



Lancôme

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Solution

❖ We suggest:

- 👉 Lancôme follow a differentiated market coverage strategy by introducing Lancôme Hyp.
- 👉 Lancôme change consumers' perceptions and preferences for higher quality consultation service and a wider product line, while only changing consumers to prefer higher innovative technologies.

The Problem Solving Format allowed us to analyze Lancôme's current business plan. We determined that Lancôme should switch from an undifferentiated market coverage strategy to a differentiated strategy. This differentiated approach will potentially increase consumer preferences for wider product lines, higher consultation quality and innovative technologies. Lancôme will accomplish this by focusing on advertising and promotional campaigns that address the product and brand benefits described in the core benefit proposition. In addition, our recommended MAGIC strategy will help Lancôme defend itself strongly against competitors.

Market

- ❖ **Overall Market:** Cosmetics and Skin care
- ❖ **Focus Market:** Skin care

We began our Lancôme analysis by defining the market which is cosmetics and skin care. This market can be further divided into the following categories: body care, makeup, hair care, and fragrances. Since Lancôme focuses on keeping women looking healthy and young, we chose skin care as the focus market, which enables us to eliminate brands that are not substitutes for skin care, such as L'Oreal and Almay. Within this skin care focus market, Lancôme's main competitors are Clinique, Perscriptives, Mac, Estee Lauder, Olay, Neutrogena, Clearasil and Clean and Clear. These competitors act as substitutes to our Lancôme brand.

Segmentation Variables

- ❖ Benefits Sought
 - ☞ Special / Regular

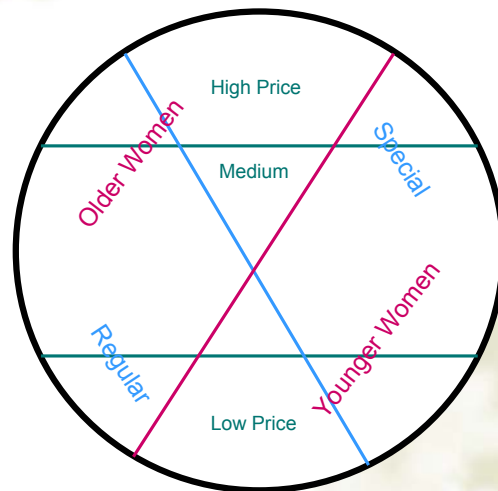
- ❖ Marketing Mix Sensitivity
 - ☞ Price Sensitivity

- ❖ Demographics
 - ☞ Age

In order to determine our market coverage strategy, we must first consider variables that can segment our focus market. Any company could potentially use these segmentation variables to segment the skin care market. We believe the relevant segmentation variables are: benefits sought, demographics, and marketing mix sensitivity.

We believe that women seek the benefits of both intensive skin treatments and less intensive, basic skin care products. Older and younger women are becoming increasingly interested in anti-aging products, while many still prefer basic skin care. The skin care market can also be segmented based on marketing mix sensitivity. With price sensitivity, consumers' reactions to various levels of price are taken into consideration. Demographics, in terms of age, is another way to segment the skin care market by considering both older and younger women.

Segmentation Circle



After dividing the focus market into segments, we developed a segmentation circle that visually depicts how this market can be segmented for all competitors. These segmentation variables not only help determine how to segment the market, but also help formulate a company's market coverage strategy.

There are three possible market coverage strategies: undifferentiated, differentiated and concentrated. With an undifferentiated market coverage strategy, a company offers a single brand to satisfy all market segments. A differentiated market coverage strategy offers multiple brands to satisfy all consumers in the market. A concentrated market coverage strategy uses one brand to satisfy one particular market segment.

After analyzing our segmentation circle, we can determine which market coverage strategy is most applicable for Lancôme to implement.

Actual and Recommended Market Coverage Strategy

- ❖ Lancôme is currently using an Undifferentiated Market Coverage Strategy
 - 🔗 All Lancôme products are sold under one brand name for all segments.
- ❖ We recommend Lancôme use a Differentiated Market Coverage Strategy
 - 🔗 Extend the Lancôme product line by developing Lancôme Hyp

Lancôme currently uses an undifferentiated market coverage strategy as they ignore segmentation variables and sell to the whole market with one brand. Based on our segmentation circle, Lancôme should use a differentiated market coverage strategy. We recommend switching from an undifferentiated to a differentiated one to effectively widen our product line and improve service quality. We feel a differentiated strategy may benefit Lancôme as they can extend this line by diving into a new younger market which we like to refer to as “Lancôme Hyp.” A differentiated strategy will also allow Lancôme to operate in both the older and younger skin care markets with a new Lancôme product extension. This new strategy will pull in new customers and increase profits.

The market coverage strategy defines the target market by describing to which consumers the Lancôme brand caters. With a differentiated strategy, Lancôme will address the needs and wants of its entire market with the use of two product lines.

Target Market

- ❖ With a new Differentiated Market Coverage Strategy, Lancôme focuses on both older and younger women within the skin care market.
 - ☞ Lancôme:
 - ❖ Appeals to women that seek more intensive skin products (anti-aging, wrinkle release)
 - ☞ Lancôme Product Extension: Lancôme Hyp:
 - ❖ Appeals to women, mostly younger, who seek less intensive proactive skin care products.

With this new differentiated market coverage strategy, Lancôme establishes its target market. Rather than focusing simply on older women skin care needs, this new strategy enables Lancôme to target a younger skin care market as well. The original Lancôme product line appeals to women that seek more intensive skin care products such as anti-aging and wrinkle release formulas. Lancôme's product line extension, Lancôme Hyp, will appeal to women seeking less intensive, proactive skin care products. We believe this wider market will give Lancôme the opportunity for growth as they will satisfy more consumers' skin care needs and wants.

Needs and Wants of the Target Market

- ❖ Price
- ❖ Hypoallergenic
- ❖ Quality of Ingredients
- ❖ Dermatologist Recommended
- ❖ Variety of Product Lines
- ❖ Stock Availability
- ❖ Promotions
- ❖ Consultation Quality
- ❖ Innovative Technology
- ❖ Packaging

The needs and wants of consumers in the skin care market can be used to understand consumers' purchasing decisions. Our skin care target market is a segment of the whole cosmetics and skin care market. Thus the needs and wants of our target market are more specific than the needs and wants of the whole market. Lancôme must focus on the target market's needs and wants in order to establish which are most important to consumers. This will allow Lancôme to position its brands more effectively.

- Price is important to consumers as many make purchasing decisions based on price.

- Consumers with more sensitive skin types value the safe ingredients of hypoallergenic formulas.

- Consumers value quality of ingredients as skin care products are used on sensitive areas.

- People value dermatologist recommended products as it provides consumers with confidence and trust in brands.

- Consumers like choice when picking out skin care products including intensity levels, colors, etc.

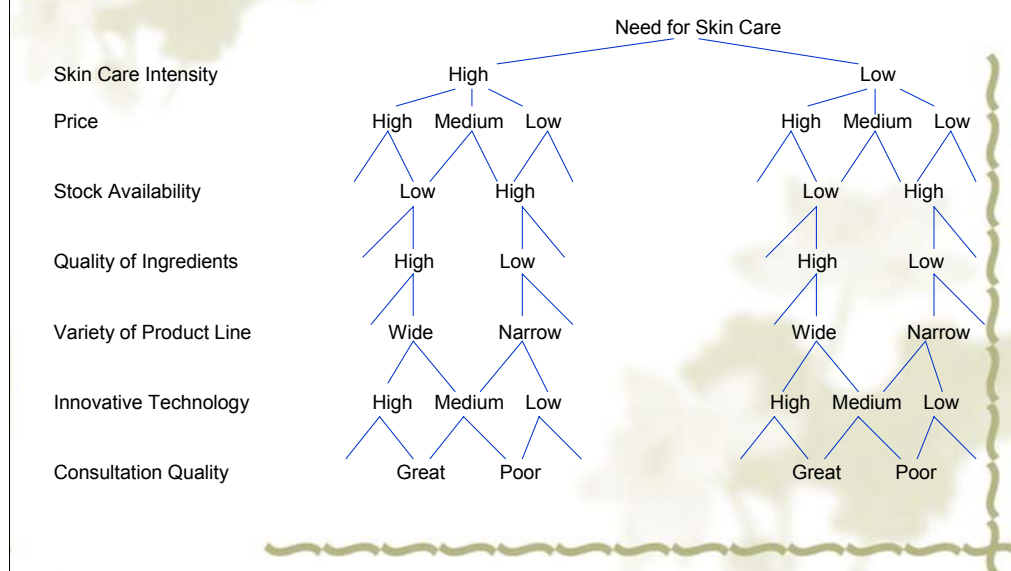
Needs and Wants of the Target Market

- ❖ Price
- ❖ Hypoallergenic
- ❖ Quality of Ingredients
- ❖ Dermatologist Recommended
- ❖ Variety of Product Lines
- ❖ Stock Availability
- ❖ Promotions
- ❖ Consultation Quality
- ❖ Innovative Technology
- ❖ Packaging

Needs and Wants Continued

- Consumers want the convenience of onsite stock availability as it provides consumers with quick and easy purchases.
- Promotions appeal to consumers because people like free samples and also like getting more for their money.
- Consumers value professional consultation assistance when purchasing skin care products as it ensures product satisfaction.
- Innovative technologies are important to consumers because people value new trends.
- Consumers value product packaging as they like having choices in terms of size and product package groupings.

Buyer Behavior Flow Chart



In order to understand how consumers in the target market make purchase decisions for skin care, we carefully examined our target market's needs and wants. This chart demonstrates the different possible routes a consumer can take when choosing a line of skin care. The evaluative dimensions at the top of the buyer behavior flow chart are the decisions most important to consumers. The bottom three dimensions most important to Lancôme positioning, which can ultimately make a difference in brand choice.

Our flow chart begins with a need for skin care. Once this need is established, consumers decide on the intensity of skin care needed. Price, ranging from high to low, is the second most important evaluative dimension to consumers followed by low or high stock availability. Quality of ingredients follows stock availability and is viewed as high and low quality. Consumers' next buyer behavior step focuses on variety of product lines as some people like having many options whereas others are not as picky. Depending on how selective consumers are in choosing skin care products, customers may or may not prefer innovative technologies. The final decision made by consumers is whether they prefer great or poor consultation quality.

Evaluative Dimensions

- ❖ Skin Care Intensity
- ❖ Price
- ❖ Stock Availability
- ❖ Quality of Ingredients
- ❖ Variety of Product Line
- ❖ Innovative Technology
- ❖ Consultation Quality

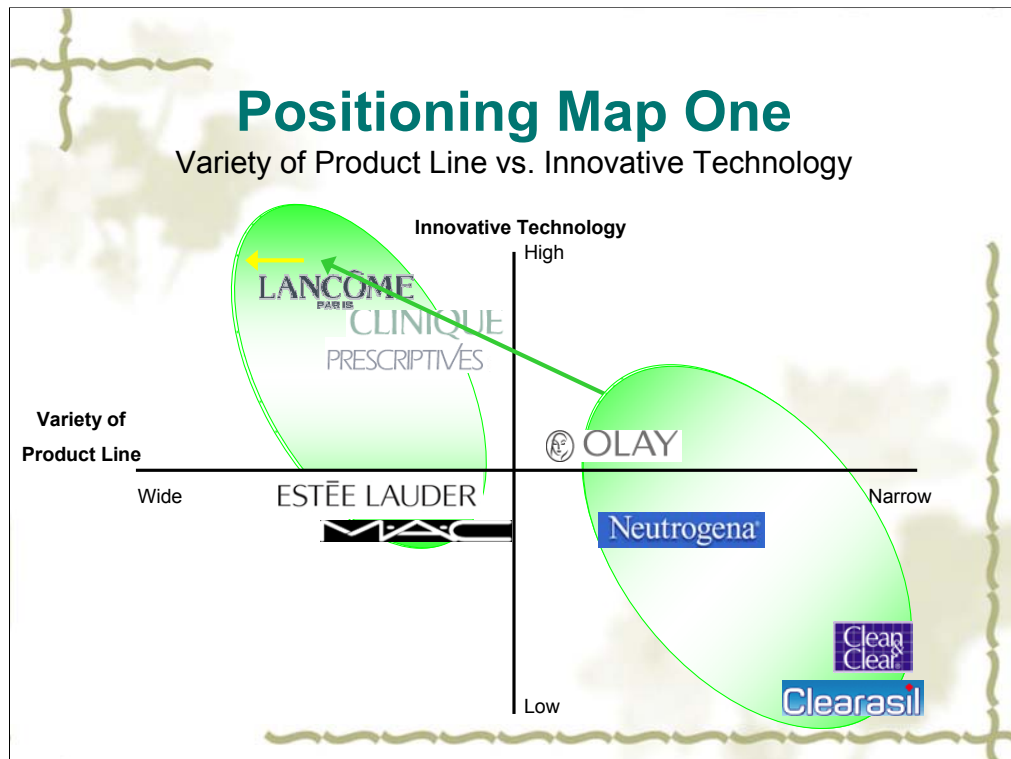
From the buyer behavior flow chart, we were able to distinguish seven evaluative dimensions consumers use to choose skin care products. Skin care intensity, price, stock availability, quality of ingredients, variety of product line, innovative technology, and consultation quality are the factors consumers take into consideration when choosing a particular brand in the skin care market. We will focus on the last three dimensions (variety of product line, innovative technology, and consultation quality), which will ultimately form Lancôme's position against its competitors.

Positioning Map

- ❖ Variety of Product Line vs. Innovative Technology
- ❖ Innovative Technology vs. Consultation Quality
- ❖ Variety of Product Line vs. Consultation Quality

We decided to analyze three different positioning maps covering our last three evaluative dimensions: variety of product line, innovative technology, and consultation quality. These positioning maps will allow us to determine Lancôme's current market position, where we feel Lancôme should be positioned in the future, and determine how we are going to get Lancôme to this new position. We mapped variety of product line vs. innovative technology, innovative technology vs. consultation quality, and variety of product line vs. consultation quality.

The purpose of the positioning maps is to develop a better understanding of where consumers perceive Lancôme within the market, compared to its competitors. Each map is formulated with company logos, green circles, and green and/or yellow arrows. The logos represent current consumers' perception of company positionings within the market, based on the compared evaluative dimensions. The green circles represent consumer preferences of skin care products within the focus market; the darker green gradients represent more heavily populated preferences. The green arrows signify our desired directional shift in consumer preferences. The yellow arrows signify the desired shift in consumer perceptions of Lancôme's position within the market.



For the first positioning map, we chose to compare the evaluative dimensions of variety of product line and innovative technology. Lancôme's main competitors are Clinique, Prescriptives, Estee Lauder, MAC, Olay, Neutrogena, Clean and Clear, and Clearasil. Using these two dimensions, we found that there was a general preference for cheaper drug store brands and a general preference for pricier department store sold brands.

We feel that more consumers prefer the brands found in the lower right hand quadrant; therefore, we believe it is important to change consumers' preferences to above Lancôme's current position, represented by the green arrow. Although Lancôme is perceived as having a wide variety product line and high innovative technology, they are currently perceived as similar to Clinique and Prescriptives. We feel the best position to differentiate Lancôme from this competition within this quadrant is to move farther out on the evaluative dimension of product line variety, represented by the yellow arrow.

These actions will help Lancôme gain more customers by convincing consumers that variety of product line is important and Lancôme can supply them with the products they need.

Positioning Map One Logic

❖ Preferences

- 🔗 Skin care consumers currently prefer more narrow variety of products with lower innovative technologies.
- 🔗 We want consumers to prefer just the opposite – a wider variety of products with higher innovative technologies.

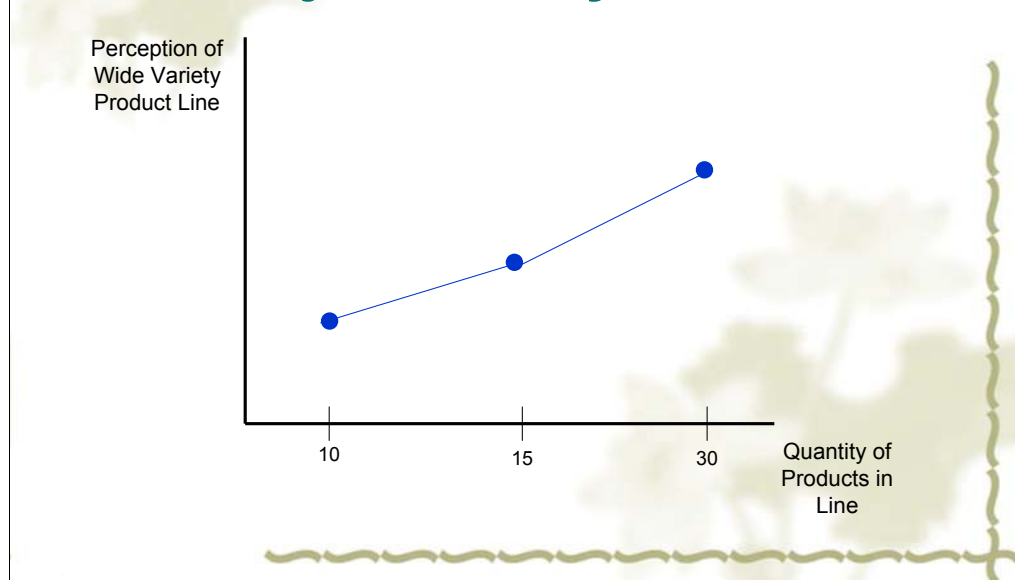
❖ Perceptions

- 🔗 Skin care consumers currently perceive Lancôme as having a wide variety of products, but we want consumers to view our company as having an even wider product line.
- 🔗 Lancôme does not need to change consumers' perception on its innovative technologies as consumers already perceive Lancôme as having high innovative technologies.

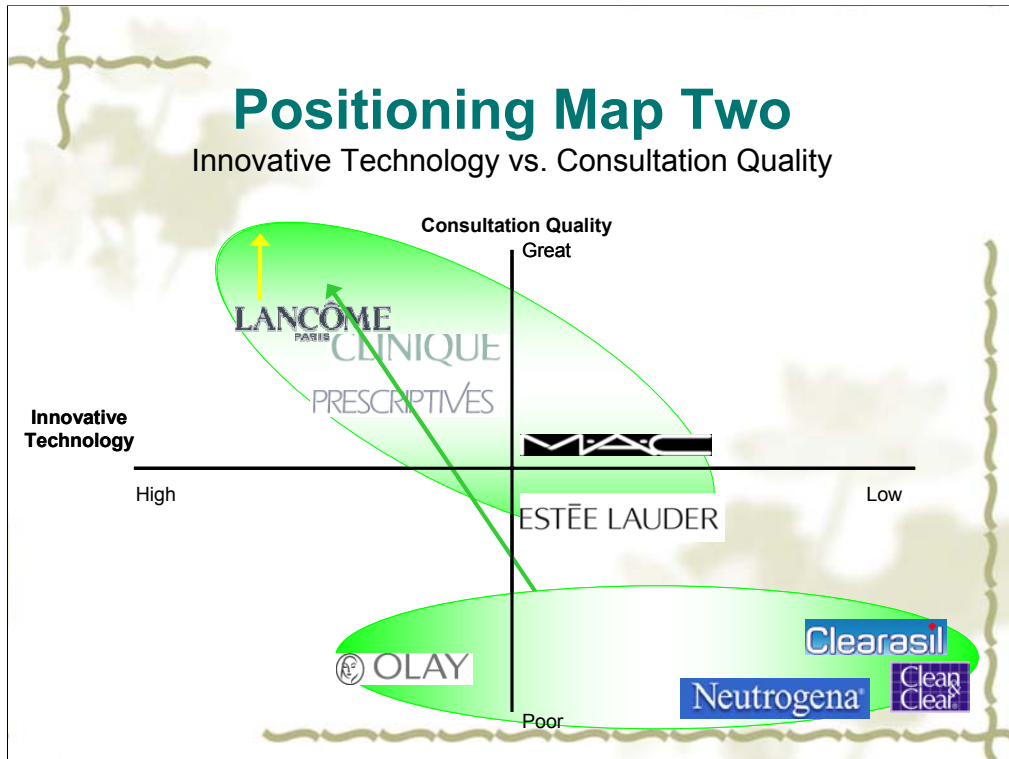
The first positioning map provides us with an understanding of where preferences lie in the skin care market, based on the comparison of variety of product line and innovative technology. According to the map there are two distinct preference circles.

Although Lancôme currently sits in a successful position, we feel they can create a stronger position by altering consumer preferences and perceptions. Through variety of product line and innovative technologies, we hope consumers will prefer higher quality skin care products and thus move to the upper left hand quadrant in the positioning map. Changing consumer perceptions by extending the evaluative dimension of product line variety, we hope consumers will perceive Lancôme as the better skin care brand.

Conjoint Analysis One



We performed a conjoint analysis to illustrate our plan to increase consumers' perceptions that Lancôme has a wide variety of products. This positive relationship represents that the more products a company offers, the more consumers will view the company as having a wider variety product line within the skin care market.



The second positioning map compares the evaluative dimensions of innovative technology and consultation quality. With these two dimensions, we found that there is a general preference for cheaper drug store brands, and a general preference for pricier department store sold brands.

We feel that more consumers prefer the brands found in the lower right hand quadrant; therefore, we believe it is important to change consumers' preferences to above Lancôme's current position, represented by the green arrow. Although Lancôme is perceived as having great consultation quality and high innovative technology, they are however in a position similar to Clinique and Prescriptives. For Lancôme to differentiate itself from this competition, we feel they should change consumer perceptions so that Lancôme is seen as having an even greater consultation quality, represented by the yellow arrow.

These changes will help Lancôme gain more customers by convincing them that there will be higher skin care product satisfaction in experiencing greater consultation quality.

Positioning Map Two Logic

❖ Preferences

- 🔗 Skin care consumers currently prefer lower consultation quality and lower innovative technologies.
- 🔗 We want consumers to prefer higher quality consultation quality and higher innovative technologies.

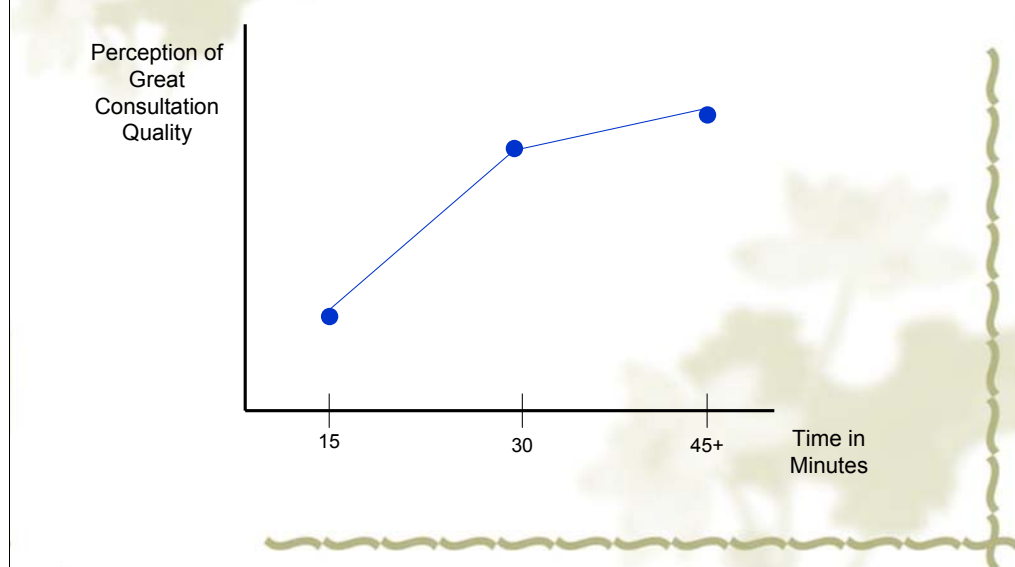
❖ Perceptions

- 🔗 Skin care consumers currently perceive Lancôme as having above average consultation quality, but we want consumers to view Lancôme as having outstanding quality.
- 🔗 Lancôme does not need to change consumer perceptions for innovative technology because consumers already perceive Lancôme's technologies as highly innovative.

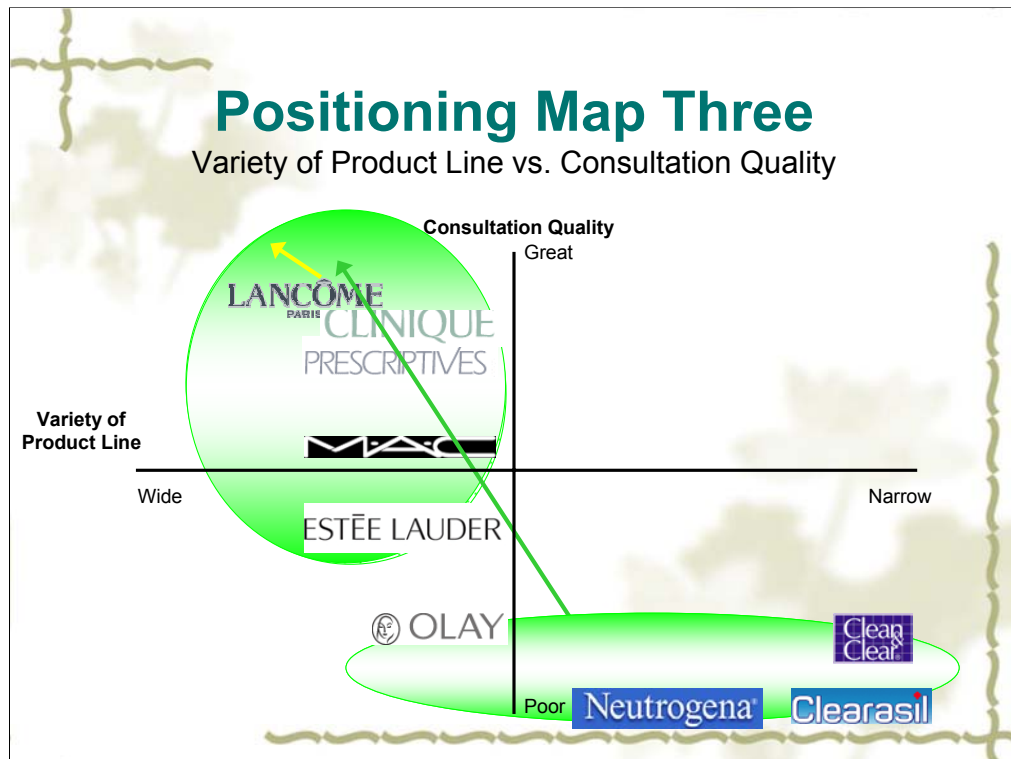
The second positioning map provides us with a better understanding of where preferences lie in the skin care market, in terms of innovative technology and consultation quality. According to the positioning map there are two distinct preference circles.

Even though Lancôme currently is successfully positioned within the skin care market, we feel they can create an even stronger position by changing consumer preferences and perceptions. Through innovative technologies and consultation quality, we would like consumers to prefer brands that have high levels of innovative technology and great consultation quality by moving to the upper left hand quadrant in the positioning map. Changing consumer perceptions by extending the evaluative dimension of consultation quality, we hope consumers will perceive Lancôme as the better skin care brand.

Conjoint Analysis Two



We performed a second conjoint analysis to illustrate our plan to increase consumers' perceptions that Lancôme has great consultation quality. This graph shows that the more time spent with a professional consultant, the more consumers perceive Lancôme as having great consultation quality. Even though there is a positive relationship, consumers' perception of consultation quality will begin to plateau as time spent continues to increase.



The third positioning map compares the evaluative dimensions of variety of product line and consultation quality. With these two dimensions, we found that there is once again a general preference for cheaper drug store brands and a general preference for pricier department store sold brands.

We feel that more consumers prefer the brands found in the lower right hand quadrant; therefore, we believe it is important to change consumers' preferences to above Lancôme's current position, represented by the green arrow. Although Lancôme is perceived as having great consultation quality and a wide variety product line, they are once again in a similar position to Clinique and Prescriptives. We feel the best position to differentiate Lancôme from this competition is to move farther out on the evaluative dimension of both product line variety and consultation quality, represented by the yellow arrow.

These actions will help Lancôme gain more customers by convincing them that there will be higher skin care product satisfaction in experiencing greater consultation quality and having the options found within Lancôme's wider variety product line.

Positioning Map Three Logic

❖ Preferences

- 🔗 Skin care consumers currently prefer a more narrow variety of products and lower consultation quality.
- 🔗 We want consumers to prefer a much wider variety of products and greater consultation quality.

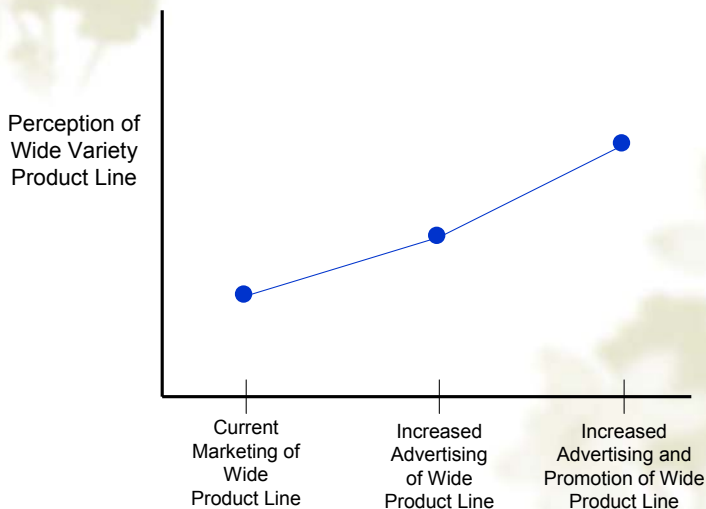
❖ Perceptions

- 🔗 Skin care consumers currently perceive Lancôme as having a wide variety of products, but we want consumers to perceive our company as offering an even wider variety of products.
- 🔗 Skin care consumers currently perceive Lancôme as having above average consultation quality, but we want consumers to view Lancôme as having outstanding quality.

The third positioning map provides us with a greater understanding of where preferences lie in the skin care market, considering variety of product line and consultation quality. This positioning map shows two distinct preference circles.

Lancôme is presently in a successful position within the skin care market; however, we feel they can establish an even stronger position by changing consumer preferences and perceptions. Through variety of product line and consultation quality, we hope consumers will prefer higher quality skin care products with respect to both these evaluative dimensions and thus move to the upper left hand quadrant in the positioning map. Changing consumer perceptions by extending the evaluative dimensions of both product line variety and consultation quality, we hope consumers will perceive Lancôme as a better skin care brand. This change in perception will help to differentiate Lancôme from Clinique and Prescriptives.

Conjoint Analysis Three



We performed two conjoint analyses for this particular positioning map in order to graphically illustrate that both a wide variety of product line and great consultation quality have the greatest effect on consumer perceptions. This particular analysis shows that by increasing advertising and promotion while focusing solely on the benefit of Lancôme's wide variety product line, consumers will then perceive that Lancôme does in fact offer a wide variety of product line within the skin care market.

Preference Analysis

Preference of Individual for Lancôme =

Σ (Importance of attribute)*(Individual Perception of Lancôme & Lancôme Hip)

Current Preference

= (Weight of Consultation Quality) 4 * 7 (Perception of Consultation Quality)
+ (Weight of Variety Product Line) 4 * 7 (Perception of Variety Product Line)
+ (Weight of Innovative Tech) 3 * 7 (Perception of Innovative Tech)
= 77

Future Preference

= (Weight of Consultation Quality) 6 * 9 (Perception of Consultation Quality)
+ (Weight of Variety Product Line) 7 * 9 (Perception of Variety Product Line)
+ (Weight of Innovative Tech) 4 * 7 (Perception of Innovative Tech)
= 153

Based on our positioning maps, we recommend that Lancôme increase consumers' future perceptions of its consultation quality and variety of product line. In order to represent such a rise in preferences for Lancôme products, we increased the weights on both of these evaluative dimensions. In changing these weights, we performed two conjoint analyses that could change consumers' perceptions from medium-high (7) to high (9), through an increase in advertising and promoting Lancôme's wide variety product line and greater consultation quality service time.

We do not plan to change the perception of Lancôme's innovative technology (remain at 7) since consumers already perceive Lancôme as having innovative technologies; yet we plan to slightly increase the weight from 3 to 4 as we feel it will enhance future preferences for Lancôme as a whole.

We recommend that Lancôme take actions to enhance consumers' importance level of wide variety product line and great consultation quality that will result in increasing consumers' preferences for Lancôme by approximately 75%.

Core Benefit Proposition

Lancôme carries a **wide variety** of products through **innovative technologies** that are sold with the personal assistance of a **professional consultant**.

After analyzing our three positioning maps, we are able to create Lancôme's core benefit proposition. This statement includes Lancôme's position on all three evaluative dimensions: wide variety of products, innovative technologies, and consultation quality. Our core benefit proposition summarizes Lancôme's consumer focus in terms of skin care needs: Lancôme carries a wide variety of products through innovative technologies that are sold with the personal assistance of a professional consultant.

3 P's

❖ Price

- 🔗 **Skimming:** Charge more for better products and higher quality services.

❖ Placement

- 🔗 **Selective Distribution Strategy:** Lancôme owned boutiques and large department stores worldwide, but not drugstores or grocery stores.

❖ Promotion

🔗 Pull Strategy:

- ❖ Magazine ads and television commercials
- ❖ Promotions and direct mail

🔗 Push Strategy:

- ❖ Lancôme consultants personally selling
- ❖ Department in-store displays

Lancôme's product strategy is simply based on its core benefit proposition. From this, we derived the marketing mix variables of price, placement and promotion, which will benefit Lancôme's strategic positioning. We suggest Lancôme use price skimming as Lancôme offers a wide variety of products that cater to women of all skin types and provide professional consultants through higher quality services. This allows Lancôme to price its product slightly above its competitors as consumers will receive better products and services.

We also recommend Lancôme use a selective distribution strategy to successfully place its products. Through selling in Lancôme-owned boutiques and distributing in large department stores, Lancôme can utilize their consultants to sell and provide high service to customers. Selling in grocery and drug stores would only hurt Lancôme's image as these store types would not allow Lancôme to sell products through consultants.

Lancôme should use a pull/push promotion strategy to increase demand that incorporates Lancôme's core benefit proposition. Magazine ads, TV commercials, promotions, and direct mail are a means to gain consumer awareness. Through personal consultations, Lancôme consultants can utilize its benefit of high quality services and increase consumers' knowledge of the Lancôme brand. In-store displays throughout department stores help promote wide variety product line, great consultation quality, and innovative technologies.

Message of Pull Promotion

- ❖ To introduce a more youthful product line to new and returning Lancôme consumers.
- ❖ To inform consumers that Lancôme provides a variety of innovative skincare products, which are sold by professional consultants specially trained to meet all types of skin needs.

Lancôme's message for pull promotion should convey the core benefit proposition to consumers. The message should also communicate to the consumer that Lancôme provides a wide variety of skin care products through both Lancôme and Lancôme Hyp. Lancôme's products are all formulated with the latest innovative technologies and are sold by professional consultants trained to provide consumers with high quality service. Lancôme should use different promotions, direct mail campaigns, beauty magazines, along with other media advertising to convey this message and to stress the importance of Lancôme's benefits in meeting all skin care needs.

Business Model

- ❖ Lancôme will always produce new, trendy innovative skincare products at high margins.

- ☞ By staying on top of skin care trends, Lancôme will be able to:
 - ❖ ↑ demand
 - ❖ ↑ sales
 - ❖ ↑ profits

Lancôme's business model is based on the price and placement marketing variables combined with profit margins. Lancôme's skimming price strategy and selective distribution strategy allows them to always produce new, trendy innovative skin care products at high margins. This business model will potentially increase Lancôme's profits by meeting consumers' unmet needs and wants, thus increasing high-margin sales.

Recommended MAGIC Strategy

❖ Actions that Probably will not be Matched

- 🔗 Lancôme Boutiques
- 🔗 Personal Consultation Opportunities

❖ Actions that Cannot be Matched

- 🔗 Lancôme continually advertises upcoming product lines and its enhanced technologies.
- 🔗 Trademark Lancôme Hyp

In order for Lancôme to protect their marketing plan from competitors, they should utilize a marketing strategy that probably will not be matched and one that cannot be matched. The opening of Lancôme-owned boutiques can be considered an action that probably will not be matched under the subcategory that of developing a promotion for its products that is inconsistent with competitors promotion tactics. Currently no competing skin care brands sell products and high quality services in this independent and focused fashion. Lancôme offers consumers one-on-one consultation opportunities that consist of skin type and coloring tests, a final full-face makeover, and a gift bag of free samples. These consultation opportunities differentiate Lancôme from other skin care consultants as Lancôme's professionals must be beauty school trained.

Lancôme's Web site to offer specific pages solely to inform consumers about upcoming product lines, seasonal trends and enhanced technologies. No other skin care brand currently utilizes the Internet to inform consumers of such future products; therefore making this an action that cannot be matched. Finally, another action that cannot be matched is to trademark the brand name Lancôme Hyp, with all of its connotations.

Recommended MAGIC Strategy

❖ Actions that Probably will not be Matched

- 🌀 Lancôme should push consumer opportunity for more one-on-one skincare assistance at their Boutique locations.
 - ❖ Advertising will help create a consumer desire for more personal skincare consultations.

After analyzing Lancôme's current MAGIC strategies, we recommend they also implement an action that probably will not be matched by competitors. Lancôme-owned boutiques pamper customers in a quieter, more personal atmosphere. This new MAGIC strategy with additional advertising, differentiates Lancôme from other skin care brands by making people believe that the more personal time and help with a professional consultant, the more satisfied they will be with the overall Lancôme experience.

Conclusion

Lancôme Should:

- ↳ Change to a differentiated market coverage strategy.
- ↳ Create a product extension: Lancôme Hyp
- ↳ Increase consumer preference and perception that Lancôme has a wide variety of products and great quality consultations.
- ↳ Increase consumer preference for higher innovative technologies.
- ↳ Promote the value in one-on-one professional assistance at Lancôme boutiques.

After utilizing the Problem Solving Format, we conclude that Lancôme should switch from an undifferentiated market coverage strategy to a differentiated strategy through selective distribution. This new strategy includes Lancôme extending its current product line to a younger market through Lancôme Hyp. Lancôme should attempt to increase consumer preferences and perceptions that Lancôme offers a wide variety of product line and great consultation quality. Lancôme is already perceived as having high innovative technologies; therefore Lancôme should focus on increasing consumer preferences for higher innovative technologies. These changes to Lancôme's strategy are brought together as they will increase advertising and promotions on the value of personal, professional services at their new boutiques and on all aspects of their core benefit proposition.