PRODUCT INNOVATION IN COSMETIC INDUSTRY – CASE STUDY OF MAJOR COSMETIC COMPANIES

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The global cosmetic industry is constantly developing. It is characterised by regular growth and high competitiveness. At the same time for numerous companies innovation seems to be the vehicle of growth. The purpose of this paper is to analyse the product innovation of three major cosmetic companies: L’Oréal, Estee Lauder and Shiseido.

The paper emphasizes product innovation as a crucial factor, which affects the competitive advantages of each of the presented cosmetic firms. Data for all the companies was collected from their 2014 annual reports. The research is performed using the case study method.

Firstly, the paper presents overall picture of the global cosmetic industry. Next part is focused on product innovation in the cosmetic industry. Afterwards, the article introduces the description of major cosmetic companies and their crucial product innovation, which are delivered in the table. Lastly, conclusions are presented.

Keywords: cosmetic industry, product innovation

Introduction

Global cosmetic industry has been showing 4.5% of average annual growth in the last twenty years [6]. “Beauty market continues to record solid growth, over 3%. It is a supply-driven market underpinned by innovation, as well as efficacy and quality” [5, p. 1].

The beauty market is generally categorized into five segments as follows: (1) skincare (2) hair care (3) colour cosmetics (4) fragrances and (5) toiletries. Also cosmetic products can be divided into premium segment and the mass market. The premium segment represents 28% of total sales worldwide and the second one accounts for 72% [6].

The cosmetic industry is dominated by multinational companies. Five main cosmetic companies worldwide are presented below [5]:

1. L’Oréal with sales of 30.52 billion dollars.
2. Unilever with sales of 21.33 billion dollars.
3. Procter&Gamble with sales of 20.5 billion dollars.
4. Estée Lauder with sales of 10.39 billion dollars.
5. Shiseido with sales of 7.77 billion dollars.

Product innovation in cosmetic industry

As stated by Kumar, Massie and Dumonceaux [7] product innovation is essential in gaining competitive advantage in the cosmetic industry. Because of the short life cycle of beauty products cosmetic companies are constantly introducing new product innovations or improving current products. According to Griffin [1], product innovation is diversified depending on the level of novelty: world novelty, incremental product improvement, new line of products, product repositioning, product line expansion and cost reduction.

Moreover, the beauty industry is characterized by the constant necessity to release new products and high dependence on new ingredients, especially essences and functional actives” [4, p. 8]. Also, brands are crucial in building competitive advantage among competitors. Cosmetic firms increase potential of existing brands and offer new ones [9].

This article is related top roduct innovations of three leading cosmetic companies: L’Oréal, Estee Lauder and Shiseido. Every presented company differs from others and introduces distinctive product innovations. Present research omits Unilever and Procter&Gamble because of the fact that these firms specialize not only in cosmetic products but also in other fields like: supplements, cleaning products or food.

Estee Lauder

Estee Lauder is placed on the fourth position worldwide in terms of sales. The company’s brands are sold in over 150 countries. Estee Lauder’s portfolio includes 29 brands, 25 of which are defined as prestigious [2].

Shiseido

Shiseido’s sales are on the fifth position in global beauty industry. Shiseido possesses big portfolio of brands, which includes 44 brands. Shiseido’s products are sold in 89 countries. Also, the company has received 22 awards from the International Federation of Societies of Cosmetic Chemists (IFSCC). This organization identified Shiseido as the leader among cosmetics researchers in the world [8].

Product Innovation

Each of the cosmetic companies introduces new products every season (spring, summer, winter and autumn). This article presents crucial product innovations, which have been placed in 2014 annual reports.

According to the annual report L’Oréal developed the most products for each segment in which it operates (mass market, selective market, professional products and dermocosmetic market). However, the most significant are three new fragrances: “La Vie Est Belle” by Lancôme, “Si” by Giorgio Armani and “Black Opium” by Yves Saint Laurent. Estee Lauder introduced skincare cosmetics such as: Advanced Night Repair Synchronized Complex II...
| Cosmetic Company | Product Innovation |
|------------------|--------------------|
| **L’Oréal**      | **Mass Market Products:**  
|                  |  
|                  | • NYX brand: The Curve eyeliner, Butter glosses.  
|                  |  
|                  | • Elvive L’Oréal Paris was the European market leader in 2014 in the haircare segment.  
|                  |  
|                  | • Men Expert by L’Oréal Paris was number 1 in the Chinese market (men facial skincare segment).  
|                  |  
|                  | • L’Oréal Paris for women was the number 1 skincare brand in China – especially Revitalift V-Shaper.  
|                  |  
|                  | • The Drops of Youth™ Eye Concentrate by The Body Shop is one of the brand pillars.  
| **Selective Beauty Market:** |  
|                  | • L’Oréal won market share in each of the major world regions (Europe, USA and China).  
|                  |  
|                  | • Great success in the fragrance segment: “La Vie Est Belle” by Lancôme (Number 4 worldwide), “Si” Giorgio Armani and “Black Opium” by Yves Saint Laurent.  
|                  |  
|                  | • Mascara Grandiose with patented swan-neck wand.  
|                  |  
|                  | • Baby Doll Kiss & Blush by YSL.  
|                  |  
|                  | • New Deep Pore Cleansing kit by Clarisonic.  
| **Professional Products:** |  
|                  | • Discipline by Kerastase.  
|                  |  
|                  | • L’Oréal Professionnel launched two innovations in hair care: Serioxyl and Absolut Repair Lipidium.  
| **Dermocosmetic Market:** |  
|                  | • Lipikar Baume AP+ by La Roche-Posay (discoveries in the microbiome field).  
|                  |  
|                  | • Liftactiv Supreme by Vichy.  
|                  |  
|                  | • Resveratol B E by Skinceuticals – (brand is a pioneer in cosmeceuticals)  
| **Estee Lauder**  | **Crucial Products in 2014:**  
|                  |  
|                  | • Advanced Night Repair Synchronized Complex II – more than 25 patents and pending patents worldwide.  
|                  |  
|                  | • Micro Essence Skin Activating Treatment Lotion by Estee Lauder.  
|                  |  
|                  | • Dramatically Different Moisturizing Lotion+ and Even Better Essence Lotion by Clinique.  
|                  |  
|                  | • Pure Color Envy Sculpting Lipstick by Estee Lauder.  
|                  |  
|                  | • All About Shadow by Clinique.  
|                  |  
|                  | • Fragrances: Modern Muse by Estee Lauder and the Michael Kors Collection.  

Shiseido

Crucial products in 2014:

- Ultimune Power Infusing Concentrate was the most important product launched by Shiseido – the company focuses on Langerhans Cell to Strengthen Skin Immunity.
- Shiseido developed Ultimate Sun Protection Cream with WetForce – the world’s first sunscreen technology which gains power through contact with perspiration or water (patent pending).

Source: Own development based on 2; 5; 8; 10.

(but it should be added that this is an improvement of the existing product which has been a bestseller for many years) and Dramatically Different Moisturizing Lotion+ by Clinique.

Shiseido highlighted two important products: Ultimune Power Infusing Concentrate by Shiseido and Ultimate Sun Protection Cream with WetForce by Shiseido. In these cosmetic products innovative technologies, which are not occurring in any other cosmetic company, have been applied.

L’Oréal company is the leader in product innovation, because it introduced the greatest number of product innovations, which in turn lead to creating competitive edge by differentiation.

Conclusions

The purpose of this research was to analyze the product innovation of the world’s leading cosmetic companies of 2014. This determinant is important in gaining competitive advantage. The paper delivered main product innovations of each company.

According to the collected data L’Oréal is the leader in terms of product innovation. The company introduces the largest number of product innovations. Also, many of L’Oréal products had been really successful on the market. The examples are: “La Vie Est Belle” by Lancôme or Revitalift V-Shaper by L’Oréal Paris. Also Estee Lauder and Shiseido introduced product innovations, but less than L’Oréal. Estee Lauder identified six crucial product innovations, but one of them was an improvement of the existing product. Shiseido introduced only two products, which were characterized by really innovative technology.

There is a need to analyze other factors, which can influence the competitive advantage. Also, further research should include study of Unilever and Procter&Gamble in order to assess the overall picture of five major cosmetic companies.

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