension or a brand extension? Why?
5. Comment the L’Oréal Professionnel Homme extension to the beard care segment.
6. Define a marketing strategy for the extension in the context of the current brand portfolio (segmentation, target & positioning)
7. Develop the new range of products for beard and their features, as well as the packaging, pricing and distribution strategy, more appropriated for the extension.
8. Establish a two years international communication plan to promote the launching of the new range, knowing that L’Oréal Professionnel Homme does not invest in TV. (No budget required)
9. Propose and justify extensions for the brand bases on what was learnt about LPHomme.
10. Reflect the consequences on other L’Oreal brands of the professional sector that the launching of a new LPHomme range might have on them.

**14. ANIMATION PLAN**

In the first session out of the class students are intended to work individually. This way everyone will be given access to a solid analysis on the background of the L’Oréal Professionnel Homme brand. In addition, it will be easier to capture the students’ interest on the case by familiarizing them with the surroundings of the brand, turning them able to create a new extension for the brand.

In future sessions students must work in groups. It is suggested that the teacher form groups of 5/6 students. If the class has 40 to 48 students they could form groups of 5 or 6 people which will be a total of 8 groups. If the 8 groups take an average presentation time of up to 10 minutes, the total time of presentations will be of 80 minutes. Since the duration of a typical class is 90 minutes, all the groups can present their ideas in one class only.

<table>
<thead>
<tr>
<th>Session:</th>
<th>Assignment in or out of class</th>
<th>Issues and topics to be addressed</th>
<th>Estimated time to resolve the matter</th>
</tr>
</thead>
</table>
| 1st Session | - Introduction to the brand extensions topic  
- Introduction to the male professional hair care market  
- Case presentation | - Explanation of the intrinsic concepts to brand extensions  
- Recall the students about Porter and SWOT analysis | 90 m |
| Session out of class | - Response the first, second and third question individually  
- Formation of groups (5/6 people each) | - Observe the L’Oréal Professionnel Homme Website | 45 m |
| 2nd Session | - Response, in groups, to the fourth, fifth and sixth question after the explanation of the topics to be addressed | - Readdress the topic 9.1, 9.4 and 9.5 of the literature review  
- Incorporate knowledge about segmentation, targeting and positioning | 90 m |
| 3rd Session | - Discussion on the key points of the resolution of question 4, 5 and 6  
- After a brief discussion the class will be more theoretical aware | - Teach techniques of launching a new range (packaging, price and distribution strategies) & doing a communication campaign | 90 m |
| Session out of class | - Response in groups, to question nº 7 and 8 (the new range launch and the communication campaign) | | 120 m |
## 15. Analysis Tools

**Quantitative Approach:**

Firstly, quantitative methodology was used for collecting information, from which was made a careful reading and interpretation of data, enabling the target audience of the case to make consistent decisions.

External quantitative data was also gathered:

- Annual sales and growth rate of the Beauty and Personal care market, worldwide;
- Annual sales and growth rate of the Male Beauty market, worldwide;
- Annual sales and growth rate of the Male Hair Care market, worldwide;
- Annual sales and growth rate of the Male Professional Hair Care market, worldwide;
- Evolution of socio demographic and economic indicators;
- Main competitor’s prices.

And, internal quantitative information:

- L’Oréal annual sales and growth rates;
- L’Oréal annual report: absolute market share, capital share, communication investments and I&D investments;
- Annual sales and growth rates of L’Oréal professional segment and L’Oréal Professionnel;
- L’Oréal Professionnel Homme annual sales, growth rates and absolute market share.

**Qualitative Approach:**

The first qualitative study was developed in the literature review, where it is reflected all the considerations and constraints inherent to an extension strategy.

Then, it was gather external qualitative data:

- Analysis of competition and substitutes;
- Consumer’s behavior at hair salons;
- Study of the new tendencies of the male consumer when consuming beauty products;
- Personal research among hairstylists with the men as target;
- Research articles on male consumer habits.

<table>
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<tr>
<th>4th Session</th>
<th>- Slide presentation of the resolution by each group (8 groups*10 minutes = +/- 80 min)</th>
<th>90 m</th>
</tr>
</thead>
<tbody>
<tr>
<td>5th Session</td>
<td>- Resolution and discussion of the remaining questions (9th and 10th)</td>
<td>- Showing the students how important is consistency (show videos of successful brands that extended and kept the business very consistent)</td>
</tr>
</tbody>
</table>
Finally, an internal qualitative approach was applied:

- Contextualization of LPHomme inside the L’Oréal Company;
- Information on the L’Oréal portfolio and on L’Oréal Professionnel background;
- Analysis of the positioning, target and portfolio of L’Oréal Professionnel Homme;
- Presentation of the 4 P’s of LPHomme brand.

Finally, in the resolution an external and internal approach is requested to students:

- For the case resolution they are asked to elaborate a SWOT analysis, through the four variables (strengths, weaknesses, opportunities and threats), in order to enable a better understanding of what is in favor of the company, and what they should focus on to increase in their market competitiveness.
- Likewise, students are asked to do a Porter five forces analysis that will constitute a framework to analyze the industry and the attractiveness of the market.

16. **ANIMATION QUESTIONS**

Question 1: What is your idea about L’Oréal Professionnel Homme?

Question 2: What was the biggest challenge found when solving the case?

Question 3: Put yourself in the role of the teacher, which data would you include in the case in order to facilitate the understanding of the male professional hair care market, the brand, and their marketing strategies?

Question 4: What questions would you include in the case?

17. **RESOLUTION**

1. **Develop a diagnostic that allows you to better understand: the market, the competition and the consumer, where L’Oréal Professionnel Homme is inserted in.**

At this stage, it is intended that students perform a diagnostic of the brand’s market (Male Professional Hair Care Market, including some content on the industry of Men’s Grooming products), the competitors and the male consumer.

For the analysis, students should address the following issues:

- Market: economic factors, trends, size, market segments, sales and growth rates.
- Competition: current market situation in terms of competitors or substitutes, identification of the main competitors and relevant characteristics.
- Consumer behavior: new consumer trends and consumer socio-demographic characteristics of consumers of male beauty products, perceptions and motivations, habits, buying habits, qualities that looking for a beauty product.
Example of Resolution:

Market:
- The result of a large growth in the men’s grooming industry is commanded by this new pressure that exists in society to look good. Now, even men are becoming more interested in their personal care. This led to a stronger emphasis on a smart appearance for work, and consequently, a new trend of men going to hair and beauty salons;
- Globally, more than 3,600 male beauty product launches had been tracked only in 2009;
- The Male Professional Hair Care Market is relatively a new one, but is growing faster, is actually growing faster than the beauty and personal care market;
- This market, in 2010, totaled sales of 220,74 Million Euros, in the entire world, and saw one of the main growth of the beauty sector of 23.2%, due to the expansion of the new consumer: Men;
- The world’s urban population grew by 2.08% between 2010 and 2011. This population is less conservative, so it will be easier to change some of their old paradigms about male grooming that they might still have;
- There is now more money to play with. The average per capita annual disposable income for men globally has increased strongly in recent years, from 170 € in 2003 to 300 € in 2008;
- The distribution is made only through the professional distribution channel, which turns the products more exclusive and prices usually higher.
- Other factors considered relevant.

Competition:
- The shift on men towards looking good is a historic opportunity for companies to reach out these future consumers. Hence, the appearance of new competitors is inevitable;
- There are several players in the beauty market focused specifically on the male segment, although the majorities remain with a unisex proposal;
- LPHomme in-line competitors: Kérastase Homme, Redken for men;
- LPHomme out-line competitors: American Crew, System Professional just men, Schwarzkopf Professional for men;
- The two main competitors of LPHomme are: Redken for men and American Crew, two strong brands, with a strong background in this market and with very well consolidated positions;
- There has been an increase in substitute brands that offer salon-inspired products sold in supermarkets, such as TRESemmé, Just for Men, Syoss Men and Franck Provost.
- The top brands in market share are all from the L’Oréal group, excluding the American Crew brand;
- Other factors considered relevant.

Male consumer:
- There have been many changes in men consumption habits about grooming products over the years;
- A change was created in what men believed it was right, through the influence of men’s magazines and mostly the use of sportmen as an example of men that take care of themselves but are still keeping themselves very masculine and accepted by everyone;
- Caring about looking good is nowadays a sign of modernity, efficacy and testing standards. Beauty has now become a matter for men, and not just for the metrosexuals;
- There is a growing number of younger-feeling seniors who are willing to spend increasing amounts on maintaining their appearance (Donoghue, Liam; 2005)
- The males worrying about looking good has increased substantially;
- They are more conscientious that taking care of them will get them the society approval and bring them success;
- Men are more willing to try out esthetic treatments and products and are afraid of getting old;
- Men seek for convenience and don’t want to lose a lot of time looking for products;
- They no longer consider feminine to spend money and time in taking care of themselves;
- Although it is important to realize that men never want to look feminine or homosexual, they are more opened minded nowadays and brands will take advantages of that. Above all that, they do not compromise their sense of masculinity, so brands, when marketing for them, have always to remember that: “Men are still men”.
- Other topics considered relevant.

2. Develop a SWOT analysis for L’Oréal Professionnel Homme (complete at least 3 topics for each).

In this question students should perform a SWOT analysis for the brand L’Oréal Professionnel Homme, in the market for Professional male hair care products.

By definition, this analysis summarizes the diagnosis of internal strengths and weaknesses of the brand, and market opportunities and threats.

It is natural for students to identify other issues not listed in the following example of resolution.

Example of resolution:

Strengths:
- Innovative brand (new formulas and ingredients L’Oréal exclusive)
- Positioning with strong potential
- Providing education to their professionals
- Paying more attention on men to provide comfortable in-store experiences
- Association to a very strong brand (L’Oréal)
- Behind a very expertise & quality brand
- Trendsetter brand
Weaknesses:
- Brand unawareness
- Packaging not much innovative
- Communication focused mostly on woman (fashion is still a women’s world)
- Poor use of new communication techniques (LPHomme is not using much investment on communication)
- Use of a single distribution channel, which makes it harder to sell in the last step of the distribution chain (to the final consumer)
- Cannibalization by other L’Oréal brands: Redken and Kérastase
- L’Oréal Professionnel may be perceived as a female brand

Opportunities:
- Growing male grooming industry
- Consumers have new necessities, society care more about image
- Change in habits. Society have less stereotypes relating to men taking care of themselves
- Most man buy themselves the products
- There is a high need of counseling to man in this area
- Increase in environmental concerns
- I&D investments
- One of the most sought treatment for man is for hair loss treatment
- Men need to shave: 83,3% of men use shaving products, 77,6% use after shave
- Customers prefer that product usage is not visible to others
- There is a reality call regarding the first signs of aging

Threats:
- Settlement of Redken as the L’Oréal men brand
- Entrance of professional products into supermarkets (substitutes)
- Borderline between a metrosexual and a men who takes care of himself
- High and aggressive competition
- Lack of professionals trained in the industry

3. **Reflect, based in a Porter Analysis, in order to better understand the dynamics of the male’s grooming industry.**

For this analysis, students must realize that the Porter's Five Forces analysis is a simple but powerful tool for understanding where power lies in a business situation. This is a useful instrument because it helps them understand both the power of the brand’s current competitive position, and the strength of a position to where it is considering moving to.

When responding to this question, they must evaluate the five important forces that determine competitive power in a business situation.
These are:

- Competitive rivalry: What is important here is the number and capability of the competitors.
- Threat of substitution: this is affected by the ability of customers to find a different way of doing or getting what the company offers. For example, if substitution is easy and viable, this will weaken the power of the industry.
- Threat of new entry: this measures the ability of people/companies to enter in the market. For example, if there are strong and durable barriers to entry, then the companies on this industry can preserve a favorable position and take fair advantage of it.
- Supplier power: assessment on how easy/difficult it is for suppliers to drive up prices.
- Buyer power: assessment on how easy/difficult it is for buyers to drive prices down.

Example of resolution:

- Competitive rivalry: there is intense rivalry among existing firms. This industry has a lack of skilled professionals and retentions costs are high.
- Threat of substitution: there is a high threat of substitute products. Nowadays, we find substitutes for grooming products in every super or hypermarket offering more affordable prices.
- Threat of new entry: barriers to enter are low to medium considering the target audience of middle class to high middle class. The industry growth rates are relatively high so it is guaranteed to attract local players. Although defending market share in this segment might be difficult and there is a high need of investment and know-how.
- Supplier power: there is a high supply power because there are few suppliers for men’s professional grooming products.
- Buyer power: Costumer buying power on this market is low but it is growing. The number of buyers relatively to the number of suppliers of men’s grooming products is high, for now. This ends up taking some power out from the consumers that are now still growing. In a near future, with more suppliers entering in the men grooming business, the consumer will have much more power.
4. **L’Oréal Professionnel Homme brand extending to a new range of beard products is a line extension or a brand extension? Why?**

To answer this question, the teacher should have presented the definition of these two types of extension strategies on the classes, introduction the meaning of category given in Kotler and keller’s book: *Marketing Management*, 12th Edition.

The definition about brand and line extensions is often ambiguous and can vary among many authors, which make it very confusing for some, so it is very important to use as a support the Kotler’s book: *Marketing Management*.

**Example of resolution:**

The answer is: if we take personal care as a category, then the extension is a product line extension since shampoos and shavings belong to the same category. But if we take beard and shampoos as different categories, then the extension is a brand extension.

As Kotler (2003) defines, product line is as a group of products within a product class that are closely related because they perform similar function, are sold to the same customer groups, are marketed through the same channels, or fall within given price ranges. And, Line extensions consist of introducing additional items in the same product category under the same brand name, such as new flavors, forms, color, added ingredients, package sizes etc. And, Brand extension happens when a company uses its existing brand name to launch products in other categories.

In conclusion, if L’Oréal Professionnel Homme (that belongs to the hair care category) was coming to the market with a new shampoo fragrance that would be a line extension. But, L’Oréal Professionnel Homme extending to the beard category is a brand extension.

5. **Comment the L’Oréal Professionnel Homme extension to the beard care segment**

To respond this question, students may use the literature review on the extensions, topic 9.4 Advantages and Disadvantages of Extensions, and topic 9.5 Determinant Factors of Extensions Success.

It is important to note that not all the following arguments on the extension are available for students in the first part of the case study, but with their new knowledge about brand extensions and brand information, in general, it will be possible to reach some conclusions. The key point here is that students must show that they understood they were facing an extremely consistent extension with the already existing proposal.
Example of resolution:

In this case the extension helps the brand because the new product category brings new favorable associations:

- Beard is the most masculine solution.
- This segment will attract more male consumers to hair salons and barber shops, making them feel more comfortable in their own environment. Through a big presence of products exclusive for them in what used to be considered a mostly women’s environment.
- Clearly this is a segment that differentiates men from women. This is the best approach to revolutionize the male grooming market.
- With this new range it is possible to offer the male consumer maximum convenience since he values comfort to get all the products he needs in one place only. With beard care products he can get any daily routine products at the same place - hair salons.
- The shaving segment leads the male grooming sector but it is mostly forgotten in hair salons nowadays. Bringing back this ritual will be possible to attract more men to hair salon and barber shops.
- More specifically, the extension of the brand LPHomme to the beard segment will strengthen the position of LPHomme on the sense that it is also as masculine, as classic and charming as the brand’s initial range.
- Finally, it finds a solution for a central concern of men. As previews studies show (done by Men’s Health Magazine), man’s main concerns are: first the face (55%), then the hair (35%), following the body (31%) and finally virility; which means that through beard care, it will be possible to reach three of these concerns. The beard can be a frame of a man’s face. Beard and moustache are extensions of hairstyles and, adding to that, beard was, and it will always be, a symbol of virility and masculinity that confident man can proudly use.
- Lastly, LPHomme will be one of the first brand with beard products (only American Crew has products for beard in salons). It will be a way to keep up with the competition.

To sum up, it will be difficult to collect another option with the same strengths and opportunities as this choice. The extension to this segment is the clever bet.

6. Define a marketing strategy for the extension in the context of the current brand portfolio (segmentation, target & positioning)

This is the moment for students to define the marketing strategy. Target audience and positioning are two basic concepts in marketing that the teacher should take the opportunity to consolidate during the classes.

The answer to this question should incorporate the knowledge of the following topics:

- What is a target audience? Is a group of customers that the business has decided to aim its marketing efforts and ultimately its products or services.
- How to choose a target? The choice of the target audience is the result of a process of observation of the market, with a selection of segmentation criteria which allow you to identify more homogeneous groups of consumers and group them in relation to the criteria.

- What should be the segmentation criteria? These are commonly classified into socio-demographic (e.g. gender, age, income, occupation, social class) geographical (e.g. region, density), psychographic (e.g. personality, lifestyle), and behavioral (e.g. consumption patterns, shopping habits, decision-making).

- In order for the target to have potential for the brand, the segmentation criteria should be: relevant (be strongly correlated with the behaviors and attitudes of the consumer), measurable (enable the scaling of the segment), and have operational value (easy to use for the definition of the marketing actions to be developed).

- What is brand positioning? The positioning in marketing is defined as the strategic choice that seeks to give a different position to a brand, inside its market and, in the mind of the audience. This means: associate to the brand’s offer one or more benefits and value propositions relevant to the audience, easily noticeable, preferably true and differentiating from the competition. It is the central idea or essence that summarizes what the brand claims to have special.

- A good positioning should be: Powerful (something valued by the target audience that is intended to), simple (easily noticeable and clear), true (the brand can always demonstrate clearly that is what it says), and unique (different from the competition).

Some of these ideas can be found in Kotler & Keller’s: “Identifying market segments and targets”, 2006, Chapter 8.

According to the literature on brand extension, when brands are looking to extend, there are a series of impacts on the parent brand and on the extension, which can be favorable or unfavorable (Milberg et al., 1997; Balachander and Ghose, 2003). That impact will be more positive if the extension and the parent brand have a strong perception of fit from the consumers (Aaker and Keller, 1990).

That being said, if LPHomme extension is launched under the same brand name, this will influence the parent brand and the extension itself. Therefore, the main important factor to turn the extension successful will be to get the fit between the brand and the extension.

**Example of resolution:**

Firstly, it is important to follow the same logic, used by the parent brand, for the extension. This way, the strategy will be more consistent and the impact of both (extension and parent brand) will be more positive.

When thinking about the target audience for the new extension, it should be very close to the current target audience of LPHomme. It should be the group of consumers who are identified with the lifestyle that the brand represents and offers, but now selected in the context of a new product category.
According to the segmentation criteria: demographic, geographic, psychographic and behavioral; the target audience for the extension will be: men between 25 and 55 years old, who have a stable job, they have their own house in urban areas and belong to the medium, medium high social class. They already defined their style and want to be satisfied with their overall presentation. They like to be updated, which influences the fact that they like technology. They go to the gym twice a week and to hairdressers once a month.

Likewise, taking in consideration the current brand positioning as:

- Classic,
- Confident,
- Sophisticated,
- With an elegant and styling look.

Since the brand was extended to the beard segment, we can also add a new twist of masculinity to the previews positioning, but without forgetting the central idea or essence that summarizes what the brand claims to have special.

Therefore, the new LPHomme positioning for the new segment (beard care), will also be:

- Classic with subtle sophisticated solutions,
- Charming, elegant and confident,
- With a styling look,

But additionally:

- Very masculine,
- Charming but eloquent,
- Easy products for tailored looks.

Marketing strategies proposed by the students should not significantly differ from each other or from the solution presented here. In fact, if LPHomme extended to any other new product category it should try, in the same way, to be as much consistent with the existing brand positioning as possible, in order to achieve a coherent and perceptible strategy to the audience.

7. Develop the new range of products for beard and their features, as well as the packaging, pricing and distribution strategy, more appropriated for the extension.

The definition of the range of products and their characteristics corresponds to the development of the work that is subsequent to the decision of the new product category that will extend the brand.

Within the category of beard products, students should develop products which compose the offer of the new LPHomme range.
For each product created, students will define the most relevant characteristic for the proposal: product type (shaving creams, beard moisturizing creams, beard gel, after-shaving products, etc.), product names, function, the capacity of each unit of consumption (in milliliters in milligrams), colors or textures, packaging characteristics, pricing strategies and distribution options.

Here, the criterion of quality is the consistency with the various existing proposals in LPHomme, and the appropriateness of the extension in terms of market conditions. The quality of student’s proposals will have to do with their ability to transmit the wanted positioning and the central benefit of the products.

In terms of package, a good packaging must fulfill communication functions of, and technical nature:

- Functions of communication: brand recognition, visual impact, expression of positioning, identification of the product category, transmission of information descriptive and persuasive ability to raise or strengthen the desire to purchase;
- Functions of a technical nature: protection and preservation of the product, ease of use, ease of transportation and storage, environmental protection.

**Example of resolution:**

**The new range:**

The new range of LPHomme products for the segment of beard care will be created with five products:

- Before Shaving Tonic (50 ml), to treat the beard before shaving to soften the facial hair and get a more comfortable shaving.
- Invisible Shaving Cream (125 ml), a transparent shaving cream to obtain a more precise shaving.
- Invisible Shaving Box (20 un.), a box with sheet that, when placed between both hands and rubbed, the sheet becomes transparent to a shaving foam to get a very precise shaving. Convenient and easy to take anywhere. Especially this product will be the great competitive advantage for the brand. It is different from everything exiting in the market and, giving the male consumer what he needs and wants.
- Moisturizing After Shave Cream (125 ml), a hydrating cream to treat the face from any cuts or to avoid any possible itching or redness after shaving (better suitable for non-beard men).
- Moisturizing Beard Cream (125 ml), a hydrating cream that can be applied in the face and in the facial hair to moisturize the facial hair. Giving a shinier and preserved look (mostly for the ones who keep the beard).

These products are new in the market. Hence, their life cycle is still in the introductory phase. There is a greater degree of uncertainty, even if the direct competitors are known (American Crew - the one that also offers beard care for hair salons).
Additionally, due to economies of scale, there is a reduction in costs for the introduction of new products. As the literature defends: *When a new product is marketed under a well-known brand name, failure rates and marketing costs are reduced* (Keller, 2003; Arslan and Altuna, 2010; Milberg, Sinn, and Goodstein, 2010). *Also, brand extensions tend to have a higher survival rate than new name products* (Sullivan, 1992).

**The packaging:**

The packaging of the new range will be 100% made out of plants to respond to the increasing environmental concerns in the world today.

Other important characteristic of the package is that it must be masculine. Since image is an unavoidable factor for men, if products don’t look masculine enough, they will not buy them. Consequently, packaging need to be centered in masculine sophisticated looking packages, clean lines, sober colors and simple expressions, for not intimidating men.

The Invisible Shaving Box comes in a peculiar package, which is in a shape of a box. It is thin and easy to transport and contain 20 small sheets inside. This is the most innovative product of this range since it is different from everything the competition has ever produced. This product exhibits properties that men usually look for: convenience and innovation and easy to take with, to travel, to go to the gym, to the office, or other place. It offers men what they need and want.

The standard packaging will be the following:

<table>
<thead>
<tr>
<th>Invisible Shaving Cream</th>
<th>Moisturizing After Shave Cream</th>
<th>Moisturizing Beard Cream</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1.png" alt="Invisible Shaving Cream" /></td>
<td><img src="image2.png" alt="Moisturizing After Shave Cream" /></td>
<td><img src="image3.png" alt="Moisturizing Beard Cream" /></td>
</tr>
</tbody>
</table>

This will be the standard layout for the new range and the colors will be: blue, silver, brown, black and white. This choice of format is based on the continuity of the existing shapes of the previews range. The colors and shape are in accordance with the full range, to facilitate the consumer’s identification of LPHomme products, keeping in the same masculine colors and shapes that the male consumer demands.
Price:

Generally, the price level can be set based on costs, based on demand or based on competition (Lindon et al., 2004; and Kotler & Keller, 2006). The new products of L’Oréal Professionnel Homme should be positioned in the market average and LPHomme prices should be set based on competition. So, considering the average of the competitor’s prices, the prices suggested for the new products of L’Oréal Professionnel Homme should be around this range of prices:

- Before Shaving Tonic (50 ml): €12;
- Invisible Shaving Cream (125 ml): €13;
- Invisible Shaving Box (20 un.): €14;
- Moisturizing After Shave Cream (125 ml): €13;
- Moisturizing Beard Cream (125 ml): €12.

Distribution:

The distribution strategy for these new shaving products will still consist on keeping the distribution through the professional distribution channel, as the same global strategy is looked to be obtained for the new range.

This type of distribution is selective and is handled only by professionals. This shows the quality of the products and provides a perception of an added value, which, for this type of brand and target, is the more suitable.

For starting, the strategy for this new range could be testing the new products in more mature markets such as the European and the North American to observe the degree of their acceptance. Afterwards, it might be possible to launch the products in all mixed hair salons and barber shops.

Another interesting suggestion could be, in order to enhance the visibility of LPHomme brand, to negotiate with owners of mixed salons, a space exclusive for men. This can be achieved by offering especial merchandise and providing training to hair professionals, enabling them to offer men a unique experience, out of prejudgetment and stereotypes. In these spaces, the brand would be more visible, and thus, more known (brand and concept). This proposal may indeed go further in the future, by installing a system of personalized service to male consumers through the installation of tablets in each chair.

8. Establish a two years international communication plan to promote the launching of the new range, knowing that L’Oréal Professionnel Homme does not invest in TV. (No budget required)

The idea is that students use their creative side along with their knowledge about how to do a communication plan. Developing the campaign goals, the target they want to impact with, the message (already given in the case study), the tone of voice (demonstrative, emotional, humorous, authoritative, lively, or dramatic) and format (font, color, feature a photograph or illustration, integration of text, picture and background).
Bellow, the teacher can find an example of a resolution, but it is just an example of ideas that can be implemented. Students have limited time to prepare and present their plans. Therefore the following proposal will obviously be longer than the plans that the students will do.

**Example of resolution:**

In the 1st year, 2013, there will be three phases of action: “Get ready for it!”, the “Teasing” and the “Salon call”.

The 2nd year, 2014, will be the time when consumers really contact with the way how the shaving rituals work and get comfortable with them. By the middle of the second half of the year, the aim will be to add reminders of the brand and products to prevent consumers not to forget to ask for the shaving service when going for a haircut.

![ACTION PLAN Diagram](image)

**Campaign goals:**

- Create awareness
- Increase brand reputation,
- Stimulate demand,
- Involve the public in the beard new trend,
- Retain loyal customers to start shaving in salons as well having their hair cut,
- Generate word-of-mouth: buzz and excitement
- Create interest in new trends

**Target of the campaign:**

- Men that are inserted in the consumer-type of LPHomme;
- And hairdressers of mixed salons (both men and woman) in urban areas, with space and ability to invest in the new ideas.
Message:

“The intelligent solution, invisible to others.”

1º Phase of campaign: Preparation

Will last 6 months of preparation with the objective of training hairdressers.

- Hairdressers’ educations: how to do hairstyles, how to do the shaving ritual that is going to be offered in salons and teach them a sales and relationship marketing component in order to allow hairdressers to better sell L’Oréal Professionnel Homme.

2º Phase of the campaign: Teasing & Beard Cult

This phase will be developed in two months and the aim here is to create impact and buzz around the LPHomme brand. People do not get to know the product at this stage. The goal will be to get men to talk about how it would be if they had beard, and to create the cult of taking care of their beards even if they don’t keep the beard. The following ideas can be used:

- Glue beard on main subway stations. As shown in appendix 13, this image will be on the floor of main subway stations and as people pass by their footsteps, through hidden glue (applied in the beard area with transparent adhesive), will turn the image into a man with beard, gradually, step by step…”the classic and charming man”. And the result will be a man with beard created by the footprints of the society (something like the image pictured in appendix 14).

- Stick beard in mirrors on gyms and airports, similar to appendix 15, for men to have an idea on how they can look like with a beard thus implanting on them a possible desire of wearing beard.

- Pay a news pivot to use beard on the news report to make men see that it is possible to use beard at work that is something that can be formal and, if well treated, can be sexy and a symbol of confidence and success (appendix 16).

- Use progressive escalators in shopping centers and airports. The idea is that at the begging of the stairs a man would appear without beard, and progressively, as the stairs move, it would show a man turned in the classic, charming man with beard.

3º Phase: Salon Call

Introduced after the two months of teasing and beard cult, this will be a phase of the salon call to attract people to come and try the shaving ritual. This phase will last four months and during this time the following ideas will be implemented:

- A double press page with a 3D TV playing in the magazine through a system first invented by Vogue and Martini (the system will work as the example on the appendix 17). On the mini TV it will be playing the invisible shaving box and the shaving ritual.
- An interactive showcase displayed in the street, where people can interact using their body heat to play with the showcase through gestures in order to make consumers interested in what is happening inside the hair salon (appendix 18).
- The in-store experience event, with media and celebrities experiencing the shaving rituals. The advantages of this action are several such as increasing sales, attracting new customers, get the advantage market over its competitors, increase customer loyalty and customer satisfaction.
- By the time consumers’ curiosity is over the top, L’Oréal Professionnel Homme will appear showing its products exposed in interactive merchandise, which will increased men’s shelf space at the point of sale. Previously, men’s products were usually hidden in the back but, this way, they would be more visible and would interact with the male consumer, by means of a TV entertaining waiting consumers and showing how LPHomme products can be used at home.
- Finally, Implement "exclusive male zones" in-store, where men can find brochures with information to facilitate their choices while giving them an exclusive place, away from any discomfort.

4º Phase: Get to know it (How does it work?)

The focus of this phase will be showing the consumer how to use the products and incentive their trial.

- By using a vintage and out-of-the-box machine delivering samples of invisible shaving boxes. “Invisible” sheet tickets will be printed promoting the invisible shaving box trial. It would be offered in airports and would look similar to the one in appendix 19.
- Using x-ray boxes in airports, where people are required to pass all of his belonging through the x-ray runner, an advertising would be printed in the boxes saying: “No liquids, just shaving”, as you can see in appendix 20. This would also incentive the product trial and, at the same time, it would promote one of the most powerful qualities of the product (the convenience of being a simple box that you can take anywhere).
- Using the Facebook to advertise the brand and products, allowing users to get specialized suggestions or services about beauty and personal care products, such as how to choose the right ones for their needs.

5º Phase: I’m still here

After 18 months LPHomme would keep on launching actions to maintain the product in the consumer’s mind. This could be achieved by using reminders like:

- A flash drive catalog (appendix 21). A futuristic but convenient catalog, replacing traditional paper magazines that no one ever looks at. Doing so, the brand would show environmental concerns not needlessly wasting paper.
- Launching an annual congress in Paris with the most important hairdressers, with an after dinner party with George Clooney (since he was the Hollywood star to bring up a
statement through his beard, showing that it can be sexy to). To finish, a runway event with Marc Jacobs would be held, to promote the new products on male models in a runway show.

- Continue to sponsor runway events.
- Insert regular publicity in men’s magazines, since men are much influenced by others that they consider experts. Particularly in Esquire, Maxim, Men’s Health, FHM and Cargo, as these magazines can create new opportunities for the brand to call new potential customers. The promotion articles can raise their reader’s curiosity and impel them to know more about LPHomme products and the new trend of shaving rituals in hair salons.
- Finally, purchase publicity spaces in websites with best visibility to remind the consumer that the brand and the shaving ritual are still there.

9. Propose and justify extensions for the brand bases on what was learnt about LPHomme.

Firstly, it is important to sensitize students to other extensions in the same markets of male beauty and personal care products, since the core business of L’Oréal is cosmetics and personal care.

What is required here, is that from a strong positioning (classic, sophisticated but masculine) and a very specific distribution strategy, when considering any other possible extensions, students must propose some that would better fit this type of professional distribution and fit the positioning. In this context, the more the extensions combine with these two ingredients, the better.

Example of resolution:

The goal would be to find a new segment to extend the brand, with the finality to origin even more changes in the male paradigms of consumption of the brand L’Oréal Professionnel Homme. This must be done always keeping in sight the core business of L’Oréal, the positioning wanted for LPHomme brand and the type of distribution practiced by the brand.

For example, if we wanted to choose skin care, this product should have to provide an added value to consumers, should offer, at the same time, something more than a supermarket brand offer, since it would be a professional product. In addition, it had to have to have a classic, sophisticated and masculine look, in order to fit the previews positioning, that is, as much inside the spirit of the brand, as possible.

With those two requirements in mind other proposals for extensions could be:

- Skin care products (above mentioned).
- Body washing products. These are the most used product in anyone’s daily routine, being important and necessary for everyone. Hence, the idea is to give men the possibility to get everything they need for their daily routine at one place only, without having to go to the supermarket and to hair salons. Main competitors already offer this
kind of products, while LPHomme does not do it yet. This is a clear disadvantage for LPHomme.

- Body moisturizing, for the same reasons as above, with the exception that this extension is not yet offered by the competitors. 27.1% of men, nowadays, take care of their body in a way that goes beyond the usual care.
- Conditioning products. To maintain the same segment of hair care and because the competitors, like Redken for men, offer that kind of products.
- Fragrances are elegant, classic and sophisticated. At the same time, men’s fragrance is something exclusive for men. No man wants to smell like a girl vice versa. So it has to be something that clearly distinguishes men from women.
- Make-up for men, a category that will start to grow in the male segment as they are getting comfortable in taking care of themselves.
- Waxing products for professionals but also to take home, as 75% of men shave or wax their body hair. This is a category that is growing and gaining weight in the male segment.
- Hand and feet moisturizing products. 31.9% of men take care of their hands, from which it can be also sad that 8.5% and 8.3% of men that would do a manicure and a pedicure treatment. Subsequently the offer could be extended to transparent nail treatments.
- Others considered relevant.

10. Reflect the consequences on other L’Oreal brands of the professional sector that the launching of a new LPHomme range might have on them.

Here, students must reflect about the topic of brand extensions and the consequences that this extension might have on the other L’Oreal brands.

The key issue that students should be able to answer is that the extension might cause some possible cannibalization between L’Oreal brands of the professional sector, but the consequence of not offering differentiated products can be much worse.

Example of resolution:

Each brand has a distinct positioning and offers a different value proposition. Yet, L’Oreal brands of the professional sector compete directly with each other since they all belong to the same market. Consequently, Pureology, Shu Uemura, Keraskin Esthetics, Matrix, Mizani, L’Oreal Professionnel and L’Oreal Professionnel Homme, Redken and Redken for men, and Kérastase and Kérastase Homme will bring inevitable consequences to each other, as they will possibly take away consumers from each other.

This is the main risk they face, but even if this happens, the price of consumer’s migration between them is much lower than the price to pay for not having differentiated proposals covering the whole market and, therefore, risking to lose customers to other companies.
The new L’Oréal Professionnel Homme range, is a more diversified offer (professional beard products), that will possibly take away some consumers from other L’Oréal brands of the professional sector, like from Redken for men or Kérastase Homme. But the risk of having other strong company, like American crew, being the only one to offer this type for products, is a much higher risk than not offering differentiated proposals inside the same company (L’Oréal) and risking losing customers to other companies.

The new professional shaving products from L’Oréal Professionnel Homme will give the possibility for L’Oréal company to offers diversified proposals in order to achieve several different targets. At the same time it enables company to cover the entire market in order to lead in personal care products in hair salons, even if that means the professional brands inside L’Oréal would lose some consumers for L’Oréal Professionnel Homme.
2. SWOT analysis

Strengths:
- Innovative brand
- Positioning with strong potential
- High satisfaction among professionals
- Pay attention to give comfortable & assistance experience
- Luxurious brand

Weaknesses:
- Lack of awareness of the brand
- Packaging not very innovative
- Communication: needs of women poor use of new communication techniques
- Difficulty to sell in the last step of the distribution chain

Opportunities:
- New growing industry growing
- Change in habits
- More focus on the products themselves
- There is a high level of competing to men

Threats:
- Saturation of the market on (Oréal men brand)
- Expenditure of professional products into experimental substances
- Vertical treatment is more social and a man who takes care of himself.
- High and aggressive competitors
- Lack of professionals trained in the industry

3. PORTER

Bargaining power of customers is growing

Existence of substitute products

Bargaining power of suppliers is relatively high

Medium entry barriers

4. Line extension or brand extension, and why?

Line extensions consist of introducing additional items in the same product category under the same brand name

VS

Brand extension happens when a company uses its existing brand name to launch products in other categories

If considered the Hair Care as the category

Extending to different categories:

In conclusion, if L’Oréal Professionnel Homme (that belongs to the hair care category) was coming to the market with a new shampoo fragrance that would be a line extension. But, L’Oréal Professionnel Homme extending to the beard category is a brand extension.

5. Opinion about L’Oréal Professionnel Homme extending to the beard care segment? Justify

The extension to this segment is the clever bet.

Actually, it would be difficult to collect another option with the same strengths and opportunities as this choice.

Extending L’Oréal Professionnel Homme to the beard care segment it will help the brand, since it will bring new favorable associations, that are going to be seen in the next slide.

- Beard is the most masculine solution
- Leads the male grooming sector
- It will bring a bigger presence of products exclusive for men, in a mostly women’s environment
- Clearly is a segment that differentiates men from women
- Will bringing back shaving rituals and will attract more men to hair salon and barber shops
- Will offer maximum convenience
- Strengthens the brand positioning
- It will be a way to keep up with the competition
L’Oréal Professionnel Homme

And finally, through beard it will be possible to reach three of men’s main concerns: the face, hair, body and virility.

6. Marketing Strategy

<table>
<thead>
<tr>
<th>Segmentation</th>
<th>Demographics, geographic, psychographic and behavioral</th>
</tr>
</thead>
<tbody>
<tr>
<td>Targeting</td>
<td>Men between 25 and 55 years old, who have a stable job, they have their own house in urban areas and belong to the medium, medium high social class. They already defined their style and want to be satisfied with their overall presentation. They like to be updated, which influences the fact that they like technology. They go to the gym twice a week and to hairdressers once a month.</td>
</tr>
<tr>
<td>Positioning</td>
<td>Very masculine, Charming but discreet, Easy products for tailored looks, Classic with subtle sophisticated solutions, Charming, elegant and confident, with a styling look</td>
</tr>
<tr>
<td>Signature</td>
<td>“The intelligent solution, suitable to others.”</td>
</tr>
</tbody>
</table>

7. New range

The Product

- Tonic (before shaving)
- Invisible Shaving Cream
- Invisible Shaving Box
- Moisturizing After Shave Cream
- Moisturizing Beard Cream

Packaging

100% from plants

Price

- L’Oréal Homme prices set based on competition
- From 12 € to 14 €

Distribution

- Distribute in the professional channel first in more mature (Europe and North America)
- Create in mixed salons a space exclusive for men
- In the future install a personalized service system with tablets

GET READY FOR IT!

Education: (Hairdressers)
- Hairstyle
- Shaving Service
- Electronic system
- Sales and Relationship Marketing

8. Communication plan

Action Plan

2013

<table>
<thead>
<tr>
<th>GET READY FOR IT</th>
<th>TEASING</th>
<th>SALON</th>
<th>GET TO KNOW IT</th>
<th>I'M STILL HERE</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 months</td>
<td>2 months</td>
<td>6 months</td>
<td>6 months</td>
<td>6 months</td>
</tr>
</tbody>
</table>

2014

<table>
<thead>
<tr>
<th>GET READY FOR IT</th>
<th>TEASING</th>
<th>SALON</th>
<th>GET TO KNOW IT</th>
<th>I'M STILL HERE</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 months</td>
<td>2 months</td>
<td>6 months</td>
<td>6 months</td>
<td>6 months</td>
</tr>
</tbody>
</table>

TEASING

Glue Beard

Inês Martins dos Santos Fidalgo Fonseca
I'M STILL HERE

Flash Drive Catalog

GEORGE CLOONEY
After Dinner Party

International Annual Congress of Hairdressers

I'M STILL HERE

Sponsor runway events

MARC JACOBS
Fashion Show

Publicity on men's magazines

I'M STILL HERE

Purchase publicity spaces in websites

I'M STILL HERE

9. Other extensions
- Skin care products
- Body washing products
- Body moisturizing
- Conditioning products
- Fragrances
- Make-up for men
- Waxing products
- Hand and feet moisturizing

I'M STILL HERE

10. Consequences of the launch in other L’Oréal brands

The new L’Oréal Professionnel Homme brand products will bring a more diversified offer

Which will possibly take away some consumers from the other L’Oréal brands of the professional sector

Although, this is the main risk they face.

Because the price of exchanging consumers between there is much inferior than the price to pay for not having differentiated proposals that cover the whole market, and therefore risking it to lose customers to other companies.
19. INFERENCES FROM THIS CASE TO MANAGEMENT

This thesis, in addition to its academic weight, also seeks to support companies in the process of brand extension, development of innovative strategies, product development and, finally, communication strategies based on original processes from the technological point of view.

This case is also very relevant in the context of the situation we live in today and it is a management tool intended to strengthen the importance of the strategic thinking for business management, while focusing on the analysis of the male beauty market, more specifically, the professional sector.

The male grooming market has been growing rapidly since men began to be more concerned about their appearance and that society has stopped to be so judgmental about men taking care of themselves, making them more opened to go to hair salons and use beauty and aesthetics services.

Nowadays, with the uncertainty of employment, this market is actually driving sales, as the concept of the successful male in the world of work is becoming increasingly linked to looking good, in addition to performing well.

It is clear that even men feel pressure to look better every day. They are beginning to realize that image and good appearance is something our society values and requires even for them.

In the previous period, men had to go to the female section where men felt as the weird. Moving forward to current modernity, men have less taboos assuming they like to take care of themselves and that they want to spend time and money in professional treatments.

In order to create even bigger changes in the male paradigms and habits of consumption in hair salons, brands, like L’Oréal Professionnel Homme, have paid more attention on giving the comfortable in-shop experience allowing male customers to feel more comfortable in an mostly women’s environment.

Therefore, with the purpose to create the weapons necessary for men to feel in the right place in hair salon and to feel more comfortable away from stereotypes, L’Oréal Professionnel Homme needed to extend the brand to a new segment and create a suitable communication campaign to promote that extension, in order to Redefine this Market with a New Extension.

After these considerations, it is undeniable that the subject of this case is very relevant in the context of the situation we live in today and a great support in learning about brand extensions and new and emerging markets.
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- Martínez, E. and Pina, José M. (2003), “The negative impact of brand extensions on parent brand image”, *The journal of Product and Brand Management*, 12, 6/7;


Thesis:


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- “Changing Male Grooming Occasions and Behaviors” © Datamonitor (07/2004);
- Exter, Thomas (1987), “It’s a Man’s Soap”, American Demographics, Dec 9, 1987;
- L’Oréal Market Research in Portugal, 2010;
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Personal research:

- Interview with David Frazão, professional hairstyles and owner of “Bento Cabeleireiros”
- Interview with Samuel Rocher, professional hairstylist from Atelier de Coiffure

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http://www.redken.com/
http://www.matrix.com/
http://www.americancrew.com/
http://www.syoss.de/index.php?id=234&L=1
http://www.portugalglobal.pt/PT/Paginas/Home.aspx
http://www.amorim.com/cor_sustentabilidade_apresentacao.php
http://www.youtube.com/watch?v=9d45ge4v_oc&feature=BF&list=QL&index=5
http://www.netmba.com/marketing/market/analysis/
**APPENDICES:**

Appendix 1 - L’Oréal’s brand portfolio:

<table>
<thead>
<tr>
<th></th>
<th>Professional products</th>
<th>Premium</th>
<th>Luxury</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Acess</strong></td>
<td>Acess</td>
<td>L’Oréal Profes. &amp; LPHomme</td>
<td>Pureology</td>
</tr>
<tr>
<td><strong>Matrix</strong></td>
<td>Matrix</td>
<td>Redken &amp; R.for men</td>
<td>Shu Uemura</td>
</tr>
<tr>
<td><strong>Mizani</strong></td>
<td>Mizani</td>
<td>Kérastase &amp; K.Homme</td>
<td>Keraskin Esthetics</td>
</tr>
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<table>
<thead>
<tr>
<th></th>
<th>Consumer products</th>
<th>Premium</th>
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</thead>
<tbody>
<tr>
<td><strong>Mass market</strong></td>
<td>Mass market</td>
<td>L’Oréal Paris</td>
</tr>
<tr>
<td><strong>Garnier</strong></td>
<td>Garnier</td>
<td>Soft sheen Carson</td>
</tr>
<tr>
<td><strong>Maybeline</strong></td>
<td>Maybeline</td>
<td>Le Club des Créateurs de Beaute</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Luxury products</th>
<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Acess</strong></td>
<td>Acess</td>
<td>Armani</td>
</tr>
<tr>
<td><strong>Biotherm</strong></td>
<td>Biotherm</td>
<td>Helena Rubinstein</td>
</tr>
<tr>
<td><strong>Cacharel</strong></td>
<td>Cacharel</td>
<td>Ralph Lauren</td>
</tr>
<tr>
<td><strong>Diesel</strong></td>
<td>Diesel</td>
<td>Victor and Rolf</td>
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<table>
<thead>
<tr>
<th></th>
<th>Active cosmetics</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Vichy</strong></td>
<td>Vichy</td>
<td></td>
</tr>
<tr>
<td><strong>La Roche-Posay</strong></td>
<td>La Roche-Posay</td>
<td></td>
</tr>
<tr>
<td><strong>Innéov Pills</strong></td>
<td>Innéov Pills</td>
<td></td>
</tr>
<tr>
<td><strong>SkinCeuticals</strong></td>
<td>SkinCeuticals</td>
<td></td>
</tr>
</tbody>
</table>

|                  | The body shop         | Source: L’Oréal       |

Appendix 2 - L’Oréal Annual Reports Worldwide:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual Sales</strong></td>
<td>17.542</td>
<td>17.473</td>
<td>19.495</td>
<td>20.343</td>
</tr>
<tr>
<td>(Billion €)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tbody>
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<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Growth rate</strong></td>
<td>-0,39%</td>
<td>11,6%</td>
<td>4,3%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Absolute</strong></td>
<td>6,56%</td>
<td>6,84%</td>
<td></td>
</tr>
<tr>
<td><strong>market share</strong></td>
<td>Market values missing</td>
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<td></td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Share Capital</strong></td>
<td>Shares:  598,972,410</td>
<td>Shares: 600,992,585</td>
<td>Shares: 602,984,082</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Value: 0.20 euro</td>
<td>Value: 0.20 euro</td>
<td>Value: 0.20 euro</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total:  119,794,482</td>
<td>Total:120,198,517</td>
<td>Total: 120,596,816.40</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Euros</td>
<td>Euros</td>
<td>Euros</td>
<td></td>
</tr>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Communication</strong></td>
<td>30,1%</td>
<td>30,8%</td>
<td>30,9%</td>
<td>30,9%</td>
</tr>
<tr>
<td></td>
<td>of sales: 5 275 €m</td>
<td>of sales: 5 389 €m</td>
<td>of sales: 6,029.1 €m</td>
<td></td>
</tr>
<tr>
<td><strong>Investments</strong></td>
<td>2008</td>
<td>2009</td>
<td>2010</td>
<td>2011</td>
</tr>
<tr>
<td></td>
<td>6,291.6 €m</td>
<td>6,029.1 €m</td>
<td>30,9% of sales: 6,291.6 €m</td>
<td></td>
</tr>
</tbody>
</table>
I&D Investments | 3.3% of sales: 581 €m | 3.5% of sales: 609 €m | 3.5% of sales: 664.7 €m | 3.5% of sales: 720.5 €m

**Appendix 3** – L’Oréal sales and growth rates of the professional segment, worldwide:

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (Billion €)</td>
<td>2.472</td>
<td>2.389</td>
<td>2.717</td>
<td>2.814</td>
</tr>
</tbody>
</table>

Source: L’Oréal Annual Reports Worldwide

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth rate</td>
<td>-3.36%</td>
<td>13.8%</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

**Appendix 4** - Sales of L’Oréal Professionnel, worldwide:

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (Billion €)</td>
<td>1.197*</td>
<td>1.156*</td>
<td>1.315*</td>
<td>1.362*</td>
</tr>
</tbody>
</table>

Source: L’Oréal Annual Reports Worldwide & Bear, Stearns International Limited Estimates

*This values might not be real, since they were calculated from the correlation of L’Oréal’s professional segment sales, with the percentage said to be the weight of L’Oréal Professionnel in the total sales of the professional segment (48.4%), found in the study below (“Bear, Stearns International Limited Estimates” research).

**Appendix 5:**

Fig. 1,2,3,4,5,6,7:
Appendix 6: Annual Report of the L’Oréal Professionnel Homme brand:

<table>
<thead>
<tr>
<th>Annual Sales (Million €)</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
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<tbody>
<tr>
<td></td>
<td>35.91</td>
<td>34.68</td>
<td>39.45</td>
<td>40.86</td>
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<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- 3.43%</td>
<td>13.75%</td>
<td>3.57%</td>
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</table>

<table>
<thead>
<tr>
<th>Absolute Market Share</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>19.36%</td>
</tr>
</tbody>
</table>

Appendix 7: Annual sales of BPC market, worldwide (Source: Euromonitor)

<table>
<thead>
<tr>
<th>Annual Sales (Billion €)</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>247.512</td>
<td>269.415</td>
<td>266.167</td>
<td>284.967</td>
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<tbody>
<tr>
<td></td>
<td>8.8%</td>
<td>-1.2%</td>
<td>7%</td>
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</table>

Appendix 8: Male Hair Care Market, Worldwide (Source: Euromonitor)

<table>
<thead>
<tr>
<th>Annual Sales (Billion €)</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.474</td>
<td>2.754</td>
<td>2.986</td>
<td>3.396</td>
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<tr>
<td></td>
<td>11.3%</td>
<td>8.4%</td>
<td>13.7%</td>
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Appendix 9: Professional Male Hair Care Market, Worldwide (Source: Euromonitor)

<table>
<thead>
<tr>
<th>Annual Sales (Million €)</th>
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<th>2008</th>
<th>2009</th>
<th>2010</th>
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<tr>
<td></td>
<td>148.44*</td>
<td>165.24*</td>
<td>179.16*</td>
<td>220.74*</td>
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*It was considered for the calculation of this values, the rate extrated from euromonitor, of 6% as the value that the professional sector represents in the male hair care market, in every year until 2009. In 2010 it was considered a rate of 6.5%, because of the expected raise of this sector.

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<td>11.3%</td>
<td>8.4%</td>
<td>23.2%</td>
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Appendix 10: Urban and Rural Population

Source: Euromonitor International Databook 2012, World Consumer Lifestyle

Appendix 11: Total Global Male Disposable Income

Source: Euromonitor, 2008

Appendix 12: Annual Disposable income per capita

Source: Euromonitor International Databook 2012, World Consumer Lifestyle
Appendix 13: Glue beard

Step by step...
The classic and charming man

Appendix 14: After the footprints

Step by step...
The classic and charming man
Appendix 15: Beard in mirrors

Appendix 16: Pivot with Beard
Appendix 17: Double press page with interactive TV

The TV will work this way in the magazine:

Appendix 18: Interactive Showcase
Appendix 19: Machine that will deliver the samples of invisible shaving boxes

Appendix 20: X-ray airport boxes

Appendix 21: Catalog