

IMPROVEMENT OF L'ORÉAL S.A.'S SKINCARE PRODUCTS' MARKET SHARE IN THE JAPANESE MARKET

A Thesis

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Summary

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L'Oréal, a globally recognized beauty industry leader, offers a diverse portfolio of skincare, cosmetics, and hair care products to customers worldwide. Despite its popularity, L'Oréal faces unique challenges in nuanced markets like Japan. This nation is distinguished by its delicate consumer needs, rich history, and focus on the skincare category when it comes to cosmetics. Surprisingly, L'Oréal's skincare market presence in Japan is not as strong as expected. This is noteworthy, given that skincare, an important component of L'Oréal's product segment holds significant importance in the Japanese market. Japan's influential role in the beauty sector and skincare segment plays a pivotal market for L'Oréal, as success here could considerably improve the brand's global reputation, especially in similarly sensitive markets.

This thesis aims to explore two main questions: why L'Oréal is not the skincare market leader in Japan, and what strategies could help to improve this status? To address these questions, the study analyses the Japanese skincare market, including interviews with eight employees who work at L'Oréal Japan.

However, the research revealed that the company struggles to align with the Japanese market's specific needs, despite its extensive brand portfolio. To react to this, it is proposed that L'Oréal introduce a new product line specific to Japanese preferences. This line would include serums and cosmetic waters, aligning with skincare needs in Japan. Lastly, the launch of these products is aimed at not only increasing L'Oréal's skincare products market share but also encouraging the company's understanding of complex markets such as Japan.

Keywords: L'Oréal S.A, improvement, skincare products, market share, product development.

Number of words: 16,600.

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Introduction

Relevance of the topic

The Japanese market is a key player in the global cosmetics and beauty industry, known for its dynamic and competitive nature. In 2023, Japan's domestic beauty market is projected to generate substantial revenues, reaching US\$45.96 billion (Statista, n.d.). This growth is driven by the skincare segment, which is expected to contribute US\$21.76 billion (Statista, n.d.). Therefore, Japan is largely characterized by skincare product preferences, presenting a complex yet promising landscape for international businesses. Among these, L'Oréal stands out. Despite being the largest cosmetics company globally, L'Oréal faces distinct challenges in Japan (Mallory, 2023). Its worldwide dominance does not automatically translate to success in this unique market, missing the importance of understanding the specific factors that influence market dynamics here. The Japanese beauty market's significance lies not only in its size but also in its ability to shape global beauty trends (Team, 2019). Therefore, succeeding in Japan could be crucial for a brand's performance across other Asian markets and might lead to even larger global revenues.

Research problem

What strategies can L'Oréal implement to effectively improve its market share for skincare products in the highly competitive Japanese market?

Aim of the study

This study aims to identify effective strategies for improving L'Oréal's skincare products market share in the competitive Japanese market.

Objectives of the thesis

1. To conduct a situational analysis of Japan focusing on L'Oréal and its skincare products using PESTEL and SWOT analysis.
2. To undertake a literature review of existing strategies aimed at enhancing market share.

3. To conduct empirical research to better understand L'Oréal's perception of the Japanese market. This includes gaining thoughts on current trends and other important information from employees.

4. To offer managerial recommendations and insights derived from the study and select the most appropriate strategy for market share improvement.

Research methods

This study employs a qualitative research methodology as the most suitable approach for addressing the research problem. This involves not only the collection of primary data but also its in-depth analysis, ensuring that the entire research process aligns with the study's objectives. A total of eight interviews were conducted with professionals currently employed at L'Oréal in Japan, primarily focusing on those involved in the skincare product sector. To enhance the analysis, secondary data, and relevant literature are used to construct a full understanding of the Japanese skincare market and L'Oréal's positioning within it.

The practical value of the thesis

This thesis focuses on developing methods for L'Oréal to improve its presence in Japan's skincare market. It delves into the specifics of the Japanese market, aiming to provide L'Oréal with targeted, practical solutions to local challenges and secure a better position in the skincare segment.

However, the scope of this study extends beyond corporate benefits. It serves as an exploration that could inform future research on market dynamics. By demonstrating how global companies could succeed in Japan. This, in turn, might influence recommendations and the development of international market strategies.

Logical Sequence of the Thesis

The thesis is structured to provide a deep analysis of L'Oréal's position in the Japanese skincare market. It begins with an Introduction that sets the context of the topic's importance as well as raises objectives. Then, it is followed by a Situation Analysis, which includes an in-depth look at L'Oréal, PESTEL, and SWOT methodologies to assess the Japanese market environment, helping in understanding the research problem. Following this, the Literature Review is used to view academic papers to establish the study's theoretical framework. Then, in the Qualitative Research Findings section, data gathered from interviews are presented and interpreted. Based on these findings, the Managerial Recommendations section offers a practical solution for L'Oréal. Finally, the Conclusion summarizes the key discoveries and overall implications of the research, providing an understanding of L'Oréal's challenges and opportunities in Japan.

1 Analysis of the situation

1.1 Internal Analysis

1.1.1 L'Oréal general overview

L'Oréal was founded in 1909, and it has since become the largest cosmetics corporation in the world (L'Oréal, n.d). Originally concentrating on hair color products, L'Oréal has diversified to tap into the extensive potential of the beauty market, offering hair care, skincare, makeup, and perfumes (The Brand Hopper, 2023). With its headquarters in Clichy, France, L'Oréal has expanded its reach to 150 countries, identifying Europe, North Asia, and North America as its three main operating regions (L'Oréal, 2020d). Its portfolio spans a broad range, including natural beauty brands such as Garnier to luxury names like Yves Saint Laurent and Giorgio Armani (L'Oréal, 2020d). As of today, L'Oréal group is the most valuable cosmetics brand globally (Mallory, 2023).

1.1.1.1 Divisions

L'Oréal's products are designed to cater to different needs of the beauty and cosmetics industry and are segmented into departments. Firstly, the Professional Products division is dedicated to developing items specifically for hair salons, reflecting a focus on the professional beauty sector, and includes such brands as Kérastase or Redken (L'Oréal, 2020d). In contrast, the Consumer Products department addresses a broader consumer base, offering a wide range of beauty and personal care products that are both affordable and widely available in mass-market retail with brands like L'Oréal Paris and Maybelline (L'Oréal, 2020d). Then, the L'Oréal Luxe division, caters to the luxury segment, distributing premium skincare and beauty products through selective channels such as department stores and travel retail outlets, with brands like Lancôme and Prada (L'Oréal, 2020d). Lastly, the Active Cosmetics division focuses on dermo-cosmetic skincare products, which are distributed in pharmacies and specialized drugstore areas with brands such as Cerave, and Vichy (L'Oréal, 2020d).

1.1.1.2 L'Oréal Group's Portfolio

Figure 1

Brands of L'Oréal



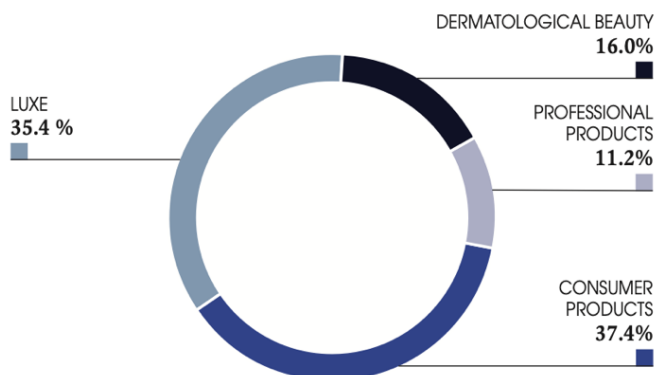
Note: see figure (Hieronimus, 2022, p. 42)

In the table presented by L'Oréal's CEO, Nicolas Hieronimus, an overview of all L'Oréal brands as of 2022 is depicted. This table offers an insightful look into the company's diverse brand portfolio, highlighting the range of L'Oréal's product offerings.

1.1.1.3 L'Oréal Group's turnover and sales distribution

Figure 2

L'Oréal Group 's Turnover by Division, 2023, June

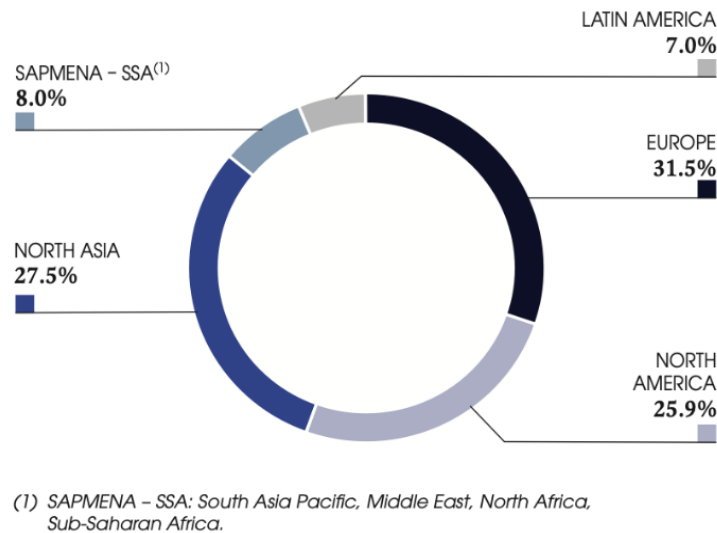


Note: see figure (L'Oréal, 2023b, p. 5)

The key source of the group's revenue is derived from its Consumer Products division, which constitutes a significant proportion of 37.4% of the overall turnover and this division serves as the main driver behind the company's financial achievements. The LUXE goods segment, which holds the position of the second-largest revenue producer, makes a substantial contribution of 35.4% to the overall turnover. These two operational sectors of L'Oréal's financial performance and market position within the cosmetics and beauty industry hold great importance.

Figure 3

L'Oréal Group 's sales distribution across geographic zones, 2023, June

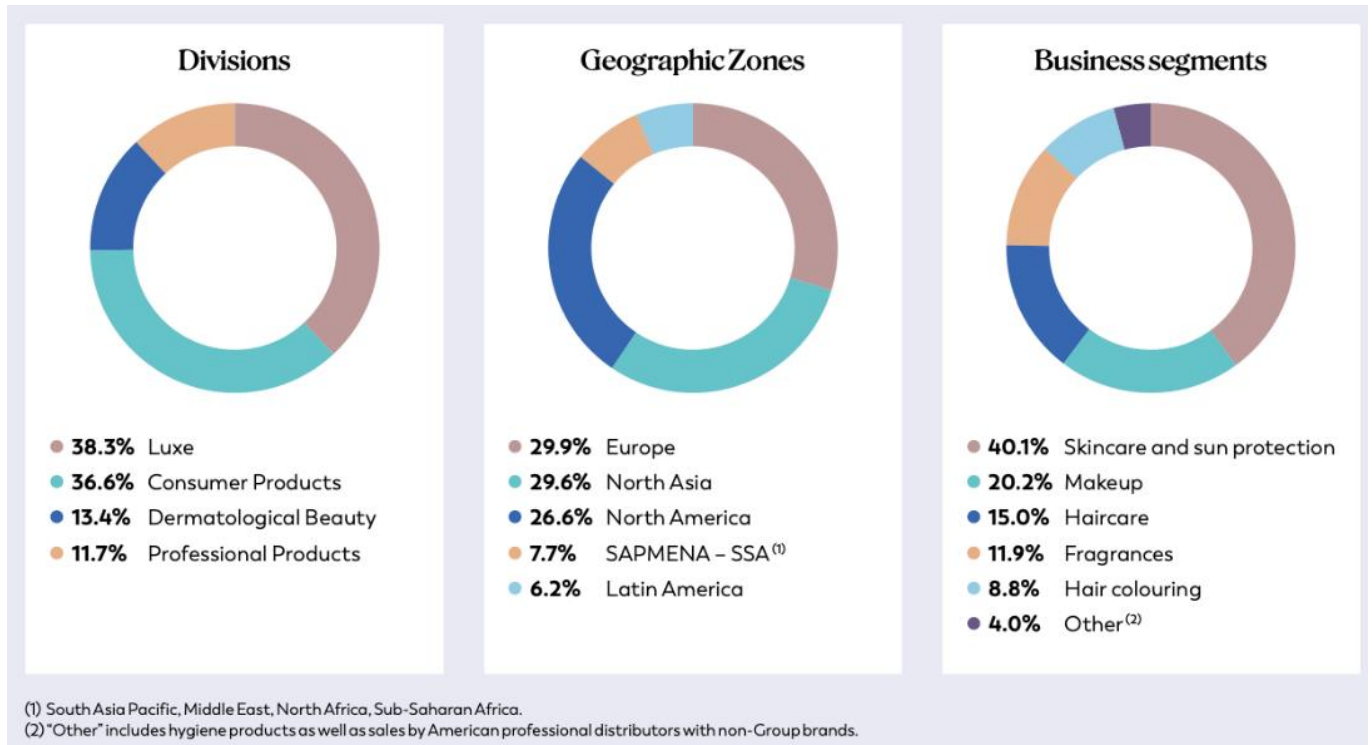


Note: see figure (L'Oréal, 2023b, p. 6)

As depicted in the figure of sales distribution across several geographic zones, it is evident that Europe stands out as the primary contributor, representing the largest proportion at 31.5%. Nevertheless, the North Asia region demonstrates a big impact as well, as it contributes 27.5% of the total revenue. The North American region stands as the third largest contributor to the company's sales, representing a noteworthy 25.9%. The regions of Europe, North Asia, and North America create a considerable impact on the company's sales and market influence.

Figure 4

Breakdown of 2022 L'Oréal sales (as of %)



Note: see figure (L'Oréal, 2023a, p. 10)

As previously mentioned, the Luxe division stands as the most profitable sector for the company, particularly in Europe and North Asia. Crucially, skincare products featuring sun protection emerge as the priority business segment, contributing to 40.1% of the group's sales. Dominating L'Oréal's sales portfolio, this segment is the biggest focus, showing the strategic importance of increasing market shares in skincare products, especially in key regions.

1.2 External Analysis

This section focuses on examining the current external market conditions in Japan, specifically on L'Oréal's skincare product line. It consists of a comprehensive PESTEL analysis, competitor review, SWOT, and consumer analysis. The section aims to have a more profound understanding of the market dynamics and competitive landscape in Japan, thereby laying the foundation for strategies aimed at improving market share for L'Oréal's skincare products in this region.

1.2.1 Macro Analysis of L'Oréal in the Japanese Market

1.2.1.1 L'Oréal overview in the Japanese market.

For nearly three decades, a Research & Innovation Centre has been actively crafting products in Japan, aiming to align with the preferences of local consumers while also addressing the broader Asian and global markets (L'Oréal, 2021). Demonstrating considerable success in the Asian market, L'Oréal exhibited double-digit growth in 2022 (Hieronimus, 2022). This expansion can be attributed to several factors that underscore the company's strategy and strengths. A key driver is the company's distinctive brand assortment, which resonates uniquely in the market. Simultaneously, their advanced digital capabilities keep them at the leading edge, adapting to changing consumer preferences and market trends. Crucially, the strategic positioning and deployment of their premium brand portfolio, especially by the Professional Products and Dermatological Beauty Division, plays an important role (Hieronimus, 2022). However, as will be discussed later, L'Oréal strengths are not fully seen in the Japanese market.

1.2.1.2 Japanese cosmetic industry

Japan has the world's second-biggest cosmetics market, the number one skincare market, and the number one aging society (Betros, 2011). In 2021, Japan's skincare market showcased its strength with a valuation of \$17.1 billion, and it's on a trajectory to expand further, expecting a growth rate of over 1% annually (GlobalData, 2021). This vibrant market is led by skincare products, both in terms of sales volume and value. Interestingly, e-retailers have taken the lead in distributing these skincare products, reflecting a shift in consumer purchasing habits. Dominating this dynamic landscape are industry giants such as Shiseido Company Limited, Kao Corporation, and KOSE Corporation (GlobalData, 2021). In terms of packaging, the Japanese prefer glass, indicating an emphasis on sustainability (GlobalData, 2021). The Japanese market, with its distinctive practices and regimens, places a premium on skincare, a sector that resonates with the nation's health-conscious and eco-friendly trends, further influenced by Japan's leading-edge technological innovations in skincare efficacy (Darling-Wolf, 2004; Broda & Weinstein, 2004; Rojas et al., 2021).

Despite the growing skincare market in Japan, L'Oréal has not yet emerged to the top tier of this segment (GlobalData, 2021). This may be due to the intense competition from local

brands, potential missteps in market entry, or a disconnect with Japan's unique consumer preferences. However, skincare stands as L'Oréal's most lucrative category, representing 40% of its global sales (L'Oréal, 2023a, p. 10). This emphasis on skincare perfectly matches the preferences of the Japanese market and presents an opportunity for L'Oréal to improve its skincare strategy and boost its presence in Japan.

1.2.2 PESTEL analysis

This part of the research aids in explaining Japan's market dynamics and business landscape fundamentals. PESTEL factors, that affect corporate operations and strategy in Japan have been examined in this analysis.

1.2.2.1 Political

In the complex reality of the Japanese cosmetics market, L'Oréal encounters a series of political determinants that serve to shape its overarching business strategy. One of the most important among these is the EU-Japan Economic Partnership Agreement. This bilateral trade pact has facilitated an environment conducive to European brands by significantly reducing tariffs imposed on European cosmetics (EU-Japan, 2023). Such a strategic shift in trade policies directly amplifies L'Oréal's price competitiveness in the Japanese market, making its products potentially more accessible and appealing to consumers in the region (EU-Japan, 2023). Beyond trade, regulatory compliance stands out as another critical area of concern. Specifically, Japan's cosmetic regulations, as set forth by the Ministry of Health, Labor, and Welfare, are well known for their strictness. These guidelines emphasize the safety and quality of cosmetic products, ensuring the well-being of consumers. Thus, for a global brand like L'Oréal, adherence to these standards is not just about market access but also about building trust with the local consumer base (Freyr Solutions, 2023). Diving deeper into the realm of product safety and ethical considerations, animal testing emerges as a continuous issue. The Japan Cosmetic Industry Association has defined explicit guidelines on this front, potentially requiring certain animal tests. L'Oréal is probably in a position to adjust its testing procedures to comply with legal requirements and preserve its reputation as a leading worldwide brand, given the ethical and PR consequences of such testing (Clarkson-Bennett, 2022).

1.2.2.2 Economical

L'Oréal also navigates several important determinants that shape its commercial trajectory in Japan. Foremost, Japan's robust economy, characterized by a high per capita income, shows a consumer landscape powered by significant purchasing power. The Gross Domestic Product (GDP) of Japan in 2022, amounting to 4,231,141 million US dollars, represents the total value of all goods and services produced in the country during that year (World Bank, 2022). Japan's strong economy, shown by its high position in the World Bank's Gross Domestic Product rankings, creates a good setting for expensive cosmetics. This makes Japan a very appealing market for global brands like L'Oréal. Furthermore, the fluctuating exchange rate between the Japanese yen and the euro has a considerable impact on L'Oréal's financial performance in terms of import costs and, eventually, pricing strategies (Bank of Japan, 2023). Lastly, Japan's economy is growing more slowly than many emerging markets, as shown in the OECD Economic Surveys. This mature economic landscape means L'Oréal needs to focus more on showing how its brand is different and valuable, rather than just trying to expand quickly (OECD, 2021).

1.2.2.3 Social

Japanese society combines old and new cultural norms, influencing consumer behavior and market dynamics. Despite progress in women's education and labor force participation, Japan still struggles to address gender disparities (Raymo, 2022). The nation has one of the highest gender pay gaps in the OECD between men and women (Raymo, 2022). This shows that there are still gender inequalities and strong traditional gender roles in society, which means that women's empowerment and individuality have not been fully reached yet. The discrepancy in income may cause women to spend less on non-essentials like cosmetic items. As L'Oréal's main customers, women, seek cheaper options, sales may drop.

1.2.2.4 Technological

Technological variables in Japan's growth can influence L'Oréal's market strategy. According to the Japan External Trade Organisation (JETRO), the country's rapid shift to e-commerce and online shopping underlines L'Oréal's need to strengthen its digital footprint

(Bhatt, 2023). Furthermore, the Journal of Cosmetic Dermatology reports innovations, that L'Oréal could adapt or form strategic collaborations. In Japan, cutting-edge skincare technologies like virtual try-on platforms are gaining popularity (Carroll, 2023). These digital products can transform the cosmetic buying experience, allowing firms like L'Oréal to increase consumer involvement through virtual skincare product trials (McKinsey & Company, 2022).

1.2.2.5 Environmental

The environmentally concerned Japanese market presents L'Oréal with environmental opportunities for strategic integration. Consumer sentiment towards sustainability is most noticeable. According to the Japan Times, Japanese consumers are increasingly preferring eco-friendly products, allowing L'Oréal to highlight its sustainable production and packaging (McElhinney, 2022). Alongside consumer choices, regulatory environments matter. Japan's Ministry of Environment's 'Trash Management and Public Cleansing Law' requires firms like L'Oréal to follow strict trash disposal and recycling guidelines (Luk, 2021). Finally, climate change's many effects cannot be ignored. The Japan Meteorological Agency's climate change studies suggest that environmental concerns will impact consumer preferences and company requirements (Brimblecombe et al., 2020).

1.2.2.6 Legal

Japan's complex legal structure requires L'Oréal to navigate many laws and regulations that limit its operations. The Ministry of Health, Labour, and Welfare's 'Cosmetic Products Control Law' governs Japan's cosmetics industry. This requires extensive testing and quality verification of cosmetic items before they are sold (Team, n.d.-b). Also, intellectual property is a priority beyond product restrictions. The Personal Information Protection Commission's 'Act on the Protection of Personal Information' requires L'Oréal to follow strict data privacy requirements, notably in its digital marketing and e-commerce efforts (Shimamura et al., 2023).

1.2.3 SWOT analysis

The table below offers a detailed overview of the primary SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis factors for L'Oréal in Japan.

Table 1

SWOT

| STRENGTHS | WEAKNESSES |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Global Brand Recognition. L'Oréal's strong global presence is likely to be influential in Japan.</p> <p>Diverse Product Portfolio. L'Oréal offers a range of products catering to various consumer needs, from luxury to affordable, which can appeal to a broad Japanese consumer base.</p> <p>Innovation and R&D. The company's commitment to research and development positions it to meet the sophisticated demands of Japanese consumers, who value innovation, especially in skincare and technology.</p> | <p>Operational Complexity. Managing a large operation across different regions can be challenging, and Japan's unique business environment may add to this complexity.</p> <p>Competition. The Japanese market is home to well-established local players like Shiseido, which can offer stiff competition to L'Oréal (Craft, n.d.)</p> <p>Cultural Nuances. Adapting to local beauty standards and consumer preferences, which may differ significantly from Western norms, can be a challenge for any international brand.</p> |
| OPPORTUNITIES | THREATS |
| <p>Investment in Local Brands. L'Oréal's investment in “Sparty” indicates a strategic move to tap into the Japanese market's preference for personalized beauty and direct-to-consumer (DTC) models (Bargh, 2022).</p> <p>Aging Population. Like many developed countries, Japan has an aging population, which presents an opportunity for L'Oréal to expand its anti-aging product line (Statista, 2023).</p> <p>Technological Advancement. The Japanese market is tech-savvy, and L'Oréal can leverage technology to enhance the consumer shopping experience and product personalization.</p> | <p>Intense Local Competition. Domestic brands with a deep understanding of the local market (Shiseido, Kao) may have an advantage over L'Oréal.</p> <p>Economic Factors. Japan's economy has been stagnant for years, and economic factors could influence consumer spending on beauty products (Yokoyama, 2023).</p> <p>Shifting Consumer Preferences. Like anywhere, Japanese beauty standards are dynamic and can shift rapidly due to influences from K-beauty, J-beauty, and Western trends.</p> |

Note: developed by the author.

1.2.4 Purchasing behavior determinants of cosmetics in North Asia (Japan)

Comprehending the factors that influence buying patterns in North Asia is crucial, as they could offer significant insights that can help L'Oréal understand better the market and buying patterns and increase its presence in the skincare industry.

1.2.4.1 Economic Powerhouses

North Asia comprises economically robust nations, including China, Japan, and South Korea. These countries not only have large populations but also boast significant consumer purchasing power, making them good territories for the beauty industry (Tonby et al., 2019).

1.2.4.2 Innovative Epicenters

Countries like South Korea and Japan are renowned for their beauty innovations. From K-beauty trends that emphasize "glass skin" to Japanese meticulous skincare routines, these nations are often the birthplace of global beauty trends, naturally driving up their share in the global market (Houng, 2023).

1.2.4.3 Travel Retail Synergy

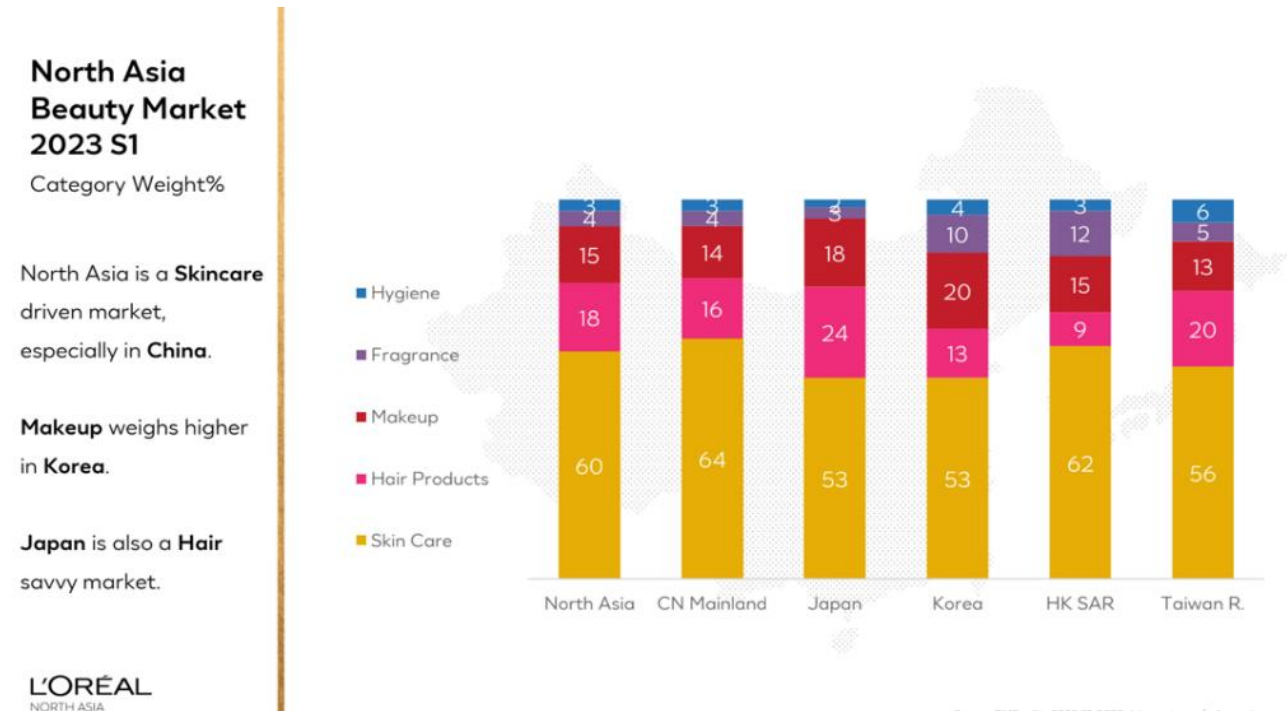
North Asia's beauty market percentage is further bolstered by the inclusion of travel retail contributions. Airports in cities like Seoul, Tokyo, and Beijing are hubs for beauty shopping, with duty-free stores offering a vast array of international and local beauty brands. The region's thriving travel retail sector amplifies beauty consumption, with travelers often making significant beauty purchases during their journeys (Bersola, 2023).

1.2.4.4 Cultural Significance of Beauty

In many North Asian cultures, beauty and skincare are not just about aesthetics but are deeply rooted in historical practices and modern-day self-care regimens. This cultural emphasis naturally propels higher consumption of beauty products (Barr, 2023).

Figure 5

North Asia Beauty Market 2023 S1



Note: internal company's analysis.

Delving deeper now into the Japanese beauty market, the leadership of skincare is hard to overlook. As of the first half of 2023, a substantial 53% of the market's weight is dedicated to skincare products. This figure, while impressive, is far from surprising when we consider the multiple dimensions that contribute to this trend, which are to be discussed below.

1.2.4.5 Historical Context

Japan's history is rich with skincare rituals. For centuries, Japanese women have been known for their radiant, youthful skin. Traditional practices, from using rice water to the incorporation of seaweed, have been passed down through generations. This historical continuity has created a market that is both aware and appreciative of skincare (Prajapati, 2023).

1.2.4.6 Holistic Approach to Beauty

In Japan, beauty isn't just skin deep. It's deeply intertwined with overall well-being. Skincare isn't viewed as a superficial regimen but as a holistic practice of self-care. This perspective naturally propels skincare to a position of prominence in the beauty market (Prajapati, 2023).

1.2.4.7 Climatic Factors

Japan's varied climate, from its humid summers to dry winters, necessitates a comprehensive skincare routine. The changing seasons bring about different skin challenges, making a robust skincare regimen not just a luxury but a necessity (Climate of Japan — Encyclopedia of Japan, n.d.).

1.2.4.8 Innovative Product Landscape

Japanese beauty companies have been at the forefront of skincare innovation. From lightweight essences to barrier-repairing creams, the market is full of products that cater to every conceivable skin concern. This innovative spirit ensures that consumers are continually engaged and invested in exploring skincare (Koshi, 2023).

1.2.4.9 Consumer Education & Awareness

Japanese consumers are exceptionally well-informed about ingredients, formulations, and skincare techniques. This awareness drives demand for quality products, pushing skincare to the forefront of the beauty market (Koshi, 2023).

1.2.4.10 Cultural Aesthetics

The Japanese aesthetic, valuing purity, simplicity, and harmony, aligns perfectly with the principles of skincare. A clear, luminous complexion is often seen as a reflection of inner balance and health, further fueling the nation's skincare obsession (Koshi, 2023).

1.2.4.11 Economic segmentation

As already discussed before, Japan is a wealthy nation. However, if you look closer, there are some income issues. The average Japanese household earns about \$28,872 a year, which is less than the average in other developed countries (around \$30,490) (Santander Trade, 2023). There is also a big income gap in Japan, where the top 20% of earners make over six times more than the bottom 20% (Santander Trade, 2023). This income divide is important for businesses to think about when they're deciding how to price their products and who their target customers are. Additionally, although it's been decreasing over the past 15 years, there's still a noticeable difference in earnings between men and women in Japan, which can affect how people spend their money (Santander Trade, 2023). Despite declining over the past 15 years, this disparity highlights gender economic inequalities that may affect purchasing power and preferences. Younger people, particularly those under 20, have lower incomes, suggesting they may struggle to afford premium products. Half of Japanese consumers say they have become more environmentally conscious in their buying habits compared to last year (Santander Trade, 2023). Despite this increased awareness, people may not spend more on eco-friendly products, suggesting a discrepancy between consumer ideals and actual buying patterns (Santander Trade, 2023).

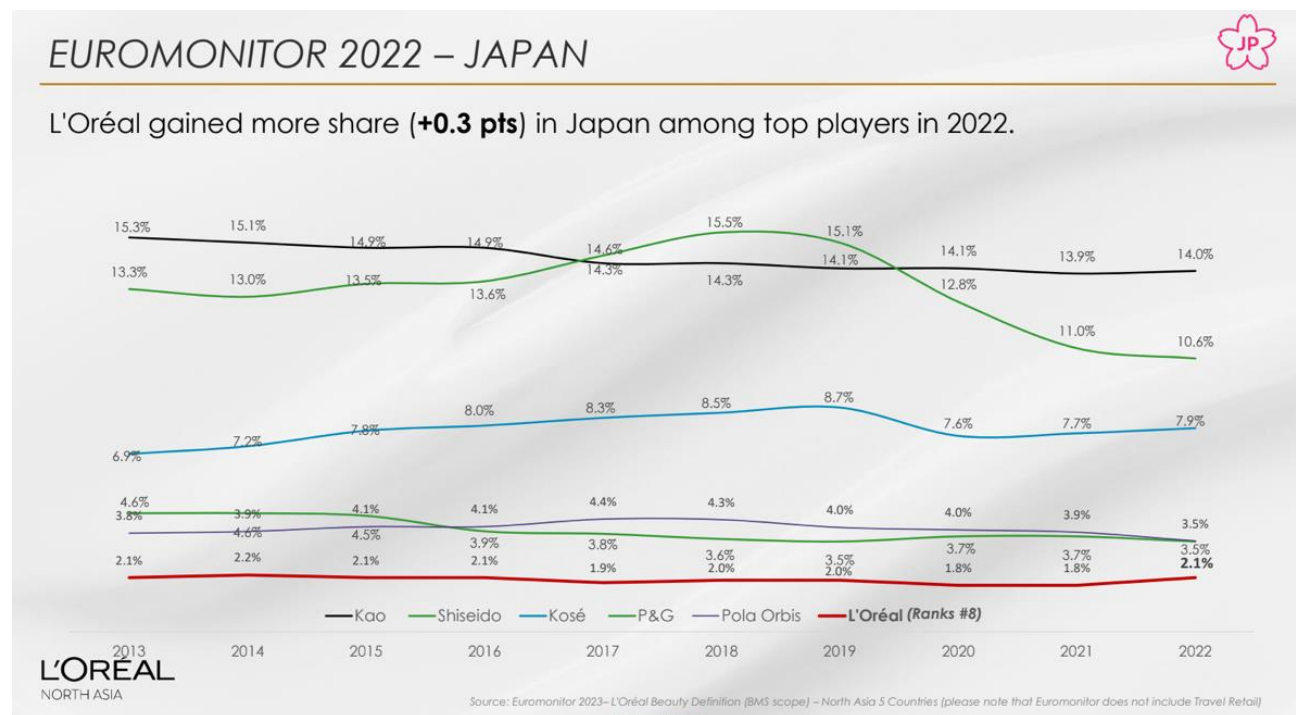
To conclude, Japan's complex economic and social structure, with large wealth gaps, varying salary levels, and changing consumer preferences, requires a planned and flexible strategy to increase L'Oréal's skincare market share.

1.3 Competition analysis

To enhance L'Oréal's market shares in the skincare industry, it is crucial to first gain a comprehensive understanding of the competitive environment that the company is currently facing.

Figure 6

Euromonitor - Japan skincare products competition



Note: internal company's analysis.

Euromonitor's 2022 skincare market report exposes the nature of the competitive environment in Japan. Kao has a 14% market share, followed by Shiseido at 10.6% and Kose at 7.6%. Notably, while these top competitors' market shares have changed lightly over the last nine years, they have constantly maintained their advantage. L'Oréal's market share, on the other hand, has stayed stable at 2.1% since 2013, ranking it eighth in the market. Brand's low market share, in contrast to its competitors, implies unrealized potential and challenges in Japan. The long-term success of companies like Kao and Shiseido highlights how important it is to build trust, adjust to the cultural environment, and pay attention to local consumer behavior.

1.3.1 Shiseido and Kao

L'Oréal meets strong competition from established brands like Shiseido and Kao in the highly saturated Japanese skincare market. Founded in 1872, Shiseido has firmly established itself in Japanese society by effectively combining its long history with modern technology to maintain its position as a leading player in the beauty industry (Shiseido, n.d.). Shiseido has a distinct advantage because of its long history since customers tend to identify it with authenticity, trustworthiness, and knowledge of traditional Japanese beauty standards. In contrast, Kao, though an extensive consumer goods corporation, has established an appealing specialty inside the skincare industry. Kao has been able to connect with Japanese consumers' demand for items that are rooted in nature and effective by emphasizing holistic beauty and employing natural components (Kao Corporation, n.d.). Recognizing the blend of tradition, innovation, and cultural resonance that brands like Shiseido and Kao bring to the table can guide L'Oréal in tailoring its strategies, ensuring they align with the nuanced preferences of the Japanese consumer.

1.3.2 Acquisitions

Figure 7

L'Oréal Acquisitions 2020 - 2022

| YEAR | CONSOLIDATED GROUP SALES IN BILLIONS OF EUROS | ACQUISITIONS |
|------|-----------------------------------------------|-----------------------------------|
| 2022 | 38.26 | Skinbetter Science |
| 2021 | 32.28 | Takami • Youth To The People |
| 2020 | 27.99 | Mugler • Azzaro • Prada • Thayers |

Note: see figure (L'Oréal, 2023a, p. 14)

In December 2020, L'Oréal broadened its skincare brands with the strategic acquisition of Takami, a brand founded by Dr. Hiroshi Takami. Originating from the esteemed dermatological and aesthetic clinics in Tokyo, Takami—established in 1999—has gained great success in Japan, where its serum, named the "Little Blue Bottle," is celebrated (L'Oréal, n.d.). The brand's success, underscored by sales of €50M in 2019, is attributed to its robust presence in Japan and

other Asian markets like China, as well as its omnichannel strategy, with a strong emphasis on e-commerce and selective distribution (L'Oréal, n.d.). Leveraging Takami's esteemed brand and expertise in skincare, L'Oréal aims to strengthen its portfolio as well as its presence in the competitive Japanese skincare landscape (L'Oréal, n.d.).

Figure 8

Japan's skincare competition's market share per division, 2023 Q2

| LUXE | | | | MASS | | | |
|----------------------|--------------------|---------|--------|----------------------|------------------|---------|--------|
| SKINCARE | | 2023 Q2 | | SKINCARE | | 2023 Q2 | |
| | | MS | Evol | | | MS | Evol |
| L'Oréal Group | | | | L'Oréal Group | | | |
| 6 | TAKAMI | 5.9% | 58.7% | 40 | LA ROCHE POSAY | 0.7% | 5.6% |
| 7 | LANCOME | 5.4% | 2.6% | | | | |
| 14 | KIEHL'S | 3.0% | 1.6% | | | | |
| 15 | SHU UEMURA | 2.8% | 15.6% | | | | |
| 19 | HELENA RUBINSTEIN | 1.3% | 13.8% | | | | |
| 20 | YVES SAINT LAURENT | 1.0% | -24.1% | | | | |
| 38 | GIORGIO ARMANI | 0.0% | 19.6% | | | | |
| TOP 20 | | | | TOP 20 | | | |
| 1 | CLE DE PEAU BEAUTE | 10.3% | 26.6% | 1 | ELIXIR | 4.8% | 10.9% |
| 2 | DECORTE | 9.7% | 58.5% | 2 | CUREL | 4.2% | 4.6% |
| 3 | SK-II | 8.9% | 31.7% | 3 | ELIXIR SUPERIEUR | 4.1% | 11.0% |
| 4 | SHISEIDO | 8.3% | 19.3% | 4 | BIORE | 3.9% | 7.6% |
| 5 | CHRISTIAN DIOR | 8.1% | 16.4% | 5 | HADALABO | 3.6% | 21.5% |
| 6 | TAKAMI | 5.9% | 58.7% | 6 | MELANO CC | 3.3% | 83.6% |
| 7 | LANCOME | 5.4% | 2.6% | 7 | OBAGI | 2.5% | 14.1% |
| 8 | IPSA | 5.4% | 1.4% | 8 | SOFINA | 2.1% | -14.4% |
| 9 | CHANEL | 5.1% | -14.9% | 9 | AQUALABEL | 2.0% | -5.8% |
| 10 | POLA | 4.6% | 37.4% | 10 | NAMERAKA HONPO | 2.0% | -1.0% |
| 11 | L'OCCITANE | 4.1% | -1.3% | 11 | HAKU | 1.9% | -1.3% |
| 12 | ESTEE LAUDER | 3.5% | 1.1% | 12 | LISSAGE | 1.9% | 6.7% |
| 13 | CLINIQUE | 3.0% | -7.7% | 13 | CHIFURE | 1.8% | 2.6% |
| 14 | KIEHL'S | 3.0% | 1.6% | 14 | SOFTYMO | 1.8% | 4.1% |
| 15 | SHU UEMURA | 2.8% | 15.6% | 15 | LULULUN | 1.7% | 19.9% |
| 16 | GUERLAIN | 1.9% | 7.0% | 16 | ALBLANC | 1.7% | 0.9% |
| 17 | LA MER | 1.7% | 21.8% | 17 | SEKKISEI | 1.6% | 14.4% |
| 18 | CLARINS | 1.6% | -1.3% | 18 | FANCL | 1.6% | 12.6% |
| 19 | HELENA RUBINSTEIN | 1.3% | 13.8% | 19 | D- PROGRAM | 1.5% | 3.6% |
| 20 | YVES SAINT LAURENT | 1.0% | -24.1% | 20 | CLEAR TURN | 1.4% | 22.6% |

Note: internal company's analysis.

Takami was the first Japanese skincare brand to be acquired, which achieved significant results. It is ranked the #1 skincare brand in the LUXE division of the L'Oréal Group. Sixth place goes to Takami among the top 20 brands within the competition. Nevertheless, the LUXE brands of L'Oréal do not have a sufficient 2-3% market share to be in the top three. Furthermore, other

group's brands are not well-represented among the top 20 mass brands. This implies that the LUXE brands of L'Oréal are acknowledged more than those of the mass market.

1.3.3 Overview of the Japanese skincare market

This part delves deeper into the skincare market of Japan, as well as segments, and history to analyze L'Oréal's position in it.

Figure 9

Japanese market skincare top segments, LUXE category

| LUXURY OFF & ONLINE | 2022 Q2 | 2023 Q2 | EVOL |
|-----------------------|---------|---------|-------|
| TOTAL SKINCARE* (JPY) | 81.6 B | 94.8 B | 16.2% |
| ESSENCES & SERUMS | 37.5% | 39.4% | 21.8% |
| CREAMS | 14.4% | 15.3% | 23.3% |
| LOTIONS & TONERS | 13.0% | 11.4% | 1.8% |
| CLEANSING | 9.0% | 8.3% | 8.1% |
| SUNCARE*** | 6.4% | 6.8% | 21.9% |
| EMULSIONS & FLUIDS** | 6.6% | 6.1% | 7.1% |
| EYE & LIP CARE | 5.2% | 5.5% | 24.2% |
| BODY CARE | 4.9% | 4.4% | 4.3% |
| MASKS & EXFOLIATORS | 1.7% | 1.7% | 17.4% |
| MEN SKINCARE | 1.2% | 1.0% | -4.2% |

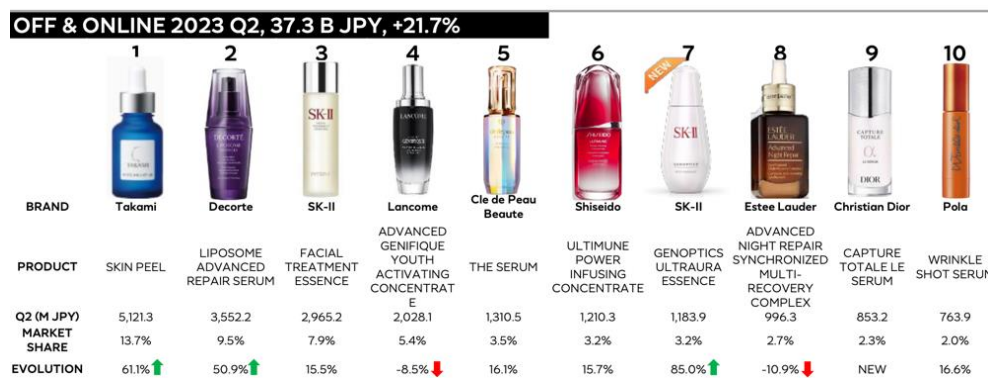
Note: internal company's analysis.

Delving into the Japanese skincare market reveals a clear preference for certain product categories that align with local rituals. Essences and serums are the most popular, claiming a significant 39.4% of sales, and are often considered the important step of the Japanese skincare routine. Creams and lotions also hold substantial weight, together accounting for 15.3% of the

market. Additionally, toners, with an 11.4% share, are also popular among Japanese consumers. This product hierarchy is deeply rooted in both the skincare traditions of Japan and the continuous wave of modern-day innovations. The routine emphasizes more than simply spot treatments, striving for complete skin well-being with deep hydration, protective measures, and necessary nutrients. This comprehensive approach to skin health is something that the Japanese consumer is fond of, as can be seen from the table above.

Figure 10

Essences and serums, LUXE category, 2023 Q2



Note: internal company's analysis.

In top serums and essences, two L'Oréal group brands stand out. Takami, an acquired Japanese brand, ranks first with a 13.7% market share and 61.1% evolution, while Lancôme ranks fourth with a 5.4% market share and negative evolution as of the second quarter of 2023. For Takami, a 61.1% positive evolution indicates a substantial increase in market share compared to the previous period. This could mean that more customers are buying Takami's products or that the brand is expanding its presence in the market. With Lancôme experiencing negative evolution, this suggests that its market share has dropped during the same period. It means that relative to previous performance, fewer consumers are purchasing Lancôme's products, or the brand's presence in the market is shrinking. This could be due to various factors such as increased competition, changes in consumer preferences, or other market dynamics.

Figure 11

Lotions and toners, LUXE category, 2023 Q2

| OFF & ONLINE 2023 Q2, 10.8 B JPY, +1.8% | | | | | | | | | | |
|-----------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| |  |  |  |  |  |  |  |  |  |  |
| BRAND | IPSA | Cle de Peau Beauté | Cle de Peau Beauté | Shiseido | Clinique | Pola | Christian Dior | SK-II | Shiseido | Decorte |
| PRODUCT | THE TIME RESET AQUA | HYDRO-SOFTENING LOTION | SYNACTIF SOFTENING LOTION | VITAL-PERFECTION WHITE REVITALIZING SOFTENER | CLARIFYING LOTION TWICE A DAY EXFOLIATOR (VERY DRY TO OILY SKIN) | B.A. LOTION | CAPTURE TOTALE INTENSIVE ESSENCE LOTION | FACIAL TREATMENT CLEAR LOTION | FUTURE SOLUTION LX CONCENTRATE D BALANCING SOFTENER | HYDRA CLARITY TREATMENT ESSENCE WATER |
| Q2 (M JPY) | 1,602.8 | 741.3 | 442.5 | 430.7 | 410.9 | 389.1 | 337.5 | 302.6 | 298.6 | 263.1 |
| MARKET SHARE | 14.8% | 6.9% | 4.1% | 4.0% | 3.8% | 3.6% | 3.1% | 2.8% | 2.8% | 2.4% |
| EVOLUTION | -10.2% | 25.6% ↑ | -3.0% | 105.5% ↑ | -17.3% | 21.2% | -9.8% | 27.1% ↑ | 18.9% | 27.2% ↑ |

Note: internal company's analysis.

In the category of lotions and toners, L'Oréal's group brands are notably absent, leaving only competition to shape this segment of the market landscape. This absence signifies a potential gap in L'Oréal's product range, providing an opportunity for competitors to establish a stronger foothold in this segment.

Figure 12

Creams, LUXE category, 2023 Q2

| OFF & ONLINE 2023 Q2, 14.5 B JPY, +23.3% | | | | | | | | | | |
|------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| |  |  |  |  |  |  |  |  |  |  |
| BRAND | Decorte | Cle de Peau Beauté | SK-II | Helena Rubinstein | Kiehl's | Cle de Peau Beauté | La Mer | Shiseido | SK-II | Lancôme |
| PRODUCT | LIPOSOME ADVANCED REPAIR CREAM | THE CREAM | SKINPOWER CREAM | RE-PLASTY AGE RECOVERY NIGHT CARE | ULTRA FACIAL CREAM | SYNACTIF INTENSIVE CREAM | CREME DE LA MER - MOISTURIZING CREAM | VITAL-PERFECTION INTENSIVE WRINKLESPOT TREATMENT | LXP ULTIMATE PERFECTING CREAM | ABSOLUE SOF CREAM |
| Q2 (M JPY) | 1,413.3 | 763.6 | 727.0 | 604.4 | 574.9 | 467.1 | 381.0 | 356.1 | 341.3 | 336.8 |
| MARKET SHARE | 9.7% | 5.3% | 5.0% | 4.2% | 4.0% | 3.2% | 2.6% | 2.5% | 2.4% | 2.3% |
| EVOLUTION | NEW 22 Q3 | 19.9% | 60.0% ↑ | 21.6% | -10.5% ↓ | 44.0% ↑ | 5.4% | 42.7% ↑ | 17.9% | 36.1% |

Note: internal company's analysis.

Within the competitive creams segment of the Japanese skincare market, L'Oréal's group brands—Kiehl's and Lancôme eye cream—hold the 5th and 10th positions, respectively. Kiehl's has captured a 4% market share; however, this figure represents a downward trend. Similarly, Lancôme's eye cream, with a 2.3% share, suggests that despite the strength of L'Oréal's portfolio, the competition in this category remains stronger. The presence of other brands with larger market shares indicates that L'Oréal's brands are facing challenges that may include intensifying rivalry, shifting consumer preferences, or a need for differentiation in their product offerings.

To conclude, even with L'Oréal's wide portfolio of brands, competitors still dominate Japan's favorite skincare segments, which is indicative of several challenges the firm faces. These problems are further discussed below.

1.3.3.1 Timing of Entry

L'Oréal first entered the Japanese market in 1963, which was a significant move considering that Shiseido, a well-established beauty brand, has been a prominent player in the industry since 1872 (Raper, 1995; Shiseido Co., n.d.). For nearly a century, Shiseido had the opportunity to become deeply ingrained in Japan's cultural landscape, creating long-lasting customer loyalty and refining its product range to cater to the specific tastes of the local audience. When L'Oréal entered the market over 90 years later, despite its worldwide reputation, it had to introduce its new ideas to consumers who were already loyal to well-established brands like Shiseido. L'Oréal faced the task of adjusting to a market with a strong tradition that had already been dominated by local industry leaders. The historical circumstances behind L'Oréal's debut in the market demonstrate the competitive forces at play (Raper, 1995; Shiseido Co., n.d.).

1.3.3.2 Cultural Resonance

Local brands (like Shiseido) or those that have been in the Japanese market for longer periods tend to have products that resonate deeply with the cultural and aesthetic preferences of Japanese consumers. They might offer formulations rooted in traditional Japanese ingredients and skincare philosophies, creating a sense of familiarity and trustworthiness.

1.3.3.3 Brand Perception

As previously discussed, while L'Oréal's luxury segment has gained traction, its mass-market segment is perceived as being of lesser quality compared to local competitors. This perception can significantly influence consumer choices, especially in a market that places a high value on product legacy.

1.3.3.4 Localized knowledge

While L'Oréal invests globally in R&D capabilities, competitors in the Japanese market might have been quicker or more adept at launching innovative products tailored specifically for Japanese skin concerns and preferences.

1.3.3.5 Distribution Channels

Competitors might have a more extensive or strategic presence in popular distribution channels, like luxury beauty islands or specific e-commerce platforms.

1.4 Literature review

This part of the thesis focuses on collecting primary data that is relevant to improving product market shares. Conducting research is crucial to examining different theories and understanding academic viewpoints on the topic. The obtained information was analyzed and used as the foundation for formulating interview questions for participants.

1.4.1 Market Share – Key to Profitability

Market share is now widely acknowledged as a key factor in determining business profitability, and therefore, success. In general, firms that control a considerable amount of the markets in which they compete are more financially successful than competitors with lower market shares (Buzzell et al., n.d.). Corporate executives and consultants have seen the link between market share and profitability, as shown by the Marketing Science Institute's Profit Impact of Market Strategies project (PIMS) (Buzzell et al., n.d.). The PIMS project, which started in late 1971, is focused on identifying and quantifying the primary factors that influence return on investment (ROI) in individual businesses. Phase I of the PIMS project concluded in

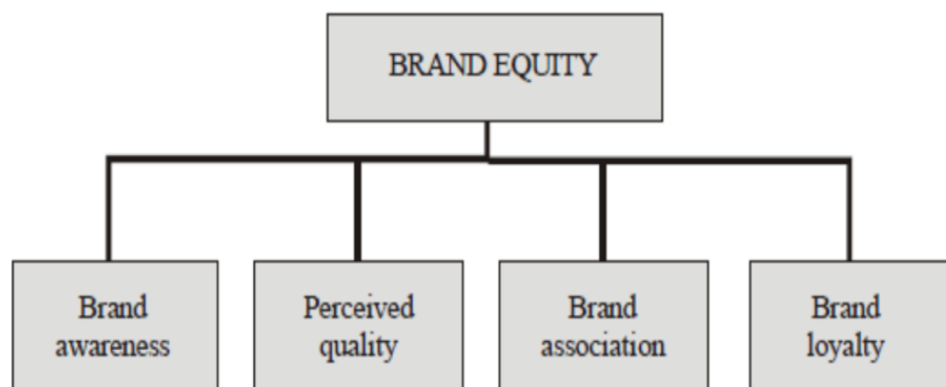
late 1973, identifies 37 significant factors that impact profitability, with market share being one of the most crucial (Buzzell et al., n.d.). It is critical because, as the authors point out, it indicates a company's competitive advantage and frequently reflects a strong value proposition, successful marketing strategies, and a loyal customer base. These factors are critical for sustaining long-term profit margins. Furthermore, market dominance allows a company to secure more favorable agreements with suppliers and customers, thereby increasing profitability through profit margin optimization (Buzzell et al., n.d.). A dominant market share also enhances customer perception, solidifying a company's position as an industry leader and allowing it to charge higher prices for its products or services (Buzzell et al., n.d.).

1.4.2 Brand Perception and Equity

In terms of market share importance, it is also important to consider what academics have to say about brand perception, as we will see later on, growth is strongly correlated with how consumers perceive a company.

Figure 13

Brand Equity dimensions



Note: Aaker and Joachimsthaler (2000, p. 31)

This principle can be explained by proposing that a brand primarily exists in the consumer's mind, influenced not only by tangible factors but also by the individual's perceptions and experiences of it. Therefore, the consumer perspective on brand equity is perhaps the most

critical since none of the brand's strategic and financial benefits materialize without consumers' opinion on it (Crimmins, 2000).

Therefore, the model, which is noted in the table above, shows that brand equity's dimensions - brand awareness, perceived quality, brand associations, and brand loyalty—are crucial to a brand's market impact (Aaker & Joachimsthaler, 2000). The consumer's purchasing decision is primarily influenced by their perception of quality, which is separate from the actual quality of the product. Brand associations refer to the characteristics and principles that consumers associate with a brand, which influence its positioning. Brand loyalty is the expression of a consumer's dedication to repeatedly buying or endorsing a particular brand (Aaker & Joachimsthaler, 2000). In the suggested framework, brand awareness is understood as the degree to which a brand is at the forefront of consumer consciousness. It emphasizes the importance of brand memory, asserting that a brand's essence is revealed through its various expressions such as its models, products, communications, network, and so on. The quality perceived by consumers is central to what they believe they are purchasing; thus, it is intrinsically linked with the brand's identity. However, there is a distinction between perceived and actual quality. Thus, the development of a high-quality product or service represents only a part of the success; it is also critical to cultivate the market's perception of this quality. Moreover, brand association is about what a company aims for the brand to signify to consumers, essentially equivalent to brand positioning (Aaker & Joachimsthaler, 2000)

Brand equity, often a crucial strategic asset, plays an important role in boosting a company's competitive position and influencing its overall value. This concept is deeply rooted in the distinction between tangible and intangible resources, as outlined by Penrose (1959) and Barney (1991). Tangible resources are the visible assets of a firm, including physical properties, facilities, and raw material inventories. While important, they are often less valuable in securing a competitive edge due to their replicable and accessible nature. On the other hand, intangible resources, which encompass the non-physical assets of a firm, are key drivers in forging a sustainable competitive advantage. These assets, which are challenging for competitors to replicate or acquire, include brand equity and provide a unique and enduring competitive advantage in the marketplace.

In summary, market share is a crucial indicator of profitability, as validated by the PIMS project. It reflects a company's competitive advantage, bolstering profitability through economies

of scale and enhanced market power, which in turn fosters favorable customer perceptions and the ability to command premium pricing. In the skincare industry, where economic fluctuations and consumer preferences are influential, maintaining, and growing market share requires innovation, consumer education, and adaptive branding strategies.

1.5 Conclusions and Problem Statement

Based on the detailed internal and external analysis of L'Oréal's position in the Japanese skincare market, it's clear that while L'Oréal is a big global player in cosmetics, it faces specific challenges in Japan. Despite having a wide range of products, L'Oréal has not achieved a significant market share in the Japanese skincare segment. This is primarily due to the strong preference of Japanese consumers for local brands like Shiseido and Kao, along with unique market dynamics. Furthermore, the PESTEL analysis highlighted Japan's strong economy and consumer preference for eco-friendly products, impacting L'Oréal's market strategies. Additionally, Japan's strict cosmetic regulations and evolving consumer preferences further complicate product acceptance. Also, SWOT analysis suggested a highly competitive environment, particularly in the skincare segment, with intense rivalry from established local brands.

The literature review showcased the importance of aligning with local consumer preferences and market trends. The challenge for L'Oréal is to adapt its product offerings to resonate with Japanese consumers, who have distinct beauty standards and expectations. Consequently, the core problem identified in this analysis is developing a strategy for L'Oréal to improve its presence and market share in the Japanese skincare market. This strategy must consider the unique consumer behavior, competitive landscape, and regulatory environment in Japan. The next step is to determine the specific actions and initiatives L'Oréal can undertake to effectively address this challenge, keeping in mind the insights from both the internal and external analyses. This would involve empirical research to understand the Japanese consumer's preferences and behaviors in the skincare domain more deeply as well as understanding where L'Oréal stands.

2 Empirical Research

After analyzing the Japanese skincare market and L'Oréal's role in it, the following section of this thesis will undertake qualitative research by interviewing L'Oréal personnel in Japan, particularly those with expertise or experience in the skincare sector. This section will first address the study's aims and objectives before moving on to the methodologies and sample strategy, as well as data collection procedures. This part will give a more in-depth overview of the L'Oréal skincare market in Japan and help to provide the strategy for increasing market share.

2.1 Empirical Research methods

2.1.1 Aim and Objectives

The primary aim of this research is to identify and assess the strategies that could improve L'Oréal's skincare products market share in the Japanese market. To fulfill this aim, the research will:

- Construct a robust methodological base for conducting comprehensive qualitative interviews.
- Formulate an extensive set of interview questions derived from the literature review and situational analysis.
- Acquire in-depth perspectives from L'Oréal's employees regarding the Japanese market, consumers, trends, and challenges.
- Analyze the gathered data to identify key factors that drive market success and barriers that L'Oréal may face in the Japanese skincare industry.
- Establish a more stable groundwork for implementing effective strategies derived from empirical research, to boost L'Oréal's skincare products market share.

2.1.2 Theoretical Foundations of the Research

This research aims to investigate the relationship between market share and brand perception in the skincare industry, focusing on why L'Oréal's market share in Japan might be lower than expected. The study examines how market share, a crucial determinant of business profitability identified in the Marketing Science Institute's Profit Impact of Market Strategies (PIMS) project (1971), impacts a company's success. The PIMS project's findings, particularly

from its first phase in 1973, underscore market share as a key factor among several that influence profitability (Buzzell et al., n.d.). Simultaneously, the research delves into brand perception and equity, as conceptualized by Aaker and Joachimsthaler (2000), to understand its influence on market share. The research will use qualitative and quantitative methods, in line with Kaya (2013), to explore how these aspects of brand perception might be affecting L'Oréal's market share in Japan. By integrating these concepts, the study aims to uncover whether L'Oréal's market position might be influenced by its brand perception and whether addressing this perception could improve its market share in the competitive skincare industry.

2.1.3 Research Method and Data Collection Method

Choosing the right research method for a study is very important. It depends on what the study aims to achieve, what results it wants, and the kind of data it needs to collect. A dual approach that incorporates both qualitative and quantitative methods often provides a richer and more holistic insight (Looi Theam Choy, n.d.). Quantitative research mainly uses numbers and large groups of people to find general patterns. On the other hand, qualitative research looks closely at specific situations and gives detailed insights, but it often involves fewer people. (Kaya, 2013). Therefore, the complex and culturally rich landscape of the Japanese market demands a deep understanding, best achieved through qualitative research methodologies. This method is especially useful for understanding how L'Oréal's Japanese skincare business works. To do this, it was chosen to interview important people at L'Oréal Japan. These interviews ranged from structured to unstructured formats, adapting to the specific requirements of each context. This choice of methodology gave a thorough examination of the internal views on market success.

2.1.4 Research Samples and Sampling Procedure

Improving L'Oréal skincare product market shares in Japan required a careful research approach, including a well-planned sampling technique. Qualitative techniques like interviews are often considered to offer more in-depth information, compared to purely quantitative approaches like questionnaires, as interviews are particularly suitable when there's limited knowledge about the subject of study or when detailed perspectives from individual participants

are essential (Gill et al., 2008). The sampling technique used was non-probability judgment sampling, in which participants were chosen according to a certain specification:

- **Specialists in L’Oréal’s Japanese Skincare Division:** these are people with deep expertise in Japan’s skincare sector. They offer essential insights into the preferences and habits of consumers, market dynamics, and the cultural nuances that are crucial to the industry. Furthermore, these individuals have practical experience with the business practices in Japan, enabling them to share meaningful knowledge about the intricate nature of conducting a skincare business within the Japanese context.

Addressing this criterion presented unique challenges from an academic standpoint. Many of the potential participants were connected to competing firms or specialized in advising on market entry strategies, which naturally limited their ability to contribute to the study due to conflict-of-interest concerns. Additionally, some participants were concerned about sharing information, voicing worries about how their interview data might be used and the security of the recorded conversations. To overcome these challenges and assemble an appropriate group of participants, 8 employees with experience in the L’Oréal Japanese skincare product industry were chosen.

Table 2

The interviewer’s expertise

| | |
|--------------|------------------------------------------------------------------|
| Respondent 1 | Chief Consumer Officer, Skincare department, Japan, L’Oréal. |
| Respondent 2 | Skincare Development Laboratories Leader, R&I. Japan, L’Oréal. |
| Respondent 3 | Head of North Asia Skincare Rankings, Japan, L’Oréal. |
| Respondent 4 | Business Intelligence Manager, Japan, L’Oréal. |
| Respondent 5 | Marketing Manager, LUXE division, Japan, L’Oréal. |
| Respondent 6 | Head of Consumer & Market Insights, Japan, L’Oréal. |
| Respondent 7 | Scientific Valorization Leader, R&I Japan Skincare Lab, L’Oréal. |
| Respondent 8 | Junior Trade & Sales manager, Japan, L’Oréal. |

Note: developed by the author.

Convincing market experts to take part in the study was challenging, and as a result, the number of participants was fairly small. However, the saturation point – the stage where no new information was being found – was reached, which ensured that the research was effective. This

allowed to gather important insights that could help improve L'Oréal market share for skincare products in the Japanese market.

2.1.5 The Research Process

Before each interview, a discussion was held to introduce the thesis topic, explaining what the study was about and its goals. The participants were told that the interview was for an academic purpose, specifically an undergraduate thesis. They were assured that taking part was completely their choice, and they could stop participating at any time. Their privacy was promised, and they were told they would only be identified in the thesis if they agreed to it. The participants were also informed about how the information from the interview would be used. They were given the option to look at the transcript or a summary of their responses after the interview. To make sure everything was clear, they were given consent forms that explained all these points, which they signed to show they understood and agreed to be part of the study, without any identification of names and surnames in the Thesis.

The interviews were facilitated through the MS Teams digital platform, with the duration varied from an average of 15 to 20 minutes. However, this was enough to get an in-depth answers. Interviews were scheduled at the convenience of the participants to ensure maximum participation. The interview structure consisted of 18 questions, organized into 9 thematic categories, all encouraging open-ended responses to foster rich qualitative data.

2.1.6 Research Instruments Used

The questionnaire for the semi-structured interviews was designed to explore the details of L'Oréal's situation and opportunities in the Japanese skincare market. It consisted of 18 questions, divided into nine different sections, each focusing on a particular topic of interest. The full set of questions can be found in the appendix A.

1. **Interviewee Expertise.** The question was designed to assess the respondent's expertise in the Japanese skincare market, aiming to guarantee the quality and relevance of the insights provided (question 1).

2. **Consumer Insights.** This part of the study was focused on understanding the subtleties of Japanese consumer behavior, specifically looking at their preferences in skin care and the cultural influences that might guide their choices of products (questions 1-2).
3. **Market Trends.** In this section, the objective was to identify the current trends in the skincare market and assess how seasonal and climate changes affect the types of skincare products people prefer and the overall sales of these products (questions 3-4).
4. **Brand Perception and Value Proposition.** This part of the study aimed to understand how L'Oréal is viewed compared to other brands in the Japanese market. It also looked at the brand's strengths and possible areas for improvement in serving Japanese customers (questions 5-6).
5. **Product Improvement.** This section of the study concentrated on product features and ingredients to find out what aspects are most appealing to Japanese consumers. The goal was to discover ways for L'Oréal to improve its products to better meet the preferences of this market (questions 7-8).
6. **Distribution Channels and Pricing Strategy.** This segment was designed to understand the distribution places most effective in reaching Japanese consumers and gather insights into their pricing sensitivity (questions 9-10).
7. **Product Star Performers.** This section concentrated on identifying L'Oréal's standout products in Japan and uncovering the key factors that have contributed to their market success (questions 11-13).
8. **Competitor Analysis.** The focus here was on recognizing L'Oréal's current competitors in the Japanese skincare market, understanding their competitive advantages, and comparing their strategies with L'Oréal's (questions 14-16).
9. **Competitor Product Offerings and Brand Perception.** The final part of the study was designed to analyze the product attributes and brand images of L'Oréal's competitors that are especially attractive to Japanese consumers. This analysis was used to compare and contrast with L'Oréal's market positioning (questions 17-18).

2.1.7 Data Analysis Method

After conducting interviews, data was analyzed. Effective research necessitates a methodical and thorough methodology in the planning and execution of the study, the gathering

and examination of data, and the interpretation and presentation of results (Fossey et al., 2002). In this instance, participants' responses were systematically compared on a question-by-question basis until shared patterns emerged. Subsequently, specific conclusions have been drawn.

2.2 Interpretation of the Results

This section presents an analysis of respondent feedback, focusing on identifying major trends and patterns in Japan's skincare market and L'Oréal's role within it. For detailed transcripts and in-depth insights from each respondent, please refer to the appendix B.

2.2.1.1 Consumer Insights

- **Traditional and Meticulous Skincare Routines.** Participants (R2, R3, R4) observed the traditional skincare routines in Japan, which often involve a layering method. This starts with lighter products like cosmetic water and progresses to thicker creams.
 - This approach indicates a cultural appreciation for thorough and detailed skincare routines, deeply rooted in Japanese beauty practices.
- **Use of Natural and Traditional Ingredients.** Respondents (R3, R7) highlighted the historical use of natural ingredients, such as rice water, in Japanese skincare.
 - This traditional practice, involving the use of starchy water from washed rice, reflects a long-standing preference for natural and familiar elements in beauty products. The popularity of modern products like micellar water aligns with this historical inclination, suggesting a continuity of cultural values in contemporary skincare.
- **Cultural Beauty Standards.** The idea of unblemished, porcelain-like skin was repeatedly mentioned (R4, R6), indicating a beauty standard deeply rooted in ancient Japanese traditions.
 - This idea influences Japan's skincare philosophy, which emphasizes purity, simplicity, and natural beauty. The concept of 'wabi-sabi,' resonating with natural beauty and imperfection (R4), is also influential, resonating with Japan's holistic approach to skincare.
- **Skincare as Integral to Well-being.** The perception of skincare as a vital part of overall well-being was emphasized by respondents (R1, R6).

- In Japan, skincare is regarded not merely as a routine but as an essential aspect of maintaining health and wellness. This perspective leads to careful product selection, focusing on quality and long-term benefits rather than immediate results or following trends.

2.2.1.2 Market Trends

- **Shift Toward Ingredient-Focused Products.** A noticeable shift towards products with high concentrations of active ingredients like retinol and niacinamide was observed (R2). This trend is influenced by the Korean beauty industry and suggests a growing demand for products that offer tangible skin benefits.
- **Rising Popularity of Mood Cosmetics.** There's an emerging trend in products designed to enhance the sensory experience, particularly those used at night to maximize sleep benefits (R2). Products like night creams that promise a well-rested skin finish are becoming popular.
- **Seasonal Adaptation in Skincare.** Respondents emphasized the significant role of seasonality in Japan. The high humidity and heat in summer lead to a demand for UV protection products and lighter textures, while the dry winter season sees a preference for richer, more moisturizing products (R1-R8).
- **Integration of Health into Beauty Solutions.** A notable trend is the blending of health and beauty, with brands offering products like supplements for inner beauty (R1). This indicates a holistic approach to beauty, where skincare is seen as part of overall health and well-being.
- **Personalized Skincare Through Diagnostics.** The trend towards personalized skincare regimens based on medical understanding, including DNA testing, is evolving (R1). This approach indicates a shift towards more scientifically informed skincare solutions.
- **Emphasis on Natural and Cultural Elements.** There's a growing interest in skincare products that incorporate natural and culturally significant ingredients (R3, R7). This trend reflects a deeper connection to traditional Japanese beauty practices and preferences for products with natural, familiar components.

- **Consumer Preference for Lightweight Textures.** Japanese consumers favor products with lightweight textures and a non-greasy feel, as indicated by their high usage of cosmetic water and preference for products that absorb quickly (R2, R8).

2.2.1.3 Brand Perception and Value Proposition

- **Comparative Brand Identity.** L'Oréal's identity as a European brand places it in contrast with local Japanese brands (R6, R8). This international image is appreciated for its innovation and quality but also contrasts with brands like Shiseido and KAO, which are deeply rooted in Japanese skincare traditions.
- **Consumer Awareness and Brand Portfolio.** L'Oréal is recognized as a substantial international company among discerning beauty enthusiasts and opinion leaders in Japan, but the average consumer primarily associates it with hair care due to its L'Oréal Paris brand (R5). This indicates a potential area for increasing awareness of L'Oréal's diverse skincare offerings.
- **Perception of Global vs. Local Relevance.** While L'Oréal's global reach and commitment to research and development are acknowledged strengths, there's a perception that the brand hasn't fully penetrated certain market segments in Japan, such as the mass skincare segment (R6). This suggests an opportunity to adapt more to local preferences.
- **Alignment with Japanese Skincare Preferences.** L'Oréal's product range is seen as innovative but may require further alignment with Japanese skincare preferences, especially regarding product texture and formulation (R7). Adapting to local needs and incorporating more familiar ingredients could enhance L'Oréal's appeal in the Japanese market.
- **Marketing Strategies.** L'Oréal's global marketing campaigns are successful internationally but may not fully resonate with Japanese cultural nuances (R8). Tailoring marketing efforts to reflect local preferences and cultural aspects could bridge this gap.
- **Focus on Personalized Experiences.** The importance of personalized beauty consultations and customer service is emphasized (R7, R8). Enhancing personalized engagement and consumer education could strengthen L'Oréal's brand loyalty and presence in Japan.

2.2.1.4 Product Improvement

- **Emphasis on Hydration and Soothing Ingredients.** Japanese consumers value hydration, and ingredients like hyaluronic acid, collagen, and soothing agents like cica are popular (R2). L'Oréal could focus on these elements to meet the hydration and skin-soothing demands prevalent in Japan.
- **Adapting to Sensory Preferences.** The sensory experience of products, including textures and fragrances, is critical in Japan. Japanese brands excel in creating sophisticated, pleasant sensory experiences (R2). L'Oréal could adapt its products to align with these sensory preferences, focusing on lightweight, non-greasy textures that are comfortable for the skin.
- **Incorporating Local Ingredients.** There is a clear preference for products featuring local Japanese ingredients. Ingredients like rice fermentation resonate well with the Japanese audience due to cultural connections (R7). L'Oréal could incorporate more of these culturally significant ingredients to appeal to local tastes.
- **Addressing Seasonal Skin Needs.** Given the impact of seasonality on skincare preferences in Japan, L'Oréal could enhance its product range by offering items that cater to the specific needs of different seasons, like lightweight textures for humid summers and more nourishing products for dry winters (R4).
- **Focus on Anti-Aging and Skin Brightening.** Japanese consumers place a high value on anti-aging and skin-brightening properties in skincare products. L'Oréal could emphasize these features in its product development to align with these consumer preferences (R1, R2, R3).
- **Optimizing Formulations for Japanese Skin.** Tailoring formulations to be more suitable for Japanese skin types, focusing on gentleness and effectiveness, could be a key area of improvement for L'Oréal (R1-R8).

2.2.1.5 Distribution Channels and Pricing Strategy

- **Preference for Offline Retail Experiences.** Japanese consumers show a marked preference for in-person retail experiences and face-to-face counseling, especially for

skincare products. This underscores the importance of maintaining a strong presence in physical retail spaces like department stores and specialty beauty stores (R1, R2).

- **Significance of E-commerce and Digital Engagement.** While traditional retail remains crucial, there is a growing trend towards online shopping in Japan. To optimize its distribution strategy, L'Oréal should strengthen its e-commerce platforms, ensuring they are user-friendly and tailored to the Japanese market. Additionally, embracing digital tools like AI for skin analysis and virtual consultations can provide a more personalized shopping experience (R2, R8).
- **Competitor Strategies in Distribution.** L'Oréal's competitors effectively use both traditional retail channels and e-commerce platforms. They also incorporate scientific communication to simplify complex technologies for consumers, a strategy L'Oréal could amplify in its communications (R2).
- **Pricing Sensitivity and Strategy.** Japanese consumers are sensitive to pricing but value quality. L'Oréal could adopt a tiered pricing strategy, offering a range of products from premium to more affordable options while maintaining quality. Limited edition products with unique, locally-revered ingredients could be positioned at a higher price point, catering to those seeking exclusivity (R1, R2, R6, R8).

2.2.1.6 Product Star Performers

- **Best-Selling Products.** L'Oréal's best-sellers in Japan include products with anti-aging properties, high SPF sunscreens, and those providing hydration and skin brightening benefits. These products align with the preferences and needs of Japanese consumers, who prioritize flawless, porcelain-like skin, sun protection, and hydration (R1, R3, R4, R5, R6).
- **Appealing Features and Benefits.** The products that perform well are known for their lightweight textures, fast absorption, and non-greasy formulas, appealing to the Japanese preference for 'mochi-hada' or soft, plump skin. The effectiveness of ingredients like hyaluronic acid for hydration and specific botanicals for soothing contribute to their popularity (R2, R4, R6).

- **Differentiation from Competing Products.** L'Oréal's successful products stand out due to their innovative formulations, targeted solutions, and clear results. The use of globally recognized ingredients, combined with advanced technology and L'Oréal's strong brand reputation, differentiates these products from competitors. Effective marketing strategies that emphasize the brand's scientific expertise and global identity, while also resonating with local beauty ideals, enhance their appeal (R2, R4, R6).

2.2.1.7 Competitor Analysis

- **Key Competitors.** Shiseido and SK-II are identified as major competitors for L'Oréal in Japan. These brands are deeply rooted in Japanese beauty traditions and are renowned for blending their cultural heritage with innovative skincare science (R1-R8).
- **Cultural Connection and Legacy.** Both Shiseido and SK-II have a strong cultural rapport with Japanese consumers. Shiseido's products often include elements of traditional Japanese beauty regimens, while SK-II's premium "Pitera" essence has become synonymous with high-end, scientifically-backed skincare. This deep cultural connection gives these brands a competitive edge in the market (R2, R4, R6).
- **Product Narrative and Formulation.** SK-II's success is partly due to its compelling product narratives, especially surrounding its Facial Treatment Essence, often referred to as "miracle water." Shiseido, on the other hand, emphasizes its unique formulations like the "Ultimune Power Infusing Concentrate", known for enhancing skin immunity (R1, R5, R7).
- **Pricing Strategy.** Both Shiseido and SK-II utilize a premium pricing strategy. This approach aligns with the perception of luxury and efficacy and appeals to Japanese consumers who consider high-end skincare an investment in health and beauty. The substantial consumer segment that is attracted to premium skincare products significantly influences market dynamics in Japan (R3, R4, R6).
- **Market Position and Consumer Perception.** Shiseido and SK-II's longstanding presence in the market and their focus on luxury skincare have allowed them to establish a strong position. Their products are perceived as authentic, high-quality, and deeply connected to Japanese skincare philosophies. In contrast, L'Oréal, with its global brand

identity, faces the challenge of strengthening its cultural resonance and aligning more closely with Japanese beauty preferences (R4, R5, R6, R8).

2.2.1.8 Competitors Product Offering and Brand Perception

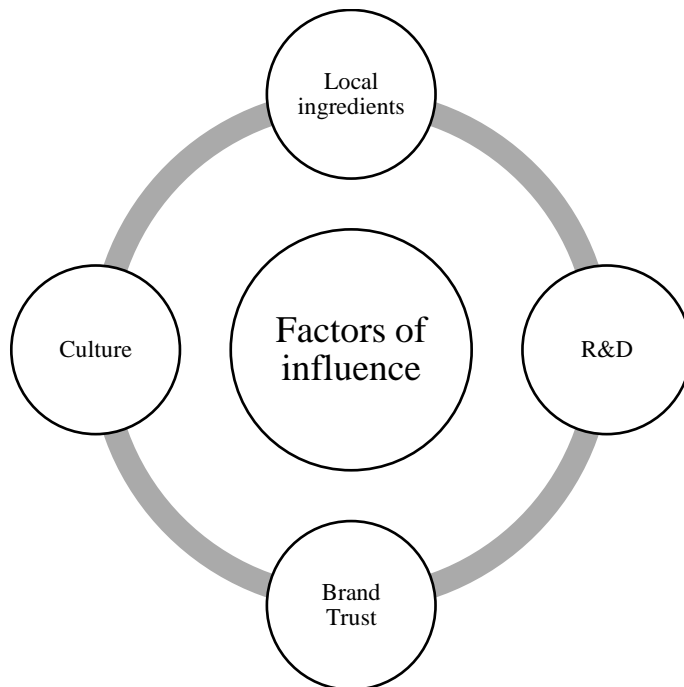
- **Unique Product Features and Formulations.** Japanese skincare brands like Shiseido and SK-II are renowned for integrating culturally significant ingredients with advanced science. Shiseido utilizes traditional Japanese elements like green tea, yuzu, and Tsubaki oil, blending them with modern skincare technology. SK-II is distinguished by its iconic ingredient, "Pitera," recognized for its skin-rejuvenating qualities. These unique product attributes cater to the preferences of Japanese consumers who value a blend of tradition and innovation in their skincare products (R2, R3, R5, R7).
- **Brand Positioning and Perception**
 - **Shiseido.** Capitalizes on its historical roots in Japan to position itself as an authentic brand that combines traditional Japanese beauty ideals with modern advancements. This approach fosters trust and credibility among Japanese consumers.
 - **SK-II.** Emphasizes its luxury branding, focusing on transformative skincare solutions and the allure of timeless beauty. The brand's narrative around "Pitera" contributes to its perception as an exclusive, high-quality skincare choice.
- **Comparison with L'Oréal.** While L'Oréal is acknowledged for its global reach and dedication to research and innovation, it is sometimes perceived as less integrated into the traditional Japanese skincare narrative. This perception presents a challenge for L'Oréal to more effectively bridge the gap between its global brand image and the specific expectations of the Japanese market. However, L'Oréal's LUXE line, including brands like Lancôme, shows potential for success in Japan by combining global skincare innovations with attributes that resonate with Japanese consumers (R4, R6, R8).

2.2.2 Brand Comparison

Before delving into the strategic decision to boost L'Oréal's market shares for skin care products in the Japanese market, it is imperative to review the company's strengths and weaknesses, as well as its competitive position, and consolidate all the information provided by respondents.

Table 3

Factors of influence



Note: developed by the author.

A visual representation has been made based on interviews conducted with L'Oréal employees now operating in Japan. This visual depicts the elements that impact Japanese customers when purchasing skincare products. Nevertheless, it is crucial to acknowledge that the table is a general representation based on the collected responses regarding L'Oréal and its competitors. The table is not ideal and may not be entirely accurate. The following points were derived and will be discussed below.

In the area of **Research and Development (R&D)**, L'Oréal is a global leader, showing a strong commitment to innovation. This focus on innovation positions it well in R&D. L'Oréal could use this strength to create products specially designed for the Japanese market, targeting Japan's specific skincare needs with new and inventive solutions.

- **L'Oréal.** The brand's global R&D capabilities position it as a leader in innovation. Adapting this strength to meet the nuances of the Japanese market could enhance L'Oréal's competitiveness.
- **KAO and Shiseido.** These competitors, and Shiseido in particular, are formidable in R&D, with a legacy of integrating local skincare insights into their research. Their commitment to understanding and addressing local skin care needs has the potential to endear them further to Japanese consumers.

In terms of **trust**, L'Oréal faces a complex situation. While it's a well-known global brand, it competes with local Japanese brands that are deeply ingrained in the country's culture. L'Oréal needs to balance its international reputation with strategies that resonate with Japanese cultural values to build trust in this market.

- **L'Oréal.** While globally trusted, L'Oréal must navigate the challenge of competing with local brands that boast entrenched cultural connections. Building trust in Japan may hinge on demonstrating consistent quality and effectively communicating brand values that resonate locally.
- **KAO and Shiseido.** With deep historical ties and established market presence, these brands likely enjoy inherent trust among Japanese consumers, fostering a sense of reliability and authenticity.

When it comes to **cultural compatibility**, there is an imperative for L'Oréal to deepen its cultural engagement to appeal to Japanese sensibilities.

- **L'Oréal.** The brand needs to invest in understanding and aligning with Japanese cultural preferences in beauty and skincare, potentially by embracing local cultural elements within its marketing and product innovation strategies.
- **KAO and Shiseido.** Local Japanese brands like KAO and Shiseido have a significant advantage due to their cultural proximity. Their product strategies and narratives are closely aligned with Japanese culture, giving them a competitive edge in the market. This alignment with local traditions and values strongly appeals to Japanese consumers.

The use of **local ingredients** stands as a testament to a brand's commitment to localization.

- **L'Oréal.** Incorporating locally valued ingredients into its products could greatly improve the brand's appeal in the Japanese market. By using ingredients that are respected and familiar in Japan, L'Oréal can demonstrate its respect for Japanese traditions and its commitment to delivering high-quality products tailored to local preferences.
- **KAO and Shiseido.** Proximity to and familiarity with local resources likely allow these companies to seamlessly incorporate local ingredients into their products, resonating with consumer preferences and national pride.

2.2.3 Limitations and Recommendations

Recognizing the constraints of a study is crucial for comprehending the context and extent of its conclusions while offering suggestions provides a means to improve future research. This study, conducted to examine L'Oréal's standing in the Japanese skincare industry, experienced certain significant limitations that must be taken into account:

- **Recruitment Challenges.** The study faced substantial difficulties in recruiting participants. Some potential interviewees did not respond, while others declined to participate or ignored the request entirely. This recruitment challenge made it hard to secure a sufficient number of participants who would provide an in-depth view of the industry.
- **Sample Size and Diversity.** The study's reliance on a limited sample of eight experts from L'Oréal's Japanese skincare sector might not adequately represent the entire industry's diversity. This limitation might affect the generalizability of the findings.
- **Selection Bias.** The selection process for interviewees may have introduced bias, as those who were available and willing to participate may share similar perspectives, resulting in a potentially homogenous data set.
- **Self-Reporting Bias.** Given that the data is based on personal accounts, it is subject to respondents' personal biases. There is a risk that interviewees may have presented an overly positive view, overshadowing the challenges.

- **Cultural Sensitivities.** Cultural factors may have led some participants to be reticent about discussing certain topics, which could result in incomplete or biased information.
- **Time Constraints.** The difference in time zones, particularly between L'Oréal in Japan and Lithuania, required conducting interviews at very early hours (3-4 am local time in Lithuania). This not only posed challenges in terms of coordination but also might have limited the duration and depth of the interviews. The restricted interview lengths potentially resulted in less comprehensive responses, thereby affecting the depth and detail of the insights gathered.
- **Language Barrier.** The necessity to conduct interviews in English, a language not native to all interviewees, may have led to nuances being "lost in translation." This can result in potential inaccuracies or misinterpretations of the findings, as certain concepts and subtleties might not directly translate or be fully conveyed in English.

To address these limitations and enhance the robustness of future research, the following recommendations are proposed.

- ⇒ **Expand Sample Size.** Increase the number of interviewees and ensure a broader representation of roles, experiences, and perspectives within the industry to enrich data diversity.
- ⇒ **Diversify Selection Criteria.** Employ a more stratified sampling method to capture a wider range of opinions and reduce homogeneity in the data.
- ⇒ **Navigate Cultural Nuances.** Engage cultural consultants to better understand and navigate sensitive issues, ensuring more open and comprehensive discussions.
- ⇒ **Allocate Time.** Schedule interviews with enough time to allow for in-depth discussions, enabling participants to provide detailed and thoughtful responses.
- ⇒ **Utilize Translation Services.** If possible, conduct interviews in the native language of the participants or employ professional translation services to capture the full meaning and subtleties of responses.

2.3 Conclusion

In the process of analyzing L'Oréal's positioning and possible tactics in the Japanese skincare market, several insightful perspectives from academic and industry sources have been acquired. The thorough investigation, which included competitor and customer insights, has given L'Oréal an in-depth knowledge of the potential and difficulties it faces in this particular industry. When the study is summarised, numerous important findings are drawn.

- **Cultural nuance.** The Japanese skincare market is connected to cultural traditions and rituals. Brands that effectively incorporate these cultural aspects, such as the admiration for perfect skin and the inclusion of traditional ingredients like matcha, are more likely to connect with Japanese consumers.
- **Distribution Dynamics.** The significance of brick-and-mortar stores, particularly high-end beauty islands, should not be underestimated. Although digitalization is increasing, the Japanese market stands out for its focus on face-to-face consultations and immersive in-store experiences.
- **Challenges in Brand Perception.** L'Oréal faces difficulties in how its MASS market segment is perceived, often being considered of lower quality compared to local industry leaders such as Shiseido or global competitors like SK-II. In contrast, L'Oréal's LUXE segment, which includes brands like Lancôme, enjoys a positive perception. Competitors have effectively integrated traditional Japanese ingredients with contemporary skincare technology through product innovation and adaptation. L'Oréal should continue to modify its product lineup to reflect these successful incorporations, guaranteeing that the formulations are in line with Japanese preferences.
- **Pricing Sensitivities.** Japanese consumers demonstrate a well-balanced attitude toward pricing. Although their primary goal is to find valuable items, they are also open to investing in high-quality products that guarantee effectiveness. L'Oréal could potentially utilize a tiered pricing strategy to effectively target different market segments.

For L'Oréal, the Japanese skincare market presents complex potential and challenges. L'Oréal's ability to adapt quickly to market differences and its commitment to understanding Japanese consumers' needs and preferences will help it maintain a strong market position despite fierce competition.

3 Managerial Solutions

Taking into consideration all the points that have been brought up throughout the research, it is possible to assert that L'Oréal, as a skincare brand in Japan, does not have a high market share. Additionally, the study found that L'Oréal sometimes struggles to align with Japanese values, and local ingredients, and earn trust. This is because the brand is often seen as focusing more on Western beauty trends instead of catering specifically to Japanese preferences, as highlighted by some interviewees. However, L'Oréal possesses some values that are appealing to customers in Japan, and one of these values is research and development. Although consumers are knowledgeable of the substantial financial and educational investments that have gone into the development of the products, as some interviewees noted, the information does not reach as broad an audience as it could. These factors may be regarded as the principal reasons for the brand's relatively low market share in the cosmetics industry in Japan.

Since there was no previously accessible strategy to observe how L'Oréal is attempting to increase its market share in Japan, the suggested plan should be regarded as an experimental one, which theoretically will improve the skincare products market shares in Japan. It is important to note that there is no one way to increase market shares. However, the strategy will primarily concentrate on the development of a new L'Oréal skincare product line in the Japanese market. Therefore, to elevate the brand's presence in Japan, it's critical to refine and adapt the core aspects of skincare products to align closely with Japanese needs. But, before going into strategy, the plan's goals are outlined using the S.M.A.R.T. model's framework.

3.1 Goals

To formulate an effective strategy for expanding market shares of skincare products in Japan, it is essential to first outline the goals and objectives. The research aims to comprehend the distinct preferences of Japanese consumers regarding skincare products, analyze the competitive landscape, and evaluate L'Oréal's performance in comparison. Thus, the main goals of the strategy in increasing skincare products market shares in the Japanese market are: 1) Integrate local ingredients into product lines 2) Build and sustain consumer trust through cultural alignment 3) Improve educational outreach.

The first thing that should be highlighted is the integration of local ingredients into the L'Oréal skincare products range. Using the framework, the goal must be **Specific**: 1) Develop a

new skincare line incorporating locally sourced Japanese ingredients that are traditionally known for their efficacy in skincare, such as green tea, rice bran, and seaweed, with the intent to align product offerings with local cultural practices and preferences. **Measurable:** 1) Aim for the new product line to contribute to 10% of the skincare segment's sales within the first year of launch and track the percentage of sales attributable to these products as a measure of success.

Achievable: 1) Use L'Oréal's established R&I center in Japan, to research and source high-quality local ingredients. **Relevant:** Japanese consumers show a preference for skincare products that use natural and local ingredients, which are perceived as being more in harmony with their skin and general wellness philosophies, as noted in the interviews as well. **Time-bound:** target launch date for the new product line in Q1 2025.

Another important goal is to build and sustain consumer trust through cultural alignment. Following the goal-setting tool, it should be **specific:** 1) To foster consumer confidence in L'Oréal, it is essential to ensure that all promotional materials, product designs, and brand messages are in line with Japanese cultural values and aesthetics. This will showcase a profound understanding of local consumer behavior. **Measurable:** 1) Obtain a 10% uplift in customer engagement with culturally aligned content, as indicated by analytics in social media interactions, website dwell time, and content shares. **Achievable:** 1) Engage with cultural experts to refine brand messaging, redesign packaging to reflect Japanese aesthetics, and tailor marketing campaigns to echo local narratives and values. Implement training for the marketing team on cultural nuances and consumer preferences. **Relevant:** In Japan, as noted in the empirical research, trust plays a fundamental role in fostering brand loyalty, particularly in a market that highly values tradition. By aligning L'Oréal's brand with these values, it has the potential to greatly bolster consumer trust and foster long-term loyalty. **Time-bound:** 1) Execute cultural training by Q1 2024, implement changes in marketing and product design by Q2, and launch culturally aligned campaigns by Q3. Measure the impact at the end of Q4 2024.

The last, but important goal is to enhance educational outreach. It should be **specific:** Develop and implement an educational outreach program that includes skincare workshops, online seminars, and collaboration with local dermatologists to educate Japanese consumers on skincare health, emphasizing the science behind L'Oréal's products. **Measurable:** Conduct at least 50 educational events by the end of 2024, with a target of reaching at least 5,000 participants. Measure success through a 20% increase in participant engagement in educational

content and a 25% increase in mentions of L'Oréal as a trusted skincare authority in consumer feedback and social media. **Achievable:** create a dedicated team within L'Oréal to manage educational outreach and establish partnerships with skincare dermatologists. **Relevant:** In a market that values informed decision-making, providing education can enhance the brand's credibility and consumer trust, ultimately leading to increased loyalty and sales. **Time-bound:** Begin the program development in Q1 2024, launch the first set of workshops and seminars in Q2, and aim for full-scale execution by Q3. Evaluate the program's impact at the end of Q4 2024.

3.2 Strategic steps to improve skincare product market shares

As stated earlier, there is no definitive method to enhance the market shares of skincare products in the Japanese market. However, some measures can facilitate the achievement of that goal. Before delving into specific methods, it is necessary to consider and address other important steps that L'Oréal could undertake.

3.2.1.1 *Localized Products*

The literature indicates that tailoring products to local markets enhances the international acceptance and success of a brand (Kotabe & Helsen, 2020). L'Oréal exemplifies this by investing in product innovations that cater to the specific dermatological needs and aesthetic preferences of Japanese consumers, focusing on natural ingredients and lightweight textures. Effective market research for this strategy involves not only identifying current trends but also predicting future shifts in consumer preferences. Such research must be culturally sensitive, incorporating insights from local consumers to direct product development. The use of native ingredients, such as antioxidant-rich green tea or moisturizing rice bran, can endow products with a distinct Japanese-inspired allure while maintaining global appeal (Kumar & Steenkamp, 2007). In addition, L'Oréal should integrate Japanese beauty values, particularly the emphasis on simplicity and efficacy. Products under this localized strategy should meet the minimalist standards of Japanese skincare routines, delivering clear results with less complexity in terms of steps and ingredients. Collaboration with local dermatologists and herbalists is crucial to maintaining authenticity and ensuring product efficacy. By combining local expertise with its

global R&D resources, L'Oréal has the potential to create a product line that is revered locally and competitive globally. Further, strategic alliances with Japanese companies could provide L'Oréal with deeper insights into local consumer behaviors and preferences, offering a significant competitive advantage (Bartlett & Ghoshal, 1991).

3.2.1.2 Education and Engagement

As noted by respondents while conducting qualitative research, L'Oréal is being seen as a Western brand and fails to better connect with Japanese consumers. An innovative strategy is required, one that extends beyond mere marketing and product development to include consumer education and engagement. Research on consumer-brand relationships suggests that educational initiatives can effectively alter brand perception, fostering trust and loyalty (Morgan-Thomas & Veloutsou, 2013). To improve its presence in Japan, L'Oréal could organize workshops and educational sessions to inform consumers about skincare, demonstrating its dedication to fulfilling their specific needs. These interactive platforms are crucial for L'Oréal to showcase its alignment with Japanese beauty standards and preferences, bridging the gap between the brand and its consumers (Vargo & Lusch, 2007). Given the discerning nature of Japanese consumers, educational campaigns must be thoughtfully crafted, possibly highlighting the scientific basis of skincare ingredients or the cultural nuances of Japanese beauty rituals. By providing value beyond its products, L'Oréal can position itself as a trusted skincare advisor (Kotler & Pfoertsch, 2006). The implementation of digital educational tools—such as virtual workshops and online sessions—can be an efficient way to engage with Japanese consumers, offering them insights into skincare science and the significance of beauty traditions. Moreover, these educational sessions offer a platform for L'Oréal to collect consumer feedback, establishing a crucial two-way communication channel. This feedback loop is essential for product improvement and for demonstrating responsiveness to consumer input, thereby reinforcing L'Oréal's image as a brand attuned to local needs (Hennig-Thurau et al., 2004). In executing this strategy, L'Oréal must ensure that its educational initiatives are authentic and culturally resonant. By integrating Japanese traditions with contemporary skincare science, L'Oréal can affirm its respect for and commitment to the unique hybridity of Japanese skincare practices (Coumau et al., 2017).

3.2.1.3 Collaboration with local brands

A strategic partnership between L'Oréal and a local Japanese firm, like Shiseido or KAO, could leverage L'Oréal's international innovation with the domestic expertise of its partner to potentially transform Japan's skincare market. Such collaborations could exceed the capabilities of each firm alone by creating synergistic value (Das & Teng, 2000). Combining L'Oréal's global R&D prowess with the Japanese company's insight into local preferences and trusted ingredients might yield a co-created product line that resonates well with consumers (Child, Faulkner, & Tallman, 2005). This joint venture could also produce a unique brand identity, blending French elegance with Japanese technological finesse (Pucik, 1988).

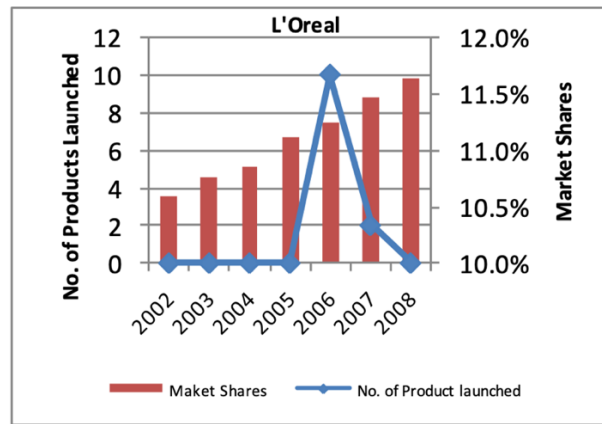
For success, the partnership requires a deep understanding of cross-cultural management to integrate differing corporate cultures and align strategic visions (Inkpen & Beamish, 1997). While the academic theory supports the benefits of such collaboration, in the highly competitive beauty industry this idea might only look good on paper, as it is more common for big brands to pursue their paths and compete rather than collaborate.

3.2.1.4 New Product Launches and Market Share

Finally, launching a new product might be an additional strategy to increase market share. Due to L'Oréal's perceived lack of leadership in the industry, a new product introduction has the potential to increase market shares while also drawing in new customers. However, as previously mentioned by respondents, L'Oréal must provide what Japanese consumers desire—naturalness and locally sourced components are essential to their hearts, as success requires a deep understanding of customer needs; any mismatch here might impede the growth of market share. Large businesses frequently beat smaller ones in terms of growth in market share because they can afford to make large investments in branding and product development. A noteworthy point is that not all product launches lead to a market share increase. This could be due to retailers' reluctance to buy new products without believing in them, as they look for products that add value to their category and can sell quickly to ensure profitability (Ranku, 2010). To ensure quick success and strengthen market presence, L'Oréal's new product line must be unique and have a strong value proposition that appeals to Japanese customers as well as clients.

Figure 14

Relationship between the number of skincare products launched and market shares

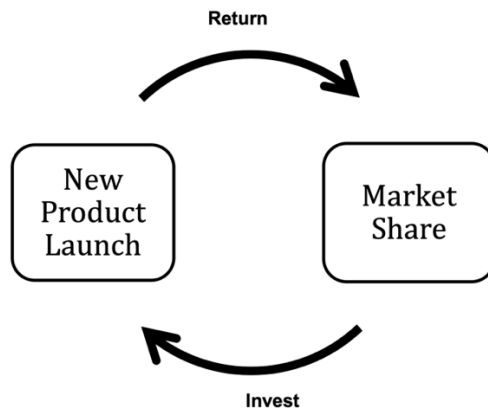


Note: see figure Ranku (2010, p. 57)

In a study examining global corporate brands and the correlation between product launches and market share, it was observed that L'Oréal had a higher market share the more skincare items it had introduced. Nonetheless, the market share shrank as fewer new skincare goods were introduced (Ranku, 2010, p. 57). Therefore, it appears that introducing new skincare products can increase market share; thus, it is important to launch them strategically on an annual basis to foster growth.

Figure 15

Market Share – Product Launch cycle



Note: see figure (Ranku, 2010, p. 67).

The association is supported by Ranku's (2010) evidence that improved financial performance is a consequence of both innovation and market orientation. Market orientation requires customer attention, competitive understanding, and collaboration. Therefore, businesses can adapt to unique markets with this technique.

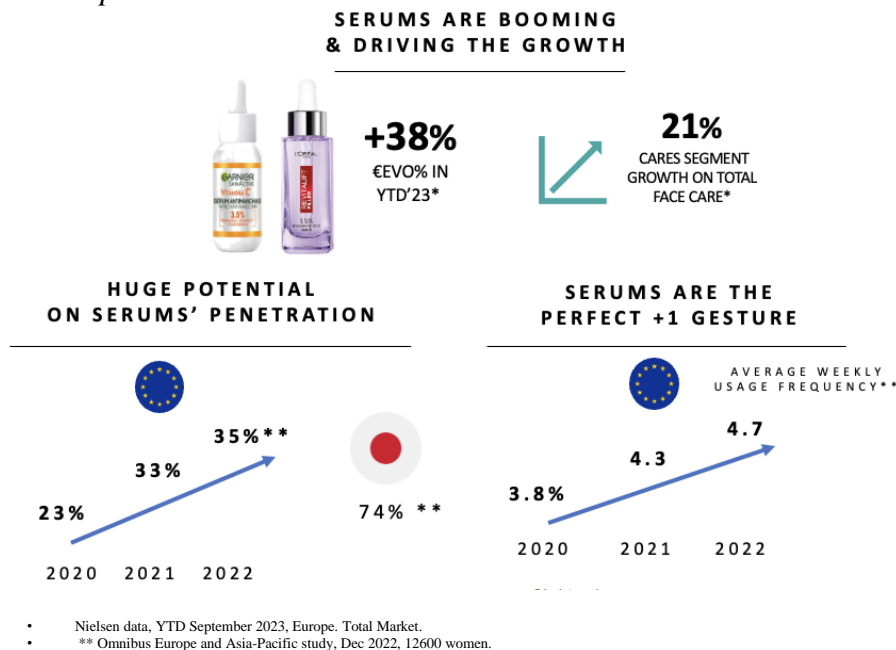
3.3 Strategic solution

3.3.1 Justification

Among the previously outlined strategic actions to increase market share, the introduction of new skincare products in the Japanese market looks to be the most effective path for L'Oréal. To successfully penetrate the Japanese skincare market, it can be beneficial to introduce new products that would feature the most popular skincare ranges in Japan, which were mentioned in the respondent's interviews as well as analyzed in the situational analysis, which were serums and cosmetic waters (toners). To build on that, additional Nielsen analysis was done by the company (in Japan, L'Oréal).

Figure 16

Serum's penetration



Note: internal company's analysis.

As seen in the figure, the serum penetration in the Asia-Pacific region is 74% as of 2022. This indicates that a lot of women have incorporated serums into their skincare routine. While looking at Europe, the number is way smaller. This could be due to various reasons, for example, this trend might be driven by the unique skincare concerns prevalent in Asia-Pacific climates, such as higher humidity or urban pollution, which can affect skin health. Serums, being lightweight and often packed with antioxidants and other protective ingredients, are likely seen as a solution to these environmental stressors.

3.3.2 Product Line Proposal

The plan is to launch a new range with a concentration on serums and cosmetic waters. The line will continue under the "Takami" name since Japanese consumers have already come to trust it based on the outcomes of the serums and essences that were previously described. It is necessary to build on cosmetic waters as well, though, as Respondent No.1 observed that despite these products' high customer popularity, L'Oréal does not have a compelling recommendation for them. It is therefore suggested that "**Sérénité Botanique, by Takami**" a serum-focused product line featuring cosmetic water in a set of each serum, be introduced. This line is intended to satisfy the natural, effective, and culturally relevant skincare needs of Japanese customers.

The collection comprises eight distinct serums, each paired with corresponding cosmetic water, formulated with unique ingredients revered in Japanese culture for their skincare benefits. As highlighted by multiple interviewees, this carefully curated selection pays homage to Japan's deep-rooted connection with nature. It addresses various skin concerns, ranging from hydration to anti-aging, showcasing a blend of traditional and modern skincare innovations.

3.3.3 Products

Table 4

Sérénité Botanique, by Takami: Products

| Name | Property |
|---------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Fuji Hydration Serum & cosmetic water | A deeply moisturizing serum infused with mineral-rich water sourced from the Fuji springs, known for its purity and skin-refreshing properties (Selected Onsen Ryokan, n.d). |
| Sakura Brightening Serum & cosmetic water | This line would harness the delicate power of cherry blossom (Sakura) extracts, which are iconic in Japan, to offer skin-brightening effects and a gentle, soothing fragrance (Cosme Hunt, n.d). |
| Matcha Detox Serum & cosmetic water | Utilizing the antioxidant-rich matcha green tea, this line could help protect the skin from environmental stressors while providing a detoxifying effect (Hadjipateras, 2023). |
| Rice Exfoliating Serum & cosmetic water | Drawing from the traditional use of rice bran in Japanese skincare, this exfoliating line would gently remove dead skin cells, revealing a smoother complexion (Shah, 2022). |
| Seaweed Balance Serum & cosmetic water | With seaweeds like wakame, used extensively in Japanese cuisine, this line would aim to balance and nourish the skin with its rich mineral content (Skincare, 2020). |
| Yuzu Vitamin C Serum & cosmetic water | Featuring the yuzu citrus fruit, this line would be rich in vitamin C, targeting dullness and uneven skin tone while invigorating the senses with its zesty aroma (Shah, 2022). |
| Bamboo Soothing Serum & cosmetic water | Bamboo is admired in Japan for its resilience and vitality; a line with bamboo extracts could offer calming effects for irritated or sensitive skin (Chaturvedi, 2022). |
| Shiitake Age-Defying Serum & cosmetic water | Incorporating Shiitake mushrooms, are revered for their skin-firming and anti-aging properties (Piper, 2023). This line would target signs of aging like fine lines and wrinkles |

Note: developed by the author.

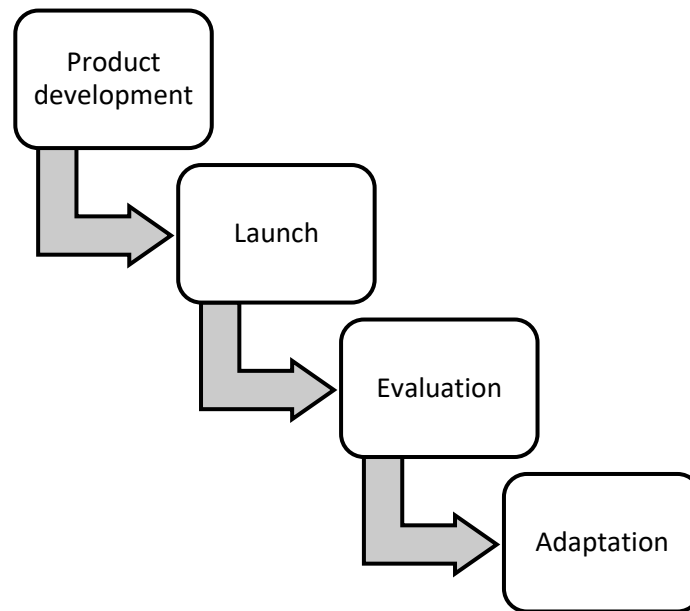
3.3.4 Plan development

L'Oréal is well-known for its extensive track record of product releases, from skincare to makeup, demonstrating its knowledge in this industry. Nonetheless, the firm regularly uses a global approach for product launches, seeking a diversified global market, that would be reachable for everyone. This strategy has not yet been tailored to only target a single, specific market, such as Japan. As a result, it is important to create a plan for implementing a launch

strategy that is only focused on a certain target market. This strategy would bring a different method for L'Oréal, requiring a comprehensive and strategic planning procedure to guarantee its effective execution later, if decided to pursue it. It's also important to recognize that this strategy, as proposed by the author, remains an exploratory concept.

Table 5

Sérénité Botanique, by Takami: Steps



Note: developed by the author.

Phases of the strategy involve the development of the line, launch, evaluation, and adaption. Every stage has a set of specifications.

3.3.4.1 "Sérénité Botanique" development

- Ingredients creation/search (6-12 months). During this stage, unique Japanese compounds and skincare methods are integrated. The goal should be to create a product that closely connects with Japanese cultural aesthetics by embodying botanicals and Japanese beauty routines. This stage should take six to twelve months on average, giving enough time for research, locating ingredients, and developing the initial formulation.
- Partnerships. During this same period, while locating the best ingredients, help and advice from local Japanese skincare experts, dermatologists, and cultural advisors is vital.

This collaboration will ensure the product's authenticity and will be assured that it is the best one for the Japanese market. These partnerships should occur alongside the ingredients phase to ensure that the product development is being created with authentic practices and knowledge.

- Prototype Testing (Duration: 3-6 months). Following the development of the original product, it is recommended to carry out a pilot phase in specific Japanese communities. This phase entails comprehensive data collection on consumer perception and product efficacy, as well as conducting evaluations on the product range. To ensure that the final product matches the specific needs and expectations of the Japanese market, it is important to collect and analyze feedback to make required changes or adaptations.

3.3.4.2 "Sérénité Botanique" launch

- Focused Launch Strategy (Duration: 1-2 months). L'Oréal's "Sérénité Botanique" product line should be marketed as a premium product, capitalizing on Japan's reputation for high-quality goods. The branding will embody the 'Wabi-sabi' aesthetic, embracing beauty in simplicity and imperfection, which resonates with the minimalist yet elegant packaging that is preferred in the Japanese market, as this aesthetic was also mentioned by one of the respondents. Marketing efforts will be carefully crafted to showcase the line's unique benefits. The narrative will incorporate traditional Japanese elements, the origin of the natural ingredients used, and the scientific innovation behind the products. Collaborating with Japanese skincare experts and influencers will add credibility and help elevate the brand's profile.
- Social media platforms (ongoing). "LINE", a community app, which is very popular in Japan, will enable direct and effective engagement with the target audience. (DMFA Marketing Team, 2023).
- Education and storytelling (initial 6-12 months, then ongoing). The brand story for "Sérénité Botanique" will be a blend of Japan's natural beauty ethos and L'Oréal's brand identity, aiming to strike a chord with the values and aesthetics cherished by Japanese consumers, a strategy underscored by Aaker (2017). The education and storytelling strategy for L'Oréal's "Sérénité Botanique" will blend Japan's traditional beauty values

with L'Oréal's expertise in research and development. By highlighting L'Oréal's commitment to scientific innovation and educational outreach, the campaign can showcase the unique blend of technology and tradition that goes into creating the line. This approach not only underlines the product's quality and authenticity but also resonates with Japanese consumers' appreciation for both technological advancement and cultural heritage as mentioned by some respondents in the interviews as well.

- Cultural Integration (Timed with Local Events). Align the product launch with key Japanese cultural events or holidays, enhancing the product's connection with the local community. This strategic timing should coincide with significant cultural moments, demonstrating respect and appreciation for Japanese traditions and further embedding the product in the cultural fabric.

3.3.4.3 “*Sérénité Botanique*” evaluation

- Comprehensive Analysis (6-12 months post-launch). During this stage, a complete evaluation that goes beyond typical sales and market data is performed. It should include an examination of the brand's compatibility with Japanese cultural values as well as consumer attitudes. This larger viewpoint is critical for understanding the brand's entire influence and acceptance in the distinct Japanese culture. It includes qualitative assessments such as customer surveys, focus groups, and cultural analysis to determine how well the brand aligns with Japanese cultural norms and expectations.
- Feedback (ongoing). It is important to get client feedback. This includes social media monitoring and specialist customer support teams who have been specially schooled in the peculiarities of the Japanese market. These groups are critical in gathering and evaluating feedback, ensuring that consumer insights are correctly interpreted and responded to. This feedback process enables constant modifications and upgrades, ensuring that the brand remains in sync with consumer expectations and market trends in Japan.

3.3.4.4 “*Sérénité Botanique*” adaptation

- Product Enhancement (Ongoing Process). This involves a dedicated mechanism for continuously updating and improving the product based on consumer feedback from the Japanese market. It requires development practices and rapid response to feedback, ensuring the product adapts to evolving consumer needs. Regularly scheduled reviews should be integrated, where consumer insights are analyzed and translated into product improvements.
- Scalability Assessment (6-12 months post-launch). After the initial launch phase, a detailed assessment of the product's performance in Japan should be undertaken, ideally between 6 to 12 months. This assessment should not only look at sales figures but also market penetration, consumer feedback, and brand sentiment. It should also evaluate the potential for adapting the product to other markets, considering cultural nuances and consumer preferences. This assessment is pivotal in deciding whether the product is ready for a global rollout or if further adaptations are needed.
- Global Market Adaptation (Strategically Post-Assessment). Upon a positive scalability assessment, the focus shifts to adapting the product for global markets. This step involves relooking the key elements that made the product successful in Japan while modifying aspects to suit other markets even better. This phase requires deep market research, an understanding of local consumer behavior, and an adaptive marketing strategy. The global expansion should be strategic and phased, entering new markets gradually while continuously monitoring performance and making necessary adjustments.

L'Oréal can secure a dominating position for its unique product line in the Japanese skincare industry by systematically arranging and performing these strategic actions. The strategy is not eternal but requires ongoing investment to succeed in Japan's dynamic consumer market (Coumau et al., 2017).

3.4 Resource Assessment

Table 6

Sérénité Botanique, by Takami: Resource Assesment

| <i>Evaluation</i> | Financial | Human | R&D | Quality |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| To do | Budget for market research, product development, marketing, and distribution. | Assemble a team across R&D, marketing, supply chain, and sales. | Use existing R&D or establish a local research hub; invest in consumer relationships solutions solutions. | Strengthen quality control measures. |
| How? | Allocate funds strategically; consider capital for local alliances. | Recruit and integrate local experts to align with cultural nuances | Invest in R&D for innovation. | Maintain high-quality standards for new product lines |
| Result | Efficient use of budget leading to effective market penetration and strategic partnerships (De Backer & Kelly Rinaudo, 2019). | Enhanced product relevance and consumer satisfaction due to culturally aligned team input. (Buesing, Kleinstein, & Wolff, 2018). | Improved product offerings and customer relationship management (Sung, Chung, & Lee, 2023) | High consumer trust and loyalty in a market that values product integrity. (Sung, Chung, & Lee, 2023) |

Note: developed by the author.

3.4.1 Recommendations for achieving results

To see how well "Sérénité Botanique" is doing in the Japanese skincare market, L'Oréal should aim to increase its market share within a certain time. This means **building strong relationships with retailers** and making sure **the product is well-seen** both online and in stores. They can measure success by looking at **how sales grow, how many stores carry the product**, and how much people engage with it online. Also, L'Oréal needs to make sure "Sérénité Botanique" fits well with Japanese culture to improve how people see the brand. They can check this by **regularly asking customers** what they think of the brand and analyzing social media comments. Seeing how customer opinions and interactions change after marketing efforts will

show how well the brand is doing. Alongside, L'Oréal should keep an eye on how satisfied customers are with "Sérénité Botanique" by **looking at feedback, reviews, and if people buy it again**. Regular surveys and group discussions will give more detailed insights. Indicators like how happy customers are, how often they return the product, and how many positive reviews there are will show how well the product meets what customers want.

3.4.2 Conclusion of managerial solutions

According to research on L'Oréal's projected "Sérénité Botanique" line in Japan, the brand has a small market share but might develop by matching local consumer tastes and values. L'Oréal's Western image can clash with Japanese clients' expectations of local ingredients and cultural compatibility. This gap could be closed by using L'Oréal's R&D strengths. The strategic plan for "Sérénité Botanique," which emphasizes local ingredients and Japanese cultural aesthetics, aims to boost L'Oréal's Japanese skincare market share. To achieve this goal, products must represent these preferences, and brand trust and recognition must be built through education and engagement. This experimental strategy aims to improve L'Oréal's market share by tailoring to the Japanese skincare market.

4 Conclusions

The primary goal of this research was to identify and decide possible techniques for increasing L'Oréal's skincare product market share in the competitive Japanese market. The completion of this Thesis can be measured by the fulfillment of its set objectives.

1. The first objective was to “conduct a situational analysis of Japan focusing on L'Oréal and its skincare products using PESTEL and SWOT analysis”. Therefore, the market analysis was performed. L'Oréal, established in 1909 and entering Japan in 1969, has developed a significant presence, particularly in the luxury and professional product segments. However, its market share in the skincare segment remains challenged by deeply rooted local brands like Shiseido and Kao, which command significant loyalty and align closely with Japan's unique beauty standards.

The economic analysis highlighted Japan's substantial consumer purchasing power, particularly favoring premium cosmetic offerings like those of L'Oréal's Luxe division. Technological advancements in Japan's skincare industry offered L'Oréal opportunities to innovate, especially in digital marketing and e-commerce, but also required adherence to strict safety and quality standards, crucial for maintaining consumer trust. Culturally, the analysis underscored Japan's deep-rooted skincare traditions and the high value placed on skincare as part of overall well-being. The strategic acquisition of Takami in 2020 played into this trend, enhancing L'Oréal's portfolio and presence in the competitive Japanese skincare landscape. However, L'Oréal's struggle in certain skincare categories, such as lotions and toners, indicates a gap in its product range and an opportunity for growth. The competitors' analysis revealed that L'Oréal's entry timing, cultural resonance, brand perception, localized knowledge, and distribution channels were key areas needing strategic improvement to compete effectively with established local brands.

2. Regarding objective number 2 to “undertake a literature review of existing strategies aimed at enhancing market share” the review in academic literature was done. Key findings from the Profit Impact of Market Strategies (PIMS) project highlighted market share as a significant influencer of return on investment. Analysis showed that market dominance, reflecting competitive advantage, is bolstered by effective marketing, a strong value proposition, and customer loyalty, contributing to long-term profit margins. Moreover, it was found that focusing

on brand equity—encompassing brand awareness, perceived quality, associations, and loyalty—is crucial for enhancing market share. This approach, informed by academic insights, underscores the importance of strategic brand management and the role of consumer perceptions in impacting a brand's market presence in a competitive landscape. This understanding informed the formulation of interview questions for primary research, targeting strategies to increase market shares in this sector.

3. Regarding objective number 3 “To conduct empirical research to better understand L'Oréal's perception in the Japanese market. This includes gaining thoughts on current trends as well as other critical information from employees” the research was successful. The chosen qualitative approach allowed for a detailed exploration of the Japanese market, relying on the expertise of selected 8 L'Oréal employees. These interviewees, chosen for their deep involvement in the Japanese skincare sector, provided crucial insights into the market's intricacies, including consumer behavior, trends, and unique challenges. Key insights from the interviews highlighted several areas as described below.

- **Cultural Traditions in Skincare.** The interviewees underscored the importance of understanding Japanese cultural traditions in skincare, emphasizing that successful products often align with these long-standing practices.
- **Trends towards Clean Beauty and Technology.** There was a noted shift towards clean beauty products and an increasing role of technology in skincare, as observed by the L'Oréal experts. This trend reflects a broader consumer preference for health-conscious and innovative beauty solutions.
- **Consumer Behavior and Preferences.** Insights into Japanese consumer behavior revealed a meticulous approach to skincare, with a preference for products that integrate traditional elements with modern science.
- **Market Challenges.** The L'Oréal professionals also shed light on the specific challenges the brand faces in Japan, such as aligning its global identity with the localized expectations and preferences of Japanese consumers.

The study concluded that L'Oréal's advancement in the Japanese market relies on integrating its global strategic strengths with a tailored approach that respects and incorporates Japanese cultural nuances and consumer preferences.

4. Regarding objective number 4 “To offer managerial suggestions and insights derived from the study as well as select the most appropriate strategy for market share enhancement” was done as well. The strategy for L'Oréal in Japan, framed using the S.M.A.R.T. model, focuses on three main objectives: integrating local Japanese ingredients into new product lines, building consumer trust through cultural alignment, and enhancing educational outreach. Key to this strategy is the launch of a new skincare line, "Sérénité Botanique," under the Takami brand, which incorporates traditional Japanese ingredients like green tea and seaweed. This line aims to capture 10% of the skincare segment's sales within its first year. The approach also emphasizes aligning marketing and product design with Japanese cultural values to build consumer trust and conducting educational workshops to deepen consumer understanding of skincare, thereby positioning L'Oréal as a trusted authority in the market. Additionally, the plan involves collaborating with local Japanese brands to leverage L'Oréal's global innovation while resonating with Japanese consumer preferences. The strategy includes phases of product development, launch, evaluation, and adaptation, ensuring responsiveness to the dynamic Japanese market. With serums and cosmetic waters featuring unique Japanese ingredients, the "Sérénité Botanique" line is designed to meet the dermatological needs and aesthetic preferences of Japanese consumers, focusing on natural, lightweight textures and culturally relevant skincare solutions.

In conclusion, this thesis provides vital insights and strategies for boosting L'Oréal's market share in Japan's skincare industry. It not only guides L'Oréal in aligning with Japanese cultural and consumer preferences but also contributes to a broader understanding of market dynamics, potentially influencing L'Oréal's future business approaches and inspiring similar market analyses in delicate regions like Japan.

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Appendix A

Questionnaire to respondents

Section 0. Interviewee Expertise.

1. Could you please state your expertise in the Japanese skincare market?

Section 1. Consumer Insights.

2. How would you describe the unique skincare preferences and needs of Japanese consumers?

Section 2. Market Trends.

3. What are the current trends shaping the skincare market in Japan?
4. How do seasonality and climate affect skincare product preferences and sales in Japan?

Section 3. Brand Perception and Value Proposition

5. How is L'Oréal perceived by Japanese consumers compared to other skincare brands?
6. What are the strengths and weaknesses of L'Oréal's current skincare product range in meeting the needs of Japanese consumers?

Section 3. Product Improvement

7. Are there any specific product features or ingredients that are particularly appealing to Japanese consumers?
8. How could L'Oréal change its skincare products to better cater to the Japanese market?

Section 4. Distribution Channels and Pricing Strategy

9. Which distribution channels are most effective for reaching Japanese consumers, and how can L'Oréal optimize its distribution strategy?
10. How sensitive are Japanese consumers to skincare product pricing, and what pricing strategies could balance affordability and perceived value?

Section 5. Product Stars Performers

11. Which specific L'Oréal skincare products or brands are best-sellers in Japan, and what factors contribute to their success?
12. What features or benefits of these star products are most appealing to Japanese consumers, and how do they differentiate from competing products?
13. How do these star performers differentiate themselves from competing products in the market?

Section 6. Competitor Analysis

14. Who are the key competitors to L'Oréal in the Japanese skincare market, and what are their competitive advantages?

15. Can you provide examples of successful product launches or pricing strategies by competitors in Japan?

16. What distribution channels are competitors utilizing effectively, and how does L'Oréal compare?

Section 7. Competitor Product Offerings and Brand Perception

17. Can you identify any unique skincare product features or formulations that competitors offer that are well-received by Japanese consumers?

18. How do competitors position their brands, and how is their brand image perceived by Japanese consumers compared to L'Oréal?

Appendix B

Interview answers of “Respondent 1”

1. Could you please state your expertise in the Japanese skincare market?

Okay, sure. So I lead the CMI for Japan, the Consumer Intelligence, and I've been working for L'Oreal for close to 25 years, in which most of the time has been in Japan. I did work in Paris for four years, but I have been working in Japan for 20 years. So, I have a good knowledge of the competitive market, and the consumers in Japan.

2. How would you describe the unique skincare preferences and needs of Japanese consumers?

I would say that Japanese consumers are very holistic when it comes to beauty. For them, beauty is not just about appearance; it is strongly integrated with overall well-being and health. I believe that for the Japanese, beauty is a robust extension of their concept of health and well-being.

Another characteristic is their patience. Japanese individuals tend to be more patient, not always seeking quick results. They genuinely believe that by investing time and patience, better results can be achieved in the long run. While not implying that they are willing to wait indefinitely for results, compared to other markets, I sense that the Japanese are a bit more patient. They adhere to a specific routine with the belief that it will ultimately preserve, sustain, and slow down the aging process. So, for skincare, it is much more about the whole routine.

3. Can you identify any cultural factors that significantly influence skincare product choices in Japan?

I believe that in Japan, cultural factors play a significant role. There's a strong connection to nature and a profound connection to people. Maintaining things in a pure state is crucial to our objectives. Ensuring a pure state is a priority. In a recent meeting with the labs, I emphasized a similar point. Japanese people value purity, which is reflected in trends such as avoiding preservatives and 'nasties.' They culturally prefer things in their purest, freshest, and most natural form. The addition of preservatives and additives is seen as detrimental, as it is perceived to compromise the integrity of the pure ingredients. This cultural perspective is a crucial element. Additionally, Japanese individuals have a deep connection to water, representing another aspect of purity. Cosmetic water, akin to toners in other countries, is a widely used item in Japan. However, for the Japanese, it's more than just a toner; it serves as a hydration step and is a

common practice among most Japanese individuals. These cultural elements significantly influence the choices in Japanese beauty routines.

4.What are the current trends shaping the skincare market in Japan?

For recent trends, we've observed a focus on the aging population, leading to an increase in the demand for anti-aging products, particularly those targeting wrinkles. Additionally, as I mentioned earlier, there's a notable aspect among Japanese people who view beauty as an extension of health and well-being. Another emerging trend is the integration of health into beauty solutions. Many beauty brands now offer inner beauty products such as supplements. Numerous companies are moving towards comprehensive support by providing not only cosmetic products but also health products. Moreover, there's a growing emphasis on diagnostics. While traditional diagnostics primarily focused on the skin, there's now a shift towards assessing overall health conditions, including DNA testing. This approach aims to personalize beauty skincare regimens based on a customer's medical understanding. It's an evolving area where the health and medical aspects are increasingly integrated into the realm of cosmetics.

5.How do seasonality and climate affect skincare product preferences and sales in Japan?

I would emphasize that seasonality plays a significant role in Japan. The high humidity and heat during the summer can be quite challenging, especially in dealing with extremely dry skin conditions. The contrast between the dry winter season and the hot, humid summer greatly influences the choice of skincare products across different seasons. During the summer, the importance of UV protection is paramount due to the harsh conditions. While UV products are used throughout the year, the emphasis on UV protection intensifies in the spring and summer seasons. Another consideration is the texture of skincare products. Richer textures are preferred in the winter to retain moisture, whereas lighter textures are favored in the spring and summer. Furthermore, the hot and humid summers place a strong emphasis on cleansing products. These products become particularly popular during this season as people seek to remove sebum and oil, aiming for a refreshing feeling. Thus, cleansing products become a significant trend during the spring and summer months.

6.How is L'Oréal perceived by Japanese consumers compared to other skincare brands?

For the average consumer, there may be limited awareness that L'Oréal boasts a diverse portfolio of brands. In Japan, the typical consumer tends to strongly associate L'Oréal with L'Oréal Paris.

In the eyes of many, L'Oréal Paris is primarily perceived as a significant player in the field of hair care. However, among more discerning beauty enthusiasts, sophisticated consumers, and opinion leaders, L'Oréal is recognized as a substantial international company. The perception is shaped by the company's extensive scale and robust commitment to research and development. These aspects contribute to a broader and more nuanced understanding of L'Oréal beyond its role in hair care.

7.What are the strengths and weaknesses of L'Oréal's current skincare product range in meeting the needs of Japanese consumers?

In terms of strengths, L'Oréal's global reach and strong commitment to research and development stand out as key assets. The company has a robust global presence and is particularly known for its strength in R&D. Additionally, there is a positive perception of L'Oréal's commitment to sustainability, aligning with the growing industry focus on sustainability efforts.

As for weaknesses, there isn't necessarily a negative image, but there are areas where the brand hasn't fully penetrated the market. A notable market that remains untapped is the mass skincare segment in Japan. Although L'Oréal Paris is present in Japan, the decision not to offer skincare products in this market has limited the brand's presence in this significant segment.

8.Are there any specific product features or ingredients that are particularly appealing to Japanese consumers?

They have successfully built their hero product and brand by leveraging the fermentation process used in sake, the traditional Japanese rice wine. This approach resonates well with the Japanese audience, who are particularly receptive to such cultural connections. Ingredients associated with hydration, such as collagen and hyaluronic acids, also play a crucial role in their product appeal. Japanese consumers are attracted to these components, making them key elements in the beauty products that gain traction in the market.

9.How could L'Oréal change its skincare products to better cater to the Japanese market?

Yeah, the ingredients, I think. I mean, a lot of natural ingredients, particularly Japanese ingredients could be incorporated more. Yeah, I think that's something that Japanese consumers put a lot of importance on, like rice fermentation.

10.Which distribution channels are most effective for reaching Japanese consumers, and how can L'Oréal optimize its distribution strategy?

I believe it depends on the segment, particularly when discussing skincare. In terms of the consumer segment in Japan, compared to other places like China, there is a preference for offline retail experiences and face-to-face counseling. This emphasizes the importance of in-person experiences in the Japanese market, especially in the realm of skincare.

11. How sensitive are Japanese consumers to skincare product pricing, and what pricing strategies could balance affordability and perceived value?

I would say that they are relatively sensitive. I think Japanese people, even though some people are willing to pay a premium price, they are not going to buy something just based on, for example, the look of the packaging or just because the brand is trendy. It is much more about convincing the customer that they are getting value for their money. The consumers in Japan prioritize the value proposition and convincing them of the product's worth is crucial. The added value, for example, justifies sometimes a slightly higher price. But if something is extremely expensive and it's just about the packaging and things like that, it's not necessarily going to be appealing. I think it must be the right mix of the product performance, the trust of the brand, and also the counseling and service that is behind the product.

12. Which specific L'Oréal skincare products or brands are best-sellers in Japan, and what factors contribute to their success?

Takami, as you mentioned, was also another big seller. This brand has a product called Skin Peel, which is a very popular item. In terms of mass products, UV products performed exceptionally well this year.

13. What features or benefits of these star products are most appealing to Japanese consumers, and how do they differentiate from competing products?

The Takami is itself a Japanese brand, that was bought by L'Oréal.

14. How do these star performers differentiate themselves from competing products in the market?

N/A

15. Who are the key competitors to L'Oréal in the Japanese skincare market, and what are their competitive advantages?

SK-II. They've been losing a bit of market share lately, experiencing a decline in momentum. However, in terms of market share, they are still very significant. SK-II by P&G, yes, I would say that's also another player to keep in mind.

16. Can you provide examples of successful product launches or pricing strategies by competitors in Japan?

Decorte has a hero product called Moisture Liposome, which they've had in the market for a long time. They renovate the product every now and then, and Moisture Liposome by Decorte was a huge hit this year. Also, many UV products sold very well this year. There's a brand called Orbis, and they have a UV product called Wrinkle Lightening UV, or something like that, which was a pretty big seller and won many awards. So, those were the big highlight products that we saw.

17. What distribution channels are competitors utilizing effectively, and how does L'Oréal compare?

Department stores. Yeah, I think that's one thing they do very well. Now, more and more, I think they're implementing diagnostic tools, incorporating technology and digital aspects. So, yeah, they do it together with face-to-face counseling.

18. Can you identify any unique skincare product features or formulations that competitors offer which are well-received by Japanese consumers?

I think for Japanese brands, one of the things they tend to have a competitive advantage in is the sensorial. This involves textures and fragrances, which are extremely sophisticated and pleasant. Japanese brands excel in studying the sensorial aspect, focusing on how a product triggers emotional responses in customers. They invest a lot of research into this, using a term called 'kansei,' which essentially refers to the emotional benefits. The joy of using a product is enhanced through the sensorial, including textures and fragrances. This is an area where Japanese brands shine. Another strength is their effective communication of scientific knowledge. They convey their understanding of skin in a way that is easy for customers to comprehend. This builds credibility for the brand and establishes an image of expertise. I believe this is another competitive advantage that Japanese brands excel in.

19. How do competitors position their brands, and how is their brand image perceived by Japanese consumers compared to L'Oréal?

So, I think, you know, we're doing well. We closely benchmark Japanese brands, selecting products and closely observing, monitoring, and studying them. Thanks to having labs in Japan, we follow their products closely and use the same type of suppliers and OEMs. Even though there might be areas where Japanese brands still excel a bit more, I would say that we have closed the gap more than before.

Interview answers of “Respondent 2”

1. Could you please state your expertise in the Japanese skincare market?

Yeah, so my role is in the Division of Innovation Direction in R&I. Although I'm in R&I, the Innovation Direction is a bit of a marketing team within R&I. Most of us are either from DMI or CMI, very marketing and consumer-oriented people, because we need to guide the labs in creating formulas that are relevant to the market and consumers. We're here to accompany the labs in the product roadmap. I am particularly in charge of an activity called Fast Track. It involves taking inspiration from Japanese competitors, identifying successful or unique ideas, and checking if we have the expertise to replicate it in-house or with an external solution. If yes, then to transform it. So, I oversee product development.

2. How would you describe the unique skincare preferences and needs of Japanese consumers?

So, the unique skincare preferences, historically, we have a very specific skincare routine, and the layering, which is now known in the West, originated from Japan. It involves not just applying moisturizer but starting with the cosmetic lotion, then the serum, and finally the cream. The same approach is applied to hair care, where Japanese people start with something thin, like cosmetic water, which is almost watery and is meant to be absorbed quickly into the skin, penetrating deeper. Next is a skin, often a bit thicker, to nourish and provide anti-aging benefits, and then it's finished with a cream. The cream, being thicker, serves to lock in all the nutrition inside the skin. This layering process, from thin to thick, is designed to create an occlusion on the skin.

3. Can you identify any cultural factors that significantly influence skincare product choices in Japan?

I think the penetration of cosmetic water among Japanese people is very high, around 96 percent. Most Japanese women use cosmetic water in their skincare routine. This is very specific to Asia, but more strongly observed in Japan. We believe that there is a connection with the importance of water in Japanese culture. In Japan, we have the 'onsen,' which is a hot spring with unique water containing lots of minerals and natural ingredients. Japanese people have a habit of taking a bath every day, and when we go to public parks and temples, we first wash our hands to purify ourselves before entering a holy place. I think this concept of familiarity and connection with

water influences the importance of cosmetic water in Japanese skincare routines, as the liquid texture is also very significant for Japanese people.

4. What are the current trends shaping the skincare market in Japan?

In terms of current trends shaping the skincare market, we're observing a significant shift towards ingredient-focused products, heavily influenced by the Korean beauty industry. There is a demand for products with high concentrations of active ingredients like retinol and niacinamide. However, because these ingredients can be harsh on the skin, there's a trend towards pairing them with soothing agents, such as cica, to mitigate their aggressiveness. Additionally, there's an interesting movement towards what I like to call 'mood cosmetics.' These are products typically used at night, designed to enhance the sensory experience, and maximize the benefits of sleep. For example, a leading night cream on the market promises a well-rested skin finish, as if you've had an additional three hours of sleep.

5. How do seasonality and climate affect skincare product preferences and sales in Japan?

Speaking of seasonality, yes, it plays a pivotal role, especially in markets like Japan. Seasonal shifts lead to the introduction of warming ingredients in winter products for a comforting effect, while summer products focus on cooling and refreshing the skin, emphasizing UV protection. It's a fascinating and dynamic aspect of the skincare industry. UV protection is crucial in our skincare routines, and while we recommend using it throughout the year, its use intensifies in the summer. With the rising temperatures and increasing heat intensity, not to mention higher humidity levels, there's a clear impact on how we approach skincare. Specifically, for UV products, the challenge is their durability against the elements. Because of the extreme humidity and heat, it often feels like the sunscreen is just melting away from the skin.

6. How is L'Oréal perceived by Japanese consumers compared to other skincare brands?

From my perspective, L'Oréal is perceived as an innovative and sophisticated brand by Japanese consumers, though it's important to acknowledge the strong competition from local skincare brands. In Japan, where consumers have a deep understanding of skincare, they tend to prefer products that align with their specific skin concerns and the local climate.

As part of L'Oréal, I can say that we strive to meet these high expectations with our scientific approach to beauty and personalized skincare solutions. Our global reputation for quality and innovation does resonate with many Japanese consumers, particularly those who are attracted to the prestige and research-backed formulations that L'Oréal offers. However, we also recognize

the loyalty Japanese consumers have towards domestic brands that have historically catered to their needs. We're aware that the Japanese market values not just the product itself, but also the customer service and overall shopping experience. We aim to excel in these areas to enhance our brand perception. With brands like Lancôme, Shu Uemura, and Kiehl's, we've seen a positive response from segments of the market that value the unique offerings of each brand, from luxury to specialized skincare. In my experience, it's a dynamic balance—on one hand, leveraging L'Oréal's international expertise and on the other, ensuring we stay in tune with the unique preferences and needs of Japanese consumers. It's an ongoing journey to not only be a part of the beauty landscape in Japan but to be a brand that's truly cherished and trusted.

7. What are the strengths and weaknesses of L'Oréal's current skincare product range in meeting the needs of Japanese consumers?

The strengths of L'Oréal's skincare range in Japan lie in its diverse portfolio and strong research and development. We have an array of brands that cater to various market segments, from the luxury of Lancôme to the clinical approach of La Roche-Posay. Our commitment to innovation allows us to introduce products with the latest skincare technologies, which appeals to the Japanese consumers' desire for cutting-edge skincare solutions.

However, there are challenges too. One weakness could be the need for more localized product formulation. Japanese consumers have specific preferences, such as lightweight textures and products that combat humidity's effects on the skin. We are constantly working to understand and integrate these preferences into our product development process. Another area that can be considered both a strength and a weakness is the perception of our brand as a foreign entity.

While the international allure can be a draw, it can also place us at a disadvantage compared to local brands that inherently understand the local culture and consumer needs. Hence, while we have a robust product range, ensuring that these offerings resonate with the local market nuances remains a continuous process. The Japanese market values tradition and craftsmanship, which can sometimes make it challenging for foreign brands to compete with domestic ones that have long-standing histories and deep cultural ties.

8. Are there any specific product features or ingredients that are particularly appealing to Japanese consumers?

In my experience, Japanese consumers often look for skincare products that feature lightweight textures and have a non-greasy feel. Ingredients like hyaluronic acid for hydration, green tea for

its antioxidant properties, and various forms of ceramides and collagen are popular for their skin-fortifying effects. Additionally, sunscreens with high SPF and PA ratings that are also comfortable to wear throughout the day are highly valued in Japan.

9. How could L'Oréal change its skincare products to better cater to the Japanese market?

N/A

10. Which distribution channels are most effective for reaching Japanese consumers, and how can L'Oréal optimize its distribution strategy?

In Japan, department stores and specialty beauty stores have traditionally been effective distribution channels, offering a premium customer experience that Japanese consumers value. E-commerce platforms are also increasingly important, especially as consumers shift more towards online shopping.

11. How sensitive are Japanese consumers to skincare product pricing, and what pricing strategies could balance affordability and perceived value?

As someone closely observing consumer behavior in Japan, I'd say that Japanese consumers are indeed price-sensitive but also value-driven. They're willing to pay more for skincare products that deliver visible results and are of high quality. Therefore, our pricing strategy needs to be carefully thought out.

12. Which specific L'Oréal skincare products or brands are best-sellers in Japan, and what factors contribute to their success?

As of my last update, specific L'Oréal products that are particularly successful in Japan include those from the luxury segment, such as Lancôme's anti-aging serums and Kiehl's skincare lines. Shu Uemura, originally a Japanese brand now under the L'Oréal umbrella, is also popular for its skincare and cleansing oils. The success factors for these brands in Japan can be attributed to several key points. Firstly, they offer high-quality, research-backed products that align with the Japanese consumers' demand for efficacy and sophistication. Secondly, they have adapted to local preferences in terms of texture, packaging, and formulation. For instance, lightweight and non-greasy textures are preferred in the Japanese market, and these brands have products that fit this criterion.

13. What features or benefits of these star products are most appealing to Japanese consumers, and how do they differentiate from competing products?

The star products from L'Oréal that perform well in Japan typically have features such as lightweight textures, fast absorption, and non-greasy formulas which align with the preference for a 'mochi-hada' (soft, plump skin) feel. The efficacy of ingredients like hyaluronic acid for hydration, specific botanicals for soothing, and advanced technology for anti-aging are also highly valued.

14. How do these star performers differentiate themselves from competing products in the market?

These products often differentiate from competitors through a combination of high-quality ingredients, backed by scientific research, and a luxury brand experience that is culturally resonant. L'Oréal's strong global brand identity is adapted to the local context, providing a sense of trust and safety in product effectiveness. The success of these products is bolstered by customized marketing approaches that may include local brand ambassadors who embody the beauty ideals respected in Japan. This local customization, coupled with global beauty trends, allows these products to stand out in a crowded market.

15. Who are the key competitors to L'Oréal in the Japanese skincare market, and what are their competitive advantages?

The key competitors include the Shiseido group, which houses Shiseido as well as Clé de Peau and their mass brands. Kao and Kanebo group, too, with brands like QL for sensitive skin. The competitive advantage of these Japanese companies lies in the sensorial experience they provide—textures that are not only comfortable and pleasant but are also linked to performance.

16. Can you provide examples of successful product launches or pricing strategies by competitors in Japan?

A notable product is Kanebo's Scrubbing Mud Wash. It's a transformative cleanser with a unique texture that changes during the application process, which deeply cleanses pores without causing friction. As for pricing strategies, these competitors often use value-based pricing, where the product's price reflects its innovative features and benefits.

17. What distribution channels are competitors utilizing effectively, and how does L'Oréal compare?

Competitors are effectively using both traditional retail channels like department stores and embracing e-commerce platforms. They also excel in scientific communication, simplifying

complex technologies for consumers. L'Oréal is also present in these channels but may need to amplify their communication strategies to match the clarity of Japanese competitors.

18.Can you identify any unique skincare product features or formulations that competitors offer which are well-received by Japanese consumers?

Yes, the texture-transforming features, like in the Kanebo cleanser, are unique and appeal to consumers. This product shifts from a scrub to a mud texture and then to a rich, creamy foam, offering a deep cleanse that's gentle on the skin.

19.How do competitors position their brands, and how is their brand image perceived by Japanese consumers compared to L'Oréal?

Competitors position their brands as both scientifically advanced and deeply rooted in Japanese beauty traditions. They're perceived as experts in creating products that are high-performing and highly sensorial. Their brand image is often associated with a deep understanding of local needs, which can sometimes give them an edge over L'Oréal in the eyes of Japanese consumers.

Interview answers of “Respondent 3”

1.Could you please state your expertise in the Japanese skincare market?

Sure. I'm in charge of business intelligence at L'Oréal Japan. My role is to estimate and forecast the cosmetic market, as well as understand macroeconomic status and consumer behavior.

2.How would you describe the unique skincare preferences and needs of Japanese consumers?

Japanese consumers are sophisticated. They use many skincare items in their routines. In the morning, they use more than three items, and in the evening, they use more than five, including cosmetics, emulsions, creams, and serums.

3.Can you identify any cultural factors that significantly influence skincare product choices in Japan?

The cosmetic water or lotion is essential, as its use is widespread due to education by domestic manufacturers like Shiseido on its importance as a first step in skincare.

4.What are the current trends shaping the skincare market in Japan?

The market is polarized with some consumers looking for cheaper items while others spend more, leading to premiumization of skincare items.

5.How do seasonality and climate affect skincare product preferences and sales in Japan?

Yes, seasonality affects preferences. In the hot and humid seasons, lighter textures are preferred, while in fall and winter, thicker textures like creams are used. Sales tend to peak in December.

6.How is L'Oréal perceived by Japanese consumers compared to other skincare brands?

L'Oréal is seen as innovative and differentiated due to our technology but perceived as less friendly or relatable compared to domestic brands.

7.What are the strengths and weaknesses of L'Oréal's current skincare product range in meeting the needs of Japanese consumers?

Our strength lies in serums, but we face challenges in the cosmetic water category, which is essential to Japanese consumers.

8.Are there any specific product features or ingredients that are particularly appealing to Japanese consumers?

Shu Uemura's cleansing oil is a bestseller, with its unique formula and use of Japanese-specific plants.

9.How could L'Oréal change its skincare products to better cater to the Japanese market?

N/A

10.Which distribution channels are most effective for reaching Japanese consumers, and how can L'Oréal optimize its distribution strategy?

N/A

11.How sensitive are Japanese consumers to skincare product pricing, and what pricing strategies could balance affordability and perceived value?

N/A

12.Which specific L'Oréal skincare products or brands are best-sellers in Japan, and what factors contribute to their success?

Takami, particularly the blue skincare item, is a top seller, successful due to clean formulas and a subscription model.

13.What features or benefits of these star products are most appealing to Japanese consumers, and how do they differentiate from competing products?

N/A

14.How do these star performers differentiate themselves from competing products in the market?

N/A

15. Who are the key competitors to L'Oréal in the Japanese skincare market, and what are their competitive advantages?

Competitors are mainly Japanese brands like Shiseido, Kao, Kose, and international brands. Japanese brands have familiarity and credibility, using local influencers and models. Western brands are seen as technologically advanced and innovative.

16. Can you provide examples of successful product launches or pricing strategies by competitors in Japan?

SK-II by P&G is a successful brand focused on cosmetic water, which makes up a significant portion of their sales. It's expensive, but the formula is well-regarded, and they use various promotions.

17. What distribution channels are competitors utilizing effectively, and how does L'Oréal compare?

N/A

18. Can you identify any unique skincare product features or formulations that competitors offer that are well-received by Japanese consumers?

N/A

19. How do competitors position their brands, and how is their brand image perceived by Japanese consumers compared to L'Oréal?

N/A

Interview answers of “Respondent 4”

1. Could you please state your expertise in the Japanese skincare market?

I have worked in several locations at L'Oreal company and mostly I worked in sales. I started as an assistant, now doing different jobs in marketing, yeah, and of course, I have some expertise in skincare.

2. How would you describe the unique skincare preferences and needs of Japanese consumers?

I would say that Japanese consumers tend to prioritize clear, porcelain-like skin and maintain a youthful appearance. Their skincare routines often include multiple steps, emphasizing hydration, sun protection, and anti-aging ingredients. Products like toners, essences, and sheet

masks are popular due to their hydrating properties. Japanese consumers also prefer lightweight, non-greasy textures and often focus on prevention rather than correction.

3.Can you identify any cultural factors that significantly influence skincare product choices in Japan?

I could say that cultural factors play a significant role in skincare choices in Japan. The cultural concept of Wabi Sabi, valuing imperfection and natural beauty, influences the preference for minimal makeup and a focus on clear, healthy skin. The use of traditional ingredients like green tea, rice bran, and sake in skincare products reflects a deep connection to heritage and natural beauty practices.

4.What are the current trends shaping the skincare market in Japan?

Okay, so we have a few, I guess. Trends in the Japanese skincare market have evolved, but there is a strong emphasis on clean and natural ingredients, sustainability, and high-tech formulations. There is also a growing interest in gender-neutral skincare. Anti-pollution and anti-aging products, along with UV protection, of course, remain important.

5.How do seasonality and climate affect skincare product preferences and sales in Japan?

Japan's climate varies significantly throughout the year, affecting skincare preferences. In summer, lightweight and oil-control products are popular due to humidity, while winter sees a demand for richer moisturizers and barrier repair products to combat dryness.

6.How is L'Oréal perceived by Japanese consumers compared to other skincare brands?

L'Oréal is generally well regarded by Japanese consumers as a trusted and established global brand. However, some consumers might view it as less natural compared to local brands, which is very important there.

7.What are the strengths and weaknesses of L'Oréal's current skincare product range in meeting the needs of Japanese consumers?

Our company's strengths include innovation and global reach. However, the brand might need to focus more on clean and sustainable ingredients, minimalistic packaging, and a deep understanding of Japanese beauty cultures to cater better to Japanese consumers.

8.Are there any specific product features or ingredients that are particularly appealing to Japanese consumers?

Japanese consumers often favor products containing hyaluronic acid, green tea, sake, and rice bran. These ingredients provide hydration, anti-aging benefits, and a connection to traditional beauty practices.

9. How could L'Oréal change its skincare products to better cater to the Japanese market?

Considering these ingredients and innovations, L'Oréal could incorporate these mentioned ingredients and adjust product textures to match Japanese preferences. Collaborations with local brands or experts could enhance authenticity and cultural relevance.

10. Which distribution channels are most effective for reaching Japanese consumers, and how can L'Oréal optimize its distribution strategy?

Effective channels in Japan include drugstores, department stores, and e-commerce.

11. How sensitive are Japanese consumers to skincare product pricing, and what pricing strategies could balance affordability and perceived value?

Japanese consumers are price-sensitive but prioritize quality.

12. Which specific L'Oréal skincare products or brands are best-sellers in Japan, and what factors contribute to their success?

L'Oreal's best-sellers might include items with anti-aging benefits, and high SPF sunscreens.

13. What features or benefits of these star products are most appealing to Japanese consumers, and how do they differentiate from competing products?

Differentiation could come from ingredients, innovative formulations, or marketing that highlights cultural relevance.

14. How do these star performers differentiate themselves from competing products in the market?

N/A

15. Who are the key competitors to L'Oréal in the Japanese skincare market, and what are their competitive advantages?

Competitors include Shiseido, SK-II, and Kao. They have the advantage of being local brands with a deep understanding of Japanese consumer needs.

16. Can you provide examples of successful product launches or pricing strategies by competitors in Japan?

Competitors often launch products with traditional Japanese ingredients and focus on clean beauty.

17. What distribution channels are competitors utilizing effectively, and how does L'Oréal compare?

They utilize sales in drugstores, department stores, and brand stores effectively.

18. Can you identify any unique skincare product features or formulations that competitors offer that are well-received by Japanese consumers?

Formulations like rice brawn.

19. How do competitors position their brands, and how is their brand image perceived by Japanese consumers compared to L'Oréal?

Competitors offer products with unique formulations suited to Japanese culture and position themselves as authentic guardians of Japanese beauty traditions. They are perceived as more authentic and deeply connected to Japanese beauty culture compared to international brands, including L'Oréal.

Interview answers of “Respondent 5”

1. Could you please state your expertise in the Japanese skincare market?

I've worked in Japan for three years in the marketing department.

2. How would you describe the unique skincare preferences and needs of Japanese consumers?

Japanese consumers prioritize clear, radiant, youthful-looking skin. They prefer products that provide hydration, sun protection, and address issues like uneven skin tone and dark spots. They follow a multi-step routine and use many products.

3. Can you identify any cultural factors that significantly influence skincare product choices in Japan?

Japanese culture highly influences their skincare preferences. They rely on historical and traditional practices, preferring lightweight, non-greasy textures due to the humid climate. High SPF products are also essential due to their fair skin.

4. What are the current trends shaping the skincare market in Japan?

Sustainability and eco-friendliness are significant trends. There's a growing interest in local beauty brands and traditional ingredients. Anti-aging products are increasingly popular across all ages, reflecting concerns about skin issues.

5. How do seasonality and climate affect skincare product preferences and sales in Japan?

Yes, seasonality and climate significantly affect sales. In summer, lightweight, oil-free products and sunscreens are in demand. In winter, moisturizing and hydrating products are popular.

6.How is L'Oréal perceived by Japanese consumers compared to other skincare brands?

L'Oreal is seen as a trustworthy global skincare company. However, it's also viewed as a Western brand, which is different from local Japanese brands that are considered very important.

7.What are the strengths and weaknesses of L'Oréal's current skincare product range in meeting the needs of Japanese consumers?

L'Oreal is seen as a trustworthy global skincare company. However, it's also viewed as a Western brand, which is different from local Japanese brands that are considered very important.

8.Are there any specific product features or ingredients that are particularly appealing to Japanese consumers?

Naturality.

9.How could L'Oréal change its skincare products to better cater to the Japanese market?

Use more local and natural ingredients.

10.Which distribution channels are most effective for reaching Japanese consumers, and how can L'Oréal optimize its distribution strategy?

Department stores, drugstores, and e-commerce platforms are effective. L'Oreal should develop more in e-commerce.

11.How sensitive are Japanese consumers to skincare product pricing, and what pricing strategies could balance affordability and perceived value?

Yes, they are sensitive to skincare pricing. Offering a range of products at different price points can balance affordability with perceived quality.

12.Which specific L'Oréal skincare products or brands are best-sellers in Japan, and what factors contribute to their success?

Sunscreens, moisturizers with hyaluronic acid, and anti-aging serums sell well. They address common skincare concerns and offer noticeable results.

13.What features or benefits of these star products are most appealing to Japanese consumers, and how do they differentiate from competing products?

N/A

14.How do these star performers differentiate themselves from competing products in the market?

N/A

15. Who are the key competitors to L'Oréal in the Japanese skincare market, and what are their competitive advantages?

Japanese brands like Kao, Kanabo, and Shiseido understand local preferences well. They use traditional ingredients and engage in influencer marketing.

16. Can you provide examples of successful product launches or pricing strategies by competitors in Japan?

Competitors launch eco-friendly products and employ competitive pricing strategies. They also launch products with specific needs like anti-aging for mature skin.

17. What distribution channels are competitors utilizing effectively, and how does L'Oréal compare?

They utilize sales in drugstores, department stores, and brand stores effectively.

18. Can you identify any unique skincare product features or formulations that competitors offer which are well-received by Japanese consumers?

Matcha, rice brawn.

19. How do competitors position their brands, and how is their brand image perceived by Japanese consumers compared to L'Oréal?

Competitors emphasize traditional Japanese ingredients and natural formulas. L'Oreal is seen as more Western, with a focus on scientific and innovative formulas. Both are positive but having local elements is crucial in the Japanese market.

Interview answers of “Respondent 6”

1. Could you please state your expertise in the Japanese skincare market?

Thanks so much for having me. Happy to help out with the thesis. I have a profound understanding of the Japanese skincare market, which is, you know, to many, a dynamic and highly competitive industry due to its many products available. It's known internationally for its unique consumer preferences and different influences from its own culture. With regards to my expertise, I have been exposed through almost two decades in my career to consumer insights, different research around market trends, the perception of different brands in the market, as well

as different product initiatives regarding go-to-market strategies. From the whole lifecycle of a product, from launching to bringing the product to the market and seeing how it's doing.

2.How would you describe the unique skincare preferences and needs of Japanese consumers?

There are lots of similarities with other international consumers, but they do have quite distinct tastes. The consumers in the market prioritize flawless and porcelain-like skin. Hydration is extremely important for them, which is a globally spread phenomenon, as well as sun protection and anti-aging. Maybe the most distinct thing is that they're really minimalist in their routines. Fragrance-free products and a gentle routine are something that we've observed to be most favored due to the widespread sensitive skin in the region. Japanese consumers prioritize clear, radiant, youthful-looking skin. They prefer products that provide hydration, sun protection, and address issues like uneven skin tone and dark spots. They follow a multi-step routine and use many products.

3.Can you identify any cultural factors that significantly influence skincare product choices in Japan?

Yeah, so I think all the international stereotypes are correct, such as a really strong emphasis on harmony, balance in life. Once you understand the Japanese culture, you can quite clearly understand their skincare choices as well, right? Harmony, balance, natural ingredients, like green tea, are very prevalent. And then, of course, being able to trust and rely on the brand is important, making sure that these things that are important to them are also important to the creators and manufacturers of the products.

4.What are the current trends shaping the skincare market in Japan?

There's been a kind of resurgence in J Beauty, where traditional ingredients like seaweed and sake are gaining popularity. That's been really interesting to track. And also, the growing focus on sustainability, ethical sourcing, going back to natural roots of products to some extent. Incorporating beauty tech and AI is also on the rise, especially for the Asian market in general.

5.How do seasonality and climate affect skincare product preferences and sales in Japan?

Yeah, I think that's one of the significant impacts in terms of product preferences. Lighter formulations are preferred in summer, and more moisturizing products in winter, which is quite a global phenomenon as well. Sunscreen is a year-round essential due to the sensitivity of Japanese skin to the sun.

6.How is L'Oréal perceived by Japanese consumers compared to other skincare brands?

L'Oréal has a strong presence and is perceived as a global, innovative brand in Japan. But competition is fierce due to local brands that are more culturally attuned to natural and less international influences. Consumers trust L'Oréal for technology-driven skincare solutions, but there's strong competition. L'Oréal has to be attuned much more to cultural dynamics, emphasizing natural ingredients and all of that.

7. What are the strengths and weaknesses of L'Oréal's current skincare product range in meeting the needs of Japanese consumers?

L'Oréal has a strong brand, a broad product range, and technological advancements. However, the weaknesses are not fully aligning with Japanese traditional values and preferences, symbolizing an international theme where exact ingredients aren't known. Adapting to local needs can be a challenge for the brand.

8. Are there any specific product features or ingredients that are particularly appealing to Japanese consumers?

Internationally recognized ingredients like hyaluronic acid for moisture are popular. But due to recent trends, local ingredients like sake and rice bran are in demand. Japanese consumers seek lightweight textures, mild fragrances, and long-lasting hydration. Anti-aging and sun protection benefits are very important.

9. How could L'Oréal change its skincare products to better cater to the Japanese market?

Particularly, fragrance-free options, optimizing formulations for sensitive Japanese skin, and collaborating with local experts can enhance product development. It's about taking the product and adapting it to the market. There are worldwide themes, but it's important to be even more sensitive to what Japanese consumers like.

10. Which distribution channels are most effective for reaching Japanese consumers, and how can L'Oréal optimize its distribution strategy?

Japanese consumers prefer purchasing skincare in department stores, drugstores, and online. L'Oréal could optimize by having a strong online presence and building partnerships with reputable local retailers to build trust more easily with the consumer.

11. How sensitive are Japanese consumers to skincare product pricing, and what pricing strategies could balance affordability and perceived value?

Japanese minimalism is important. L'Oréal could balance affordability and perceived value by emphasizing the benefits of premium products, offering occasional promotions, and tiered

product lines. It's about emphasizing the value that consumers seek and pricing accordingly, especially for products with special ingredients like sake or matcha.

12. Which specific L'Oréal skincare products or brands are best-sellers in Japan, and what factors contribute to their success?

Anti-aging and skin brightening properties, protection, serums, and essences succeed because they align with Japanese skincare goals to protect and cater to sensitive skin and protect from the sun. These products stand out because of their innovative formulations, targeted solutions, and clear results. Consumer education and appealing technology are good combinations to appeal to consumers.

13. What features or benefits of these star products are most appealing to Japanese consumers, and how do they differentiate from competing products?

These products stand out because of their innovative formulations, targeted solutions, and clear results. Consumer education and appealing technology are good combinations to appeal to consumers.

14. How do these star performers differentiate themselves from competing products in the market?

L'Oréal's global reputation and capital to invest in next-gen technology differentiate it from competitors.

15. Who are the key competitors to L'Oréal in the Japanese skincare market, and what are their competitive advantages?

Local brands with an understanding of Japanese skincare preferences, like Shiseido, Kanebo, and Kao, have the advantage of being culturally aligned and resonate with customers.

16. Can you provide examples of successful product launches or pricing strategies by competitors in Japan?

Localized product launches, limited edition products for specific market segments, and collaborations with influencers are successful strategies. Partnership with retailers is also key due to how Japanese consumers like to shop and build trust in products.

17. What distribution channels are competitors utilizing effectively, and how does L'Oréal compare?

And just with regards to distribution channels, local brands have longstanding relationships with retailers which gives them an edge in shelf space strategies.

18. Can you identify any unique skincare product features or formulations that competitors offer which are well-received by Japanese consumers?

Botanical extracts and ingredients that emphasize Japanese skincare philosophies and cultural alignment are unique and well-received.

19. How do competitors position their brands, and how is their brand image perceived by Japanese consumers compared to L'Oréal?

Competitors focus on heritage, local, and natural aspects to resonate with Japanese consumers. Their brand image often has trustworthiness and authenticity that surpasses L'Oréal's image in these aspects.

Interview answers of “Respondent 7”

1. Could you please state your expertise in the Japanese skincare market?

I worked with skincare Japan R&D and given my Japanese heritage, it felt natural to trust a lot of skincare products produced in Japan. So I followed a lot of skincare routines that worked wonders for my grandmother.

2. How would you describe the unique skincare preferences and needs of Japanese consumers?

A big preference in Japan is sun protection, and they prefer a clear, bright, radiant complexion. I noticed on my most recent visit to Japan that travel-friendly and portable products are preferred due to women being on the go more than ever. There's also a preference for efficient products where a little goes a long way.

3. Can you identify any cultural factors that significantly influence skincare product choices in Japan?

Culturally, there's a long-standing tradition of women washing their faces with rice water. It's like the number one product in Japan. This tribal knowledge has been passed down and works well in the marketplace.

4. What are the current trends shaping the skincare market in Japan?

I'm not as versed in the trendiest markets, but there's an emphasis on clean beauty, and products with familiar ingredients like cherry blossoms or rice water. They're always searching for the purity of ingredients.

5. How do seasonality and climate affect skincare product preferences and sales in Japan?

Japan's geography and climate mean that moisturization is really important during the winter, and dry skin is highly undesirable. During the summer, it's incredibly humid, so products that are lighter and can withstand heat are preferred, along with sun protection all year round.

6. How is L'Oréal perceived by Japanese consumers compared to other skincare brands?

L'Oréal is perceived as a luxury brand that does its research well, more of an international, European brand known for high quality. However, there are competitors like Shiseido which have more market share and familiarity with the Japanese audience.

7. What are the strengths and weaknesses of L'Oréal's current skincare product range in meeting the needs of Japanese consumers?

A weak point for L'Oréal is not having products that are more tailored and customized towards the preferences of the Japanese market, using more familiar ingredients like matcha, yuzu, or sake.

8. Are there any specific product features or ingredients that are particularly appealing to Japanese consumers?

Natural ingredients are appealing, like spring water from a fresh mountain. Purity and naturalness are key.

9. How could L'Oréal change its skincare products to better cater to the Japanese market?

Go more into naturality.

10. Which distribution channels are most effective for reaching Japanese consumers, and how can L'Oréal optimize its distribution strategy?

Luxury department stores like Takashimaya are popular for imported brands. Partnering and marketing with larger department stores that offer an exclusive shopping experience could benefit L'Oréal.

11. How sensitive are Japanese consumers to skincare product pricing, and what pricing strategies could balance affordability and perceived value?

Fair pricing similar to Shiseido would make sense for L'Oréal, as the Japanese market perceives it to be in the same quality space.

12. Which specific L'Oréal skincare products or brands are best-sellers in Japan, and what factors contribute to their success?

I don't have specifics, but successful products align with anti-aging skin brightening, and protection needs.

13. What features or benefits of these star products are most appealing to Japanese consumers, and how do they differentiate from competing products?

Maybe more cultural awareness

14. How do these star performers differentiate themselves from competing products in the market?

N/A

15. Who are the key competitors to L'Oréal in the Japanese skincare market, and what are their competitive advantages?

Shiseido, KAO.

16. Can you provide examples of successful product launches or pricing strategies by competitors in Japan?

N/A

17. What distribution channels are competitors utilizing effectively, and how does L'Oréal compare?

N/A

18. Can you identify any unique skincare product features or formulations that competitors offer that are well-received by Japanese consumers?

N/A

19. How do competitors position their brands, and how is their brand image perceived by Japanese consumers compared to L'Oréal?

Shiseido, with its long-standing tradition and established presence, resonates more with Japanese consumers. Understanding the tradition behind L'Oréal might also be of interest to Japanese consumers.

Interview answers of “Respondent 8”

1. Could you please state your expertise in the Japanese skincare market?

So I am a marketing Junior for L'Oreal in Japan.

2. How would you describe the unique skincare preferences and needs of Japanese consumers?

In general, I would say that people in Japan have a strong focus on preventative skincare. So it means that they really value the preferences and needs of Japanese consumers. They care about

products that protect their skin from environmental impact, from the sun, so from UV rays, so SPF is quite important. And they also care about hydration and anti-aging.

3.Can you identify any cultural factors that significantly influence skincare product choices in Japan?

I would say that the influence of traditional Japanese beauty ideals and it's also very important, this respect for nature. So Japanese consumers are often looking for products that have natural ingredients and are quite gentle in their formulas.

4.What are the current trends shaping the skincare market in Japan?

I would say there is a big interest now in J Beauty. It's about minimalism, the use of traditional ingredients, and sustainable and eco-friendly products, which are also quite popular here.

5.How do seasonality and climate affect skincare product preferences and sales in Japan?

I think it is quite important. For example, during very humid summers, more lightweight products that offer more hydration are more popular. And during dry winters, people are looking for more nourishment in their products, preferring heavier and more nourishing consistencies

6.How is L'Oréal perceived by Japanese consumers compared to other skincare brands?

In general, L'Oreal is perceived as a very innovative and globally recognized brand. However, it faces quite a bit of competition from local brands, mainly due to differences in formulation and their marketing strategies.

7.What are the strengths and weaknesses of L'Oréal's current skincare product range in meeting the needs of Japanese consumers?

Yeah, so I think it's quite related to what I answered in the previous question. Innovation and global recognition can be identified as the strengths and weaknesses of L'Oreal. The weakness is that there is a lack of Japanese-centric marketing strategies, and the product formulations may not be very locally relevant.

8.Are there any specific product features or ingredients that are particularly appealing to Japanese consumers?

Yes, things like green tea, rice bran, and even sake are quite appealing to Japanese consumers. So, you know, if we had more ingredients like this in our L'Oreal product range, it would be more appealing to the local preferences

9.How could L'Oréal change its skincare products to better cater to the Japanese market?

Yes. Well, first of all, I think research is quite important on traditional Japanese ingredients and consumers' needs. And then, you know, you can even collaborate with local experts to really come up with a product line that would answer all of the Japanese consumers' wants and needs.

10. Which distribution channels are most effective for reaching Japanese consumers, and how can L'Oréal optimize its distribution strategy?

I think consumers in Japan appreciate omnichannel distribution, both online and in physical stores. So, L'Oréal should strengthen its presence in high-traffic areas, such as physical stores, and, of course, consider expanding its reach in e-commerce.

11. How sensitive are Japanese consumers to skincare product pricing, and what pricing strategies could balance affordability and perceived value?

So, I would say that Japanese consumers are quite price-sensitive, but at the same time, they value quality. If they see the value in what they're paying for, they are likely to pay more for it. Offering tiered pricing with a range of products at different price points could balance the affordability and quality

12. Which specific L'Oréal skincare products or brands are best-sellers in Japan, and what factors contribute to their success?

Anti-aging products.

13. What features or benefits of these star products are most appealing to Japanese consumers, and how do they differentiate from competing products?

Effective marketing and packaging contribute to success, and features or benefits, as I mentioned before about the efficient ingredients, also play a role.

14. How do these star performers differentiate themselves from competing products in the market?

I would say lightweight textures.

15. Who are the key competitors to L'Oréal in the Japanese skincare market, and what are their competitive advantages?

Shiseido, KAO Corporation, SK-II. They have advantages because of their deep understanding of local preferences

16. Can you provide examples of successful product launches or pricing strategies by competitors in Japan?

So that would be like limited edition seasonal collections that had quite appealing packaging. In terms of pricing, it was both premium pricing for more luxury brands and also competitive for mass market.

17. What distribution channels are competitors utilizing effectively, and how does L'Oréal compare?

Yeah, so competitors utilize department stores, drug stores, and even specialty boutiques. L'Oréal could strengthen its presence in these channels to be more effective at competing with them

18. Can you identify any unique skincare product features or formulations that competitors offer that are well-received by Japanese consumers?

So, the competition has unique ingredients, for example, seaweed, camellia oil, and even fermented extracts. These are quite well received by Japanese consumers.

19. How do competitors position their brands, and how is their brand image perceived by Japanese consumers compared to L'Oréal?

Competitors are very deeply rooted in the Japanese culture, and that is well perceived and resonates with local consumers. Brands like these are perceived as more authentic, I would say, than big global brands like L'Oreal.