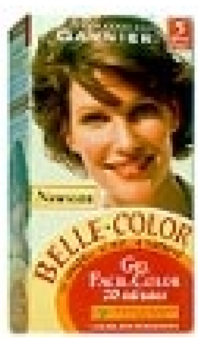
L'Oreal Nederland B.V.: Introduction of Products from the Garnier Institute of L'Oreal

[WITH INSTRUCTOR COMMENTS IN CAPS]



Executive Summary & Table of Contents

L'Oreal presently offers the following products in the Netherlands: Plenitude and Recital under the L'Oreal brand name, and Ambre Solaire under the Garnier Institute brand name. L'Oreal Nederland has been considering whether to introduce the Synergie skin care line and Belle Couleur hair colorants line into the Netherlands. Synergie and Bele Couleur are marketed under the Garnier Institute name in France.

The Netherlands market has several challenges: new product launches are difficult (especially from a relatively unknown company like Garnier) and the distributor channel is becoming more powerful. Also, retailers have been offering their own private-label products and can develop them at lower prices within 6 months.

We had first considered adding Synergie and Belle Couleur under the Garnier name and positioning them towards the lower end of the market price-wise. However, we feel this is inherently too risky. L'Oreal, even under the Garnier Company name, does not want to wage war in the commodity market of cosmetics. There may not be enough product differentiation to disallow the Garnier products from cannibalizing the L'Oreal products. People would eventually find out the Garnier and L'Oreal were the same Company, and that could "cheapen" the whole product line. L'Oreal is a premier supplier of quality cosmetics, and we did not want to become misaligned with the Company's branding image. [PERSUASIVE REASONING]

We feel bold moves are needed, so we are proposing to discontinue Garnier as a separate company in the Netherlands. It simply does not make sense. The Company does not have its own sales force, and it is difficult to have products reformulated to meet the specific needs in our market. What makes sense is to leverage the great name and reputation of L'Oreal and use labeling such as "From the Garnier Institute" on particular products in order to differentiate them and promote them in the market. [INTERESTING]

Therefore, we will offer the following products, all from the L'Oreal Company:
Plenitude from L'Oreal
Recital from L'Oreal
Synergie from the Garnier Institute of L'Oreal
Belle Couleur from the Garnier Institute of L'Oreal
Ambre Solaire from the Garnier Institute of L'Oreal

We will differentiate the L'Oreal and Garnier Institute labeled products through targeting different customer segments. Plenitude and Recital will focus on the older, more upscale segment of the population. Synergie, Belle Couleur, and Ambre Solaire will be primarily targeted at a younger, trendier, and more fashion-conscious audience. We will position the L'Oreal products at the high end of the mass market and the Garnier products at the middle portion of the mass market.

We felt it very important in this competitive market to "capture" consumers early and win their loyalty as future customers. That is why we are positioning the Garnier products this way. We can also better manage the life cycle of a particular customer through our line stretching. For example, a customer gained through effective marketing at a young age can continue with Synergie or continue on to the Plenitude line of products. [WORKS WELL WITH CONSUMER BEHAVIOR, MARKET SEGMENTS, AND THE CHANGES IN DEMOGRAPHICS]

The details on how we will accomplish this, along with more background, are all detailed in the following sections:

I. Current Marketing Situation
II. Opportunity & Issue Analysis
III. Objectives
IV. Marketing Strategy
V. Action Plan
VI. Controls & Contingency Planning
VII. Projected Profit and Loss Statement

I. Current Marketing Situation

Market Situation

- Any new Garnier products launched in the Netherlands must have a strong concept and high market potential.
- Launching new products necessitates offering unique, desired, and identifiable differential advantages to Dutch consumers.

<u>Skin Care Market</u>

- The skin care market is the second largest sector of the Dutch cosmetics and toiletries market. This category consists of hand creams, body lotions, all-purpose creams, and facial products. For the past five quarters, unit volume has been growing at an annual rate of 12% [EDITORIAL - SPELL OUT PERCENT] and dollar sales at a rate of 16%. Products within this category are classified by price and product type. [USEFUL TO COMPARE PRODUCT CATEGORY GROWTH RATES WITH L'OREAL'S GROWTH RATE.]
- A current trend in the skin care industry is stretching lines by adding specific products targeted at skin types such as sensitive, greasy, or dry. A particularly fast-growing category consists of antiaging and antiwrinkling creams. Complementing this trend is an emphasis on scientific development and natural ingredients.

<u>Hair Coloring Market</u>

- There are two types of hair coloring. Semipermanent colors wash out after five or six shampooings. Permanent colors only disappear as the hair grows out from the roots.
- Growth in unit volume over the last four years for both colorants has been 15% per year.
- Both the increasing shares of the smaller brands and the decreasing shares of the leaders have sparked a 60% increase in advertising in 1989 for all brands of hair coloring.
- Traditionally, hair colorants have been used primarily to cover gray hair. Recently, however, coloring hair has become more of a fashion statement. This partially accounts for the increased popularity of semipermanent hair coloring.

Product Situation

Synergie is a line of facial skin care products consisting of moisturizing cream, antiaging day cream, antiwrinkle cream, cleansing milk, mask, and cleansing gel. It is made with natural ingredients. It's advertising slogan in France is "The alliance of science and nature to prolong the youth of your skin."

Belle Couleur is a line of permanent hair coloring products. It is the market leader in France and is positioned as reliably providing natural colors with the advertising line "natural colors, covers all gray." Since none of the competing brands have a clear advertising positioning statement describing customer benefits, Belle Couleur could be positioned as "covering gray with natural colors."

Competitive Situation

Skin Care

Competitive Product Lines of Cosmetics

	PRICE RANGE (GULLDERS)*	**POSITIONING**
Lower end		
Nivea Visage**	9.50—11.50	Mild, modest price, complete line
Ponds	5.95—12.95	Anti-wrinkle
Middle		
Dr. vd Hoog	10—11.95	Sober, nonglamorous, no illusions, but real help, natural, efficient, relatively inexpensive
Oil of Oiaz (Procter & Gamble)	12 (day cream only)	Moisturizing, antiaging
Plenitude (L'Oreal)	10 95—19 95	Delay the signs of aging
Synergie	11.95—21.95	The alliance of science and nature to prolong the youth of your skin
Upper End		
Yves Rocher	10—26.95	Different products for different skins, natural ingredients
Ellen Betrix (Estee Lauder)	12.95—43.50	Institute line with reasonable prices, luxury products at nonluxury prices

*One dollar = 1 8 guilders, one British pound = 28 guilders, 1 deutschmark = 1.1 guilders

**Although Nivea Visage had a similar price range to Dr vd Hoog, consumers perceived Nivea as a lower-end product

[YOU COULD ALSO JUST REFERENCE TABLE IN CASE AND NOT REPRODUCE IT HERE. EITHER WAY YOU NEED TO GIVE THIS TABLE A NUMBER AND REFERENCE IT DIRECTLY IN THE BODY OF YOUR PLAN.]

The Dutch market is especially competitive for new brands. A rule of thumb is that share of voice for a brand should be about the same as its market share. Exceptions are:

Company	Share of Market	Advertising Expenditures
Ponds	9%	2.5%
Oil of Olaz	10%	26%
Plenitude	5%	13%

Ponds is established and well known with loyal customers. Oil of Olaz and Plenitude are trying to develop brand awareness and brand preference. Any innovative products or new product variations in a line can be quickly copied. Retailers can develop and introduce their own private labels in 4 months. Manufacturers can develop a competing product and advertising campaign in 6 months.

Hair Coloring

Major Brand of Hair Colorant

	Market Share (%)		
	1987	1988	1989
Upper End 14.95 Guilders			
Recital (L'Oreal)	35	34	33
Guhl	9	12	14
Lower Priced 9.95 Guilders			
Andrelon	12	14	17
Poly Couleur	24	23	21
Others	20	17	15

None of these brands have a clear advertising positioning statement describing customer benefits. Hair salons were indirect competitors in the hair coloring market. The percentage of women who had a hair stylist color their hair was not known, nor were the trends in usage of this method known.
L'Oreal's current market entry, Recital, is the leading seller although its share is declining. Guhl's and Andrelon's increases in shares between 1986 and 1989 reflect the general trend to using warmer shades, and these two brands were perceived as giving quality red tones.
Belle Couleur is formulated to give a classical, conservative dark blond color without extra reflections or lightening effects. Competing Dutch-manufactured hair colorant competitors are formulated to give stronger lightening effects.

Distribution Situation
Distributors' acceptance of new product lines is critical for successful product launches. Retailers have been gaining power as a result of the increasing size of retailers, the development of chains with their central buying offices, and the proliferation of new brands with little differentiation from brands currently on the market. Retailers have also been offering their own private-label products, since they earn a higher percentage profit margin on their own brands. The following are the criteria (3 being "most important") that retailers use to evaluate new products:

Evidence of consumer acceptance	2.5
Manufacturer advertising and promotion	2.2
Introductory monetary allowances	2.0
Rationale for product development	1.9
Merchandising recommendations	1.8

L'Oreal does not want to gain distribution with excessive reliance on trade deals or higher than normal retail gross margins. L'Oreal also wants to have its Garnier product lines extensively distributed in as many different types of retailers and outlets as possible. This approach to new product introduction has been effective for L'Oreal, and it currently has a positive image with Dutch retailers. L'Oreal is perceived as offering high-quality, innovative products supported with good in-store merchandising.

For L'Oreal's current products, 35% of sales came from independent drugstores, 40% from drug chains, and 25% from food stores. For all manufacturers, drug chains and supermarkets are increasing in importance. These stores require a brand with high customer awareness and some brand preference. The brands need to be presold because, unlike independent drugstores, there is no sales assistance.

The Dutch L'Oreal sales force will have to handle both L'Oreal and Garnier brands since the much lower market potential of our market cannot support a separate Garnier sales force.

<u>Skin Care</u>

High end products are distributed through personal service perfumeries that specialized in custom sales of cosmetics and toiletries.

Mass-market products are sold in drugstores and supermarkets.

Synergie requires .75 meters of retail shelf space.

<u>Hair Coloring</u>

[EDITORIAL: SPELL OUT NUMBER WHEN THEY BEGIN A SENTENCE] 58% of unit sales are through chain drugstores. 22% are through large independent drugstores. 20% are through small independent drugstores. 3% are through supermarkets.

Shelf space is a limited resource. L'Oreal had planned to offer 15 shades of Belle Couleur (versus 22 in France). 1.5 meters of retail space are needed to display the 15 shades.

[THIS WOULD BE A USEFUL PLACE TO COMPARE L'OREAL'S DISTRIBUTION -TOP OF PAGE 8 - TO SPECIFIC PRODUCT DISTRIBUTION AND DETERMINE GAPS, IF ANY]

Customer Situation

<u>Skin Care</u>

Forty percent of the Dutch population is under 25 years old. Consumers in this age group are the heaviest users of cosmetics and toiletries. Similar to the rest of Europe, the Dutch population is aging and the fastest-growing segments are the 25 or older groups.

There is an increasing number of Dutch women working outside the home. Although their participation rate at 29% is lower than the US rate of 50%, the Dutch rate is increasing more rapidly.

Dutch women are exhibiting greater self-confidence and independence. They have more disposable income and are using some of it to buy cosmetics on a daily basis.

Despite rising incomes, Dutch women still shop for value, especially in cosmetics and toiletries.

The Dutch market accounted for only 4% of total European Union (EU) sales of cosmetics and toiletries.

Almost 50% of the 5 million Dutch women between the ages of 15 and 65 use traditional skin care products. Newer, specialized products have a much lower penetration.

Consumers tend to be loyal to their current brands. This loyalty is based on fear of possible allergic reactions to new products. Facial care products are heavily advertised and sold on the basis of brand image and this results in a consumer resistance to switching. The strength of this attachment to a brand increased with the age of the user. Establishing a new brand is difficult since Dutch women typically purchase facial creams only once or twice a year. Finally, the Dutch women are showing an increasing interest in products with "natural" ingredients, but they are not as familiar as the French with technical product descriptions and terms.

<u>Hair Coloring</u>

73% of Dutch women who color their hair use a permanent colorant. Over the past four years, however, the trend has been to semipermanent colorants, with an increase from 12% to 27% of the market. It has been projected that as more women work outside the home, the use of hair colorant will increase because it is more convenient.

Consumers perceive permanent hair color as a technical product and believed its use as very risky. As a result, users have a strong brand loyalty and avoid impulse buying. When

considering a new brand, users carefully read package information and ask store personnel for advice.
It is likely that the trend to use colorants more for fashion and less for covering gray reflect the increase in hair coloring by consumers less than 35 years old. In 1989, 46% of Dutch women (up from 27% in 1986) colored their hair with either semipermanent or permanent hair colorants.

II. Opportunity & Issue Analysis

Opportunities

- L'Oreal tries to introduce one or two new products per year in each of its worldwide markets.
- Since the Dutch population is aging and the fastest-growing segments are the 25 or older groups, possible opportunity for Synergie's antiaging and antiwrinkle creams.
- Educate consumers with product descriptions and terms.
- L'Oreal Netherlands can leverage its advertising of the Garnier name by promoting two lines at once. This may result in Dutch consumers perceiving Garnier as a major supplier.

Strengths

- Synergie skin care had recently been successfully introduced in France
- Belle Couleur had been successfully marketed in France for two decades.
- Manufacturing will continue to be done in France for both lines.
- Ambre Solaire from Garnier is distributed in the Netherlands.
- Innovation has been a critical success factor for L'Oreal.
- Synergie is made with natural ingredients.
- L'Oreal has a positive image with Dutch retailers.

Weaknesses

- All research for products was centered in France.
- Dutch consumers have little or no knowledge of Garnier and have not formed a brand image.
- Ambre Solaire is a new product and few Dutch women know of the brand.
- Belle Couleur is formulated towards darker shades and Dutch women prefer naturally lighter hair colors. [AND L'OREAL UNWILLING TO CHANGE FORUMLATION]

Issues

- Headquarters would like us to introduce more Garnier product lines into our market over the next few years.
- It is critical that our first product launch in this line is successful.
- Introduction of Garnier products will impact L'Oreal products.
- New products without a competitive advantage would not only be likely to fail, but would also create a negative association with the Garnier name and cause potential problems for future Garnier product introductions.
- Concern about the selling effort required to sell the L'Oreal brands that are already in the market and at the same time introduce two new brand name product lines.
- Concern about retailer reaction to a sales pitch for two product lines.

III. Objectives

Marketing Objectives

- Reverse downward slope of Recital market share. A stretch goal will be to increase sales by 2%. [MAYBY, HOWEVER WITH THE INTRODUCTION OF YOUR NEW PRODUCT YOU MAY BE WILLING TO LIVE WITH JUST STAYING EVEN.]

- Belle Couleur to become the #5 hair coloring product sold behind Recital, Poly Couleur, Andrelon, and Guhl in the first year.
- Synergie to become the #5 skin care supplier in the first year.
- Ambre Solaire to increase market share by 10%.
- [ANOTHER POSSIBLE GOAL IS TO ACHIEVE A SALES GROWTH IN NETH. EQUAL TO OR HIGHER THAN OUR CURRENT SALES GROWTH.]

IV. Marketing Strategy

Our broad marketing strategy is to introduce the Synergie and Belle Couleur products under the L'Oreal name, with a tag line that associates these products with the Garnier Institute. The continued use of L'Oreal as a company trade name will help with the success of launching Synergie and Belle Couleur in the very competitive Dutch market. It should also help to boost the sales of Ambre Solaire. This multibrand strategy will help us gain more shelf space in the overall market and allow the Garnier Institute "tagged" products act as flanker brands to protect the original L'Oreal line. We are hesitant to introduce Garnier as a separate company at this time. The tag line, however, will start to produce awareness of Garnier that we may capitalize on as a separate unique brand in the future with its own sales force.

We have two target markets. The first is women 25 and under. We will position the Synergie, Belle Couleur, and Ambre Solaire products to these consumers. These are the products that will include a "tag" line of "From the Garnier Institute of L'Oreal". The second target market is women over age 25. We will position the Plentitude and Recital products to these consumers. The quality will be similar, but we will distinguish the products to the end consumer through an integrated marketing action plan. Our intent is to manage the life cycle of cosmetic use by women in the Netherlands. New, younger consumers will be attracted to our Garnier tagged products. As they get older, we will offer a migration path to the more sophisticated, upscale, and classic L'Oreal products. [EXCEPT THAT CUSTOMERS ARE VERY BRAND LOYAL AND LOW IN RISK TAKING FOR THE HAIR COLOR PRODUCT? WILL THEY MIGRATE OR WILL YOU HAVE TO EVOLVE YOUR POSITIONING STATEMENT?]

The price point of the Garnier tagged products will be slightly lower than the original L'Oreal products. This will appeal to the younger consumers and to all others who are looking for value in cosmetics. However, we will not specifically market the value angle, since it may cannibalize L'Oreal Plenitude and Recital lines. We also do not want to "cheapen" the L'Oreal name. In addition, someone who is solely interested in lower prices usually does not have a specific product in mind when shopping. They will see how competitively priced the Garnier line is as they are comparison shopping.

Position statement for L'Oreal products from the Garnier Institute: "The combination of beauty and fashion" Position statement for all other L'Oreal products: "All natural, all for you"

We will alter our distribution channels slightly to take advantage of the trend towards drugstores, particularly chain stores, and supermarkets. We will still use the independent drugstores, because there are still consumers who would rather purchase this route. [ALSO MORE PERSONAL ADVICE GIVEN IN THESE OUTLETS FOR THE HIGH RISK HAIR COLOR PRODUCT. HAVE TO DEAL WITH SOME LESS THAN ENCOURAGING MARKETING RESEARCH RESULTS. IT WOULD BE USEFUL TO HAVE STRONGER CUSTOMER RESEARCH RESULTS TO PRESENT TO THE TRADE CHANNELS.] For all others, we will have a strong presell program. In order to create more differentiate with our distribution channel, we will pioneer a new customer response utilizing the latest business process and technology improvements like vendor managed inventory (VMI) and Electronic Data Interchange (EDI).

V. Action Plan

Product

The following table depicts our product-mix width and product-line length:

	PRODUCT-MIX WIDTH		
	SKIN CARE	**HAIR CARE**	**SUNSCREEN**
Product-Line Length	Plenitude Synergie*	Recital Belle Couleur*	Ambre Solaire*

* Will carry a tag line of "From the Garnier Institute of L'Oreal"

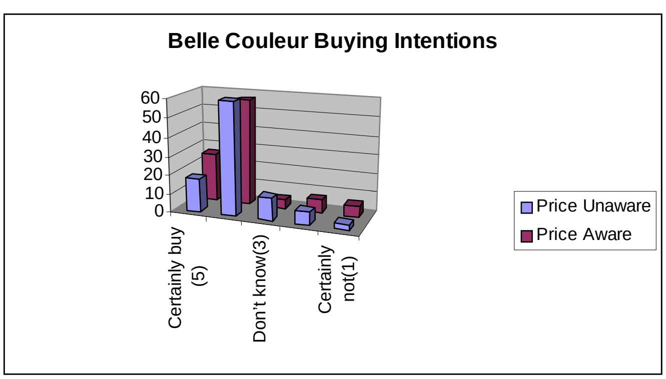
Belle Couleur will be introduced with a depth of 15 formulations and blond and chestnut brown shades of colorant will not be two of them . We will look into a future introduction when a reformulation for extra reflections and lightening effects is more feasible.

Product	Positioning Statement
Plenitude	"Trust us for a more natural, beautiful you"
Synergie	"The alliance of nature and beauty to look and feel better"
Belle Couleur	“ Natural color for the new you!”
Ambre Solaire	"Protect yourself for the Future"
Recital	"Naturally, the leader in hair coloring"

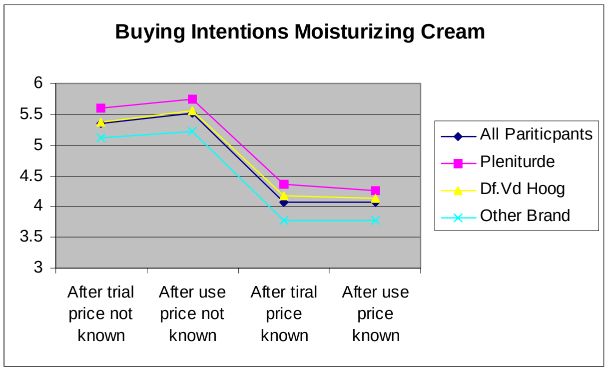
Price (in Guilders)

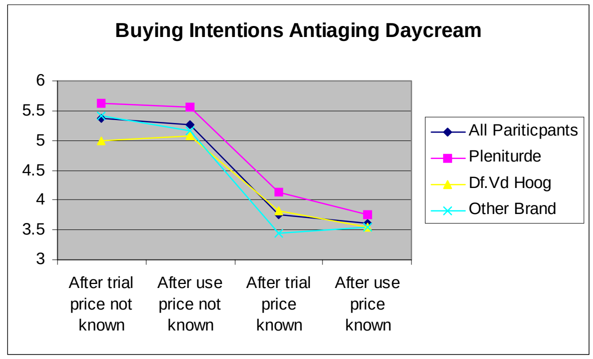
Belle Couleur	**12.95**
Recital	14.95
Synergie	**9.95 to 19.95**
Plentitude	11.95 to 21.95
Ambre Solaire	10.95

The marketing research for Belle Couleur shows buying intention generally increased after the participants were told the price. We have kept the suggested pricing as indicated in the study.



[STYLE PREFERENCE: I GENERALLY FEEL THAT THREE DIMENSIONAL GRAPHS ARE MORE CONFUSING THAN TWO D. SIDE BY SIDE BARS MIGHT BE BETTER OR LINES AS YOU HAVE BELOW. IT IS, HOWEVER, A VERY GOOD IDEA TO PLOT TO SHOW DIFFENCES.] For Synergie, the buying intentions dropped when the price was known. We will introduce the products at a slightly lower price to deal with this response.





Promotion

We will use a pull marketing strategy directed at end users. We will market the benefits of the products to our target segments: new, younger clientele and present established client base. The target segment for Garnier tagged lines will be Dutch females who are under 25. This is 40% of the Dutch population and they are the heaviest consumers of cosmetics and toiletries. In this competitive market it is very difficult to persuade women to switch brands, so we want to ensure our future by targeting the young buyer to use the Synergie and Bell Couleur products specifically [FOR THEIR FIRST USE OF THESE PRODUCT CATEGORIES. WE DON'T HAVE ANY INFORMATION ABOUT WHO INFLUENCES THEIR FIRST PURCHASE - MOTHER, FRIENDS, OR RETAIL CLERKS?] .

<u>Advertising</u>

We will roll out a coordinated advertising campaign to emphasize the following points:

1. L'Oreal is getting better, with a new and refurbished line of products from our Garnier Institute. "No longer should consumers question which Company to buy skin care or hair coloring products from, now they just have to decide which L'Oreal product to purchase!" [I GUESS YOU WOULDN'T OBJECT TO HIRING AN AD AGENCY AND USING THEIR COPY WRITERS?]
2. Plenitude and Recital will focus on consumers over 25 years of age. Advertising will begin to refocus these products as being classy, upscale, and successful.
3. Synergie, Belle Couleur, and Ambre Solaire will focus on consumers' 25 years and under. We will promote that these products are "new", hip, and fashionable.
4. We will use our positioning statements as appropriate in all mediums.

We will use print and broadcast ads in women-oriented mediums several weeks before the new introduction of products to inform people of how L'Oreal is growing and changing to meet their needs. Billboards, television, radio, and display signs will be primary vehicles for this. About two weeks before introduction, our ads will change from stressing our company image to stressing product line imaging. We will run specific ads for Synergie, Belle Couleur, and Ambre

Solaire stressing their benefits to the consumers. This specific part of the campaign will primarily use magazines, radio, and other mediums targeted at the under 25 aged crowd. After product introduction, will run advertising to persuade and remind consumers of our new products. [YOU WILL BE VERY LIKELY TO TAKE A HIT ON THE MARKET SHARE FOR EXISTING PRODUCTS. CENTRAL THOUGH IS YOUR RESULTING OVERALL MARKETING SHARE VERSUS ANY INCREASED COSTS. THIS CANNOT BE EVALUATED WITH CASE FACTS.]

Packaging for Plenitude and Recital will remain the same. The packaging for Synergie and Belle Couleur will be bold and trendy to attract our younger segment. Ambre Solaire will also leverage the packaging ideas from these products. We will trademark our new Garnier Institute logo with the words "From the Garnier Institute of L'Oreal".

From the Garnier Institute
Of L'Oreal

This logo will be used on packaging, labeling, etc. for the Synergie, Belle Couleur, and Ambre Solaire products. For our television and radio advertisements, we are considering using a short audio jingle to better brand these products [WHY ISN'T IT INCLUDED HERE? CAN'T YOU SING FOR YOUR GRADE?]. This would be similar to the angle that Intel is using for their Pentium chips.

<u>Sales Promotions</u>
One of our most important promotions is the point-of-purchase display. They will entice people to our products and excite our distributors. In addition, we will offer the following sales promotions: [COULD RELATE THIS AND PREVIOUS PLAN MORE DIRECTLY TO THE CUSTOMER PURCHASE PROCESS - AWARENESS - TRIAL - REPEAT - LOYALTY]

1. A contest will be held where the winner and a companion will spend a romantic week in France, the country where L'Oreal was founded [AT A BEAUTY SPA?]. To be eligible, you must purchase a L'Oreal product and fill out the accompanying postage-paid card. The card will ask two simple questions: did you like this product? Why or why not? This card will not only register them for the trip, it will provide valuable marketing research for us.
2. Cross-product promotions. In a bundle of Synergie products, we can offer a free bottle of Ambre Solaire. If a person purchases Belle Couleur, we can enclose a mail in certificate for a free container of Synergie facial cream. (Again, we could use the mail in as an opportunity to do more market research).
3. In magazines and newspapers, we will offer coupons for Belle Couleur, Synergie, and Ambre Solaire products.

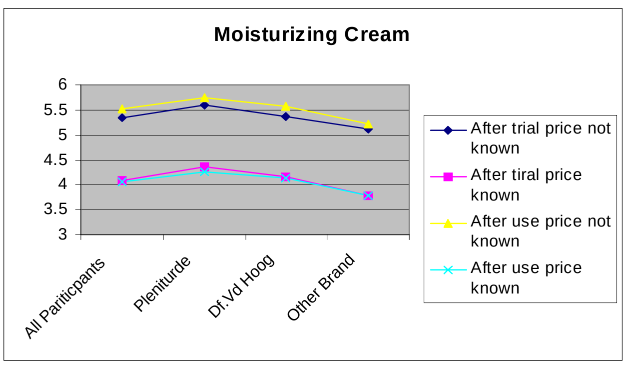
<u>Public Relations</u>
We will pursue the following public relations oriented programs:

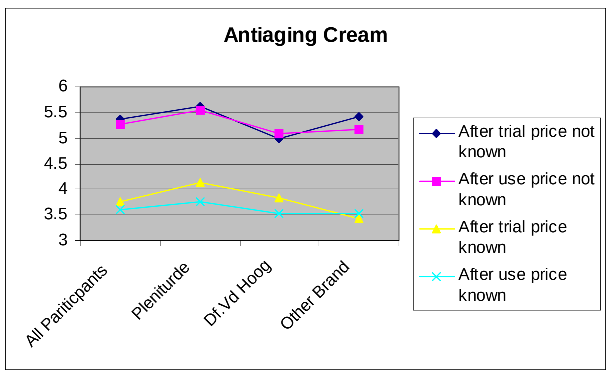
1. We will put together a press kit showing L'Oreal's commitment to grow and serve the Dutch market. We will include key facts including our additions to the employment rolls and charitable contributions (see item number three below).

2. We will look to host and/or sponsor events that appeal to our target markets. For our more mature audience with increased dispensable income, we will sponsor a "Women in Business" seminar. Women in key roles in L'Oreal can be presenters. For those women at home, we will look into sponsoring events that will appeal more to them - something along the lines of a home and/or garden show. We also are excited about creating Cosmetics Shows geared towards the younger and first time consumers. The Shows will focus on education of terms, etc. and actual hands-on training. They can be arranged on a small scale, e.g. a booth at a mall, to a larger event at a local hall with many booths.
3. We will donate a portion of sales of the new Ambre Solaire from Garnier Institute towards skin-cancer research. This will be displayed on all advertisements associated with the Ambre Solaire product.

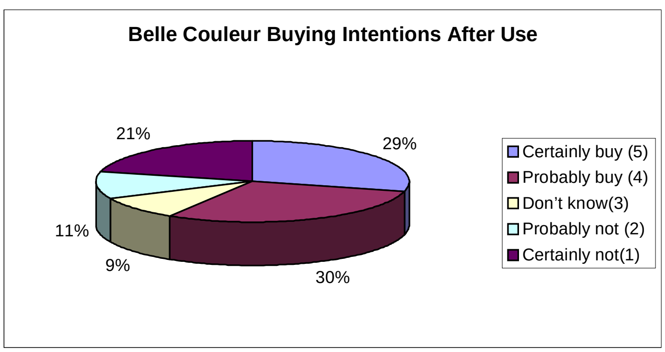
<u>Sales Force</u>
We will add three positions: a Belle Couleur product manager, a Synergie product manager, and a sales account manager responsible for the Garnier tagged products. [COULD BE COST PROHIBITIVE IN THIS SMALL MARKET.]
The sales force will continue to sell and promote all L'Oreal product lines to our distributors and maintain our point-of-purchase displays.
The sales force will primarily help to achieve the marketing objectives detailed above. In order to provide extra motivation, we will tie financial incentives for the sales force to meet the objectives.

Distribution
We feel that the key components of this plan will align with our distributor's expectations of previous successful L'Oreal product launches. We are introducing the Garnier name, but are promoting these products under the L'Oreal brand. We also have documented evidence of consumer acceptance.





Consumer acceptance was documented on a 7 point scale with 7 being most likely to buy. Overall response showed 39% of all participants would certainly buy the Moisturizing Cream and 24% of all participants would certainly buy the antiaging cream.
A good percentage of the respondents of the Belle Couleur study said they would buy after they used the product. [STYLE COMMENT: PIE CHARTS ARE CAN OFTEN BE REPLACED



BY A SINGLE, STRONG SENTENCE. 'FIFTY-NINE PERCENT ARE LIKELY TO PURCHASE.']
Lastly, we are supporting this product launch with the appropriate advertising and promotion. As with previous successes, we will support our retailers with strong in-store merchandising.

Through the strong presell program detailed above, we expect more product to be distributed to drugstores and supermarkets. [USEFUL TO ADD COLUMNS FOR SPECIFIC PRODUCT CATEGORIES - TABLES TWO AND THREE ANALYZED.]

	Today	One-Year Projection
Supermarket	25%	30%
Independent Drugstore	35%	25%
Drugstore Chain	40%	45%

In conjunction with this shift, we will work with our distributors to support partnering with us to develop and implement an improved Consumer Response System. The purpose of the Consumer Response System is twofold:

1. Strengthen the tie between L'Oreal and our distributors. This helps forge a better relationship and make our distributors more dependent on us (and our systems).
2. Acquire better point of sale data from our distributors. Presently, it is not always easy to get our distributor's sales data. An electronic link will help provide real time detailed data as to who is purchasing our products and when. [MORE DEVELOPED IN THE U.S.]

To accomplish this, we will select a large distributor and form a team to understand where and how we can integrate our supply chains. We will first propose a vendor-managed inventory system (VMI) that will use Electronic Data Interchange (EDI) technology. In exchange for an electronic daily feed of a sales forecast, actual sales data, and inventory levels, we will allow better payment terms. Our benefit is better information for our replenishment planning (which will reduce our working capital) and detailed data as to whom is buying our product and when.

VI. Controls & Contingency Planning

In order to measure the impact of our plan on our target audiences, we will predominantly use two tools: our percent of market share and the data returned from consumers who buy our products and mail in the promotional tie-in.
The percent of market share will quickly tell us how successful our new products are and their affect on our existing product lines. The consumer data will provide good marketing research as to whether our products are being purchased by the targeted customer segment and what their initial reactions are to using our products.
If our market share is not matching our expectations, the mail in data will also provide clues as to what changes we should make.

VII. Projected Profit and Loss Statement

[I APPRECIATE THE WORK HERE, HOWEVER, GIVEN THE CASE FACTS I KNOW THAT YOU KNOW THAT THIS IS **QUITE A STRETCH GIVEN THE ASSUMPTIONS THAT HAVE TO BE MADE.** THROUGHOUT YOUR MBA PROGRAM YOU SHOULD ALWAYS QUESTION AND ANALYZE DATA TO DISCOVER AS MUCH MEANINGFUL 'KNOWLEDGE' AS YOU CAN. MKTG640 HAS CASES THAT ARE MORE DATA RICH THAN L'OREAL.]

	1993 Synergie	1993 Belle Couleur	1994 Synergie	1994 Belle Couleur	1995 Synergie	1995 Belle Couleur
Industry sales in units	10,000,000	6,716,000	11,200,000	7,723,400	12,544,000	8,881,910
Market Share	0.05	0.1	0.07	0.15	0.1	0.2
Average price per unit Guilders	15.95	12.95	15.95	12.95	15.95	12.95
Cost to produce per unit Guilders	7.98	6.48	7.98	6.48	7.98	6.48
Gross Contribution margin per unit	7.98	6.48	7.98	6.48	7.98	6.48
Sales Volume in units	500,000	671,600	784,000	1,158,510	1,254,400	1,776,382
Sales Revenue	7,975,000	8,697,220	12,504,800	15,002,705	20,007,680	23,004,147
Gross Contribution margin	3,987,500	4,348,610	6,252,400	7,501,352	10,003,840	11,502,073
Overhead	2,500,000	2,500,000	2,625,000	2,625,000	2,756,250	2,756,250
Net Contribution Margin	1,487,500	1,848,610	3,627,400	4,876,352	7,247,590	8,745,823
Advertising and Promotion	478,500	521,833	675,259	810,146	960,369	1,104,199
Sales force and Distribution	159,500	173,944	225,086	270,049	320,123	368,066
Marketing Research	159,500	173,944	225,086	270,049	320,123	368,066
Net Operating Profit	690,000	978,888	2,501,968	3,526,109	5,646,976	6,905,492
Total Net annual operating profit		1,668,888		6,028,077		12,552,467

Assumptions for Profit and Loss Statement

1) Industry Sales in units|

Belle Couleur – 5 million Dutch women between 15 and 65

46 % use hair color

73% of those who use hair color use permanent hair color

4 units purchased each year

= 6,716,000 units

Hair color annual unit 15% increase[KEY ASSUMPTION]

Synergie = 5 million Dutch women between 15 and 65

50% used tradtional skin care products

2 different products (toner, cream, etc.) units purchased 2 times per year

= 10,000,000 units

Skin care annual rate 12% increase [KEY ASSUMPTION]

Supporting Data in millions

L;Oreal 1992 sales

France	1,632
Europe	2856
Usa/Canada	1,360
ROW	952
L'Oreal Nederland	114

Sales (Estimated)

4% of Europe

Projected New product sales

Assumptions for Profit and Loss statement

1) Industry Sales in units

Belle Couleur - 5 million Dutch women between 15 and 65

46% use hair color

73% of those who use hair color use permanent hair color

4 units purchased each year [THIS IS A VERY IMPORTANT VARIABLE IN THE CUSTOMER PURCHASE PROCESS AND CAN CHANGE COMPANY PERFORMANCE DRAMATICALLY.]

=6,716,000 units

Hair color annual unit increase	15%

Synergie - 5 million Dutch women between 15 and 65

50% used traditional skin care products

2 different products (toner, cream,etc.) units purchased 2 times per year

= 10,000,000 units

Skin care annual rate increase	12%

Supporting Data	in millions
Loreal 1992 sales	
France	1,632
Europe	2856
USA/Canada	1360
ROW	952
L'Oreal Nederland Sales (estimated) 4% of Europe	114
Projected sales 1st year	17
Projected New product sales As a percent of L'Oreal Nederland Sales	15%

15%
As a% of L'Oreal Nederland
Sales

[OVERALL, I APPRECIATE YOUR RECOGNITION OF THE STRATEGIC ISSUES OF THE INTERACTION OF THE TWO PRODUCT LINES AND ALSO YOUR ATTENTION TO DETAIL IN THE SPECIFICS OF HOW TO ACCOMPLISH THE BLENDING OF THE TWO LINES. THE CANNIBALIZATION ISSUE DESERVES MORE ATTENTION, HOWEVER, THIS IS VERY DIFFICULT TO FORECAST GIVEN EITHER THE CASE DATA OR **ANY** DATA. ESSENTIALLY THE ESTIMATE OF CANNIBALIZATION MUST BE BASED ON PERSONAL EXPERIENCE IN THE INDUSTRY AND PURE FAITH. THE MARKETING MANAGER MUST MAKE A JUDGEMENT OF WHO SHOULD EVENTUALLY CANNIBALIZE THE PRODUCT - YOUR OWN LINE OR THE COMPETITORS. THIS IS WHY EFFECTIVE MARKETING MANAGERS ARE PAID EFFECTIVELY.]