ISCTE Business School
Lisbon University Institute

# L'OREAL PROFESSIONNEL HOMME CASE STUDY

## RETAILTAINMENT – CREATION OF A MALE EXPERIENCE IN MIXED HAIR SALONS AND THE LAUNCH OF A NEW RANGE OF PRODUCTS BY L'ORÉAL PROFESSIONNEL HOMME

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Case Study

MSc. Marketing

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# 4 Executive Summary (Portuguese and English)

## Sumário

Num mercado caracterizado pela intensa concorrência, dinamismo e constantes mudanças e inovação, as marcas têm necessidade de estarem constantemente na procura de soluções e de se superarem a si mesmas.

Essas soluções podem passar pelas diversas áreas da empresa mas sempre com foco no cliente e nas vantagens que este procura numa tentativa de sobreviver num mercado em constante evolução.

O mercado masculino de cuidado capilar tem sido no passado olhado como um mercado pouco interessante pelo perfil do target potencial mas o que se tem verificado recentemente são constantes crescimentos. Crescimentos esses que se prevêem continuados no tempo, acompanhados de uma alteração no comportamento do público masculino e de percepção / preconceitos da sociedade em que se insere.

O caso requer por parte do resolvente, uma pesquisa atenta sobre o mercado de cabeleireiros para homem de forma a que se consigam encontrar soluções para os problemas propostos. Este caso coloca alguns desafios práticos e dinâmicos tornando-o bastante relevante no conhecimento da realidade aplicável a muitas empresas enquanto objecto de estudo.

**Palavras-chave**: Retailtainment, Dinamismo, Cabeleireiros Masculinos, Inovação

# Abstract

In a market characterized for its intense competitiveness, dynamism and constant changes and innovation, brands feel the need to be constantly searching for solutions and to overcome themselves.

These solutions can cross many of the company's areas but always focused on its customers and the advantages they are looking for in an attempt to survive in a constant evolving market.

The male hair care market have been seen, in the past, as a low interesting market because of its potential target profile but what it recently noticed are the constant growths in many categories inside the market. These growths are expected to be continued in time, accompanied by changes in male population behaviours and society's perception and preconceptions.

The case requires from the resolvent, a careful research about the male hairdressers market in a way that solutions to the proposed problems can be found. This case sets some practical and dynamic challenges which makes it a lot relevant in reality acknowledge applicable to many companies as study object.

**Keywords**: Retailtainment, Dynamism, Male Hairdresseres, Inovation

# 5 Case

## 5.1 Problem presentation

In January of 2011, L'Oréal launched a challenge to a group of students of ISCTE-IUL's Marketing master. That challenge was based in developing a new hairdresser store concept associated to L'Oréal Professionnel Homme in order to develop the market where it is inserted.

Due to the reality of mixed hair salons in Portugal, where men share space with women, the brand admitted the need for some changes in the way that hair salons are nowadays. The need to create an experience inside the hair salon comes due to the new trends that marketing have come across the years where the customer needs to feel desired and feel that the product is thought for him and according to his needs.

As men do not feel much comfortable in a feminine atmosphere while cutting their hair and buying products for themselves, the experience has to come forward in order for them to feel more comfortable and, in consequence, increase the time they spend inside the store.

Inside the hair salon men do not only cut their hair, there are a few more services that they can choose. Although service is very important, brands like L'Oréal Professionnel Homme have their products in-store such as hair care and styling products. Although these brands have a lot of influence in female market, in the male market the brand power loses when the male market represents a very little percentage of sales inside the hairdresser. This leads to product exposure to be much more difficult which results, mainly, in product hidden or not exposed as it would be good for the brand resulting in low rate of sales.

These referred problems are only part of the big problem inside the brand L'Oréal Professionnel Homme which they are facing in the last step of the chain. The product is easily sold to the hair salon but when it comes to the last step – hair salons selling to final customers – the brand finds a serious problem (Figure 1).

**Figure 1 - Problem in the last step of the chain**

The need for new marketing tools that can create a better experience inside store promoting the sell is the first step indentified in the problem solving. And so, new marketing trends such as Retailtainment, could be a good starting point to inspire a new hairdresser concept.

## 5.2 Data organized by theme

### 5.2.1 Market

- **Portugal and its economy**

According to the *Global Competitive Report of 2008/09*, Portugal was placed in the 43rd position out of 134 countries and territories. Still affecting the Portuguese economy in a severe way, the 2008' financial crisis is causing many domestic problems that are more emphasised in the levels of public deficit in the country's economy, where the debt is excessive (Jinwei & Duo, 2010). The prevision is that Portugal won't get out of this financial crisis before 2012 or at least significantly[1].

In Portugal, according to *INE – Instituto Nacional de Estatística*, there are 10.476.291 people of which, 4.980.003 are Men (Figure 2 - Present population (No.) by Place of residence and Sex; *Instituto Nacional de Estatística*).

[1] Economy of Portugal – Wikipedia Portugal

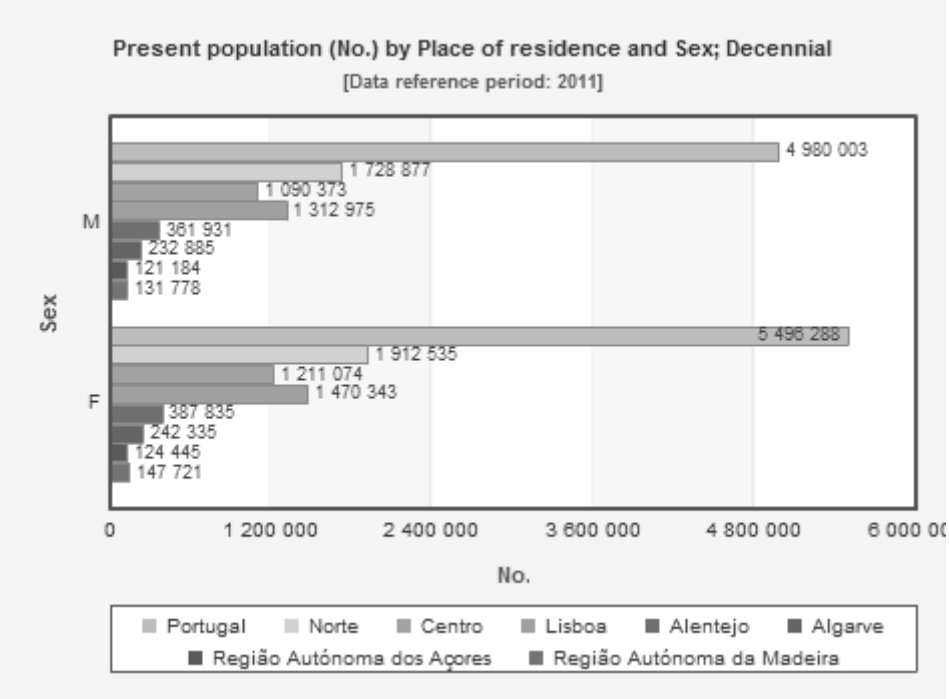



**Figure 2 - Present population (No.) by Place of residence and Sex; *Instituto Nacional de Estatística***

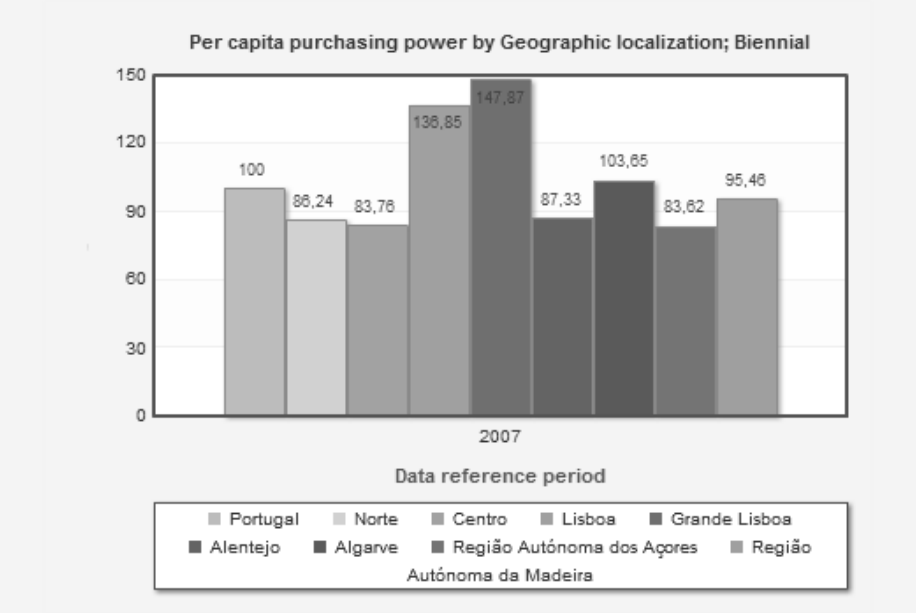



**Figure 3 - Per capita purchasing power by Geographic localization, *Instituto Nacional de Estatística***

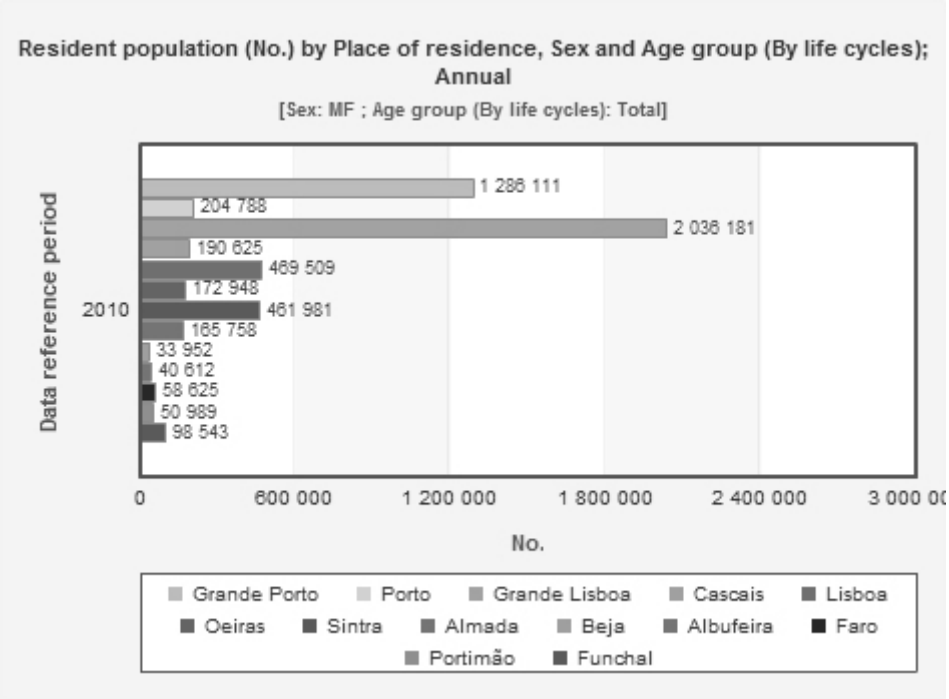



**Figure 4 - Resident population (No.) by place of residence, *Instituto Nacional de Estatística***

Doing some research on the employee's conditions in Portugal we can find that, the guaranteed monthly minimum wage is 485 Euros[2], although the government is acting in order to increase this value to 500 Euros in a close future[3].

According to the information in the Annex 1 - L'Oréal Brandstorm Information, the professional hairdresser market (male and female) is a 600 million euros per year worth market, which represents more than 0,4% of the Portuguese GDP. With over 10.000 salons and more than 30.000 direct jobs in Portugal, there is an average of 44 million visits/year registered.

Considered a very dynamic market with constant growth (8% annual growth rate), has as major players as suppliers the following companies: L'Oréal, Wella, Schwarzkopf, Revlon and Rui Romano (ordered by market share percentage). In general results, the

[2] Ministry of Labour and Social Solidarity - Decreto-Lei n.º 143/2010 de 31; 1st Article

weight per category is registered with 47% in hair care, 39% in coloration, 13% in styling and 1% in form.

The professional hair male market was worth 15,2 million euros in 2008 and 15,4 million euros in 2009. It is estimated that in 2014, the market will be worth 22 million euros (Marketing Department, 2011).

### 5.2.2 Company

- **L'Oréal History**

L'Oréal story started in 1909 when its founder, Eugène Schueller, invented the first hair colouring product that was fully safe to use and sold it to hair salons in the capital of France, Paris. After starting to sell professional products under the brand L'Oréal, the company felt the need to create L'Oréal Professionnel so that the products would be differentiated inside the group that was expanded to have a larger product range. Today, with 23 international brands, L'Oréal gained the market leader title in the world's beauty product market.

- **Segments of L'Oréal**

The company is divided in 5 different areas such as: Consumer products, professional products, luxury products, active cosmetics and the body shop. In each of these areas, the brands are allocated concerning their type of market.

In this case study, the area of interest will be the professional products' area in which there are the following brands:

- L'Oréal Professionnel
- Redken
- Kérastase
- Matrix
- Pureology
- Shu Uemura Art of Hair

"Creativity, innovation and partnership" are three reasons that make professional leading hair stylists to prefer the brand and the products it sells.

- **The Professional segment**

Developing remarkable links with hairstylists whether by working with them developing creative solutions for what customers need and want in dynamic workshops, making hair stylists training one of the biggest investments and promoting their expertise and product development, the professional segment L'Oréal can affirm to be the favourite with hair stylists all over the world.

As partner of more than one million hair stylists, L'Oréal Professionnel is present in 56 countries which makes the leading professional brand, having one billion Euros turnover[3].

"With its finger on the pulse of fashion, L'Oréal Professionnel provides hair designers and colourists with the tools they need to fully unleash their creativity" (L'Oréal, 2011).

On their website, L'Oréal Professionnel shares their three main pillars to all of its business in a B2C approach (Dream, Excel and Succeed) and directed to the hairdresser in a B2B approach (Innovation, Education and Inspiration).

On the website, directed to the customer, they welcome you to the "world of L'Oréal Professionnel". Explaining each one of the three pillars directed to the customer as follows[4]:

**Dream**

"Hair is the fashion accessory of today, (…) with L'Oréal Professionnel you'll be inspired to take fashion to your heart to create beautiful hair."

[3] L'Oréal Brandstorm 2011
[4] L'Oréal Professionnel Website

**Excel**

"Create, interpret, imagine: (...) allowing you and your hairdresser to create the looks you desire."

**Succeed**

"L'Oréal Professionnel through innovation, education and inspiration is the business and creative partner of over 1 million of the world's most dynamic hairdressers."

In a B2B perspective, the pillars are as said before: Innovation, Education and Inspiration.

**Innovation**

Innovation plays an important role in a market where the competition is very similar and where, the more the brand is close to the needs of their customers, the more success can be reached. The brand is always looking for better solutions not only in the products they offer but also on the services that complement the product itself.

**Education**

Education is important for this brand in a way that they don't see hairdressers just as their customers but as partners. The brand finds important that the person that is using the product on the client and that also sells it to the final customer.

**Inspiration**

The flow of information does not only work from the brand to hairdressers. The brand learned from the years operating on the market that the hairstylists expertise is very important in order to innovate and meet the needs of the final customer. During workshops, L'Oréal Professionnel Homme is aware of hairstylists opinions in order to improve. So LP Homme looks for inspiration in those considered as their partners in the business – hairstylists.

- **L'Oréal Professionnel Homme**

With the claim "By the world's greatest hairstylists", L'Oréal Professionnel Homme uses words to describe itself such as[5]:

- Fashion
- Paris Heritage
- Innovation

And, in a way of describing its customer and their lifestyle[6]:

- Personality
- Elegance
- Creation
- Paris
- Charisma
- Art de vivre
- Sensivity

- **4 P's – Product, Price, Placement and Promotion**

- **Product**

Despite the fact that the brand adapts to each country, the information provided will be based in the Portuguese market offer. The product lines are divided in *Haircare*, *Styling* and *Colouring* as presented below[7]:

[5] L'Oréal Professionnel Homme Website
[6] L'Oréal Professionnel Homme Website Promotional Videos
[7] L'Oréal Professionnel Homme Website

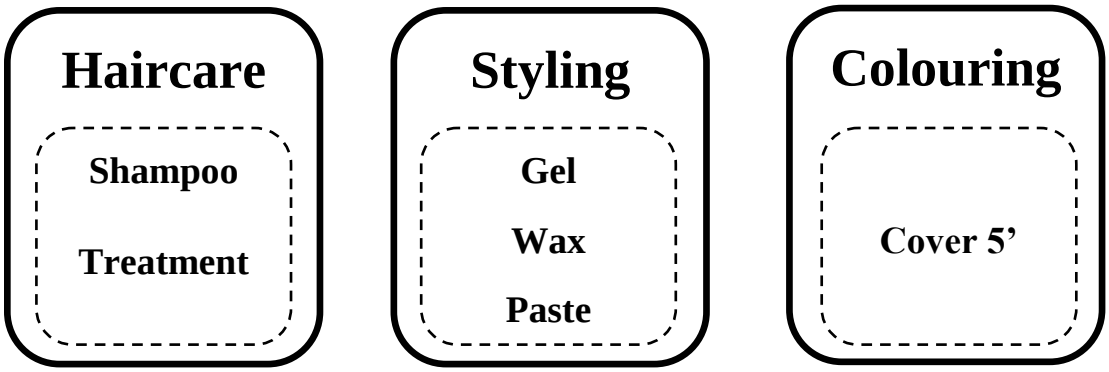



Figure 5 - Product Lines

In Portugal, the male weight in L'Oréal Professionnel turnover is only 3%, as described in annex 3 – Product Range, with the description of which one of the three categories referred above.

- **Price**

In the professional market, the customers' sensitivity to price is lower than in the mass market. In this segment, high price is part of the perceived high quality of the product and so the prices are defined around the presented values:

Figure 6 - Product lines price

With this price policy, the brand operates with a higher profit margin when compared with the modern distribution.

- **Placement**

In the Portuguese market, the brand LP Homme operates in 1084 salons which represent 32% of the total L'Oréal Professionnel distribution (around 3500 salons). Here is another proof that the male market is not as developed as the female[8].

Having these numbers, the brand urges in the search for a solution that will take the market to a next level – developing the male market as a whole and reinforce the leadership of L'Oréal.

According to Pantano & Naccarato (2010), in recent years, "the importance of an enjoyable experience during the shopping activity increased. As a consequence, many researchers are focusing on the best application of enjoyable elements in the points of sale in order to maintain existing consumers and attract new ones." This is why ***Retailtainment*** is becoming one of the new marketing tools gaining weight in the market representing the mixture of "Retail" and "Entertainment". In a simple description it is the usage of entertainment in retail in order to meet some objectives – whether sales, brand notoriety or others defined by the brand.

Entertaining places have been the stage for experiential marketing to create experiences that will last in time in customer's memories – working on creating emotional bonds and relationships with their customers. The fact is that they will not keep this information for themselves most of the times, customers will share it with family, friends and co-workers and this will make room to increasing sales through word of mouth and consumer loyalty (Srinivasan & Srivastava, 2010)

- **Promotion**

In terms of promotion, L'Oréal Professionnel Homme defined a small number of actions such as brand presence in store and hairstylists education to promote their products. This is one of the less explored P's for LP Homme because of the low number of customers and low turnover, leading to lower brand awareness.

[8] Annex 5 – Brand Introduction

As shown in annex 2 – brand merchandising, the brand offers its salons the merchandise they need to operate, hair cutting material and uniform, and to exhibit the products. This works as a brand in-store communication since the logo is shown is every piece.

### 5.2.3 Competition

American Crew[9]

- Targets men that are concerned with their image and want to be at their best regarding appearance
- The brand claims to be the "landmark in the history of men's grooming"
- Innovation in grooming products made exclusively for men
- American Crew never forgets its job is to give men and their stylists the tools they need to create stylish, masculine looks every day.
- "With a passionate commitment to men's grooming, our purpose is to bring men into salons, provide them with a great new experience and show them new ways of incorporating style into their everyday lives."
- Assortment:
    - Classic: Shampoos, Conditioner, Body Wash, Clay, Fragrance and Gel
    - Citrus Mint: Shampoo, Conditioner, Gel, Body Wash
    - Tea Tree: Shampoo, Body Wash, Conditioner and Gel
    - Shave: Shave Oil, Shave Cream, Shave Gel and Cooling Lotion
    - Trichology (hair loss): Recovery Ampoules, Recovery Foam, Recovery Patch, Recovery Shampoo

[9] American Crew' Website, 2011

Kérastase[10]

- Kérastase offers consumers a brand that is classic and modern, audacious yet not provocative, aspirational without being inaccessible
- Dedicated to enhancing the natural beauty of the hair, Kérastase is based on 4 essential values:
  - Performance
  - Expertise
  - Personalization
  - Beauty
- The Kérastase Promise:
  - Transform hair with immediate, visible results
  - The latest innovations from la Recherche Avancée L'Oréal
  - Taylor-made treatments for every hair and scalp need
  - Personalized hair and scalp diagnosis by trained Stylists
  - Comprehensive professional service for the ultimate salon experience
- More female market brand focused
- Assortment:
  - Densifying Shampoo, Spray and Paste
  - Anti-oiliniess Shampoo and Spray
  - Anti-dandruff Shampoo and Spray
  - Fixing Gel

Redken[11]

- "Our commitment to formulate scientifically superior products for the global salon community continues, and as we forge ahead in the millennium, our awareness of fashion, street trends and modern hair needs will only enhance our scientific strength."

[10] Kérastase Paris Website
[11] Redken Website (Portugal and USA)

- "Redken balances its solid past of science with inspiration from the industrie's best educators and a street sense of fashion that keeps Redken on the cuting-edge."
- "Redken products combine inovation and irreverence to the most inspiring and exciting creators in the world"
- "Redken 5th Avenue NYC: An unique mix of fashion... and urban creativity inspired by the spirit, energy and style of NYC streets... Science, innovative products through advanced research and patented innovations
- Assortment:
    - Haircare
    - Styling
    - Skin
    - Phase Out Gray

Wella Group[12]

- Although not having a strong position in the male professional market in Portugal, Wella Group has a powerful structure that allows to easily enter the market and become a serious competitor
- "We are passionate about hair. We always have been. Everything we do is inspired by our love of hairdressing and innovation. Every brave step we take is with passionate professionals like you. And every move we make together helps create moments of hair triumph day after day." (Wella Website, November 20th, 2011)
- Assortment:
    - Shampoo
    - Tonic
    - Color
    - Styling
    - SUB - Nutrition

[12] Wella World Website

- **Market share**

In the Portuguese professional hairdressing market, brands strive to be the number one as the dynamic of the market changes so fast. As presented in Annex 4 – Brand introduction, the ranking of sales is:

1st – L'Oréal
2nd – Wella
3rd – Schwarzkopf
4th – Revlon
5th – Rui Romano
6th - Pangiter

### 5.2.4 Consumer Behaviour and Trends

In interview to many hairdressers and hair salons owners (Annex 5 – Consumer Behaviour data), there have been collected some information relevant when describing consumer behaviour and trends. (Jean Louis David, Provost, Samuel Rocher)

- Men cut hair more often – as the haircut is shorter it needs less time between cuts – the average is close to one month
- Men already know or have some sort of an idea of what they want to cut their hair
- Prices are higher for women
- For 10 women in a hair salon there are 2 men
- Men are more demanding when cutting their hair
- Biggest problems are time waiting for their turn, mixed hair salons as a feminine place, barriers in the usage of some products like hair colouring

Some trends for the upcoming years[13]:

- Less visits: Bigger ticket
- More technical services
- Development of "top services"
- Modernization of the salons
- Increasing number of chains
- "All in one concept"

According to an online study developed by Men's Health Portugal, "*Estudo de Cosmética e Cuidado Pessoal MH 2008*", in October of 2008, the main results were:

- 20,1% uses products to hair loss and 17,2% says that needs, although not using;
- 14,7% referred that would like to dissimulate hair loss
- From 35 to 44 years old, followed by the 25/34 group "there is something like a reality call to the first aging signals" said Manuel Arnaut from GQ Portugal
- By unanimity, the panel says that single and divorced men are the ones that care more;
- Baldness is the biggest concern of men followed by stomach and acne. Weight, hair and skin hydration are also mentioned;
- Most wanted treatments, in the panels general opinion, are hair, waxing and bleaching dental;
- Main reasons that lead men to take care of himself are "because society demands" (30,7%), to "cause better impression at work" (22,1%) and to "look younger" (15,8%);
- 87% of men appreciate the idea of exclusive male cosmetic lines;
- Main obstacles for a man to start using cosmetic products are social preconceptions and not knowing advantages of using them. Lack of information is also pointed out.
- "Portuguese men start to better understand the direct benefits of masculine cosmetic. They understood that it can contribute a lot to improve their wellbeing. New generations are less attached to social complexes like that a man

[13] L'Oréal Professionnel Homme challenge presentation

that takes care of himself is less "macho" than one who does not!" – Ricardo Lopes, Maxmen

- "Important to keep is that the way to get to men has to be different than to get to women. I think this is the key point" – Manuel Arnaut, GQ Portugal
- The ideal cosmetic product according to our experts:
    - Important items:
        - Easy usage
        - That cures
        - Smell
        - That others won't notice when used
        - Exclusive to men
        - That protects
- "Compared to the female market, there is a lot left to do. We are in a mentality changing phase and a period of demystification of male cosmetics. As soon as this preconceptions barrier is broken, the market will grow much more. Science is on the same side as cosmetics, and there will be created formulas more and more effective that will, more certainly, create more interest in the products that are created. However, there must be a certain caution regarding not launching irrelevant products that come only to congest the market. We already notice this in the fragrance market. They are too many and very similar, which leads the market to lose dynamism. We cannot reach a moment, like in the female market, when the "radio is always on". Music goes by, but no one is aware of the song that was playing." – Manuel Arnaut, GQ Portugal

## 5.3 Summary of the problem, specifying issues to be resolved by the students

The Marketing director of L'Oréal Professionnel Homme in Portugal was recently nominated to the job and he needs to find solutions for a brand in need for change inserted in a dynamic market. Having this in mind, answer the following questions:

1. Characterize the male hairdressers market in Portugal as well as its competitive intensity.
2. Develop a SWOT analysis for L'Oréal Professional Homme brand in Portugal.
3. The Marketing director of L'Oréal Professionnel Homme in Portugal also detected a need for the brand to expand the assortment, entering in a new category of products.
    a. With the presented data and those that you think can add value, help him decide which category is that.
    b. Develop a joint strategy (Hair category and New category) to re-launch the brand using the concept presented in the case, *Retailtainment*, applicable to mixed hair salons. In this strategy, have in mind how hard it is to attract men to mixed hair salons and think if the product range is adapted to the market.
4. Develop a social/environmental responsibility action that makes sense for the brand. Justify.

## 5.4 Annexes

- Annex 1 - L'Oréal Brandstorm Information
- Annex 2 – Brand Merchandising
- Annex 3 – Product Range
- Annex 4 – Brand Introduction
- Annex 5 – Consumer Behaviour data

### 5.4.1 Annex 1 – L'Oréal Brandstorm Information

## The Professional Market

- A market of around 600 millions € /Year > 0.4% PIB
- Over 10.000 salons, with more than 30.000 direct jobs
- More than 44 millions visits/year (tickets)

A very dynamic market, constantly growing

Weight per category: **HAIRCARE** (47%); **COLORATION** (39%); **STYLING** (13%); **FORM** (1%)

- Suppliers: L'Oréal, Wella, Schwarzkopf, Revlon, Rui Romano,...

## The Hairdresser Business

Some data on the hairdresser business...

- **The professional is the biggest asset**

(his talent, his competency, his name…)

- **Purchase represents :** 8 - 12 % of the turnover

- **Staff costs :** over 50% of the turnover

- **Resale :** up to 15% of the turnover.

## Trends

Some trends for the upcoming years...

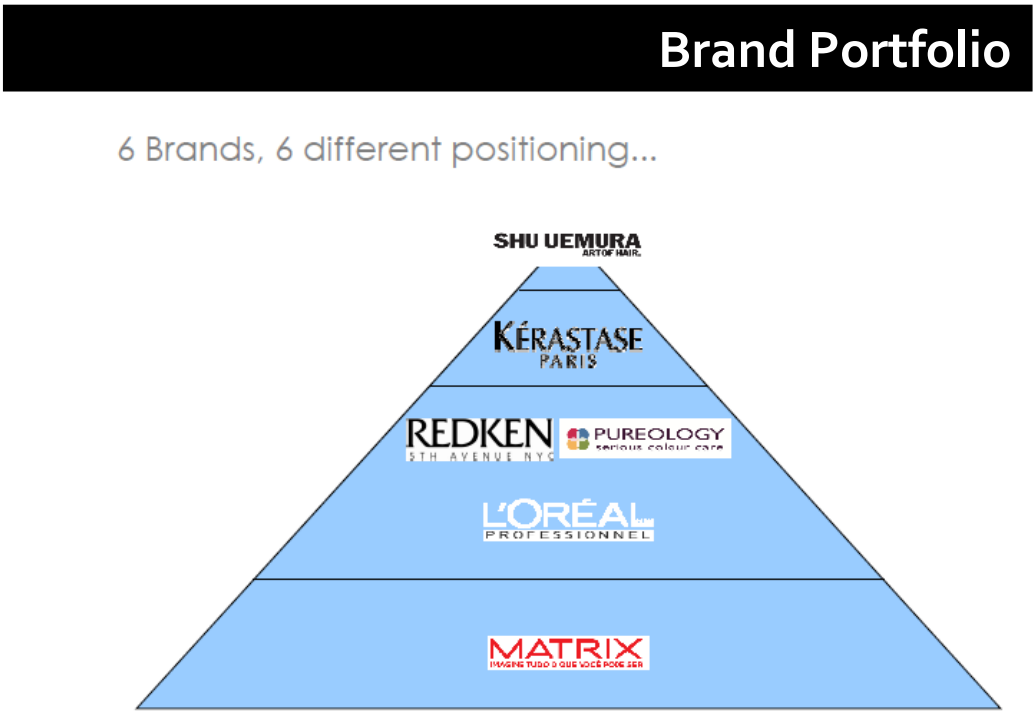
- Less visits; bigger ticket
- More technical services
- Development of "TOP SERVICES"
- Modernization of the salons
- Increasing number of chains
- "All in one concept"

...

## L'Oréal in the Market

**6 Brands**: L'Oréal Professionnel, Kérastase, Redken, Pureology, Matrix, Shu Uemura

- \+ **1.400 products**, with a high frequency launch
- A structure based on **4 pillars**: Commercial, Marketing, Education and Finance
- Present on **2 distribution circuits** (direct and indirect)
  - 3.500 salons (70%)
  - 52 indirect clients (30%)
- **Competitors** becoming more aggressive
- With a **Profit Margin** higher than the modern distribution




### 5.4.2 Annex 2 – Brand Merchandising

## Communication

Porte-prix

Support de porte-prix :

Magnet : disponible pour le Totem

## Cover 5

Back bar: target price 5 €

Cadre

## Uniforms

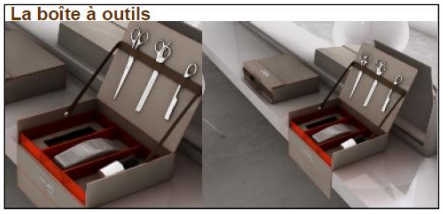
Polo coiffeur

Cape client

## Tools

Le fourreau type « uniforme coiffeur »

La boîte à outils



### 5.4.3 Annex 3 – Product Range

**Haircare**

Shampoos

- Energic – All types of hair
- Densité – Densifying shampoo/Fine hair
- Grey – Anti-Yellowing Shampoo/ White to Grey hair
- Pureté – Anti-dandruff
- Contrôle – Rebellious hair
- Tonique – Normal hair

Treatment

- Renaxil – First signs of hair loss
- Renaxil – Advanced hair loss
- Energic Lotion – After washing lotion for refreshing feeling

**Styling**

- Flexible Wet-Effect Gel – Fixation level: 3
- Strong hold gel – Fixation level: 6
- Sculpting Fiber Paste - Fixation level: 3
- Definition Wax - Fixation level: 2

**Colouring**

- Cover 5' – Hair colouring in 5 minutes

L'ORÉAL PROFESSIONNEL HOMME

- 3 product categories:

-HAIRCARE
-STYLING
-COLORATION

- A salon offer for men:

-TECHNICAL: Withe hair blending
-SELL-OUT: Haircare & styling

# LE HAIRCARE

L'ORÉAL PROFESSIONNEL HOMME

DENSIFIANT | VITALITE | ANTI-JAUNISSEMENT CHEVEUX BLANCS | ENERGISANTS | ANTI-HAIRLOSS

# STYLING

MAT NATUREL BRILLANT

# COVER 5'

5 minutes only

### 5.4.4 Annex 4 – Brand Introduction

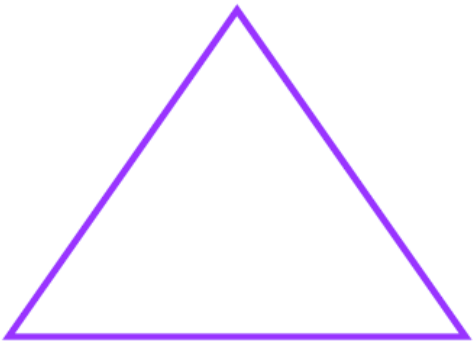
## L'OREAL PROFESSIONNEL'S MISSION

**THE WORLD 'S BEST HAIRDRESSERS**

The great stylists. The most talented colorists. One million of them choose L 'Oréal Professionnel technology. The most innovative products and techniques. The most advanced forecasts of trends. L 'Oréal Professionnel gives you guaranted results and endless possibilities. Combine L 'Oréal Professionnel and a creative stylist and nothing will ever be impossible.

## L'OREAL PROFESSIONNEL'S VALUES

INNOVATION



INSPIRATION EDUCATION

## The Share in PORTUGAL

| | PROFESSIONAL MARKET |
|---|---|
| 1º | L'OREAL |
| 2º | WELLA |
| 3º | SCHWARZKOPF |
| 4º | REVLON |
| 5º | RUI ROMANO |
| 6º | PANGITER |

| | COLOR |
|---|---|
| 1º | L'OREAL |
| 2º | WELLA |
| 3º | SCHWARZKOPF |
| 4º | REVLON |
| 5º | RUI ROMANO |
| 6º | PANGITER |

| | SHAMPOOS |
|---|---|
| 1º | L'OREAL |
| 2º | WELLA |
| 3º | RUI ROMANO |
| 4º | REVLON |
| 5º | SCHWARZKOPF |
| 6º | PANGITER |

| | SOINS |
|---|---|
| 1º | L'OREAL |
| 2º | WELLA |
| 3º | REVLON |
| 4º | SCHWARZKOPF |
| 5º | RUI ROMANO |
| 6º | PANGITER |

| | STYLING |
|---|---|
| 1º | L'OREAL |
| 2º | RUI ROMANO |
| 3º | WELLA |
| 4º | SCHWARZKOPF |
| 5º | REVLON |
| 6º | PANGITER |

| | TEXTURE |
|---|---|
| 1º | L'OREAL |
| 2º | WELLA |
| 3º | SCHWARZKOPF |
| 4º | REVLON |
| 5º | PANGITER |
| 6º | RUI ROMANO |

## Portuguese Weight

**L'Oréal Professionnel - TURNOVER**

| | 2009 | 2010 |
|---|---|---|
| Color | 47% | 50% |
| Texture | 2% | 3% |
| Haircare | 36% | 35% |
| Styling | 12% | 9% |
| LP Homme | 3% | 3% |
| *Color* | *7%* | *7%* |
| *Haircare* | *73%* | *66%* |
| *Styling* | *20%* | *27%* |

1.084 LP Homme Salons

32% total LP Distribution

62% rebuys

### 5.4.5 Annex 5 – Consumer Behaviour data

In interview to many hairdressers and hair salons owners, there have been collected some information relevant when describing consumer behaviour and trends. (Jean Louis David, Provost, Samuel Rocher)

- Men cut hair more often – as the haircut is shorter it needs less time between cuts – the average is close to one month
- Men already know or have some sort of an idea of what they want to cut their hair
- Prices are higher for women
- For 10 women in a hair salon there are 2 men
- Men are more demanding when cutting their hair
- Biggest problems are time waiting for their turn, mixed hair salons as a feminine place, barriers in the usage of some products like hair colouring

Some trends for the upcoming years[14]:

- Less visits: Bigger ticket
- More technical services
- Development of "top services"
- Modernization of the salons
- Increasing number of chains
- "All in one concept"

According to an online study developed by Men's Health Portugal, "Estudo de Cosmética e Cuidado Pessoal MH 2008", in October of 2008 with the sample:

- 1729 answers
- 96% Men
- Average age: 28 years old
- Professional occupation: 28,7% students, 21,6% Upper middle management, 18,8% Technical specialist/Small owners
- Education: 53% Secondary education and 46% Superior Education

The main results were:

| Do you use or have you done any treatment against baldness? | |
|---|---|
| No, I do not need to | 62,3% |
| No, Although I already need to | 17,2% |
| Yes, prevention is better than cure | 11,5% |
| Yes, I need to | 8,6% |
| No answer | 0,4% |

**Table 1 - Do you use or have you done any treatment against baldness?**

[14] L'Oréal Professionnel Homme challenge presentation

| What is important to you when choosing a shampoo? (More than one answer allowed) | |
|---|---|
| That smells good | 53,6% |
| That reduces dandruff | 44,2% |
| That lowers greasy hair | 42,7% |
| That gives volume | 13,1% |
| Price lower than 4 Euros | 9,9% |
| No answer | 0,6% |

**Table 2 - What is important to you when choosing a shampoo?**

| From who do you prefer to receive personal care advice? (More than one answer allowed) | |
|---|---|
| Magazines | 56,9% |
| My partner | 50,9% |
| Friends | 26,7% |
| Dermatologist | 26,0% |
| Pharmaceutical | 19,3% |
| Sales person | 15,5% |
| My mother | 13,3% |
| Beauty Center | 12,7% |
| No answer | 1,0% |

**Table 3 - From who do you prefer to receive personal care advice?**

| What kind of advice/content do you prefer? (More than one answer allowed) | |
|---|---|
| To receive practical advice to basic care straight to the point | 64,7% |
| To learn how to introduce new products and techniques in my daily routine | 53,7% |
| To learn how to save time and simplify day-to-day care | 50,2% |
| Learn secrets from famous people and stylists on how to take care of their look | 21,9% |
| No answer | 0,5% |

**Table 4 - What kind of advice/content do you prefer?**

| Do you buy your products yourself? | |
|---|---|
| Yes | 86,3% |
| No | 13,7% |

**Table 5 - Do you buy your products yourself?**

| Do you consider being easy to find what you want in the point of sale? (More than one answer allowed) | |
|---|---|
| Yes, when I enter I already know what I want | 41,5% |
| No, I prefer to be advised | 22,0% |
| I prefer the one I read about in a magazine | 10,9% |
| No, there are a lot of brands that I don't know | 9,1% |
| I am guided by the labels | 8,6% |
| Price is determinant for me | 6,1% |
| I look for the product that I saw on TV | 1,3% |
| No answer | 0,6% |

**Table 6 - Do you consider being easy to find what you want in the point of sale?**

| I prefer to be served by: | |
|---|---|
| A Man | 4,2% |
| A Woman | 44,1% |
| No one, I prefer to do it myself | 10,0% |
| Indifferent | 42,5% |
| No answer | 0,5% |

**Table 7 - I prefer to be served by**

| What reasons took you to use a cosmetic product? (More than one answer allowed) | |
|---|---|
| Someone offered you a sample | 43,0% |
| A magazine article was recommending it | 38,5% |
| A friend tried and recommended it | 35,7% |
| Someone offered you | 28,5% |
| Saw in a magazine | 26,1% |

| | |
|---|---|
| Wife/partner/sister/friend uses and you tried | 22,8% |
| Saw a Tv ad | 16,0% |
| Saw at a store | 11,9% |
| Others | 19,0% |
| No answer | 0,5% |

**Table 8 - What reasons took you to use a cosmetic product?**

| What concerns you the most when it comes to be attractive? (More than one answer allowed) | |
|---|---|
| Hair | 64% |
| Face | 53% |
| Virility | 33% |
| Body Shape | 22% |

**Table 9 - What concerns you the most when it comes to be attractive?**

Followed and commented by a panel of experts in men care, the study also showed some interesting conclusions such as:

- 20,1% uses products to hair loss and 17,2% says that needs, although not using;
- 14,7% referred that would like to dissimulate hair loss
- From 35 to 44 years old, followed by the 25/34 group "there is something like a reality call to the first aging signals" said Manuel Arnaut from GQ Portugal
- By unanimity, the panel says that single and divorced men are the ones that care more;
- Baldness is the biggest concern of men followed by stomach and acne. Weight, hair and skin hydration are also mentioned;
- Most wanted treatments, in the panels general opinion, are hair, waxing and bleaching dental;
- Main reasons that lead men to take care of himself are "because society demands" (30,7%), to "cause better impression at work" (22,1%) and to "look younger" (15,8%);
- 87% of men appreciate the idea of exclusive male cosmetic lines;

- Main obstacles for a man to start using cosmetic products are social preconceptions and not knowing advantages of using them. Lack of information is also pointed out.
- "Portuguese men start to better understand the direct benefits of masculine cosmetic. They understood that it can contribute a lot to improve their wellbeing. New generations are less attached to social complexes like that a man that takes care of himself is less "macho" than one who does not!" – Ricardo Lopes, Maxmen
- "Important to keep is that the way to get to men has to be different than to get to women. I think this is the key point" – Manuel Arnaut, GQ Portugal
- The ideal cosmetic product according to our experts:
    - Important items:
        - Easy usage
        - That cures
        - Smell
        - That others won't notice when used
        - Exclusive to men
        - That protects
- "Compared to the female market, there is a lot left to do. We are in a mentality changing phase and a period of demystification of male cosmetics. As soon as this preconceptions barrier is broken, the market will grow much more. Science is on the same side as cosmetics, and there will be created formulas more and more effective that will, more certainly, create more interest in the products that are created. However, there must be a certain caution regarding not launching irrelevant products that come only to congest the market. We already notice this in the fragrance market. They are too many and very similar, which leads the market to lose dynamism. We cannot reach a moment, like in the female market, when the "radio is always on". Music goes by, but no one is aware of the song that was playing." – Manuel Arnaut, GQ Portugal

# 6 Pedagogical Note

## 6.1 Case study target

This case study is directed to:

- Bachelor or Master students from Marketing and Operational Marketing courses
- Professionals that operate in the Marketing area willing to learn about a real case

## 6.2 Pedagogical goals

This case is intended to:

- Give the participants the capacity to analyse information and to know how to interpret it
- Make the participants improve their problem diagnose and focus on the solution with the resources available
- Remind them that market trends need to be taken into account when deciding marketing strategies and that innovation is key to good performance
- Make the participants understand that specific characteristics of a market in which the brand is acting should be always in mind and the differences that a multinational brand needs to take into account

## 6.3 Literature review of the issue to the topic

### 6.3.1 Introduction

All over the world, it is noticeable the changes that the retail markets have been suffering. The amount of information available and numerous alternatives to customers

is a result of a diverse and fragmented retail market. More than this, the retail markets embraced extremely complex environments due to the evolving new consumer looking for new solutions for its needs. Anthropologists advocate that what we know today from a commercial marketplace has its origins in the festival market places. It is interesting to look for what a marketplace was before and what it represents now and how people changed, motivating the commerce to adjust to their needs. So nowadays, we live in this parallel of new technologies and going back to basics where the commerce was born (Kozinets *et al.*, 2002). With this permanent change and need to adapt, the market started developing solutions and a new vision of the shopping places emerged: The shopping places as entertaining places (Pantano & Naccarato, 2010). Feeling the need to name this phenomenon, marketers mixed the words retail and entertaining to designate this trend, creating *retailtainment*. The presented literature review is precisely developed in order to explore the retailtainment concept and its implications in the retail markets.

### 6.3.2 Consumer's Perspective

#### 6.3.2.1 Consumer Behaviour and Needs

With the new reality in retail, brands try to speak to their customers in many ways. As seen before, one of them is inside the store whether the product design, the store ambiance, and others. In Borghini *et al.* (2009) article, it is pointed for the reader to think about the possibility of the communication in store not being directed to the final consumer but for the person who is going to buy the product and not consume it – the buyer. So to adjust retailtainment in that perspective might be a challenge and retailers need to understand consumer behaviour and the experience they are creating instead of being to evasive with a lot of communication not thinking right about the target.

Srinivasan & Srivastava (2010) point the global marketplace as something that is all about feel, relate and act and that this is what drives the consumption and choice of brands. But deeper than this is what is in the origin of consumption which is the needs – ruled by the consumer's choice of lifestyle, social interest and politics.

Meet the customers' needs have been proved to be a key issue in today's reality. It is important for retailers to consider key points to survive in the future and one of them is to meet customers' needs. Customer satisfaction will be achieved when service quality is met (being "service quality" interpreted in the context of what we are evaluating) and it can determine, as said before, the long term success of a service organization. (Kamaladevi, 2009)

Very debated subject and target of many studies is that consumers buying profile is really changing and this change happens not because retailers want it to happen but because the context of where the people live is different and so their needs will change. A consequence is that marketers felt that they should invest more and look for innovative strategies to address this change in consumers' profile. This does not change only the way consumers perceive a brand, the way they shop and how they think, it will have impact on how companies need to be constantly aware of the market and always developing new tools to understand how to improve and how to give more value to their customers understanding above all what they need and how it matches with the company's offer (Srinivasan & Srivastava, 2010).

#### 6.3.2.2 New Consumer and Hedonic Consumption

Literature reveals that consumption has many different approaches and can be analysed in so many different ways but one that is interesting for the subject of this master thesis is the *Hedonic Consumption*. According to Hirschman and Holbrook (1982), "hedonic consumption designates those facets of consumer behaviour that relate to the multi-sensory, fantasy and emotive aspects of one's experience with products. In many ways, retailers can and do create this influence on consumers even when sometimes they do not realize it perhaps due to the lack of knowledge and low dominance of marketing tools".

This hedonic consumption has been taking place in what we know today for a "new consumer". Looking not just for a product to satisfy the immediate need, the new consumer in general prefers a buying experience.

For Roussos *et al.* (2009), this concept of new consumer came with the "advances in

manufacturing, distribution, information and communication technologies that embraced this urbanization of the modern society". This new consumer is more aware of how to compare the prices and product costs, he is no longer loyal to any brand or to retail – the new consumer is less loyal, independent – but demands more information, he is more aware of service quality and this new consumer has three main key variants of importance: Time, Value and Information. The winning experience for a consumer is the one combination of the three variants according to the target consumer buying profile.

Each consumer profile will receive the message in different ways so it is important for the retailer to adjust to what they think that is the best target a create the retailtainment experience under a single vision and guide it through the process adjusting every time that it needs to be done.

#### 6.3.2.3 Experience

In a market where experience-oriented economy and experience-seeking consumption are a reality, retailers need to find more advanced techniques to a new consumer who is looking for an experience. Backstrom & Johansson (2006), more than making a map of what is happening in the market debates the definition of experience: "For instance, the basic concept of "experiences" is left largely undefined and moreover, seldom analyzed with any regard taken to the unique features that characterize the retail store environment". Shopping experience could create value not only for accomplishing its goal but also for causing enjoyment and/or fun.

The author refers that there is a conflict between retailers and consumers when it comes to an experience; According to a study presented in the article, retailers give low importance when developing and creating an experience while customers will assign high importance when experiencing that exact same experience. According to the study's results, retailers define experience as consisting in:

- "Education/Knowledge intermediary
- Inspiration/Product displays
- Innovations/New combinations of products

- Opportunities to try out products and services
- Stimulation of senses
- Recreation
- Special Activities" (Backstrom & Johansson, 2006)

Meyer and Schwager (2007) pointed that customer experience "refers to the internal and subjective response customers have to any indirect or direct contract with a company". This customer experience will have impact on customer relationship management as it adds value to products and services which will lead to more enjoyment and consequently more purchase. Creating a positive experience will not only have impact on maintaining current customers but also to attract new ones. (Pantano & Naccarato, 2010)

Jones, M.A. (1999) referred that, although many advances have been taken in this area, there are still no studies investigating the important factors to create the desired experience. Retailers do many times, make mistakes elaborating this kind of strategy caused by the lack of the existing knowledge. The author defines entertaining shopping experiences as "Can be defined as fun and pleasurable shopping experiences and are similar to leisure or recreational experiences in that both are characterized by intrinsic satisfaction, perceived freedom and involvement".

#### 6.3.2.3.1 Consumer experience management vs. customer relationship management

As in a constantly changing market, marketing tools had to adjust to the reality that is the market. If CRM – Customer Relationship Management - was the right tool to manage every step of the customer when interacting with the brand, now marketing noticed the need for its evolution. As in Kamaladevi (2009) article, C.E.M. – Customer Experience Management – is now the so called evolution os CRM. CEM is not more than "a strategy that focuses the operations and processes of a business around the need of the individual customer. (...) The goal of customer experience management is to move customers from a satisfied to loyal and then from loyal to advocate.".

Main differences between CRM and CEM are that, in the first one, "every time customer and company interacted, the company learned something about the customer" and CEM is about both of them interacting and both learning something about each other.

Also, the effectiveness of CRM to measure its success there is always the limitation of collecting information about failures, meaning that it only keeps record of when the tool had a positive response. When it comes to CEM, it will evaluate quality and efficiency of the tool usage. It will look for the needs of that particular customer and to the company's capability to satisfy them, which will lead to business relationship.

The same article, Kamaladevi (2009), also refers some "Best practices to make successful CEM" and these are three examples that add value into what was said before:

- "Finding out what these customers truly value"
- "Being clear about what we stand for"
- "Delivering the promise at every touch point"

#### 6.3.2.3.2 Events

The influence of events in shopping experience may vary according to each consumer profile but the findings in some researches show that image caused by an event will influence customers' shopping enjoyment which will have outcomes in customers' satisfaction with an event and the attitudes customers will have towards a brand. Until recently, not much was known about consequences of events (Leischnig, Schwertfeger, & Geigenmuller, 2010).

More and more, retailers are using events to provide customers with a better shopping experience and to offer something different from the competition. Truth is retailers don't have the knowledge to control how it will be perceived in consumers' minds as in what is the real impact of an event on the formation of consumer's attitudes towards a retail brand (Leischnig, Schwertfeger, & Geigenmuller, 2010).

Through the results of the research in Leischnig *et. al.* (2010) article, we can conclude that retailers should include events as one of their promotion techniques. Event image is to be considered an important predictor of shopping enjoyment and event inventiveness

and adequacy determine a customer's shopping enjoyment. With this knowledge managers are able to arrange events that customers perceive as innovative and adequate.

### 6.3.3 Retailer's Perspective

#### 6.3.3.1 Retailtainment

It is emerging a new way of looking to shopping places as a concept since now they have become more of entertaining places (Pantano & Naccarato, 2010). These entertaining places have been the stage for experiential marketing to create experiences that will last in time in customer's memories – working on creating emotional bonds and relationships with their customers. The fact is that they will not keep this information for themselves most of the times, customers will share it with family, friends and co-workers and this will make room to increasing sales through word of mouth and consumer loyalty (Srinivasan & Srivastava, 2010)

According to Pantano & Naccarato (2010), in recent years, "the importance of an enjoyable experience during the shopping activity increased. As a consequence, many researchers are focusing on the best application of enjoyable elements in the points of sale in order to maintain existing consumers and attract new ones." This is why Retailtainment is becoming one of the new marketing tools gaining weight in the market representing the mixture of "Retail" and "Entertainment". In a simple description it is the usage of entertainment in retail in order to meet some objectives – whether sales, brand notoriety or others defined by the brand.

Backstrom & Johansson (2006) refer in their study that all retailers pointed to the fact that attention on in-store experiences was higher and that an attractive store environment is key aspect to succeed as an experience-oriented firm which opens an opportunity for retailers to develop this kinds of marketing tools. Collected the information, Backstrom & Johansson point out what retailers think to be what consumer's in-store experiences consist in:

- Education/Knowledge intermediary
- Inspiration/Product displays
- Innovations/New combinations of products
- Opportunities to try out products and services
- Stimulation of senses
- Recreation
- Special Activities

Environments in retail are extremely complex and the need to create something different than the competition arises. Retailtainment arose to meet goals such as to entertain more consumers, improve their shopping experience and to communicate the brand in new and attractive ways (Pantano & Naccarato, 2010).

As a result of Pantano & Naccarato (2010) theoretical investigation, three aspects emerged as advantages on using retailtainment in retail: The possibility to obtain information on consumer behaviour in a fast way, improving points of sale after introducing new entertaining tools and consumer shopping experience to be positive influenced by many techniques used. The fact that more information about the customer is collected, makes it easier to know better what he/she needs and wants so that the experience can be improved. As an example, male population is not frequently attracted by traditional stores because they prefer more technological stores, it would not be possible to understand if there were no tools to collect and treat this kind of information.

Cardoso (2004) claims that the marketing general goals determine communication goals which in its turn will become real through diverse communication tools - Communication Mix. This communication mix gathers public relations, advertising, promotions, merchandising, sponsorships and others. According to António Paiva, cited in Lindon *et. al.*(2004), "in modern distribution, and almost with no salesmen to advice and guide customers in their product choice, products themselves have, by their shelf placement and presentation must be capable of drawing attention of potential consumers and evoke desire to buy." Merchandising comes as a powerful technique to create this experience and the French Institute for Merchandising, cited in Lindon *et.al.* (2004) describes merchandising as "joint studies and application techniques used, separately or jointly by the distributors and producers to increase the profitability of local sales and

marketing of products through a permanent adaptation of supply to market requirements and fair presentation of goods".

#### 6.3.3.2 Themed flagships brand stores

Themed flagship brand store is a concept introduced by Kozinets et al. (2002) arguing that these new format came to provide to the customer, entertainment and brand experience combined in a way that it would be hard to separate one from another (Borghini *et al.*, 2009).It became a very popular tool for marketers to explore and increase customer relationships since it can serve many purposes like Kozinets *et al.* (2002) pointed out:

- "A form of advertising;
- Source of profit;
- Fount of marketing intelligence
- Forum of experimentation for
    - Entertaining offerings
    - Technology
    - New bricks and clicks combinations"

When used with the right purpose, adequate to the company's strategy, flagship brand stores budgets should be looked at as a long-term investment on brand building strategy and as a different type of business entrance. Said before, this kind of stores can work as an advertising tool and so, the budget for advertising might need adjustments so that it can be measured properly. Measurements, analysis and adjustments should never be forgotten so that it can reach the desired goals (Kozinets *et al.*, 2002).

Kozinets *et al.* (2002) also presented three main characteristics so that themed flagship brand stores can be distinguished:

- "They carry a single (usually established) brand of product;
- That brand's manufacturer owns them;
- They are operated – at least in part – with the intention of building or reinforcing the image of the brand rather than operating to sell product at a profit;"

Themed flagship brand stores are not new as Walt Disney started half century ago building brand strategy and connecting customers to their culture. This type of stores is one of the main responsible tools for Walt Disney's corporate brand image. Companies must be aware that this is not always necessary and it depends on what target they aim to attract and to build this talked relationship (Kozinets *et al.*, 2002).

#### 6.3.3.3 Retailers Factors / Consumers Factors

Interaction between retailers and consumers generates always an experience, good or bad, the experience exists in many touch points. Meyer and Schwager (2007), cited in Leischnig, *et. al.* (2010), stated that this customer experience is about internal and subjective response that a customer has when he contacts, directly or indirectly, the company.

The concept of shopping places as we knew until now has suffered some changes and what we witness is that shopping places are now entertaining places or are moving in that direction (Pantano & Naccarato, 2010). Many researchers have been developing theories about shopping places and a lot of them show interesting points of view like Backstrom & Johansson (2006) sets two different groups of variables that are present: Personal Variables and Situational Values. This theoretical framework assigns the following points in each group:

<u>Personal Variables:</u>

- Age
- Mood
- Task (what he went there to do)
- Type of involvement
- Attitude to time
- Gender
- Financial Resources

<u>Situational Values</u>

- Design

- Social Dimension
- Atmospheric (Music, Colour, Scents, Temperature)

Personal Variables are the characteristics verified in the consumer that can influence the experience they have and Situational Values are the effect of physical stimuli in the consumer behaviour. This presented theoretical framework is just an example on how we can look to the customer experience and separate in big groups, and this originated consumer and retailers factors which are the ones that can be influenced and influence, respectively.

| Retailers Factors | Consumers Factors |
|---|---|
| Personnel* (Staff)<br>Service Elements (Extra Services)<br>Selection / Assortment<br>Price<br>Design<br>Product Display<br>Layout<br>Atmospheric (Light, Colour, Scent) | Social Aspects (interaction between customers)<br>Tasks (Doing what they went there to do)<br>The purchase<br>Time spent<br>Mood/State of being |

**Table 10 - Retailers Factors versus Consumers Factors (Backstrom & Johansson, 2006)**

According to Backstrom & Johansson (2006) and Jones, M.A. (1999), retailers, generally speaking, give low importance to these items when creating an experience while consumers give it high importance. And here is a known problem that time to time has been target of remarkable improvements.

#### 6.3.3.4 Atmospheric Stimuli

Atmospheric as referred before is one of the key issues when creating an experience inside a store. This started to be relevant when marketing researchers realized that if consumers really care about and are influenced by physical stimuli at the point of purchase, then this should be an important issue in marketing strategy when creating the so called experience (Turley & Milliman, 2000). These researches showed that a positive atmosphere could contribute to a more pleasant store experience leading

costumers so spend more time inside the store, be more receptive to impulse buying increasing the money spent. Some researchers also mention the connection between atmosphere and consumer relationships. When the consumer spends more time in-store and enjoys the experience, the company has more opportunities to connect with the costumer leading to relationship development (Backstrom & Johansson, 2006). The store environment, in order to promote this referred customer relationship and increase time spent inside store, should make the shopper comfortable but in a way the costumer should be excited (Jones, 1999).

Bitner (1992), cited in Turley & Milliman (2000), stated that managers are planning, building and changing the organization's physical surroundings trying to control what customers feel and experience inside their stores. Bitner argues that managers don't know exactly how to use marketing tools in atmospheric stimuli to cause the impact they aim to. The lack of knowledge in this area is a problem and sometimes it has bad outcomes when changes are built based on what managers think will work. Managers need to have in mind that different consumer profiles will understand the atmospheric stimuli in different ways. The experience that is built to consumers may be similar to every consumer but the assimilation of it will be individually different. The need to plan and identify the target correctly and to adapt the atmosphere to the right target comes once again as strong marketing strategy basic needs.

Turley & Milliman (2000) presents atmospheric stimuli divided in five different groups: Exterior, General Interior, Store Layout, Interior Displays and Human Variables. Exterior gathers store front, marquee, entrances, display windows, building architecture, parking and surrounding area; General Interior has flooring, lighting, scent, sounds, temperature, cleanliness, fixtures, wall coverings and cash register placement; Store Layout with floor space allocation, product groupings, traffic flow, department locations and allocations within departments; Interior Display gathering product displays, racks and cases, posters, signs, cards and wall decorations; Finally, Human Variables having crowding, customer characteristics, employee characteristics and employee uniforms. This division of atmospheric stimuli makes easier to look of what is part of it and identify areas that can be improved inside or outside the store.

In Turley & Milliman (2000) it is also referred something particularly relevant which is the atmospheric stimuli regarding employees, since they work there and their mood can affect the customer experience leading to consequences on the sales.

#### 6.3.3.4.1 Physical store versus Virtual store

Kamaladevi (2009) stated that atmosphere and costumer mood can be significantly influencers in consumer spending behaviour; And living in a society where retailers use virtual stores more and more it is important to refer that atmosphere is a big issue in consumer behaviour.

Is the atmosphere of a physical store really important to sell? Are the physical stores not enough in a time where virtual stores are a possibility and consumers have less time to shop? Furthermore, atmosphere will be referred as an important point in physical stores but it will always depend on the targeted consumer of that specific company. Companies have to decide whether to build websites that can meet consumers needs, to build both or if only the physical store is adequate; "Brick, clicks or bricks and clicks" is the expression used by the author. Many insights demonstrate that "bricks" still take advantage over "clicks" and that they dominate and are more assertive in certain categories of product.

### 6.3.3.5 New trends in Retail Technology

Introduction of new technologies can change retail as we know it and also change consumers' in-store behaviour. They will no longer search for information, choose, compare product or interact as they did until recently. And most of all, this will give marketers the new tools they need to understand consumer's needs and preferences more correctly. Examples of technologies that can make this change in retail are the shopping assistant system, RFID and smart mirror as Pantano& Naccarato (2010) refer.

With this evolution in retail, the information is a key aspect for every retailer or brand. And so, the flow of information is about to experience a boom. With the users profile registered, the item description and data from sensors mixed all together, there will be

achieved things that can change what we know of a store from today. Reality is that technologies are changing the so called consumerism as the widespread adoption of mobile and internet are changing the basis of consumerism in its raw concept. Now and as a result of this transformation, the introduction of these technologies and adaptation of products and services has to be seen as part of the whole product design process.

This introduction of new technologies does not work only in the costumer focus as it can improve many processes in retail such as to know real stock on the store and prevent the shelf to be empty which, as a consequence, will lead to a better purchasing experience (Roussos *et al.*, 2009).

In Roussos *et al.* (2009) article, Coca-Cola Retailing Research Group carried out a study about this subject and had very contributively outputs. Listed below are three of the eight drivers suggested by this Research Group:

- The emergence of realistic new models of shopping, including remote shopping and home delivery as well as internet shopping;
- The long term erosion of mass-marketing and its replacement by mass-customization, which is becoming a necessity for the so-called new consumers;
- The certainty that established and foreseeable consumer trends will make the food-retailing environment more challenging especially as divisions between "haves" and "have-nots", and the ageing population are bringing new threats to superstores legitimacy;

#### 6.3.3.5.1 RFID

Radio Frequency Identification is a method of automatic identification that storages data through radio frequency using RFID label. It has product information, low cost for the retailer, makes possible to identify where the product is inside the store, easy to work with and makes customer experience totally different (Pantano & Naccarato, 2010). Many other authors like Roussos *et al.* (2009) and specialty websites defend that RFID is not yet a cheap option but evolution is expected so that it can be implemented.

Compared to the barcode, RFID is not so commonly used technology for product identification but prospects point for substitution of barcode based on the advantages it offers. Roussos *et al.* (2009) points some characteristics of a technology that can change many processes known in today's retail, like:

- "RFID senses events and captures related data in a way that does not require line of sight visibility between the tag and the reader;
- Is more resistant to hostile environments and can survive the effects of excessive levels of dust and moisture;
- Can store more information, and thus it may be programmed to hold a unique product identification number;
- Provide anti-theft capabilities
- It is a relatively new technology and thus more expensive and more difficult to produce in large quantities, as presented before";

#### 6.3.3.5.2 Shopping Assistant system

Bringing benefits for retailer, brand and customer point of view, the shopping assistant system can embrace many functionalities depending on the goal of the retailer for that tool. Pantano& Naccarato (2010) presents advantages for the three perspectives:

Customer

- Fast to compare different proposals;
- Provide detailed and complete information on products and services;
- Save time and enjoy the more efficient shopping experience;

Retailer

- Allow to know quantity in shelves in real time which can lead to increasing of service level and consumer propensity to buy;
- Engages the consumer;

Brand

- Solve problem related to the planning of target advertising to specific consumers with high customized information

Common to the three perspectives comes the multimodality which will be the personalization of the system that can be adapted to the user in the moment, meaning that both retailer and customer can use the shopping assistant system in different user types.

## 6.4 Presentation of the set of analysis tools

The analysis of this case focuses in qualitative and quantitative methodology and the analysis tools used refer to secondary information collection from which a careful reading and interpretation is necessary so that careful decisions can be made from the target of the case. Therefore, the analysis will have the following information:

- Evolution of demographical indicators in Portugal
- Evolution of economical indicators in Portugal
- Evolution of the hairdressing market – male and female
- Number of salons
- Number of clients/visits
- Competitors total sales value
- Consumer behavior studies and trends
- Brand turnover for each category
- Staff costs
- Resale relevance
- Number of indirect clients

In the animation questions, a cross-SWOT analysis is asked which will allow to evaluate the competitiveness of the company inserted in this market.

## 6.5 Animation plan

| Session | Goals | Means | Time |
|---|---|---|---|
| 1st Session | Acquire interest to solve the case | • Distribution of the case to the students<br>• Case summary by the professor<br>• Show brand pictures and videos<br>• Search for the concept "Retailtainment" | 30' |

| | | | |
|---|---|---|---|
| Out of the session | - Identify the Critical Success Factors in the market<br>- Identify the specificities of the market<br>- Determine competitive advantages<br>Define new general lines of a new strategy | Case reading and analyse data<br><br>Visit hair salons<br><br>Create new solutions | 90'<br><br>60'<br><br>60' |
| 2nd Session | Learn other analysis points developed by other groups | Each group presents one question and the others criticize<br><br>Promote a debate between groups guided by the professor | 90' |

## 6.6 Animation questions to be asked by the professor to the participants

1. Develop a Cross-SWOT analysis
2. Determine the Critical Success Factors of the market
3. Identify the competitive advantages of the company in this market and compare them with the Critical Success Factors
4. Define the general lines of a marketing strategy (target, positioning and marketing-mix)
5. What were the biggest difficulties in the strategy implementation developed from you

## 6.7 Resolution – Data analysis

**<u>Question 1</u> – Characterize the male hairdressers market in Portugal as well as its competitive intensity.**

- Inserted in a reality of a country in economic recession – financial crisis
- 10.500.000 total country population – 4.980.000 are men
- Grande Lisboa, Grande Porto as most inhabited areas
- Grande Lisboa, Lisboa, Algarve with highest per capita purchasing power
- Professional market with two different markets inside:
  - Male – worth 15,4 million euros
  - Female – worth 580 million euros
- Market with
  - More than 10.000 salons
  - More than 30.000 direct jobs
  - 44 million visits/year
- Very dynamic market with 8% annual growth rate
- Categories representation:
  - 47% hair care
  - 39% Coloration
  - 13% Styling
  - 1% Form
- Staff represents biggest costs (50% of total) but is also biggest asset
- Purchase represents 8-12% of turnover
- It's a market that expects:
  - Less visits; Bigger ticket
  - More technique services
  - Development of "Top Services"
  - Modernization of salons
  - Increasing number of chains
  - "All in one concept"

Competitive Intensity:

- Very dynamic market, constantly growing
    1. L'Oréal
    2. Wella
    3. Schwarzkopf
    4. Revlon
    5. Rui Romano
    6. Pangiter
- American Crew as a new and fresh brand that captivates a new target
- In every category, L'Oréal is the leader:
    - Color
    - Shampoos
    - Treatment
    - Styling
    - Texture

**Question 2 – Develop a SWOT analysis for L'Oréal Professional Homme brand in Portugal.**

Strengths:

- Expertise and Quality of L'Oréal Professionnel
- Strong education
- Trendsetters
- Associated to a strong brand – L'Oréal

Weaknesses

- Cannibalization by other L' Oréal brands
- Lack of awareness of the brand
- L' Oréal Professionnel can be perceived as a female brand
- Difficult to sell in the last step of the distribution chain

Opportunities

- Male market growing – 8% annual growth rate
    - 2008: 15,2 billion euros
    - 2009: 15,4 billion euros
    - 2014: 22 billion euros
- Increase of environmental concerns
- Men need to shave
    - 82% of men use shaving products
    - 71% use after shave
- Customers appreciate that product usage is not visible to others
- High concerns with image
- Change of habits: less preconceptions about men care
- There is a reality call regarding the first signs of aging

Threats

- Entrance of professional products into supermarkets
- Settlement of Redken as the L'Oréal men brand
- Borderline between metrosexual and a men who takes care of himself
- High and Agressive competition from Wella Group and American Crew

**Question 3 - The Marketing director of L'Oréal Professionnel Homme in Portugal also detected a need for the brand to expand the assortment, entering in a new category of products.**

**Question 3.a) - With the presented data and those that you think can add value, help him decide which category is that.**

Chosen category: **Beard**

- L'Oréal already has a range of products in Beard – in the mass market – so they already have know how to produce this kind of products
- Innovation is a key word in the market. So the introduction of Beard is going back to the basics and bring it adapted to the reality, innovating.

- L'Oréal Professionnel Homme already has education programs so the introduction of this new segment would be easy to implement in the salons
- Men need to shave:
    - 82% of men use shaving products
    - 71% use after shave
- There is a higher concern with image and there are less preconceptions about men care
- Shaving is a masculine solution
- Beard is not a sign of laziness anymore. It is a sign of confidence and a way for men to express themselves
- This segment strengthens the brand positioning
    - Charming
    - Classic
    - Personality
- Trends:
    - More technical services
    - Less visits; Bigger ticket
    - All in one concept
- Men said that what concerns them the most when it comes to be attractive is:
    - Hair (64%) – Beard is an extension of hair
    - Face (53%) – Beard

**<u>Question 3.b)</u> - Develop a joint strategy (Hair category and New category) to re-launch the brand using the concept presented in the case, *Retailtainment,* applicable to mixed hair salons. In this strategy, have in mind how hard it is to attract men to mixed hair salons and think if the product range is adapted to the market.**

<u>Goals of the strategy</u>

- Enter the beard category
    - Identifying beard a symbol of confidence
- Be the choice for men to take care of themselves without others knowing it
- Demystify the complexity of going to a hair salon
- Product: Simplify / Freedom to care / Functional

Segmentation

- Demographic
    - Age
- Socio-Economical
    - Social Class
    - Job position
- Geographical
    - Area of residence
- Behavioural
    - Lifestyle
    - Searched advantages

Target

- Demographic
    - Age – Between 30 and 40 (First signs of aging)
- Socio-Economical
    - With professional experience
    - Medium/Medium high social class
    - Stable job
- Geographical
    - Urban areas
- Behavioural
    - Already defined their style
    - Like to be updated (Technology)
    - Go to the gym twice a week and hairdressers once a month

Positioning

The brand with expertise focused on men care that gives me the intelligent solution invisible to others; Allows me to take care of myself without others knowing I do.

Competitive advantages

- Expertise and Research
- Part of L'Oréal Group
- Education and Relation with professionals in the market
- Innovation, Quality of products

Marketing-Mix

Product

- Packaging 100% from plants
- Categories of products:
    - Shaving
        - Tonic (before shaving)
        - Invisible Shaving Cream
        - Invisible Shaving Box (20 un.)
        - Moisturizing After Shave Cream
        - Moisturizing Beard Cream
    - Regular Line
        - Shampoos
            - Scalp
            - Grease
            - Normal
            - Control
            - Anti-Dandruff
        - Styling
            - Moisturizing Gel
            - Moisturizing Wax
            - Matte Finish
    - Subtle
        - Shampoos
            - Progressive (four shades)

            - Hair Loss
            - Anti-Yellowing
        - Treatment
            - Hair loss pills – 60 un. (Early & Advanced Stages)

Price

- Prices for the products mentioned above:
    - Shaving
        - Tonic (before shaving) **12-14€**
        - Invisible Shaving Cream **11-13€**
        - Invisible Shaving Box (20 un.) **10-12€**
        - Moisturizing After Shave Cream **11-13€**
        - Moisturizing Beard Cream **9-11€**
    - Regular Line
        - Shampoos **12-13€**
            - Scalp
            - Grease
            - Normal
            - Control
            - Anti-Dandruff
        - Styling **17-19€**
            - Moisturizing Gel
            - Moisturizing Wax
            - Matte Finish
    - Subtle
        - Shampoos
            - Progressive (four shades) **15-16€**
            - Hair Loss **12-13€**
            - Anti-Yellowing **12-13€**
        - Treatment
            - Hair loss pills – 60 un. (Early & Advanced Stages) **30€**

Promotion

**Action Plan –** Next two years

- 6 months – Preparation of staff
    - Education of hairdressers for the new hair salon experience
- 1 month – Teasing
    - Guerrilla Marketing in specific places
        - Airport
        - Subway
        - Gyms
        - News Pivot wearing beard
    - 3 months – Invitation for the salons
        - Experience event
        - Website renewed
        - Double page magazine
    - 6 months – Know the product
        - Gyms advertising
        - Guerrilla marketing
    - Follow up and Reinforcement
        - Flash drive catalog
        - Event with the best hairdressers

Placement

- Creation of a Salon Experiment in mixed hair salons
    - The male space
        - Chair exclusive for men clients
    - The Shaving Ritual
        - Apply warm towels
        - Use tonic before shave
        - Shave with the invisible cream for more precision
        - Apply in the end the moisturizing cream
    - Create the figure of the salon expert

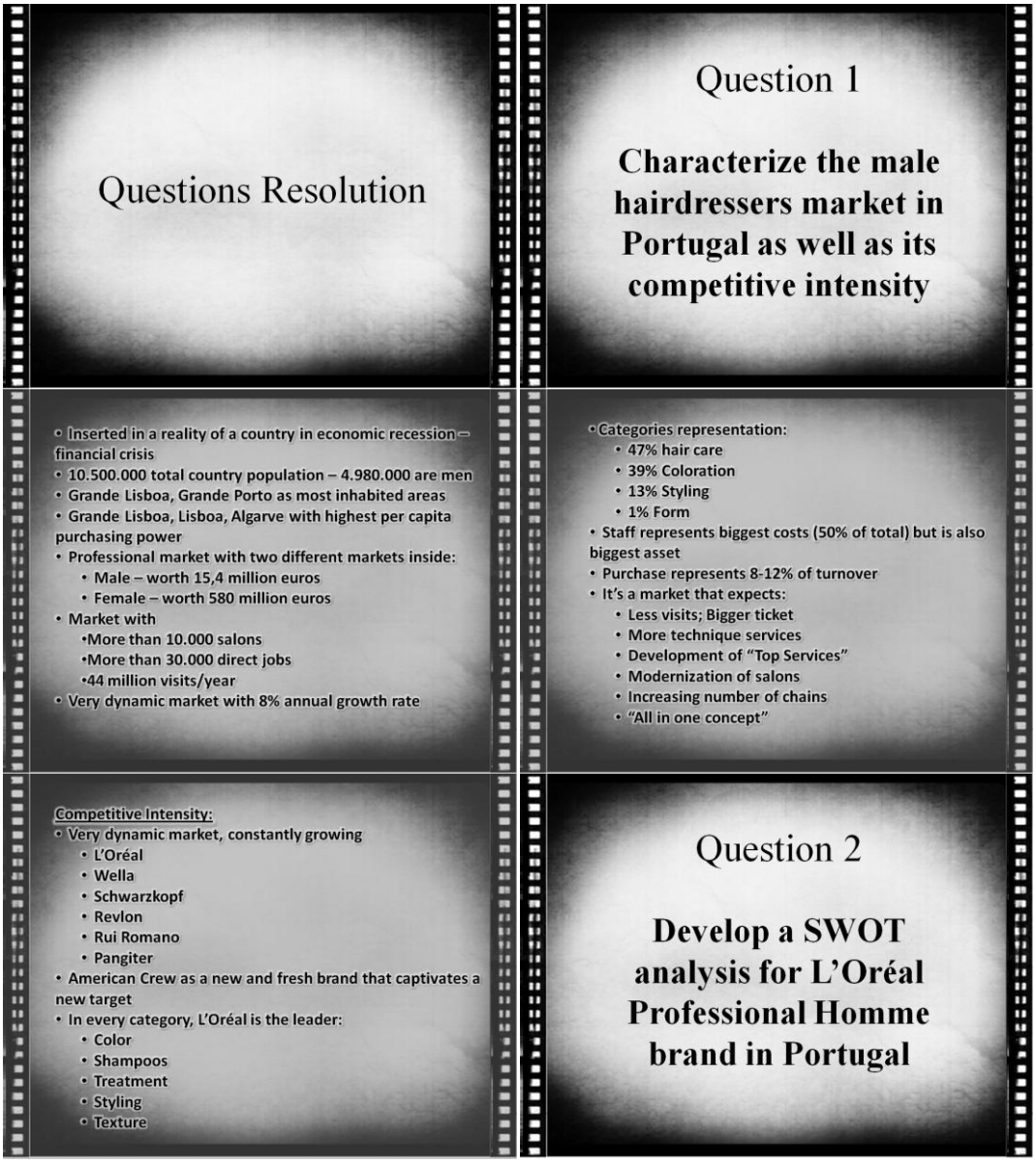
        - This employee should be considered the expert and give advice reinforcing the trust of the client inside salon
    - Interactive wall
        - Shelves to expose the product should be very attractive with a interactive monitor where the customer can know more about the brand and its products
    - Salon Experiment – Using new technologies/Electronic system
        - Tablets available for the customers
        - This tablet should be connected to a personal area that the customer may access at home
            - Customers perspective
                - This personal area has the products he already bought
                - How to use videos
                - Know more about products
                - Style catalogs
            - Hairdresser perspective
                - Access what the client prefers
                - Products he already bought
                - Specificities of the client
                - Catalog to help to sell

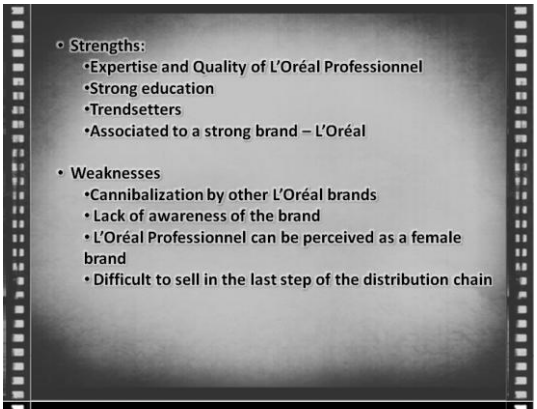
**<u>Question 4</u> - Develop a social/environmental responsibility action that makes sense for the brand. Justify.**

- Why:
    - 726 million gallons of oil spilled annually
    - One quart of oil can contaminate one million gallons of drinking water
    - L'Oréal Professionnel Homme works with hair
    - Low investment and high impact on population

- Action:
  - Collect big part of hair cut in the salons
  - Give it to an institution that with hair makes way to collect oil from the oceans and clean it

## 6.8 Resolution slides

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•Strong education
•Trendsetters
•Associated to a strong brand – L'Oréal
• Weaknesses
•Cannibalization by other L'Oréal brands
• Lack of awareness of the brand
• L'Oréal Professionnel can be perceived as a female brand
• Difficult to sell in the last step of the distribution chain

• Opportunities
• Male market growing – 8% annual growth rate
• 2008: 15,2 billion euros
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• Increase of environmental concerns
• Men need to shave
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• Threats
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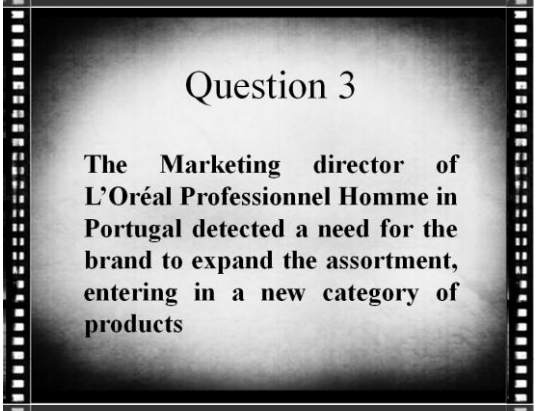
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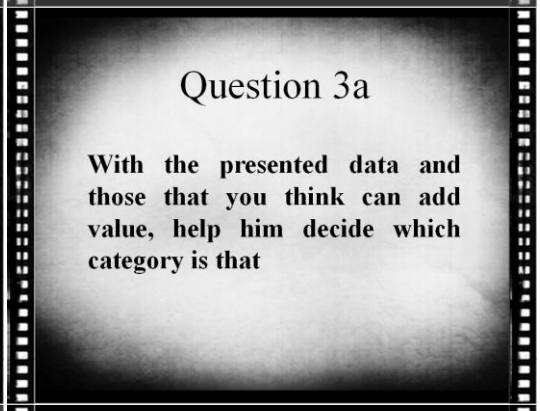
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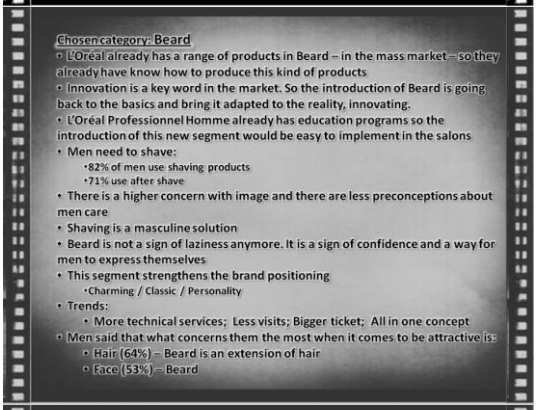
With the presented data and those that you think can add value, help him decide which category is that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• This segment strengthens the brand positioning
•Charming / Classic / Personality
• Trends:
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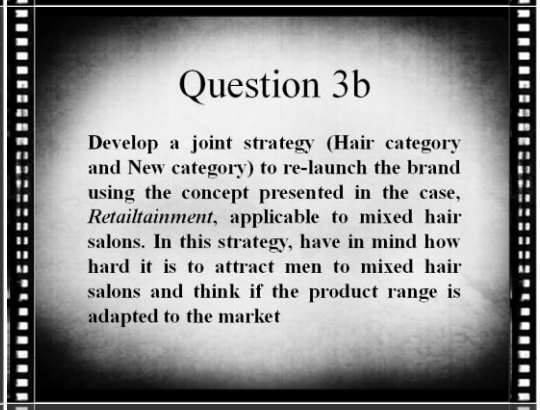
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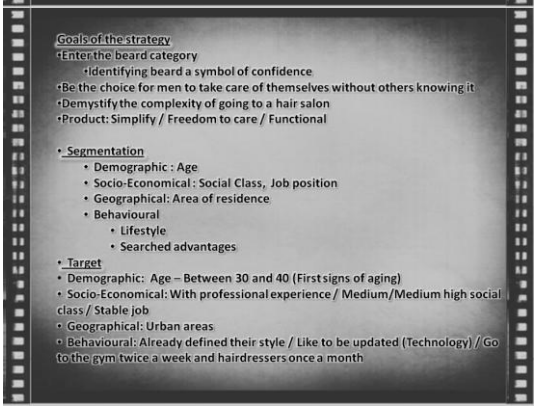
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•Product: Simplify / Freedom to care / Functional
• Segmentation
• Demographic : Age
• Socio-Economical : Social Class, Job position
• Geographical: Area of residence
• Behavioural
• Lifestyle
• Searched advantages
• Target
• Demographic: Age – Between 30 and 40 (First signs of aging)
• Socio-Economical: With professional experience / Medium/Medium high social class / Stable job
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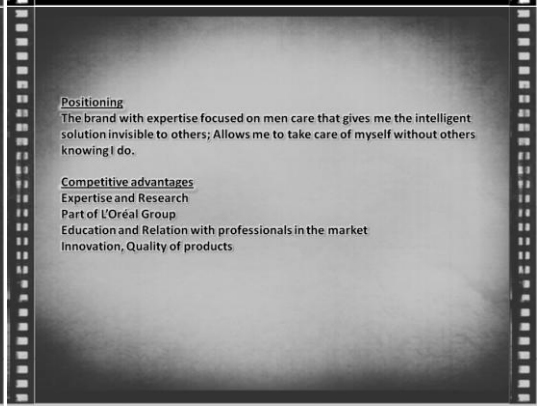
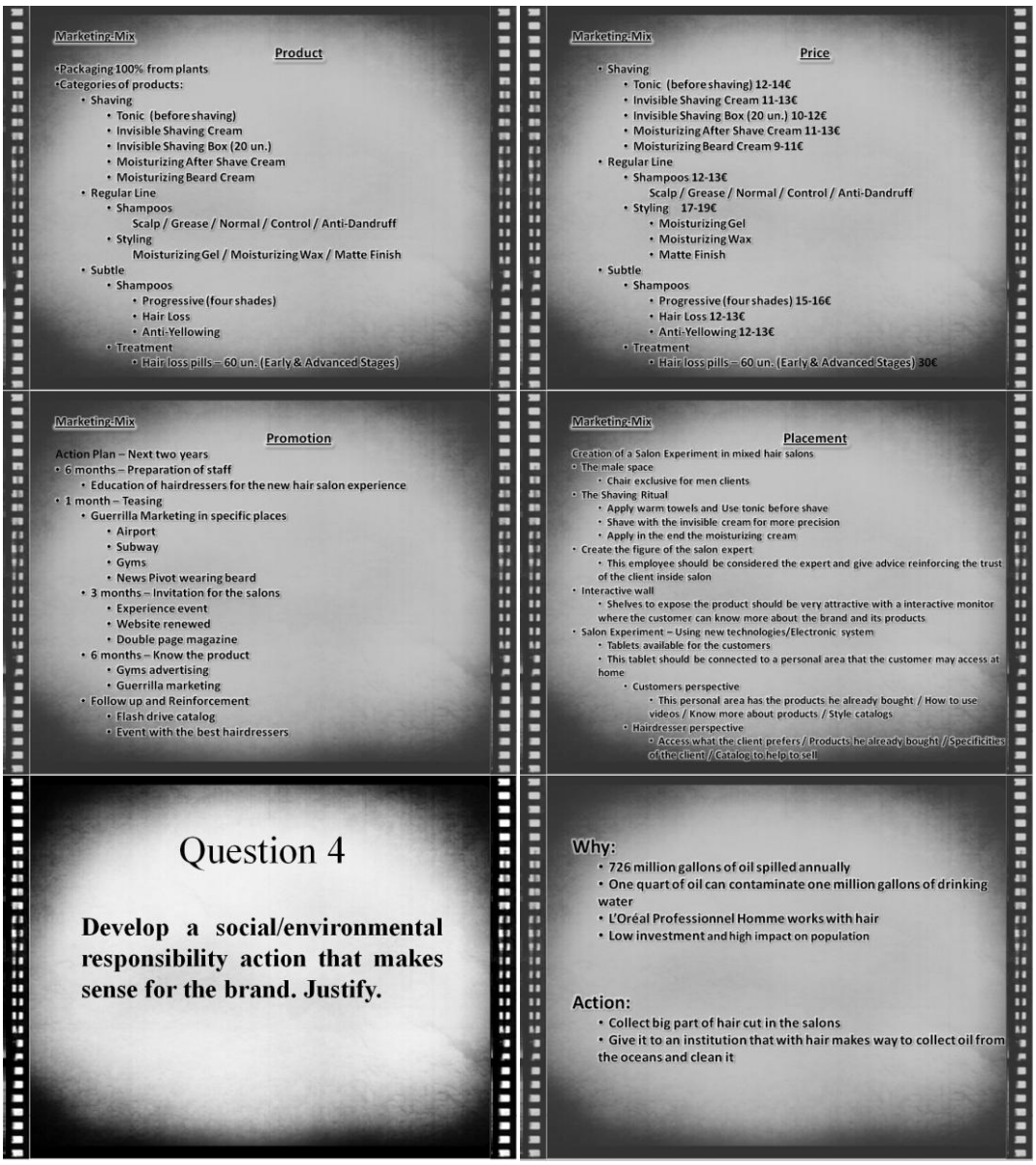

Positioning
The brand with expertise focused on men care that gives me the intelligent solution invisible to others; Allows me to take care of myself without others knowing I do.
Competitive advantages
Expertise and Research
Part of L'Oréal Group
Education and Relation with professionals in the market
Innovation, Quality of products




## 6.9 Topics to be drawn from this case to the management

In a market where dynamism and innovation are main drivers, the need for brands to step outside of their comfort zones and present their customers with perfectly fitted solutions is a must. The customer looks everyday to what offers him the best solution and he is exposed to so many brands that being the leader of choice can become a hard task.

This case enters a market in need for a new marketing vision, where doing something different really matters. And so, the case explores a new concept that tries to add value to the customer in the point of sale. Retailtainment puts together the two words retail and entertainment and, as the name suggests, brings together some tools to entertain the customer in the retail point of sale – whether educating, informing, creating a good store environment or simply attracting new curious customers.

By introducing this new concept, the case tries to give the resolvent the opportunity to think outside the box, to remind himself that the solution is not always the same and that we can create new things. Customers are no longer looking just for price, they like and appreciate a good buying experience and want to be informed in the right way. And if the tools exist, let's put them to good use.

Companies many times think that cutting marketing budgets is the solution for all of the money spent being so visible but the case implicitly recalls the importance of doing different and to use resources in the right way.

This case allows the participants to:

- Learn a new concept
- Rethink what is done and think more "customer focused"
- Add a new product segment linking customer needs and company's skills
- Identify strengths and weaknesses of a brand in a way that its competitive position can be improved
- To develop methods and techniques of market approach with focus on retailtainment
- Improve management and marketing and company analysis skills promoting an innovative and dynamic attitude

After solving this case, the resolvent should be capable to develop a marketing strategy with good retailtainment tools thinking on what the company had to offer and what the customer really needs.

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