L'Oréal of Paris: Bringing "Class to Mass" with Plénitude

L'Oréal was born in Clichy, France in 1907, the offspring of technological innovation. Nearly 90 years later, the spirit behind answering the needs of a Parisian hairdresser in search of more subtle and lasting hair color for his clientele, was at work in the Health and Beauty Aids aisles of K-Marts, Wal-Marts, drugstores, and grocery stores throughout the United States as L'Oréal sought to bring "class to mass" in the skincare market.

From his office overlooking Fifth Avenue in New York City, Joseph Campinell, President of L'Oréal's U.S. Retail Division explained L'Oréal's strategy for the mass market: "We sell product in the department store and specialty store channels. The research and development we do in support of those brands like Lancôme and Biotherm can be leveraged into mass market outlets as well. We call this 'trickle down and fire up.' We trickle the technology down to the mass markets where the high volumes are and that fires up our next generation of products by funding the research and development. In the retail division we do what the company always does: drive sales with product technology. But, since the drugstores, mass merchants and grocery stores we sell through are "self-service" types of outlets, we have to support that technology with strong advertising, merchandising and promotions. We have been very successful with this in hair colorings. Our Preference by L'Oréal brand, with the famous advertising tag-line "Because I'm worth it," has become the market leader. I'm sure we will get there with the Plénitude skincare line as well, though we clearly have some things to work out there."

Carol Hamilton, Senior Vice President of Marketing for the L'Oréal Retail Division had assumed responsibility for Plénitude in early 1996. The Plénitude line, which included cleansers and moisturizers, had been a smashing success in the French skincare market following its 1982 introduction and was introduced to the U.S. market in 1988. In April 1996, Hamilton commented: "Plénitude has gone through a couple phases here. It had a very strong introduction in the United States, quickly becoming the #2 brand in the market, only behind Oil of Olay. And, the trade loved us. We were upscaling the skincare business and bringing new people into these mass channels from department stores. Plénitude sales grew pretty well through 1991 and we were achieving what we set out to do. We had told the trade we would spend big supporting the brand and we did; we were building a consumer franchise, brand equity, and good trade relations. We weren't making any money. But, we didn't worry about that too much since we knew from the beginning that we would have to invest in the market given the position Procter had with Oil of Olay. But then we just hit a four-year sales plateau. We had lost the #2 position to Pond's. When I took on the brand, we had just regained our position as the #2 brand in moisturizers. However, it was still 8 or 9 years after the U.S. introduction and we still were not making any money here.

Professor Robert J. Dolan prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

Four keys for us now are:

1. improve the top-line - we need to break through the sales plateau and get more product moving off the shelf to maintain a strong position with the trade.

2. get the bottom-line moving in the right direction quickly. We lost $12.5 million on the brand in 1995. We don't necessarily have to make money in 1996, but we have to turn it positive soon without harvesting the brand's long-term position.

3. get the United States in a position to be a major contributor to the brand's position globally. Until 1994, we in the U.S. were only an exclusive licensee of L'Oréal. Now, we are an owned subsidiary, a true member of the L'Oréal family, so our potential for a real role in the global management of the brand has changed.

4. make sure that we have suitable skincare products for the U.S. customer; but also that they fit within L'Oréal's technology portfolio.

We have some strong new products but they alone can't carry us to where we want to be. Our new organizational structure combining cosmetics, skincare and haircare in the retail division will be a help and we have done some good research on consumers' shopping and usage behavior, our brand and the competition. So, like Joe said, we will get there, but we have to rethink all aspects of our business-

- do we have too many different types of products?

- is our premium pricing strategy appropriate for all of our products? For any of them?

- is our "star" system of putting almost all our media dollars behind our newest and most technologically advanced product still the best way to go?

- are aspects of our strategy "too French" for the U.S. market?

- how do we best utilize an asset which our consumer research shows is very powerful and no one else in this business has - the L'Oréal brand name?

What makes all this very interesting is the business we are in. We sell beauty products. They are very personal products. Plus, it is very high tech. We spent $300 million on research last year and L'Oréal worldwide registered 300 new patents. People don't realize this but, technology is as critical to us here on Fifth Avenue as it is to those firms in Silicon Valley. But then we sell beauty and that brings a special set of marketing challenges to all of us here."

L'Oréal

L'Oréal was founded by the French chemist Eugene Schueller to develop and market his new process for haircoloring. The "Aureole" process meaning "aura of light" in French, gave name to the company. Ninety years after its founding, L'Oréal was still substantially controlled by Schueller's family. His daughter, Madame Liliane Bettencourt, was a member of L'Oréal's Board of Directors and held 51% of the holding company Gesparal (the other 49% being held by Nestle) which held a controlling interest in L'Oréal. The firm's consistent strategy of "quality, innovation and geographic expansion" resulted in sales of 53.4 billion French Francs in 1995 from over 2,000 products, sold under

500 brand names in over 150 countries.[1] Cosmetics represented 81% of revenues with the geographic distribution:

France - 23%
Rest of Europe Excluding France - 40%
USA and Canada - 20%
Latin America - 6%
Asia - 6%
Rest of World - 5%

The firm's innovations were sold to and through a number of different types of outlets. Some haircare lines, for example, were sold exclusively to beauty salons and others direct to consumers in mass outlets. In skincare, brands such as Lancôme and Biotherm were sold to department and specialty stores competing against the likes of Estee Lauder, Clinique, Christian Dior and Chanel while Plénitude was sold through mass channels competing against Nivea (the strongest competitor throughout Europe), Procter and Gamble's Oil of Olay (the U.S. market leader) and others. L'Oréal's 1995 Annual Report noted: "As a result of its worldwide presence and the extent and variety of its cosmetic ranges, L'Oréal's activities are harmoniously divided across all types of distribution channels."

Lindsay Owen-Jones, Chairman and Chief Executive Officer of L'Oréal saw the "trickle down and fire up" philosophy as vital: viz. "Will luxury companies in the next century, which do not have mass market bases, have the resources necessary to do the research to compete? I think the answer is no."[2]

Exhibit 1 shows an organization chart for the company as of March, 1996. Owen-Jones had assumed his Chairman and Chief Executive Officer post in 1988. He joined L'Oréal in 1969 upon graduation from INSEAD. He held a number of international posts for L'Oréal including managing director of the United States operations in the early 1980's. Since 1987, Guy Peyrelongue headed L'Oréal USA activities as President and CEO. At that time, Cosmair, the U.S. licensee of L'Oréal, had Nestlé as its majority shareholder. In 1994, L'Oréal bought out Nestlé's interest in Cosmair making it a wholly owned subsidiary of L'Oréal though retaining the Cosmair name. For 1995, U.S. sales were approximately $1.5 billion. Three Cosmair divisions primarily served beauty salons: L'Oréal Technique Professionelle, L'Oréal Salon Classics and Redken, which was acquired in 1993. In 1996, L'Oréal broadened its participation in the mass market by acquiring Maybelline, a leader in the color cosmetics business. Maybelline was given worldwide responsibility for developing a global, popularly-priced color cosmetics business for L'Oréal. The company reorganized in February 1996 combining the formerly separate L'Oréal Haircare Division and L'Oréal Cosmetic and Fragrance Division to form the L'Oréal Retail Division under the leadership of Joseph Campinell.

Plénitude

Plénitude by L'Oréal was one of L'Oréal's first ventures beyond the haircare and cosmetics arena. Its 1982 launch in France positioned the brand as "high end, superior performance but accessible." French women were relatively sophisticated in their use of skin care products and many brands competed in the high end of the market. In the mass market, there were only a few significant brands. The leaders were both Germany-based: Beiersdorf Corporation's Nivea in the "big blue jar" and Henkel's Diadermine. Procter and Gamble's Oil of Olay, the U.S. market leader, trailed these two.

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[1] At the end of 1995, one French Franc was equivalent to .2039 U.S. dollars.

[2] S. Roper and P. Born, "OJ: On The Record," *Women's Wear Daily*, May 13, 1994.

Plénitude was introduced under a "class of the mass" strategy with a single product developed specifically for the French market. "Créme Quotidienne de Soin," a general purpose moisturizer, was introduced at a 30% price premium over incumbents. **Exhibit 2** shows the introductory print ad with the brand benefit "Retarde les Effects du Vieillissement" i.e. Delays Signs of Aging. The creative positioning, developed in concert with the Publicis/Bloom Agency, was "I am a modern women, who uses only premium quality, technologically advanced products." Initially, print was the predominant advertising medium to match the practice of the prestige brands. Supported by upscale packaging and merchandising, the product was an early success, achieving sales of one million units in 1983.

From 1984 to 1987, the Plénitude line in France was filled out with special purpose products, e.g. Dry Skin Night Creme, and Anti-Wrinkle Creme. **Exhibit 3** shows a print ad for the Plénitude line. The skincare market had two different products types: moisturizers and cleansers. Initially, the Plénitude line consisted of only moisturizers. In 1986, a cleanser product was added and advertising shifted more to television to reach the mass audience with a "modern woman" message. Cleansers did not offer as much opportunity for product differentiation through technology as moisturizers, and thus L'Oréal had delayed their introduction until the moisturizers had helped establish the Plénitude by L'Oréal "technologically advanced" image. By 1987, the line was still being sold only in France where it took over unit share leadership in moisturizers despite its price premium. For 1987, its dollar share of the French mass moisturizer market was a leading 19.6% vs. Henkel's Diadermine 13.0% and Nivea's 8.8%.

The success of Plénitude in France validated the "class to mass" strategy in the minds of L'Oréal executives in France and L'Oréal began to seek geographic expansion of both Plénitude products and the marketing approach. In France, Plénitude's success continued as L'Oréal introduced a new technologically advanced "Action Liposomes" product three times the price of a basic moisturizer. This patented technology had been introduced to the French market in L'Oréal's prestige Lancôme line under the name Niôsome. L'Oréal used massive advertising to support "Action Liposomes" as a "star product" (capturing 25% "share-of-voice" in the category) to foster not only product sales but also to boost the equity of the entire "Plénitude by L'Oréal" brand umbrella.

Over time, the success in France led L'Oréal to more precise specification of and deeper belief in the formula for success in mass skin care, viz.

1. Have Technologically Superior Products

2. Concentrate Resources and Support on newest "Star Product" to pull the entire line.

3. Follow the "Golden Rules" of Advertising:

    - feature star product

    - provide technological superiority evidence

    - depict an executive woman who is up-to-date and assertive ("I live with the times")

Could the French "class to mass" formula for success be exported to the United States and other countries around the world?

The United States Launch and Early Results

Plénitude was first test marketed in Atlanta and Dallas in 1988. While seeking to maintain the basic French success formula, advertising research showed that a change in the advertising positioning from "Delays the Signs of Aging" to "Reduces the Signs of Aging" would be beneficial for the U.S. market. With moisturizer market shares reaching as high as 14% in the test markets and good supporting, diagnostic data, L'Oréal decided to launch the brand nationwide.

Whereas the French launch had been a single moisturizer product, followed sequentially by introduction of special purpose moisturizers and then a cleanser, the U.S. strategy was to introduce the entire line as it had been developed in France. Specially, 14 SKU's were introduced covering three categories:

- basic moisturizers
- treatment moisturizers
- cleansers

A print ad for the U.S. introduction is shown in **exhibit 4**.

Marianne Coll, then a director of sales described the introduction:

"We had a cosmetics salesforce but it was clear that in the mass channels, the skincare action was in the Health and Beauty Aids (HBA) section over on aisles 2 and 3 not the pegged board cosmetics section on the far wall. There were a few skincare players in cosmetics like Revlon and Almay, but 80% of the business was with Olay, Ponds, Neutrogena and Nivea over in the HBA section. So, even though we were in the accounts with L'Oréal lipsticks and nail polish and hair coloring products, we had to establish new relationships with different buyers and what we were asking for had never been heard of before. We were not selling a product so much as trying to create a department store environment at mass accounts. We knew that American consumers really did not know much about skin care compared to European women - so we were proposing to educate them at the point-of-purchase. Different women had different needs so we needed to be able to map products to people in the store based on the skin type and problems. In department stores, this is what the salesperson does. In mass, we had to do it without a person there to help the users. So, we said to these HBA buyers whom we did not know: 'You have to take our entire product line, all 14 SKU's, and you have to take this one-linear-foot merchandising unit; and put this on your shelf. (**Exhibit 5A** shows the desired presentation of the L'Oréal Plénitude Skincare Center at retail locations and **exhibit 5B** shows a close-up of the packaging and merchandising unit information for representative products.) Oh, and incidentally, we want to be at eye-level right next to Oil of Olay.' Naturally, we got some push back on this but we would not negotiate on the 14 SKU's - we couldn't if we were going to recreate the department store experience in a self-service format. You had to take all the products and you had to merchandise them the way we said.

The L'Oréal name was absolutely critical to us in selling this concept. L'Oréal had a reputation with everyone in the trade - we were known for living up to our commitments. If we said we were going to spend $30MM behind a product we did; and, our products historically were good profit generators for the trade. By the time of the Plénitude launch in August 1988, all of our existing customers were signed up. Some of them said "we don't agree" but even they said "we'll give it a shot." Year 1 we spent $32.5 million on advertising and did 10,000 store events with demonstrators, samples - all the kinds of things you see in department stores. And, we hit our sales targets."

While some of the products were adjusted to U.S. consumers' preference for a lighter in texture, less heavily perfumed product than sold in France, the core elements of the French success formula were followed. French advertising executions were basically translated into English and the "I live with the times" image sought. Advertising resource allocation followed the "star system" with the bulk of dollars spent on the newest, most technologically advanced product. Ad spending focused on:

1989:	Full Plénitude product line.
1990:	Action Liposomes introduction (see **exhibit 6** for print ad.)
1991:	Eye Defense Creme introduction.
1992-93:	Hydra Renewal introduction. Wrinkle Defense Creme upgrade to "Advanced"
1994:	Excell-A3 introduction
1995:	Revitalift Face introduction

Exhibit 7 presents 1991 to 1995 statistics on the size of the market and dollar shares by manufacturer for both moisturizers and cleansers.

In 1990, its first full calendar year on the U.S. market, Plénitude sales were $31.7MM; total advertising and promotion costs $35.5MM; and $25.4MM pre-tax loss. By 1995, net sales doubled. However, advertising and promotion spending had increased (in nominal terms) from $35.5MM in 1990 to $38.3MM in 1995 as Plénitude regularly introduced new products which required support in a highly competitive environment. With cost -of-goods sold at 25% of gross revenues, the brand lost $12.5MM pre-tax for 1995.

Researching the Market and Plénitude's Position

Carol Hamilton's skincare team was well aware of Plénitude's historical financial performance and the recent success of its latest new product, Revitalift. As part of the planning process for accomplishing Hamilton's three goals of: top-line growth, bottom line improvement, and influence on the global brand strategy, they gathered together the marketplace data to understand Plénitude situation fully.

The brand team had data it tracked through its market research information sources such as ACNielsen which reported market size, unit and dollar share by specific product, distribution levels, average prices, and trade feature advertising. Dollar shares of mass channels and ad spending for 1995 were as follows:

	1995 Dollar Shares (ACNielsen data)		
	Moisturizers	**Cleansers**	**1995 Ad Spending[3]**
Plénitude	14.0	3.4	$29.2MM
Olay	28.2	7.9	48.1MM
Pond's	15.1	11.2	18.1MM
Alpha Hydrox	5.4	-	11.9MM
Nivea	6.2	-	12.8MM
Neutrogena	5.2	6.2	13.3MM
Revlon	4.3	-	
Almay	4.6	4.1	
Noxzema	-	21.6	11.5MM
Sea Breeze	-	8.9	
Clean & Clear	-	6.7	10.0MM
$ Size Category (Retail)	$471MM	$328MM	

Moisturizers were of two basic types: daily care and treatment care. Manufacturers differed as to the proportion of the unit sales from daily and treatment, e.g. for 1995.

	Moisturizer Units Sold	
	% Daily	**% Treatment**
1. Alpha-Hydrox	11%	89%
2. Plénitude	35%	65%
3. Pond's	51%	49%
4. Nivea	73%	27%
5. Neutrogena	78%	22%
6. Olay	88%	12%

Exhibit 8 gives Plénitude and competitive pricing information in late 1995. The exhibit shows the size of the product, its cost to the trade, and approximate everyday retail price (i.e. the price when not on sale) in a typical chain drug store. Other outlets such as mass merchants took generally smaller margins on products than drug stores but the relative margins across manufacturers were similar for all outlet types. Part A of exhibit 8 presents data for the entire Plénitude line, i.e. its 5 daily moisturizers, 8 treatment moisturizers and 6 cleansers.[4] Part B is for all competitors' cleansers; part C for competitors' daily moisturizers; and part D for their treatment moisturizers.

The group also commissioned a number of custom market research studies, the most important of which were:

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[3] As estimated by Publicis/Bloom, Ad Agency.

[4] Costs of goods approximated 25% of the trade price across the Plénitude line. For case calculations, use 25% of the trade prices in exhibit 8A as Plénitude's item costs.

- Facial Skin Care Market Study
  - a large scale quantitative telephone and mail survey of over 3500 women age 16-69 who used one or more moisturizers or treatment creams at least once a week.

- Qualitative Research Among "Acceptors and Rejectors" of Plénitude. This was followed by a similar study among Oil of Olay and Pond's Acceptors and Rejectors.

- A Plénitude Shelf Shopping Study.

Major findings from each follow.

Facial Skin Care Market Study - September 1995

This study found that consumers could be divided into five "benefit" segments as follows:

1. "Unconcerned (25% of respondents)
   - basically buy on price.

2. "Ingredient Apathetic" (17%)
   - concerned with reducing signs of aging; but not so concerned about gentleness or specific ingredients.

3. "Price Conscious Socializers" (17%)
   - worried about looking better but price/value is a concern.

4. "Stressed Out" (22%)
   - not concerned about price; want effective product that reinvigorates skin and reduces signs of aging.

5. "Age Focused" (18%)
   - similar to "Stressed Out" group but with more attention to price and natural ingredients.

The survey showed Plénitude was disproportionately used by the last two groups, viz. 54% of Plénitude users fell into groups 4 or 5 as opposed to 36% of Olay users. Alpha Hydrox with 62% was the other brand whose users fell heavily into the "Stressed Out" and "Aged Focused" groups.

The study included a perceptual mapping exercise; the results of which are in **exhibits 9** and **10**. (**Appendix 1** describes the perceptual mapping procedure and how to interpret results for those not familiar with the technique.) Results in exhibits 9 and 10 are both from ratings provided by those respondents who were aware of the brand. Exhibit 9 maps their perceptions of the brands while exhibit 10 maps their perceptions of users of the brands. Brands close together in the space compete closely with one another; whereas those farther apart are seen as quite different by consumers.

The study also assessed brand awareness, trial, and current use rates with results as reported in **exhibit 11**. The market research company conducting the study summarized the research as showing that "Plénitude has room to grow but must establish a more secure place among skin care consumers."

Acceptor/Rejector Studies (April and May 1996)

Two qualitative acceptor/rejector studies were done. The first was with people who had used Plénitude with Acceptors being those still using the brand and Rejectors those who had stopped. A second study was with acceptors/rejectors of key competitors, Oil of Olay and Pond's. The Plénitude acceptor/rejector study consisted of four 2-hour long focus groups - two in Boston and two in Dallas. For each area discussed, the research company's summary "bullet point" is provided along with selected verbatims from respondents. Each comment under a given "bullet point" is from a different person.

1. Motivation for Trial of Plénitude

- L'Oréal brand name cited by many as primary motivator for trial

> You think because it's L'Oréal it will be a little more expensive, but also be better quality. You just get that feeling from L'Oréal.
>
> It comes under the umbrella of L'Oréal, so it must be a good product.
>
> I know about L'Oréal. I buy their mascara and I know that's really good quality.

- Plénitude as a brand name meant little to people

> The L'Oréal name is what you think of. I didn't know Plénitude was the name of the brand.
>
> This is L'Oréal. "Plénitude" doesn't really mean anything - that could be gone and it wouldn't make a difference.
>
> I tell people I use L'Oréal. I didn't know Plénitude was the brand name.
>
> Plénitude is just there - it's just part of L'Oréal, I guess. I was thinking Plénitude was the name of that particular lotion, rather than the line.

- L'Oréal by Plénitude seen as department store quality in mass outlets

> I had been buying Estee Lauder, but I just didn't feel like spending that kind of money anymore. This was practically the same thing, at a supermarket price.
>
> You used to have to pay fifty dollars to get something that did the same things as this. I think it took a while for the technology to get to the supermarket level.
>
> When you go to the department store, they try to sell you everything. When I approach something like this on my own, I can just pick out the things I want.

2. <u>Response to Product Formulas</u>

- Young rejectors of the brand found it too heavy or greasy

> It really has a greasy feeling to me; I don't like it. You feel like you're putting Crisco on your face. It doesn't sink in or something.
>
> It was oily. It was gross.

> It just didn't absorb into my skin. It was way too greasy.

3. Perception of Plénitude as Full Product Line

- Uniformly people saw the Plénitude line as having a large number of products; for some this was a plus, for others a minus

> It's really more like a department store line. You go to CVS and you see they have a whole shelf of just different creams. They really offer a lot.
>
> It does have a big product line with a lot of choice, so you think of it as being more researched, more top of the line.
>
> There are so many products it's confusing. It's so extensive. You really have to study what you want to get.
>
> It's kind of confusing to me because they have a lot of products - I don't always have time to read each one and decide which is the best one.
>
> Some of the other product lines have less of a choice. Rather than get confused by a huge selection, a lot of times I'll pass that by and get something where there's only three products I have to chose from, as opposed to twenty.
>
> Plénitude seems complicated. You spend an hour in the store, trying to prescribe something for yourself - reading them all.

- Names of individual products could be more helpful in sorting through the line

> If they call it moisturizer, I like that, but when they start getting into Excell A - what is that? What are they trying to tell me? I can't determine that just by reading it.
>
> I find the names confusing. I want a moisturizer and I want it to say it's a moisturizer. I don't want to have to read the whole box to figure out what it is.
>
> The name should say succinctly what they take three paragraphs to say on the box.
>
> I think the Eye Defense was the first one I bought - I bought it because it said that. I had decided that I probably should use an eye cream. It said right on the box that this was specifically for your eyes.
>
> I saw this stuff that said "Eye Defense." I thought, "it's been a rough day, maybe I need some defense." That word captured my attention, so I took it home.

4. Response to Plénitude Packaging

- Packaging, while generally attractive, seemed overworked to some

> This is very attractive packaging. I think it's feminine looking.
>
> It has an expensive look to it, too.
>
> The Plénitude sometimes confuses me; it's a lot to read.

> I find reading all their different packages confusing. Hydro this, hydro that. I don't know what to do with my skin in terms of all that.
>
> All of this wording stresses me out. I think, "do I need this, or this, or this?" I don't want to read the whole of every package.

5. Perceived Target Consumer

- Some felt Plénitude was specifically targeted to older women.

> If it reduces the signs of aging, I think that it would be talking to someone over 50. I think the kids don't need this.
>
> I don't think this is for 20s, maybe not even 30s.
>
> I get the impression that it's geared to older people …. worried about wrinkles and aging and stuff.

The second acceptor/rejector study was of Oil of Olay and Pond's acceptors and rejectors. It consisted of six focus groups - three in Chicago and three in Baltimore. All participants in the interviews were screened for feeling facial skin care was very important and shopping for these products in self-service outlets.

1. Motivation for Trial

- Oil of Olay trial was generated by many mechanisms:

> My grandmother told me about it because my skin was getting much drier.
>
> I had a friend turn me on to it because it was light and soaked in well.
>
> It was always advertised in *Seventeen* magazine.
>
> I received mine in a welcome box in college.

- Pond's was seen as a staple of life

> My best friend's mother said, 'When you get older use this.'
>
> I remember seeing commercials, 10 or 20 years ago.
>
> Everybody used Pond's when I was a kid.
>
> I liked to stick my finger in my mother's jar of it when I was a kid.
>
> It was inexpensive and the shelves were stocked with it; everybody was using it.

2. Product Satisfaction Sources

- Acceptors saw Oil of Olay as light and reasonably priced

> It went right into my skin and feels like my skin was still clean.
>
> I needed something that was light so I wouldn't feel it under my makeup.

The price always was very reasonable and different from department store items.

- Acceptors saw Pond's as reliable, accessible and reasonably priced

It has a clean scent that's fresh and not overpowering.

It doesn't irritate my skin and it's very reasonably priced.

It does what it says it's going to do, and I pick it up at Walgreen's.

They've been around a long time; you can trust the product.

3. Brand Imagery

- Oil of Olay was seen as the traditional, generational brand

It's mothers and daughters lounging together in pink robes.

It's a natural thing, Evian water, deep blue ocean, white sand, laid back.

Museum setting, mothers and daughters talking about issues that relate to women.

- Pond's brand imagery was older, down-to-earth

I don't see glamour and glitz; I see everyday people, school teachers and bankers.

Pond's is women from the forties in house dresses listening to the radio.

4. Perceptions of the Plénitude Line and Packaging (When Respondent was Shown a Picture of Plénitude Line)

- Respondents generally saw the Plénitude line as overwhelming.

It's like repetitive; do they think one person's going to use all that stuff?

It's very busy and confusing; they all look the same; too much writing and reading.

To figure out what product you need takes a lot of work; I don't have time to read those.

It would take five minutes to read the front to see what it's going to do for me.

I'd want someone to tell me what it's for; you're diagnosing your own situation here.

All that stuff that's probably not necessary; it's for somebody who's a lot older than me.

I don't want to deal with that; they look too complicated.

Make the boxes so you don't have to have a chemistry degree to read them.

Shelf Shopping Study - May 1996

In this research, an actual mock-up of a typical in-store shelf arrangement was created with Plénitude and competitive products shown. Ten groups of five people each were exposed to this shelving and asked to evaluate the Plénitude line and packaging on its "shopability." Each respondent was interviewed individually and then a group discussion followed. Key findings were:

1. Overall Category Shopping Experience

- Positive Aspects

I've always found it to be fun. I like to look at all the products and see what's new.

These products are like my toys. I love to look and see if there are any new products, or just things I haven't seen before.

I really find it to be fun. Most shopping is a drudgery, but this is more like a treat.

I enjoy it most when I don't have the kids with me; then I can really take my time and look at the different products to see what's best for me. I don't always have that kind of time, but when I do, it's great.

There are always new things coming out, new research or whatever. Practically every time you look you see something you didn't see before.

- Negative Aspects

When I get in to this aisle, I get overwhelmed. There are so many, I wonder which is what, what's the difference?

Sometimes there seems to be so much stuff - do I need all of this? Which do I use, which do I not use? It would be helpful if they had some kind of regimen or guideline.

It's very confusing because there are so many different things coming at you. It's mind boggling. You really have to be an educated person to do this. It's a challenge.

I wouldn't say it was fun, I'd say it was frustrating and very confusing. You're looking at all these products and you have no idea what to use and when to use it.

2. <u>Brand Images of Major Competitors</u>

- Oil of Olay

Oil of Olay has just always been the same pink glop. I haven't looked at it in years, but I imagine it's still the same.

When I see that bottle of Oil of Olay I can just picture it on my mother's vanity all these years ago, so I think of it as being a pretty old fashioned kind of product.

I'm amazed they still make Oil of Olay. There are so many new products out, and they're just sort of the same old same old.

I think Oil of Olay is one of the best, really. It's been around a long time and it's always had that sophisticated look to it.

I've just always heard of Oil of Olay, so that was why I started with that. I really like it; it really works for me and I think the packaging looks really nice.

- Ponds

I see that Ponds and I think, "Oh, no, no, no." Cold cream was what my grandmother used. You think it's going to be really heavy and greasy.

Ponds has just been around forever. I think of it as something my mother used, before all this other stuff was available.

Basically you think of the Ponds as being for old ladies, something really heavy and unpleasant to use. No thanks!

- L'Oréal

L'Oréal is a step up. I really think that. Just the name L'Oréal has kind of a French twist to it, so it seems more exotic. But that means a step up in price too, which is why I don't go for it.

In my head I just think of the L'Oréal Plénitude as really expensive. I don't even usually look at it when I'm shopping.

The L'Oréal is going to be more expensive because it's coming from the big French company with all the advertising that they do.

When I go in to the drugstore and see the Plénitude, it seems like it's going to be a lot more expensive than the other products. That's the main reason I haven't tried it.

3. <u>L'Oréal Product Line Presentation</u> (See **exhibit 12** for example of Plénitude packaging; **exhibit 12A** shows the front of the Revitalift box; **exhibit 12B** the back.)

- Negative

The package is just chaos. You have to look at it and look at it. There are too many words.

The product looks really complicated. It's a lot to read, and there's probably a lot of stuff on there that I wouldn't even understand.

You have to pick up the box and read five or six lines before you can see anything.

> The L'Oréal packaging is so wordy. I read all this and get confused. The way the L'Oréal is packaged makes me feel like I'm getting confused because I have to read a lot more to decide what I want.
>
> The front of the box looks like it should be the back of the box.

- Positive

> I think the reason I get L'Oréal is because they tell you a lot. They really tell you more than the others about what they do for you.
>
> I like all that information.
>
> With the L'Oréal you get a really good summary of it right on the front. I like that because it will tell me exactly what I'm getting. I know what I'm looking for and I can seen what I want.
>
> The front of the L'Oréal package has a lot of information - it's very helpful. They give you a lot more information than Estee Lauder.

Developing the Plénitude Plan

As Carol Hamilton prepared her plan for revitalizing the Plénitude line and bringing it to profitability, the most recent new product launch in the Plénitude line continued to perform extremely well. Revitalift, known within L'Oréal as a "facelift in a jar," had been introduced in September, 1995. The print ad for Revitalift noting its "double performance" as both anti-wrinkle and firming care is shown in **exhibit 13**. Revitalift quickly came to represent 20% of Plénitude sales. It was supported by $5MM in TV advertising in the fourth quarter of 1995 and heavy support had continued through 1996 to date. Plénitude's dollar and unit sales for the first quarter of 1996 by product are shown in **exhibit 14**.

Revitalift was an important innovation incorporating Pro-Retinol A and E. L'Oréal's tracking studies showed that the product had brought many new users to the Plénitude franchise as 40% of Revitalift buyers had not previously purchased any Plénitude products. The success of Revitalift, however, complicated decision making on the Plénitude strategy, as Hamilton explained:

"The research had just about convinced me that we had to hit a home run with younger customers. Our "Reduces Signs of Aging" message was getting through but it was tagging Plénitude as an older person's brand. Now, I get a great new product that is really moving off the shelf and helping our relations with the trade and I have to worry about what it is doing to the consumer's perceptions of the brand. Revitalift is a treatment product for people who have a problem.

Our research and development people have a new special purpose product coming which does around your eyes what Revitalift generally does for your face. One option for us is to follow up on the Revitalift success, get the new eye product to market as quickly as possible as a Revitalift extension, called something like "Revitalift-Eye". If we follow our "star product" philosophy we would put lots of ad support behind it. On the other hand, we might want to bring out the product but not make it our "star." Olay is definitely preparing to attack our treatment franchise. Maybe we should be going after the traditional daily moisturizer segment they have. The problem though is that our current products there and in cleansers are really only parity products. The treatment segment is where our technological skills stand out and that helps establish the "class" part of our proposition and the technological superiority of L'Oréal. So, this is a big decision for us:

- Do we continue with our "star" product system, putting all our marketing support behind Revitalift for the next few months and then switching everything to Revitalift-Eye or whatever we call it when it's ready? Or, do we try to develop the younger franchise through improving our value-proposition in cleansers and daily moisturizers? If we do try to develop the daily user, do we need to adjust the tonality of our message?"

Advocates of the strategy of developing the younger franchise proposed a change in L'Oréal's pricing philosophy. The philosophy had always been premium pricing across the line. For example, the "Plénitude 1995 Pricing Rationale" stated in the 1995 Marketing Plan was: "Maintain premium pricing to reinforce quality and performance." L'Oréal had taken price increases in cleansers in 1994 and 1995 and the clarifying line of cleansers was introduced at $6.25 to the trade in 1995. (See exhibit 8A)

Some argued for an overall product line pricing adjustment to reflect the degree of differentiation L'Oréal held. Specifically, they advocated across-the-board price cuts in cleansers and daily moisturizers. Deep discounts would be required to bring the L'Oréal cleansers in line with competitive cleanser products, as leading brand Noxema sold to the trade for $2.68 for a 10 ounce jar. L'Oréal's new daily moisturizers for 1995 were priced at $5.85 to the trade at introduction, but had been cut to $4.84 on February 1, 1996 given the dominance and pricing of Oil of Olay.

While all members of the team supported the premium pricing philosophy for treatment products, some felt the pricing structure had become unnecessarily cumbersome. As shown in exhibit 8, there were 2 trade price points in cleansers, 3 in daily moisturizers, and 3 in treatment moisturizers. Simplifying the pricing structure by collapsing to a smaller number of price points might help to make the line easier to shop. But, all realized that it would be difficult to sell in any appreciable price increases to the trade and thus a simplification of the pricing structure probably entailed price cuts on average.

Also, the research indicated that while some consumers liked all the information L'Oréal gave on Plénitude boxes and displays, the majority of customers found the information overwhelming. Hamilton wondered how L'Oréal should address the problem. A broad line of specialty products with lots of information on the technical superiority had been a hallmark of the Plénitude line. Was there advantage in reducing the number of SKU's offered? Or the amount of information provided?

As Hamilton considered her options, she thought about the criticality of success and profits from mass products in the "trickle down and fire up" philosophy of L'Oréal. As she and Joe Campinell were now regular participants in L'Oréal International Development Committee, she knew that Lindsay Owen-Jones was pushing steadily in his effort to move L'Oréal from being a "French Cathedral" as he warmly referred to L'Oréal to a global beauty company. Success in the U.S., if found, could now be effectively leveraged worldwide. Plénitude was now being sold throughout the world. In most markets, it faced tough competition from global players who brought information from many markets to bear. Thus, effective leveraging was not a luxury but a necessity.

Exhibit 1 Organizational Chart - March 1996

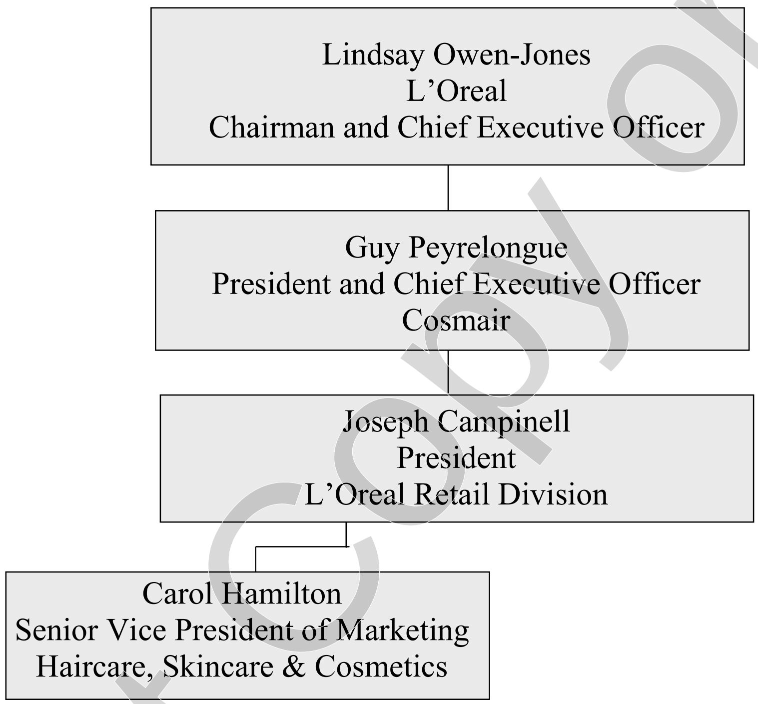


Exhibit 2 Print Ad for French Market for Plénitude Lead Product

1986 FRANCE

Exhibit 3 Print Ad for French Market for Plénitude Product Line

Exhibit 4 1988 Plénitude Launch Ad for United States

Exhibit 5A Desired Retail Presentation of Plénitude Line at Launch

Exhibit 5B Representative Package and Merchandising Unit Information

Exhibit 6 1990 Print Ad for New Action Liposomes "Skincare of the Future"

Exhibit 7 Market Size and Brand Shares on Dollar Basis 1991-95

Moisturizers - Market Size and Brand Shares (Dollar Basis - All Mass Outlets)

	1991	1992	1993	1994	1995
Dollar Volume (Retail $)	$309MM	$338MM	$375MM	$440MM	$471MM
Plénitude	11.7	13.6	14.1	13.8	14.0
Olay	38.3	36.1	32.3	29.7	28.2
Almay	5.4	6.0	5.6	4.4	4.6
Nivea	4.8	5.5	6.0	6.2	6.2
Ponds	5.0	4.6	9.1	13.9	15.1
Alpha-Hydrox	-	1.0	3.8	5.7	5.4
Neutrogena	7.0	6.5	5.7	4.8	5.2

Cleansers - Market Size and Brand Shares (Dollar Basis - All Mass Outlets)

	1991	1992	1993	1994	1995
Dollar Volume (Retail $)	$252MM	$288MM	$308MM	$308MM	$328MM
Plénitude	3.2	3.2	3.1	3.1	3.4
Olay	11.0	9.9	7.6	6.4	7.9
Almay	4.8	4.8	4.9	4.4	4.1
Noxzema	22.9	24.4	23.8	22.9	21.6
Pond's	11.7	12.6	11.6	12.2	11.2
Neutrogena	4.9	4.9	6.0	6.3	6.2
Sea Breeze	-	-	-	9.4	8.9
Clean and Clear	-	-	-	4.9	6.7

Source: ACNielsen

Note: ACNielsen Reports Results by Four Outlet Types: Drug Stores, Mass Merchandisers, Food and Food/Drug Combination. These Results are averaged over all types of Mass Outlets

Exhibit 8A Plénitude Product Line Pricing - Trade and Everyday Average Retail of Chain Drug Stores - early 1995

	Size (oz)	Trade Price	Everyday Average Retail[a]
Moisturizers - Daily			
Active Daily Moisturizer - Regular	4.0	4.72	7.11
Active Daily Moisturizer - Oil-Free	4.0	4.72	7.17
Active Daily Moisturizer - SPF15	4.0	4.72	7.21
Hydra - Renewal Jar	1.7	6.83	10.17
Hydra - Renewal Tube	1.6	6.09	9.13
Moisturizers - Treatment			
Advanced Wrinkle Defense Creme - Jar	1.7	8.87	12.15
Advanced Wrinkle Defense Creme - Tube	1.2	7.07	10.30
Advanced Overnight	1.4	8.87	12.26
Eye Defense	.5	8.87	12.07
Excell Cream	1.4	8.42	11.36
Excell Lotion	4.0	8.42	11.51
Serum	1.0	10.43	15.19
Revitalift - Face	1.7	8.87	12.31
Cleansers			
Deep Cleansing Gel	5.0	5.50	6.97
Hydrating Cleansing Cream	6.0	5.50	7.07
Hydrating Floral Toner	8.5	5.50	6.94
Clarifying Foaming Gel	4.0	6.25	8.06
Clarifying Mask	2.8	6.25	8.09
Clarifying Toner	8.5	6.25	8.26

[a]Source: ACNielsen

Exhibit 8B Competitive Cleansers Pricing: Trade and Everyday Average Retail Drug Stores

	Size (oz)	Trade Price	Everyday Average Retail[a]
Cleansers			
Procter & Gamble - Olay			
Foaming Face Wash	6.78	2.12	3.17
Facial Cleansing Lotion	6.78	3.09	4.56
Refreshing Toner	7.2	2.69	3.98
Age Defying Daily Renewal	6.78	N/A	4.76
Ponds			
Cold Cream	3.5	2.78	4.09
Self Foaming Cleanser	4.0	5.03	7.44
2 in 1 Cleanser - Tube	4.0	2.79	4.22
2 in 1 Cleanser - Pump	7.0	3.88	5.60
Neutrogena			
Facial Cleanser	8.0	5.91	8.33
Deep Clean	6.0	4.10	6.07
Deep Pore	2.0	5.50	8.06
Noxzema			
Medicated Skin Care	10.0	2.68	3.71

[a]Source: ACNielsen

Exhibit 8C Competitive Daily Moisturizer Pricing: Trade and Everyday Average Retail of Chain Drug Stores

	Size (oz)	Trade Price	Everyday Average Retail[a]
Daily Moisturizers			
Procter & Gamble - Oil of Olay			
Original Beauty Fluid	4.0	5.86	6.59
Oil Free Beauty Fluid	4.0	5.86	6.65
Sensitive Skin Beauty Fluid	4.0	5.86	6.66
U/V Protectant Beauty Fluid	3.5	5.86	6.74
Original Beauty Fluid (Larger Size)	6.0	7.53	8.76
U/V Protectant Fluid (Larger Size)	5.25	7.53	9.60
Ponds			
Dry Skin Cream	11.0	5.50	8.19
Nivea			
Shine Control Mattifying Fluid	3.0	4.84	7.15
Facial Nourishing Lotion	3.0	4.58	6.87
Neutrogena			
Combination Skin	4.0	7.50	10.43

[a]Source: ACNielsen

Exhibit 8D Competitive Treatment Moisturizer Pricing: Trade and Everyday Average Retail of Chain Drug Stores

	Size (oz)	Trade Price	Everyday Average Retail[a]
Treatment Moisturizers			
Procter & Gamble - Oil of Olay			
Night of Olay	2.0	4.49	6.45
Replenishing Cream (4 SKU's by type)	2.0	4.58	8.73
Age Defying Protective Renewal Cream	2.0	N/A	7.31
Age Defying Protective Renewal Lotion	4.0	N/A	7.36
Ponds			
Age Defying Lotion (Regular or Delicate Skin)	3.0	7.80	10.99
Age Defying Lotion (Regular or Delicate Skin)	2.0	7.80	11.23
Prevent and Correct Lotion	4.25	10.80	14.94
Prevent and Correct Cream	2.5	10.80	15.20
Nivea			
Anti-Wrinkle Cream	1.7	6.13	9.22
Optimale	1.7	7.12	10.52
Neutrogena			
Healthy Skin Oil-Free Bottle	2.5	7.50	10.55

[a]Source: ACNielsen

Exhibit 9

PERCEPTUAL MAP OF BRAND IMAGERY

- AMONG AWARE OF BRAND -

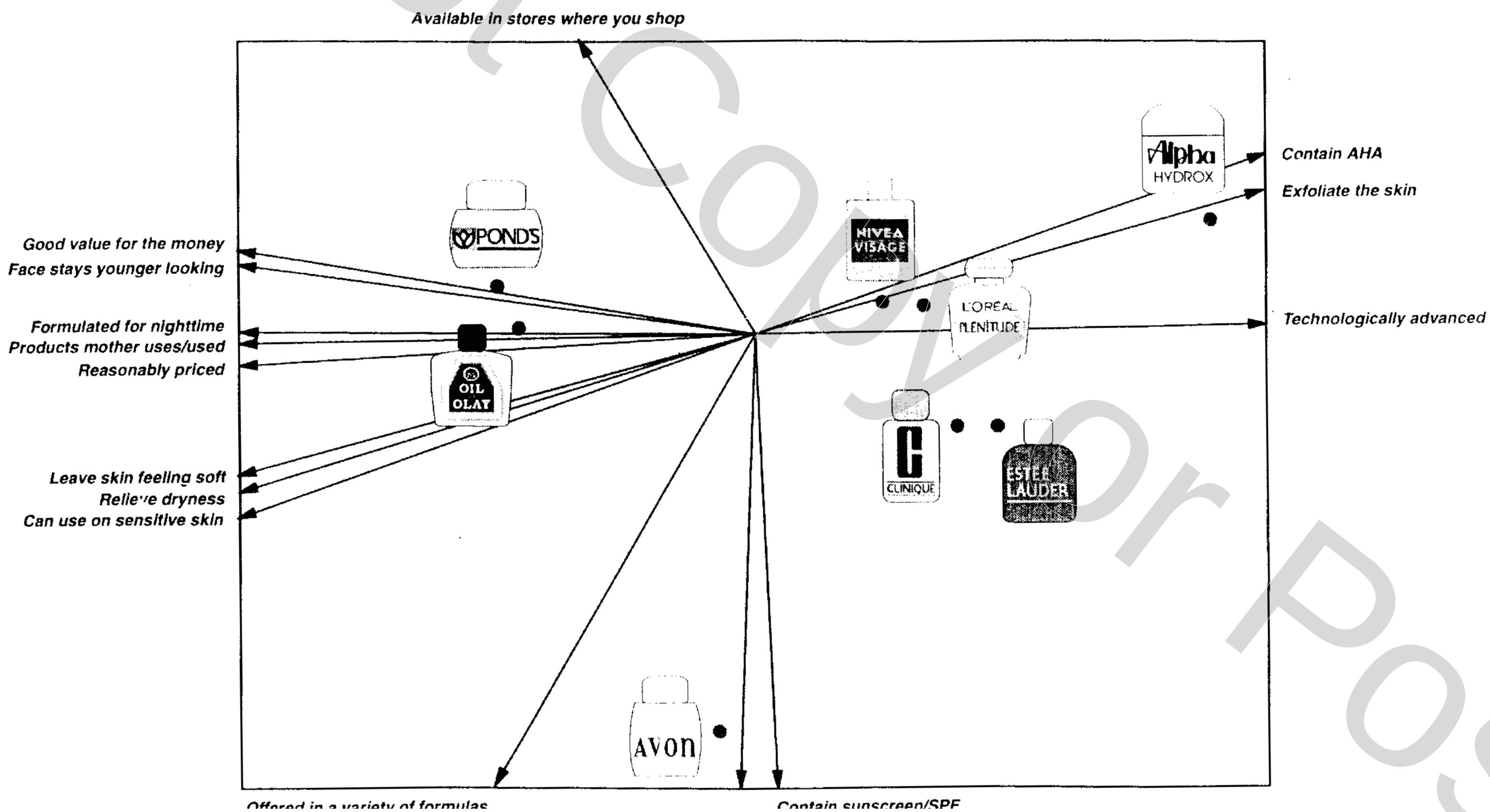
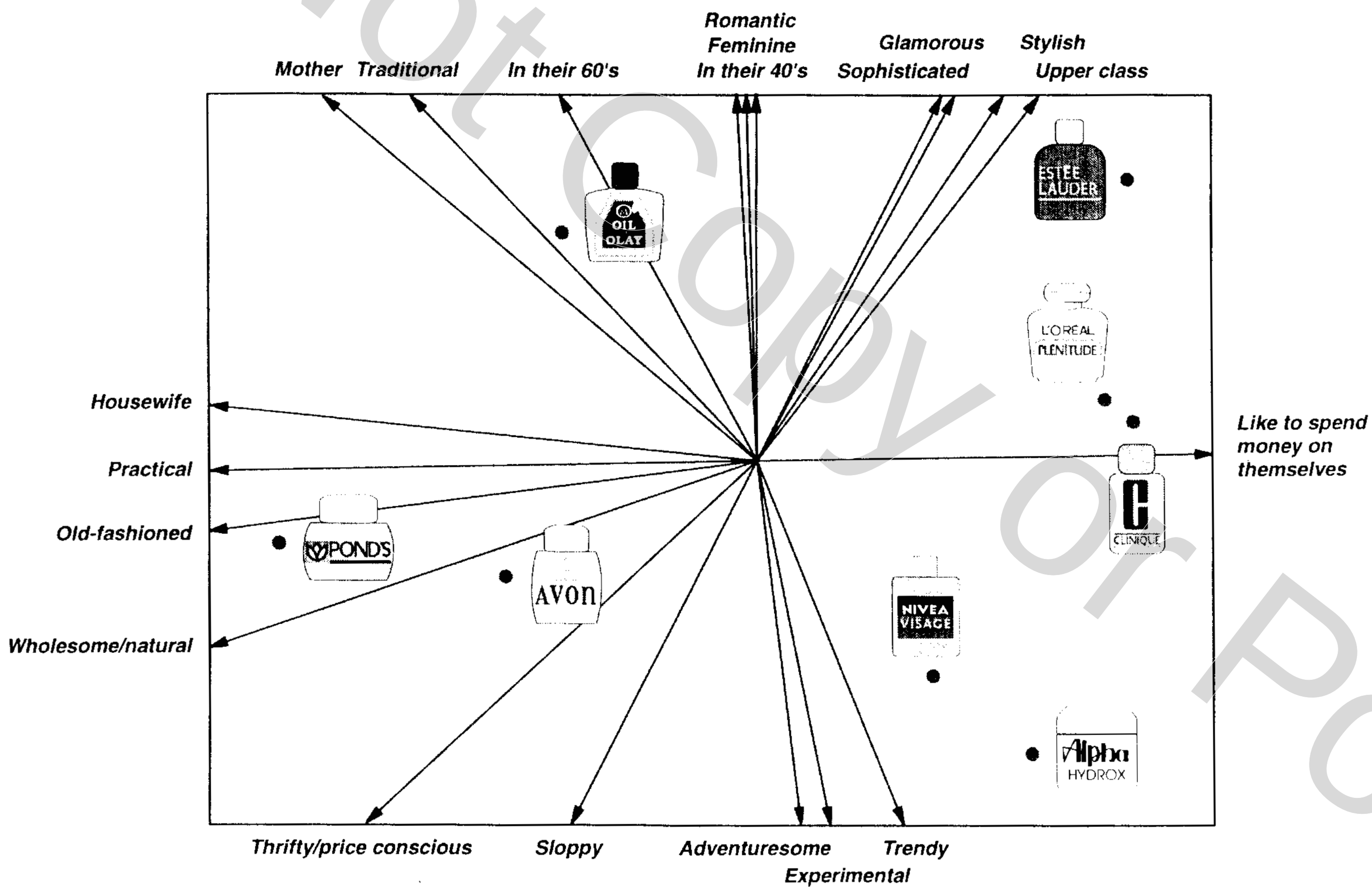


Exhibit 10

PERCEPTUAL MAP OF BRAND USER IMAGERY

- AMONG AWARE OF BRAND -



[0505 G0047-05/2]

Exhibit 11 Brand Development: Familiarity and Experience with L'Oréal Plénitude versus Competition

Base: Total Respondents (3506)	% Aware %	% Ever Tried %	Conversion Ratio - Awareness to Trial	% Currently Used %	Retention Ratio - Triers to Current Users
Oil of Olay	96	77	80	34	44
Pond's	93	52	56	16	31
Estée Lauder	92	35	38	11	31
Mary Kay	92	48	52	16	33
Avon	91	68	75	23	34
Revlon	90	35	39	10	29
Clinique	82	38	46	13	34
L'Oréal Plénitude	78	23	29	7	30
Nivea/Nivea Visage	76	26	34	6	23
Lancome	71	17	24	5	29
Alpha Hydrox	66	12	18	5	42

Exhibit 12A Front of Revitalift Package

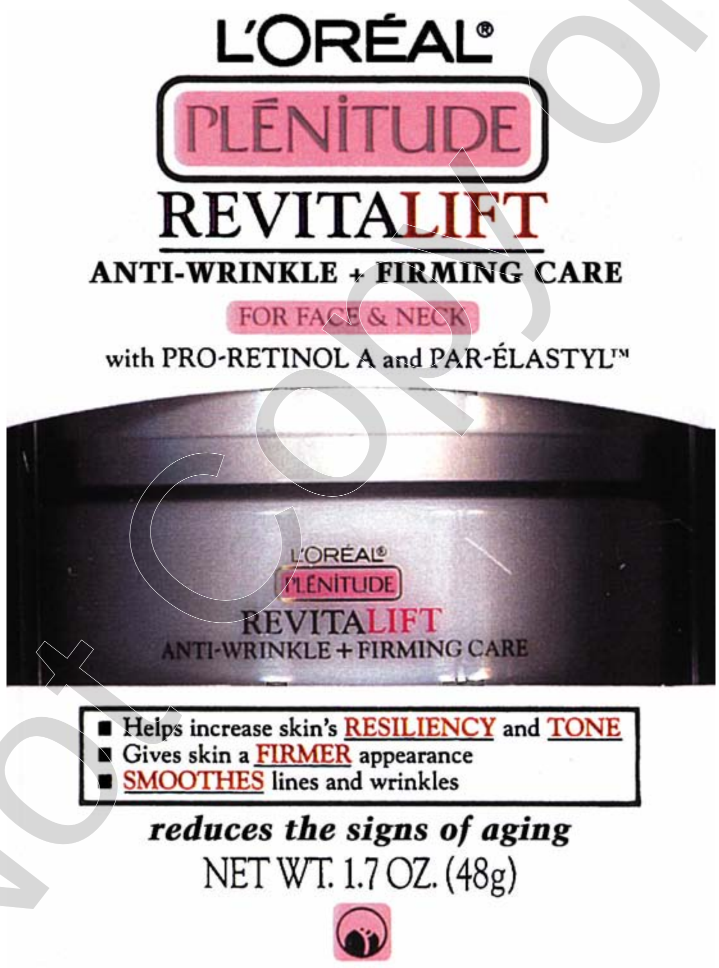


Exhibit 12B Back of Revitalift Package

The Skincare Laboratories of L'Oréal Paris have created an advanced treatment to combat the signs of aging: Plénitude Revitalift Anti-Wrinkle + Firming Care for Face and Neck—a multi-performance formula that provides the specific solutions mature skin needs. Plénitude Revitalift helps to minimize the look of fine lines and wrinkles while increasing firmness.

1 INCREASES RESILIENCY

Formulated with Pro-Elastyl™, a unique ingredient, Revitalift helps increase skin's resiliency, flexibility and tone.

2 FIRMS

While improving skin's resiliency, Revitalift gives skin a firmer and plumper appearance.

3 SMOOTHES

With Pro-Retinol A, a Vitamin A precursor, and Vitamin E, this cream softens skin's surface texture and visibly smoothes lines and wrinkles.

As a complete treatment, Revitalift Anti-Wrinkle + Firming Care reduces noticeable signs of aging, adds firmness and spring to help make skin appear younger looking. With continued use, skin becomes more resilient, smoother and radiant. Contains sunscreen.

APPLICATION This silky, emollient formula is absorbed quickly without a greasy afterfeel. Apply generously to face and neck. Use morning and evening, alone or under makeup.

L'ORÉAL PROMISE Plénitude gentleness has been dermatologically tested in L'Oréal's Skincare Laboratories.

Cosmair, Inc., New York, N.Y. 10017
P257-01

Exhibit 13


L'ORÉAL PARIS
Discover Double Performance
Anti-Wrinkle + Firming Care
NEW PLÉNITUDE
REVITALIFT
1. SMOOTHES LINES AND WRINKLES
Revitalift, with Pro-Retinol A and Vitamin E, visibly smoothes skin's texture. Leaving it younger-looking.
2. INCREASES FIRMNESS AND RESILIENCY
Created with Par-Élastyl™, a fortifying ingredient, Revitalift gives skin an extra boost. Helping to reinforce, firm and revitalize skin's appearance.
L'ORÉAL PLÉNITUDE REVITALIFT ANTI-WRINKLE + FIRMING CARE
When a simple anti-wrinkle cream is no longer enough...
In just 1 week, you'll see smoother, firmer skin.
L'ORÉAL
PLÉNITUDE
REDUCES THE SIGNS OF AGING

Exhibit 14 Plenitude Consumer Sell Through First Quarter 1996

	Size	$ Volume	$ % Change vs. Year Ago	Dollar Share	Unit Volume	Unit % Change vs. Year Ago	Unit Share
Total Plénitude (w/o Makeup Remover)		**$25,807,235**	**32%**	**11.3**	**2,839,909**	**25%**	**6.3**
Revitalift Face	1.7 oz.	5,679,850	++	2.5	513,824	++	1.1
Eye Defense	.5 oz.	2,297,597	10%	1.0	211,237	10%	0.5
Wrinkle Defense Cream	1.4 oz.	2,193,248	3%	1.0	202,831	3%	0.5
Excell Cream	1.4 oz.	1,580,213	-14%	0.7	151,525	-14%	0.3
Hydra-Renewal Cream Jar	1.7 oz.	1,559,063	-1%	0.7	170,000	0%	0.4
Advanced Overnight Replenisher	1.7 oz.	1,376,694	6%	0.6	125,698	4%	0.3
Excell Lotion	4.0 oz.	1,232,140	++	0.5	116,869	++	0.3
Acive Daily Moisture Lotion SPF 15	4.0 oz.	1,064,569	354%	0.5	149,734	368%	0.3
Acive Daily Moisture Lotion	4.0 oz.	929,210	217%	0.4	136,079	233%	0.3
Firming Facial Serum	1.0 oz.	760,880	11%	0.3	56,408	8%	0.1
Hydrating Cleansing Cream	5.0 oz.	731,330	43%	0.3	110,573	45%	0.2
Clarify A3 - Toner	8.5 oz.	692,416	++	0.3	89,226	++	0.2
Eye Makeup Remover	4.0 oz.	644,700	N/A	N/A	90,550	N/A	N/A
Clarify A3 - Mask	2.8 oz.	638,049	++	0.3	83,050	++	0.2
Acive Daily Moisture Lotion Oil Free	4.0 oz.	622,619	232%	0.3	90,349	245%	0.2
Hydrating Floral Toner	8.5 oz.	593,784	2%	0.3	85,391	2%	0.2
Wrinkle Defense Cream Tube	1.2 oz.	546,502	2%	0.2	59,106	-3%	0.1
Hydra-Renewal Cream Tube	1.6 oz.	513,212	-18%	0.2	62,397	-18%	0.1
Deep Cleansing Gel Tube	5.0 oz.	467,872	30%	0.2	70,218	30%	0.2
Clarify A3 - Cleanser	4.0 oz.	447,221	++	0.2	58,051	++	0.1

Source: ACNielsen

Appendix A: Perceptual Mapping

A perceptual map, such as shown in exhibits 9 and 10, depicts how consumers "see" brands or users of a brand on various dimensions. For exhibit 9 for example, consumers were asked to rate each of the 8 brands on 15 dimensions as shown via questions such as: Indicate the extent to which you agree with the statement:

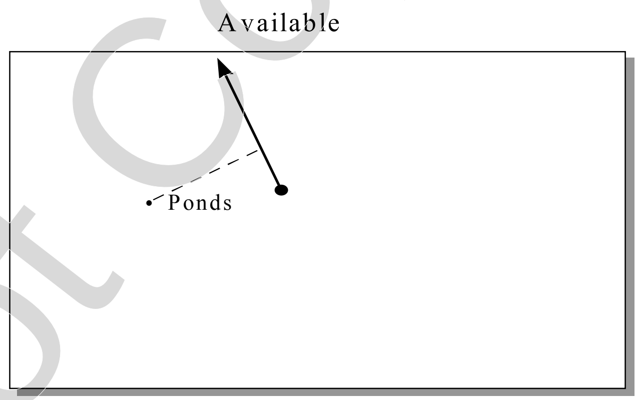
Brand _______ is "technologically advanced" where

1 = completely disagree; to

10 = completely agree.

Rating 8 brands on 15 dimensions yields 120 numbers. Perceptual mapping finds the best way to show in two dimensions the information content of the 120 numbers. Arrows pointing in the same general direction show attributes that are highly correlated with one another. Brands are plotted in space to capture best where they fall on the attributes. Since the picture is in only two dimensions not 15 - it does not perfectly capture the brand's rating on all 15 dimensions but it is as near to it as can be in two dimensions.

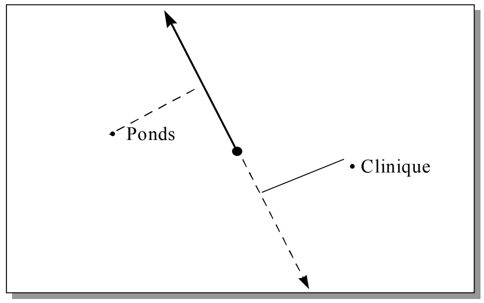
To see where a brand falls on a given attribute, one must envision a line from the brand perpendicular to the attribute. For example, consider the attribute "Available in Stores where You Shop" and Pond's from exhibit 9.



The dotted line projects Ponds back on to the "availability" attribute.

To see where Clinique falls on availability we have to extend the "available" vector back through the origin and then drop the line perpendicular to the vector. Perceptual maps usually extend a vector from the origin in only one direction so the map does not become too cluttered up.

Available



Thus, we see that Pond's is rated higher on the dimension "Available in Stores where You Shop" than Clinique. Plenitude would fall in between these two on availability. Pond's is highest on availability and Avon is lowest.

Perceptual mapping usually assumes that consumers "see" brands in a similar way. One respondent may prefer Ponds over Alpha Hydrox and another the reverse. But both agree that Ponds is high on "good value for the money" and low on "technologically advanced." Thus, generally a map aggregates across respondents and presents a general view of the market.

Basically, perceptual mapping takes the brand by attribute ratings of all respondents and portrays that data in the most faithful way but in just two dimensions so we can "see easily the relationships between brands. For more details, see "Perceptual Mapping: A Manager's Guide," HBS note 9-590-121 by Robert J. Dolan