L'Oréal: Ombré hair kit consumer-focused product development to find new market opportunities

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ABSTRACT

Title: L'Oréal: Ombré hair kit consumer-focused product development to find new market opportunities

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This dissertation aims to understand the impact of Google Trends[1] on L'Oréal product innovation process. L'Oréal started to use this online platform when saw a different look on celebrities, the ombré look[2]. Then, they decided to explore this new look on Google Trends, where they were able to understand that this topic was highly searched by female audience. More specifically, a way to apply the ombré hair at home, without needing to go to the hairdresser. Therefore, with all the insights taken from Google Trends, L'Oréal developed the first ombré hair home kit. Through this case, L'Oréal reinforced the idea that it is essential to be close to consumers to better understand what they are looking for, in order to be able to bring innovation to the company.

This thesis gives an overview of the implementation of this product, how it was received by consumers in Portugal and internationally, and how this product was important for a new cycle of innovation at L'Oréal.

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[1] Google Trends is an online tool that provides information about what topics are more searched for on Google.
[2] Ombré look is when hair color fades, gradually, from dark to light, or vice versa, towards the ends, leaving the root in its natural tone.

RESUMO

Título: L'Oréal: Ombré hair kit consumer-focused product development to find new market opportunities

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Esta dissertação visa compreender o impacto do Google Trends[3] no processo de inovação de produto da L'Oréal. A plataforma começou a ser usada quando a L'Oréal reparou num tipo de cabelo diferente nas celebridades, as californianas[4]. Seguidamente, a marca decidiu explorar este visual no Google Trends, onde percebeu que as californianas eram bastante procuradas pelo público feminino. Mais especificamente, uma maneira de fazer em casa, sem necessitar de ir ao cabeleireiro. Deste modo, com os *insights* retirados do Google Trends, a L'Oréal desenvolveu o primeiro kit californianas para aplicação em casa. Assim, a L'Oréal reforçou a ideia de que é essencial ouvir os consumidores para compreender o que eles procuram, de modo a levar inovação para as empresas.

Esta tese oferece uma visão geral da implementação deste produto, como foi recebido pelos consumidores em Portugal e internacionalmente, e como este produto foi importante para um novo ciclo de inovação na L'Oréal.

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[3] O Google Trends é uma plataforma *online* que fornece informações sobre os tópicos mais procurados no Google.
[4] As californianas são um tipo de cabelo onde a cor do cabelo desvanece, gradualmente, do tom escuro para o claro, ou vice-versa, para as extremidades, deixando a raiz no seu tom natural.

ACNOWLEDGMENTS

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1. INTRODUCTION

Google trends is an online tool from Google which allows users (individuals or companies) to see how often specific keywords or topics have been queried over a determined period of time.

One day, L'Oréal started seeing a new look on celebrities, the ombré hair[5], and decided to investigate if women were searching on it. Through Google Trends, L'Oréal realized that this new look was widely researched, especially, a tool to do it at home. With that, they decided to fill a need in the consumer market place, and created an application tool for ombré hair.

With the help of search insights, L'Oréal was able to develop products based on the beauty trends. Thereby, L'Oréal managed to reach and engage with the audience in a totally different way, in a more interactive and instantaneous way.

1.1 Research Problem

Nowadays, competition between companies is increasingly intense. It is becoming more and more important to be where consumer is, to better understand their needs. In this way, it is also crucially important to take advantage from the first mover advantage. In order to do that, you must first understand what the market needs. In this sense, Google Trends came to help L'Oréal to better realize what those needs are.

Therefore, the main problem that this thesis strives to understand is how the use of Google Trends helped L'Oréal to increase innovation.

1.2 Key Research Questions

1) Is L'Oréal perceived as a trustful brand?
2) What are the main drivers for L'Oréal to use Google Trends?
3) Was L'Oréal able to reach a new segment with the new product?

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[5] Ombré look is when hair color fades, gradually, from dark to light, or vice versa, towards the ends, leaving the root in its natural tone.

4) What are the main existing barriers for the Portuguese consumer to use the L'Oréal ombré kit?

1.3 Methodology

In order to develop this dissertation, it was focused both on primary and secondary data.

Regarding primary data, it was based on Interviews with L'Oréal, in order to better understand how was the performance of ombré kit in Portugal, how google trends can help companies and also to understand how and why L'Oréal decided to take this step. In addition, an online survey was created in order to understand how L'Oréal, as a brand, is perceived in the consumers' minds, and also to understand how was the introduction of the L'Oréal ombré kit in Portugal.

The secondary data was divided into two parts, the literature review and the case study. With respect to literature review, it was based on academic papers. In the case study, it was based on articles, documents, videos, articles in magazines, and previous case studies with some results and statistics about Google Trends.

2. LITERATURE REVIEW

2.1 Introduction

This literature review aims to understand how companies can innovate the product development process, with special focus on the cosmetics industry. In order to understand the progress of New Product Development (NPD) process and the impact of marketing in it, this literature review focuses on the NPD itself and in the increased marketing's role in NPD process. In addition, it will be focused on hair cosmetic industry, how it is structured, how it has been developed and also the importance of NPD in this industry. Regarding Google Trends, it is important to understand how can companies benefit from this new trend of innovation, and how did Google Trends change the way marketers look to market opportunities.

All these topics end up being essential to better study how L'Oréal decided to take advantage of this tracking tool to better address the needs of consumers. After all, L'Oréal decided to change the way they were developing new products through the introduction of marketing in the NPD process with help of Google Trends, by creating the first at home ombré hair kit.

2.2 Cosmetics Industry

Cosmetics industry is an industry that has been undergoing a change over the last two decades (Knaggs, 2010). In this sense, with the growing importance of health and appearance, the new product development has taken an increasingly important role in cosmetics industry. In fact, real consumer-perceivable benefits are being used in order to meet the trends sought by consumers (Mandawgade and Patravale, 2008). In addition, it is important to remember that despite being science that develops new products, who makes the final assessment is the consumer himself. As the marketplace is very competitive, the more information about consumers is collected, the greater the probability that the product is successfully inserted in the market (Knaggs, 2010).

Also, the same authors defend that, as the cosmetics products have a real impact on consumers who use them, they must be appealing products that consumers are willing to buy and use.

2.2.1 Hair Cosmetics Industry

Within the cosmetics industry, we can also say that the hair cosmetic industry has also been facing a significant change over the past two decades. This change led to an increase of the variety of products with the intent to beautify, enhance, strengthen and nourish. In this way, products have been improved in order to reach softness and texture of hair (Khan and Madnani 2013).

The authors argue also that the hair industry has expanded to color, texture and health of hair, when initially the focus was just on cutting. Thus, they classify hair cosmetics in two separate categories:

- Category 1: Composed by shampoos, conditioners, serums, hair sprays, waxes, gels and mousses.
- Category 2: The main focus is on hair colors, bleaching agents, straightening and perming agents.

Consequently, ombré hair, which is defined as a process where dyed hair provides a shaded color (Khan and Madnani 2013), is classified in the second category as "hair highlighting", which is a process where isolated areas of hair are lightened or darkened.

2.2.2 Hair Color Market

Nowadays, dyeing hair is becoming more used by every type of consumer. In fact, according to a study conducted by Krishnaswamy, Narayana and Patel (2013), coloring the hair is considered as a step into self-expression and fashion. Moreover, the process of coloring the hair is no longer just a process performed at the hairdresser and has also started to be carried out at home.

The study results show also that more than 50% of females dye their hair, and that the mean age at which they started to color the hair is 27 years. Also, even though it is a process that sometimes can have adverse reactions, the study indicates that 89% of the participants continued hair dyeing after previous experiences. In addition, it is important to note that 33% prefer to dye hair at the saloon and 32% prefer to do it at home.

Thus, the continuous use of products to color the hair, emphasize the extreme importance that consumers give to appearance. Consequently, due to the strong increase in demand for such

products, the market now needs to be prepared for the fast and efficient development of new products.

2.3 New Product Development Process

A definition for the NPD process can be "the process of generating and transforming new product ideas into commercial outputs as an integrated flow" (Calantone and di Benedetto 1998). Further, we can say that it is a relatively complex process that requires a lot of consideration from the company in order to achieve success (Brown and Eisenhardt 1995; Kahn and Mentzer 1998; Nakata and Im 2010).

In addition, due to the fact that it is a complex and challenging process for companies, the overall success is substantially low, with failure rates higher than 60% (Schneider and Hall 2011; Urban and Hauser 1993; Biemans 1992; Crawford 1987). In fact, what leads to these high failure rates, are the difficulties in having high quality ideas in the NPD process, which makes it very difficult for companies to survive in the market (Khurana and Rosenthal 1998; Nobelius and Trygg 2002).

However, despite the difficulties in developing new products, nowadays, it is essential for companies to be creative, if they want to survive in the market. Even more, the products' life cycle is becoming smaller with the constant updating of market needs (McIvor and Humphreys 2004; Nijssen and Frambach 2000) and thus, for Craig and Hart (1992), NPD becomes a necessity, and hence no longer an option.

2.3.1 Marketing on NPD process

Even though several researches prove that marketing department can be a strong and positive influence on firm success, in many firms, marketing department does not receive proper consideration (Drechsler, Natter and Leeflang 2012). Marketing department is often undervalued, in the sense that everyone can do marketing and therefore little emphasis is given to this department (McKenna 1991; Sheth and Sisodia 2005; Webster, Malter, and Ganesan 2005). This happens due to the fact that managers do not believe that marketing is able to provide relevant information regarding consumers' preferences and market needs (Cooper and Kleinschmidt 1995; Johnson and Ambrose 2009). However, the development of new products requires identifying consumer needs and preferences, and the department that can best meet

those needs and preferences is the marketing department, mostly due to their customer-product connection (Calantone and di Benedetto 1988; Fine 2009; Moorman and Rust 1999).

Thus, the challenge is to demonstrate how marketing can be relevant to the NPD process. As stated by Verhoef and Leeflang (2009) and Verhoef et al. (2011), innovation in marketing with respect to NPD is one of the major factors that can prove that. Also, considering that marketing relies heavily on customer needs and market opportunities, it is expected that marketing may have an important role with regard to new product ideas (Calantone and di Benedetto 1988; Ernst, Hoyer, and Rübsaamen 2010).

In this sense, marketing department focuses a lot on collecting information through marketing research, to gather information on consumers and the market itself. Thus, the increase of the usage of collected information may increase the influence of marketing in NPD process (Deshpandé and Zaltman 1982).

Therefore, marketing contribution has the power to achieve important performances in the company, through its innovation in NPD process (Leonard-Barton 1992; Wall, Stark, and Standifer 2001), if the quality of the marketing research is high and when products meet the needs of consumers (Drechsler, Leeflang and Natter 2013).

Furthermore, this idea that, companies can enhance their innovation performance, by taking advantage of marketing and its connection with consumers, has led companies to involve marketing not only on the product idea phase, but in every stage of the NPD process. Under these circumstances, in the product idea phase, companies try to collect consumer needs and trends. As regards to the product development stage, consumers can provide information concerning technical advice or design skills. Finally, even in the launch phase, consumers can be useful to test prototypes and conclude the final details to help launch the product. Hence, companies can take advantage of the inclusion of consumers in NPD process (Fang 2008; Gruner and Homburg 2000). Indeed, as reported by Nishikawa, Schreier, and Ogawa (2013), a Japanese brand got five times more sales in products from consumers' ideas than in products from designers' ideas.

Consequently, according to Drechsler, Leeflang and Natter (2013), marketing department should have an important role with regard to the NPD process, in order to increase innovation performance. In addition, when marketing and manufacturing cooperate together, they are able to provide to the firm a better speed performance (Feng et al., 2014). And the truth is that, as stated by Prahalad and Ramaswamy (2000), consumers are increasingly preponderant in

business decisions, i.e. the market has become a scenario where the consumer has a very active role.

2.3.2 Challenges and Constraint of Marketing on NPD process

Marketing department has as major challenge to search for new product opportunities in the market (Johne and Snelson 1988). However, this is only possible if:

- Marketing research skills and consumer needs collaborate together in the development of new products (Drechsler, Leeflang and Natter 2013).
- Marketing specialists focus not only on the mind of potential consumers but also in technical possibilities (Johne and Snelson 1988).
- Marketers have a solid understanding of the company portfolio (Drechsler, Leeflang and Natter 2013).
- Marketing specialists have expert power, which can be defined as "the degree to which an individual is regarded as having expert knowledge about the relevant issues in the NPD process," (Atuahene-Gima and Evangelista 2000).
- Marketing department is able to use high quality tools in order to better understand which consumer needs they should focus (Drechsler, Leeflang and Natter 2013).

Therefore, marketers should be prepared to face all these constraint in order to make as less mistakes as possible and thus remove the bad perception about marketing department (Johne and Snelson 1988).

2.4 New Trends on Innovation and Communication

One of the high quality tools that help marketers understanding consumers preferences, as reported by Drechsler, Leeflang and Natter (2013), is the use of internet as a tool for tracking, filtering and also to identify new ideas for products. The main purpose is to monitor search trends online and be able to leverage those trends in the right way.

The internet has an increasingly important role in the daily lives of consumers. They see the internet as a platform not only where they can collect all the necessary information about products, but also where they can easily purchase them (Schmidt and Vosen 2013).

There are several tracking services online that can be a viable way of collecting consumer relevant information, wherein the most complete and used is Google Trends (Damangir, Du and Hu 2015). The fast growth of the internet in consumers' daily basis, with a strong focus on product information, led to a higher dependence and reliance on search engines. And the fact that Google has as an advantage being the most used search engine, Google Trends can play a major role in companies' market research (Carrière-Swallow and Labbé 2013; Damangir, Du and Hu 2015).

2.4.1 Advantages of Google Trends

This tracking tool gave companies the opportunity to track consumer interests by monitoring the strength of searches in all the different categories/products (Damangir, Du and Hu 2015). In fact, Google Trends presents some characteristics that companies can benefit from:

- Allows the tracking of all of the queries that consumers have typed in Google (Damangir, Du and Hu 2015).
- Google Trends presents real time data, since it is updated on a weekly/daily basis (Damangir, Du and Hu 2015).
- Google Trends provides totally free web data (Schmidt and Vosen 2013) which fight high costly surveys (Mellon 2013).
- Data can be customizable once companies can search by category, geography and time range (Damangir, Du and Hu 2015).

However, even though it seems just a useful tool for marketing, it happens to be a very important tool also to forecast social and economic trends. In fact, epidemiology use trends to search for possible diseases that can exist, macroeconomics use it to predict, for example housing market price and sales, and also finance take advantage of Google Trends to predict stock prices. In general, search trends help forecasting demand in several industries (Boone, Ganeshan and Hicks 2015; Ginsberg et al. 2009; Wu and Brynjolfsson 2009; Da, Engelberg, and Gao 2011; Choi and Varian 2009b).

2.4.2 Google Trends Role on NPD process

In this sense, Google Trends represents a tool that may be crucial for companies when it is well used. As it is a tool with a strong content offer, it is essential to monitor the right content in order to collect the relevant insight and therefore leverage the brand (Damangir, Du and Hu 2015; Carrasco, Lim, Nghiem and Papworth 2016).

In addition, according to Damangir, Du and Hu 2015, Google Trends can help companies understanding what is currently trending in a specific category. Therefore, Google is helping companies to leverage trends and hence increase their competitive advantage.

As the attractiveness of products is based on product features and marketing dedication, marketing specialists should not see Google Trends as just a tool used to search for product brand names. Nowadays, consumers search for much more than product brand names, which ended with the initial brand focus and led to a strong keyword focus. Even though brand search can show which brands are more or less popular, it does not tell marketers the reason why each brand is losing or gaining its popularity. Thus, companies should search also for product features in order to track real consumer tastes and needs (Damangir, Du and Hu 2015; Carrasco, Lim, Nghiem and Papworth 2016).

In fact, some studies show that a strong correlation, between what consumers search for and what they buy, can exist (Du and Kamakura 2012; Hu, Du Damangir 2014). Consequently, Google Trends can be a successful tool used to forecast consumer consumption patterns (Boone, Ganeshan and Hicks 2015).

3. CASE STUDY

For L'Oréal, internet is much more than just a sales tool. For them, internet search is an innovative way of connecting with consumers, which provides strong consumer insights, helps reaching the audience, and keeps engagement with consumers, with the right content at the right time. Therefore, in the past years, L'Oréal Paris increased investment in digital marketing, and decided to rethink how to use the digital search tools.

At the same time, they started seeing a different look in celebrities and fashion models, the ombré look[6]. With this insight, L'Oréal decided to search about ombré hair to understand what the opinion of female audience was. The output was a strong search for terms like ombré hair and dip dye hair and, in particular, a tool to applicate the look at home, that wasn't yet at the market.

3.1 History of L'Oréal

L'Oréal, founded in 1909 by Eugène Schueller in Paris, is for more than 100 years transforming the concept of beauty. Since the beginning the main focus was research and innovation in the service of beauty, and today we can still say that it is the DNA of the company.

After this promising start, between 1957 and 1983, L'Oréal entered in a very important period, called "Le Grand L'Oréal". The company started the acquisition of strategic brands - such as Lancôme and Garnier - and started to expand internationally, doing justice to the motto "Savoir saisir ce qui commence" (Seize new opportunities). Following all these years, L'Oréal entered one of the most important moments of its journey, from 1984 to 2000. After several years investing in the field of research that resulted in the success of many products, L'Oréal faced the entry of a new director, Lindsay Owen-Jones. Under his management, the company went to the top, becoming number one in the beauty industry. The success was mainly due to worldwide presence and strategic acquisitions. Since 2000, L'Oréal has shown its diversity with a portfolio of powerful and international brands, showing that there is not only one kind of beauty. In addition, the group has carried out several acquisitions in order to meet all the needs that could exist in the market.

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[6] Ombré look is when hair color fades, gradually, from dark to light, or vice versa, towards the ends, leaving the root in its natural tone.

3.2 L'Oréal Company

Today, L'Oréal is leader in the beauty industry, represents 32 complementary brands, it is present in 140 countries of all 5 continents, and its main mission is to use innovation to offer the best cosmetic products for all types of consumers worldwide. In 2015 the company reached the peak of its sales in the last 5 years, a total of 25.26 billion euros in sales and an operating profit of 4.388 billion euros. In terms of sales, they are divided by segment as follows:
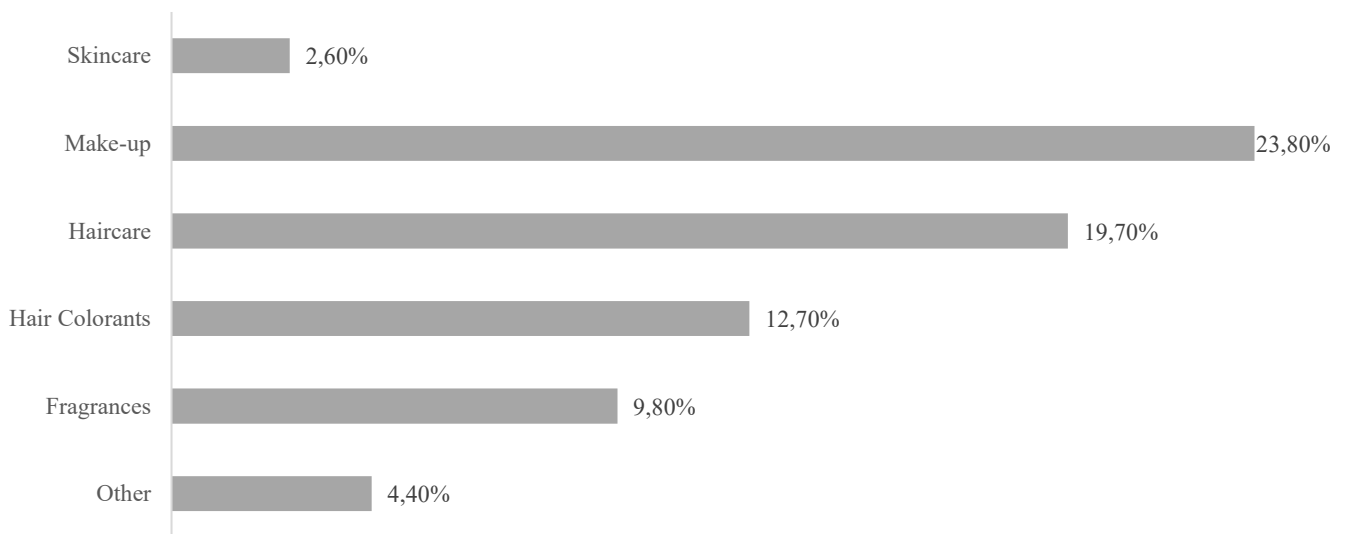
Figure 1: L'Oréal sales in 2015 divided by segments
Source: L'Oréal

The range of products the group offers goes from shampoos, conditioners, perfumes or makeup, to hair colors, skin care products, sun protection, and other hair care products. L'Oréal has a wide range of brands that present the following division:

- Consumer products division (distributed in retail channels);
- Professional products division (distributed in salons);
- Active cosmetics division (offered in pharmacies, drugstores, and medi-spas);
- Luxe division (available at department stores, cosmetics stores, travel retail, and own-brand boutiques).

This divisions show the great alignment between the company and the consumer. Essentially because each type of consumer has the type of product they are looking for, where they are looking for. I.e., the product is where the consumer is.

Regarding sales, the division that represents the highest percentage is consumer products with 48,7% of sales, followed by luxe (29,8%), professional products (14%) and active cosmetics (7,5%).

Even though L'Oréal is a successful company, it faces some challenges from its main competitors. The main worldwide players, according to 2015 "Beauty's Top 100" are L'Oréal, Unilever, Procter & Gamble, Estée Lauder and Shiseido. In number, in terms of sales (in billions of dollars), L'Oréal represents 29.94, Unilever has 21.66, Procter & Gamble accounts for 21.66, Estée Lauder has 10.95 and Shiseido 7.37.

In 2016, L'Oréal sales, until September 30th, accounted for more than 19 billion euros, which represents an increase of +1,6% from previous year.

3.3 Hair Care Market

Regarding the hair care industry, it is one of the largest segments in the Cosmetics and Personal Care market, as it has faced a continuous growth in past years. The global hair care market was valued in 2015 at 81.3 billion dollars, and is expected to reach 105.3 billion dollars by 2024. This achieved growth has led to a constant entry of new businesses which increased the competition in the market. In this way, hair care market can be named as a mature market, where companies need to push forward in order to remain competitive.

The competition also rose to a higher level due to the extremely exigent consumers. Hair care products main focus is to nourish hair and prevent hair damage. However, products can be composed by natural or synthetic ingredients. Therefore, more and more consumers are concerned about the quality of this type of products and ingredients contained in the products, which leads to a greater commitment from brands to the products they produce.

3.3.1 Hair Color Market

As consumers are concerned about the quality of hair products, they are also concerned about the young and healthy appearance they want to convey. In this sense, fashionable products and consequently hair color market are more and more appreciated. Even though the most common use of hair color products is for covering gray hair, it is increasingly being used to enhance styling and fashion. In fact, as stated in a study conducted by Procter & Gamble in the UK,

Mexico, China, Russia and the US, more than 80% of women argues that coloring hair gives them self-confidence. Hence, the motivation to color the hair is no longer just functional. Nowadays it is more a decision based on people's well-being and self-confidence.

The hair color market represents more than 20% of the global hair care revenue and can be divided in four categories, which are permanent hair color, semi-permanent hair color, temporary hair color, and hair highlights and bleach. Increasingly, in any area or market, we are exposed to constant changes. The coloring market is no different. Although for a long time the market consisted only on two hair styles - a color from the roots down, and highlights vertically in the hair - there are more and more hair styles in the market.

Regarding the fashionable topic, ombré hair meets precisely this tendency of more and more consumers worrying about their appearance. This look had as a major advantage the minimal upkeep, in a sense that there's no need for continuous touch-ups, as the roots keep its natural tone. Also, another advantage is the natural effect this look gives.

As for the hair color market in Portugal, according to António Frazão, Marketing Manager Hair Color at L'Oréal Portugal, in 2013, the year of launching the ombré kit, it was worth a total of 23.5 million euros, and corresponded to 3 million units sold.

3.4 Innovation

As one of L'Oréal main values is innovation, the company has the opportunity to explore new areas to create new and distinct products, and then to gain space in the hair care market. In fact, it is important to note that L'Oréal was created by a scientist, who gave a strong vision focused on research. Thus, continuous innovation is the big driver of the constant high-level performance, always oriented to new ways to create products that the market has not seen yet. Indeed, as Anke, L'Oréal Assistant Vice President for Research and Innovation argues, the goal should always be to bring to the market the best innovation, as fast as possible. The truth is, to offer the best innovation is crucial to be creative, and according to Anke, "in order to be creative, you need inspiration"[7]. Even more, the fact that beauty industry is one of the most difficult ones to forecast trends and product demands, due to the constant change of trendy products, makes it even more difficult to place innovative products on the market.

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[7] In YouTube 2013

In this way, one question arises: Where does L'Oréal find its inspiration? L'Oréal, on the way to cooperate with one of its values, invests a large part of its profits in research and innovation, and in 2015 spent more than 790 million euros in it. Additionally, it has the support of 3870 research and development employees and has 495 patents registered.

For Jean-Paul Agon, L'Oréal Chairman and CEO, cosmetics are about new products and new products are about innovation. Therefore, for him, to be a leader in a market and to gain competitive advantage, it is crucial to implement the best innovation process. L'Oréal investment in R&D represents far more than any competitor spends on innovation. It is interesting to realize that this investment is continuous and permanent. That is, during the 2009 crisis, many companies decided to reduce the R&D investment. However, L'Oréal decided precisely to increase the investment once believed it was the right time to invest in innovation, to step aside from the competition. In addition, L'Oréal CEO adds that, although R&D and innovation are usually associated with technologic companies, he sees cosmetics strongly associated with technology. In summary, for Jean-Paul, R&D and innovation are the heart of the company.

Nevertheless, innovation is not only about creating new products but also about creating products with positive environmental and social impact, with natural origin. Consumers, are looking for safe and effective products, so that they feel total confidence in it. Essentially, consumers want a healthy product for their hair that gives them a sense of well-being. The fact that L'Oréal deals with cosmetic products, makes consumers more concerned about safety issues. Thus, L'Oréal has, from very early on, shown great concern for the safety of its products, and has invested tightly in evaluation methods.

Consequently, innovation is not easy to achieve and might be one of the biggest challenges for a company. As shown in a study conducted by McKinsey & Company for global executives about innovation, even though 84% of the respondents argue that innovation is extremely important, merely 6% said that are satisfied with their innovation performance.

3.4.1 From Search to Innovation

In order to reverse this low innovation performance, the major focus of a company should always be to offer something that consumers are looking for. The best way to achieve their satisfaction is analyzing the information provided by them. In this sense, it is crucial for

companies to give particular focus to insight, if they want to be one step further from the competitors.

Hence, one of the most powerful ways to drive innovation is the use of search insights. Gathering consumer insights and use them as input for product development is a crucial practice to better address the needs of the market, and therefore to achieve a successful business model. Essentially, consumers can express their opinions and creativity whenever they want, and companies should take advantage of all this information. In this way, companies are engaging consumers' creativity in their innovation process.

In this way, L'Oréal CMO Hugh Pile argues that L'Oréal wants to be inspired by the external world in order to drive internal change. The more you focus on technologies, consumer behaviors, trends and new partnerships, the more you can explore the world out there, therefore driving an internal change. This way, L'Oréal manage to drive creativity, which is what distinguishes a company in today's competitive market.

Summing up, understanding and integrating consumer insights, represents a critical factor when deciding the next new product to enter the market, and it was exactly what L'Oréal decided to do when ombré hair kit was in process.

Yet, more and more, consumers are online looking for what they need. The proof is that beauty is on the top 3 of the most popular search topics on Google. Indeed, as Mirela Nemtanu, L'Oréal corporate communications & public affairs manager in Romania states, search is a crucial tool for companies in cosmetic and beauty area, where 70% of the consumers search online before buying. In this way, it is essential for companies to keep up with what consumers do online. In order to do that, L'Oréal has more than 1.000 employees who are 100% focused on the digital component. The results, according to Lubomira Rochet, L'Oréal Chief Digital Officer, are remarkable. L'Oréal brands can build closer customer relationships, therefore maximizing the engagement with their consumers.

Similarly, for Laurent Attal, L'Oréal Executive Vice-President of Research and Innovation, digital data gives you the opportunity to create customized products that can reach all types of consumers. Hence, Attal argues that innovation and beauty must rely not only on science and technology, but also on an intimate knowledge of the consumer.

Thus, this new behavior of the consumer, quite focused on the online search, leads to a change in the purchase process. Consumers now are open to a multi-channel experience. In fact, in

2015, the growth in worldwide online beauty sales increased more than 20%, reaching sales in e-commerce a total of 1.3 billion euros.

In this way, it is not only on R&D that L'Oréal seeks its inspiration, but also on the permanent contact with consumers and the information obtained online.

3.4.2 L'Oréal Product Development

Based on Global Cosmetics Industry Magazine, the odds of reaching a successful product are clearly unfavorable. Overall, regardless of the product category, the success rate of new products represents only 10% to 20%, which means that 80% to 90% of products are bound to fail. When we are focusing on the cosmetics category, of the 25.000 new products that appear each year on the market, only 40% will be considered a success. Although the percentage of success is higher in this category, the fact that 60% of the products will fail still represents a very significant number.

Even though there is no way to guarantee that our products will succeed, there are some steps that can help companies not to make fatal errors, thereby reducing the failure odds.

Thus, as Global Cosmetics Industry magazine states, there are eight steps that companies should follow when developing a new product. The process of developing a new product begins with 'Idea Generation', where company tries to identify an opportunity in the market through a conducted internal and external research. In the second phase, 'Idea Screening', the goal is to screen the internal feasibility (Can we do it?) and the external opportunity (Should we do it?). Next comes the 'Concept Testing' phase, which consists in conducting market research in order to understand the possible reception by consumers. The 'Business Analysis' phase involves developing a strategic marketing plan where companies measure objectives, strategy and other important information. After this, the 'Product Development' phase arrives, where the company proceeds to the development of a prototype of the product and a small production run. The fifth phase of product development, 'Test Marketing', is the phase where the company confirms that everything is ok to go to the next phase, 'commercialization'. This is where the company spends most of its budget. That is, where the product is manufactured and introduced in the market. Also, communication and distribution costs are included. Finally, the last phase 'evolution' is based on analyzing and tracking the development of the product on the market.

Therefore, the first phase of product development process is critical to the success of the product. It refers to when the company analyze the needs of the market and look for new opportunities. Thus, if the company does not respect the importance of this phase, it is very likely that the product will fail.

In this way, L'Oréal process development plays a big role in L'Oréal strategy. As the company says, their process makes it possible to transform "dreams into reality"[8]. This happens because L'Oréal is aware of the importance of having a consistency in all phases of the process. In this way, Ana Valentim, Consumer & Market Insight at L'Oréal Portugal, believes that, at L'Oréal, there are two types of "dreams" to produce. First the dream that starts from a need of the consumers and then the dream that exists due to a trend in the market.

Hence, although L'Oréal has a strong R&D department, the key factor that truly differentiates them and leads them to the success of product development is the strong relationship between marketing and research. In this respect, L'Oréal product development process is a two-way street, where both departments collaborate and share their inputs. Another important point is that the collaboration of both departments is maintained throughout the whole process. Under these circumstances, the process receives inputs that come from both the laboratory and the market itself.

As L'Oréal is a global company, the product development process is usually planned by the Global Innovation Team at its headquarters, in France, according to Ana Valentim. Nonetheless, each country where L'Oréal is present aims to provide relevant information from their own country to the company headquarters. In such a way, L'Oréal has access to information coming from several parts of the world, therefore receiving totally different kinds of inputs.

Moreover, according to Julie Chamberlain, VP of Marketing L'Oréal Paris Hair Color, "the innovation strategy takes into account macro trends in and out of category, consumer trends, white space opportunities, and business priorities". In this sense, as the consumer is placed at the heart of research and innovation, L'Oréal has created 'Consumer Insights' department. For them, "innovation must take place where consumers are based"[9].

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[8] In L'Oréal Group
[9] In L'Oréal Group

3.5 Search Insights to Create a Market Opportunity

L'Oréal, as number one brand in the beauty market, aims to be on top of all consumer beauty trends. Therefore, they always look for new opportunities that can fill a need in the market. In this sense, L'Oréal started to notice several different types of hair color styles.

As a matter of fact, at a certain time L'Oréal noticed that models and celebrities were using the ombré look extensively. And the truth is: consumers do take inspiration from models and celebrities. Thus, by identifying as an innovation, they decided to make use of the new technologies and went in search of what consumers were saying about the ombré look.

In order to proceed to the search, L'Oréal went to Google Trends – search tool that lets you see what people are searching for and what their intends are -, where was able to perceive what was being searched by consumers about that type of hair. Besides realizing it was a type of hair strongly sought, they were also able to realize that consumers were not satisfied with the instructions available to do it at home. In this way L'Oréal realized that what was lacking was an application tool. Thus, L'Oréal, by discovering a consumer need that was not yet on the market, created a strong market opportunity.

As such, L'Oréal responded to this powerful insight by developing, in early 2013, the first do it yourself (DIY) ombré hair kit.

Even though the search insights were crucial to the idea phase, they were also used in product development and promotion stages. Through the insights received, L'Oréal was able to perceive the best color formulas to deliver and the type of message that was best to be used on media and on packaging.

This represents the beauty of Google Trends, because is the closest companies can get to what people want and need. That is, is a tool that confirms the hypothesis about our consumer's interests. Beyond allowing to find what consumers intends are, Google Trends allows you to monitor the interest on your brand and compare it with the interest on your competitors. So, while you can collect all this information, Google Trends gives marketers and companies a huge advantage.

For L'Oréal, all comes down to build brand trust and a relationship with consumers. This trust is reflected in the certainty that the consumer always has a solution at L'Oréal and that the brand major focus is to ensure that consumers have available all the tools they are looking for.

3.5.1 Reaching the right audience

After developing the product, it is essential to make it available to potential consumers. To reach the interested audience, brands must first identify who their potential consumers are, if they want to achieve them in the right way.

Through endless connectivity, search is part of people's daily lives, especially in the purchase journey. In this way, by using search, brands can perceive who their potential consumers are, what are they looking for and therefore get to know them well.

However, before using the search tool, it is essential to realize how consumers search these days. There are three types of search:

- Branded Searches: relates to searches which include the name of the brand together with a product of the respective brand (E.g.: L'Oréal repair);
- Category Searches: this is referred to searches that are for a general category (E.g.: Dry hair shampoo);
- Affinity Searches: gives respect to broad searches, where there are no brand or product category (E.g.: Dry hair).

If in the branded level consumers are already aware of our brand, in the category level, consumers may have not yet decided on which brand are interested. Finally, in the affinity level, consumers may not be aware of your brand and products. Taking into account these three levels, it is important that brands not only focus on the levels most targeted to their brand - such as branded searches - but on all three levels, in order to increase reach dramatically. This is because, even though the branded level is the easiest to grasp, it is in the second and third level that the audience is bigger (Appendix 12.1). And since at all levels there are potential consumers, brands should try to reach all three.

The question is: how can companies reach the interested audience? Through Google insight tools, companies can use keyword planner and decide where you want your brand to be on organic results (Appendix 12.2). If the company wants to be on top of page and top of mind, should then reach consumers with an ad. Therefore, company can ensure that it is there for consumers.

L'Oréal, when launched ombré kit, in order to reach and engage with the right audience, produced a search ad (Appendix 12.3). This way, L'Oréal simplified the consumer journey process, as was the first brand to appear in consumer research. Moreover, due to the strategic

way in which consumers interested in ombré hair were reached, L'Oréal was also able to increase the consumer frequency regarding the home hair color category.

Summing up, this search strategy allows companies to:

- Reach a vast audience: from completely determined consumers, to consumers still uncertain about brands or products that meet their expectations.
- Influence consumers at the moments they are more receptive: able to reach consumers at the most significant moments of consumer journey process.

3.5.2 Engagement with the audience

After reaching the right audience, brands should provide a solid post-click experience with a strong content marketing, to keep consumers connected.

During the development of the ombré kit, L'Oréal reached to a curious insight. Consumers do not search for hair type, but for occasions such as, 'beach hair' and 'wedding hair'. Therefore, along with the launch of the ombré kit, L'Oréal built a website entirely dedicated to provide inspiration and education for occasion hairstyles (Appendix 13).

Essentially, with the website, L'Oréal benefited from an increase of brand trust, as it shows interest and concern for its consumers' interests and needs. For L'Oréal, as VP of Marketing L'Oréal Paris hair color Julie Chamberlain says, the goal is "to help her feel empowered, that she can create the look she wants in her own budget, at home, anytime she wants". This way, L'Oréal was able to create useful and relevant content, linked to what consumers are looking for.

3.6 A New Consumer Segment

With the introduction of home kits, the coloring market has witnessed a split. The experience in hairdressing salons is no longer a priority for some types of consumers, particularly the younger consumer. Indeed, the fact that it is substantially more expensive to color the hair in salons, has led consumers to dismiss the journey to hairdresser.

Regarding the key success factors of at-home color market, Julie states that the fact the it is a very price sensitive market, asks for a smart business model. Moreover, shade selection, color performance and conditioning properties are crucial.

In this sense, one of the outputs of the development of this product is the new group of consumers that L'Oréal managed to attract in the hair color category. In general, the typical consumer of hair color products usually belongs to a more mature age group. The truth is, women over 50 represent 70-80% of the coloring market. Moreover, Julie Chamberlain, believes that temporary and bold colors are rising, which leads to a growth of Millennials in the market. However, with the ombré hair, L'Oréal managed to reach a younger female audience, which until then had not yet reached. In fact, 50% of the consumers who bought ombré were new to the hair color category.

Nevertheless, when asked about how could L'Oréal keep this new range of consumer, Julie argues that keeping them is not easy. Therefore, she says that discoverable content is a key aspect and that it is "important to keep trend-driven consumers engaged in trends and equipped to know how to achieve the transition successfully".

3.7 Main Findings

The results of the ombré kit were in general quite good. Julie Chamberlain stated that the result was very positive, that the applicator worked well and indeed was well received by consumers. Because this is a home-use product, it has not achieved the same success in the several countries where it was launched. For example, in Portugal, as Brand Manager Hair Color at L'Oréal Portugal, Federico Nigra said, the Portuguese consumer is not yet very open to this type of home kits, since they do not have much experience with it. At the same time, he says that another reason that helped the less success was the fact of being a product with a short life cycle, i.e. a trend. For example, in Portugal, the kit went on sale only from the beginning of 2013 until the end of 2015.

In Portugal, even though the product was not fully well received by consumers, it was considered a successful product within products with a short life cycle. Exclusivity was a determining factor, since it was the only product in the mass market. Hairdressers were the only alternative. In quantitative terms, the product, in Portugal, reached an annual market share of 1,1% and sales reached more than 258 thousand euros, in 2013. In additionally, during the year of 2013, the kit reached a peak of 2,3% of market share.

Overall, with this home kit, L'Oréal has achieved very positive results. They were able to:

- Lead to the entrance of styling trends in the home hair color category for the first time;

- Reduce the risk of failure, by listening to what consumers say and want;
- Reduce the average age of people who consume products in the color category;
- Recognize search insights as crucial tool for trend spotting and monitoring;
- Build brand love.

3.8 The Future

Nowadays, L'Oréal continues to put research at the top of its priorities. The big focus is to deliver what consumers want at the exact moment they want it. Through insights they receive from search, they can perceive what consumers are looking for and thus react to it quickly.

As for the future, the big issues are how to maintain the new segment and how to maintain innovation in the company. Reaching a type of consumer that had not existed in the hair color market is something that L'Oréal should not waste. In fact, for both questions, the answer is search. Through search, L'Oréal can keep in touch with this new segment of consumers to understand what business opportunities are ahead. In this way, it manages to receive important insights that lead to innovation in the company.

Yet, although it sounds like a simple process, as Julie Chamberlain has said, it is a process that does not look anything easy. She claims it's complicated to overcome the ombré success. This is because developing a trend requires a lot of research and creativity. In this way, it is crucial, says Julie, to keep consumers who are engaged in trends, close.

Overall, as L'Oréal CEO Jean-Paul Agon states, consumers have new expectations, i.e. "they will expect a more personal relationship with brands, an ongoing one-to-one dialogue"[10]. For this reason, considering that L'Oréal's investment in R&D is the largest in the industry and that L'Oréal continues to increase its digital investment year by year, this represents the company's long-term consumer focused strategy that may be the key factor for future growth. Hence, L'Oréal meets one of its great ambitions, which is "to be inspired by diversity to innovate"[11].

In this way, following L'Oréal's strategy to listen to the consumer, when it comes to the ombré kit, it is important to understand the motivations and opinions of consumers who have used or have not used the product. Hence, a market research is needed to better understand the consumer perspective of the case under study.

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[10] In Diginomica 2017
[11] In L'Oréal Group

4. MARKET RESEARCH

In order to understand the perception of female audience about L'Oréal, its position among the main competitors in the cosmetics market, and more specifically about the L'Oréal Ombré kit, a survey was developed for 22 days, between November 1st and November 22nd. The platform used to create the survey was Qualtrics, and was distributed on Facebook, through family and friends. The sample size of the survey is composed by 169 valid participants and the results were analysed using Excel and Qualtrics. Regarding the survey, it was composed by 21 questions and was divided in three parts. The first part was mainly to understand what are the main factors that influence the purchase in the cosmetic industry and to understand how L'Oréal, as a brand, is perceived by female people. The second part gives respect to the ombré look and consequently to the L'Oréal ombré kit. In this section, the main goal was to understand the consumers' perception and opinion about this home kit. Finally, the last part corresponds to demographic questions.

4.1 Demographics

The sample group is composed by 169 female participants. As the product in study is exclusively directed to female audience, the sample is constituted only by female. As for age, the vast majority (79,29%) have between 18 and 25 years old, and 13,61% has between 26 and 35. Only 3,55% has more than 50 years, 2,37% has between 36-50 and finally 1,18% has less than 18 years old. Regarding the occupation, almost 64% are students, 32,54% are employed and only 3,55% are unemployed. Lastly, concerning the annual household income, 43,20% of the participants answered that have an annual income between 10.000€ - 30.000€, 32,54% have less than 10.000€, 17,16% have between 30.001€ - 50.000€, and only 7,10% said that have more than 50.000€ annually.

4.2 Results

To evaluate consumers' awareness regarding hair care brands, the first question was what were the first three brands that come to their minds when think about hair care products.

Top 3 Brands
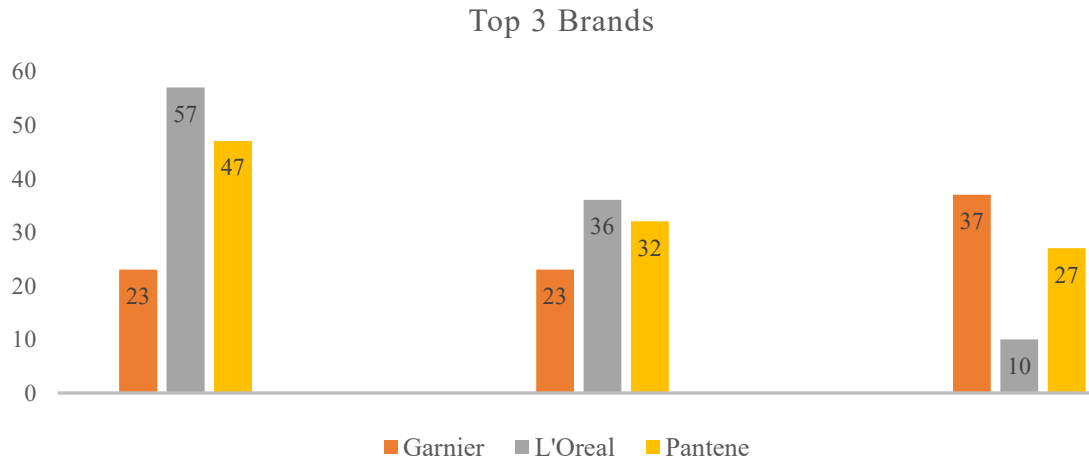
Graphic 1 - First three brands that come to your mind

Through this question, it was possible to conclude that the most frequently mentioned brands were L'Oréal, Pantene and Garnier. The brand that was most often mentioned in first was L'Oréal with a total of 57 answers – comparing with 47 for Pantene and 23 for Garnier, as it can be seen in graphic 1. This way, we can say that L'Oréal is therefore the best performing brand in terms of the top of mind brand of the consumers who participated in the survey. In total, accounting for the top 3 brands, Pantene was the brand with more answers, with a total of 106, L'Oréal was the second with 103, and Garnier was the third one with 83. However, it is important to note that Garnier, as one of L'Oréal brands, by being the third most mentioned brand, helps to strengthens L'Oréal position.

Additionally, when participants were asked to rank L'Oréal, Schwarzkopf, Wella, Syoss and Garnier based on perceived quality (Appendix 5), L'Oréal was first with 43,20% of responses, followed by Schwarzkopf (38,46%) and Garnier (10,06%). Wella and Syoss were the two least mentioned brands in the first places of the ranking. These brands were chosen based on an analysis on a Portuguese supermarket, Jumbo, where it was possible to observe that the main players in the coloration category (Appendix 11).

Furthermore, as it is shown in the graphic 2, the fact that almost 70% responded between somewhat agree to strongly agree when asked if they identify with L'Oréal, means that consumers have an emotional connection with the brand. This, adding to the fact that the mean value of the likelihood of recommendation of L'Oréal to a friend or colleague is 6.95 - from 0 to 10 - reinforces the brand in the market (Appendix 8). This good relationship that L'Oréal maintains with its consumers is the great engine that leads to brand recognition when the hair care category comes up.

I really identify with L'Oréal
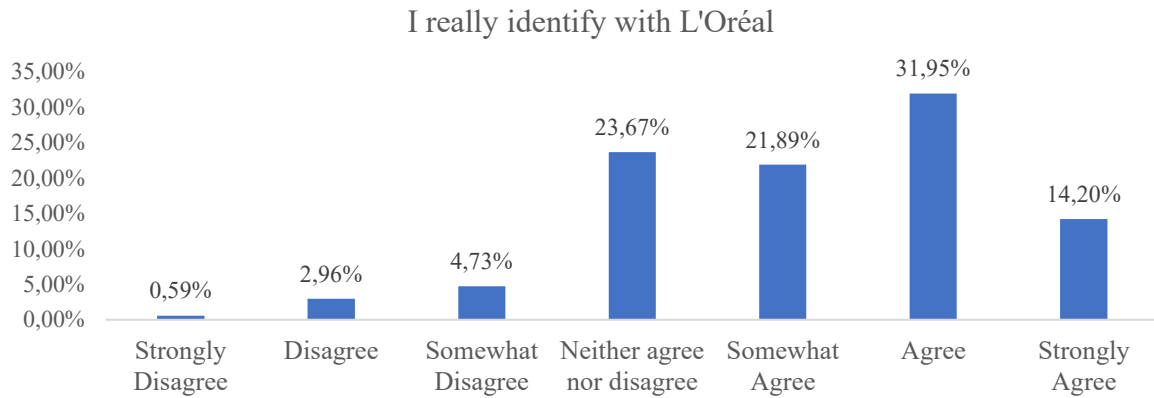
Graphic 2 – Identification with L'Oréal as a brand

As table 1 shows, when participants were challenged to rank what were the factors that most determined their purchase in hair care products, perceived quality, price and brand trust were the factors most referred in the first places of the ranking, leaving design and trendy products to the last places. This shows that a good quality price relation is strongly sought by the consumers in this category.

	1	2	3	4	5
Price	31,36%	28,99%	31,95%	5,33%	2,37%
Brand trust	23,67%	37,87%	33,14%	5,33%	0,00%
Perceived quality	44,38%	30,77%	20,71%	4,14%	0,00%
Design	0,59%	0,59%	6,51%	52,07%	40,24%
Trendy products	0,00%	1,78%	7,69%	33,14%	57,40%

Table 1 - Factors that most determine purchase in hair care products

Also, when asked about the most valuable attributes of L'Oréal, quality (78,70%) and diversity (71,60%) were the most answered, followed by price (50,30%) and professionalism (34,91%), as it is shown in graphic 3. Thus, we can conclude that two of the most sought attributes in this category - price and quality - are found by consumers at

Most valuable attributes of L'Oréal
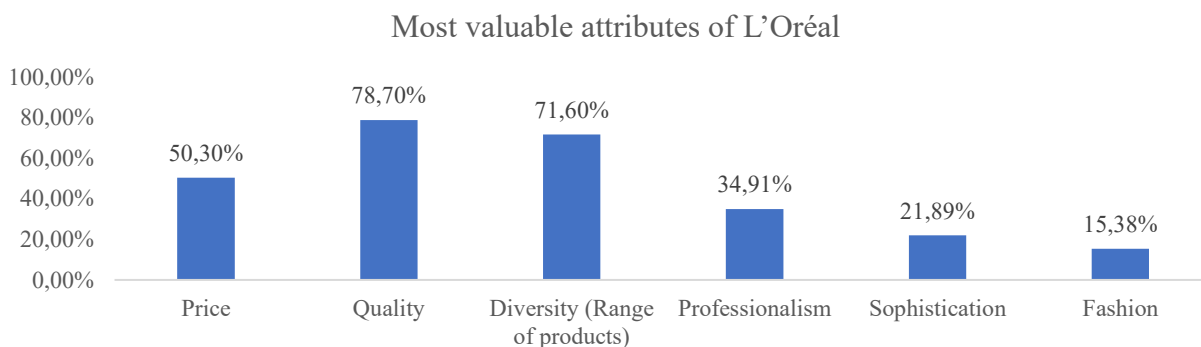
Graphic 3 – Most valuable attributes of L'Oréal

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L'Oréal. Moreover, regarding brand trust, when participants were asked whether they trust L'Oréal products, 45,56% answered "agree" and 13,61% "strongly agree" (Appendix 6).

In the second part of the survey, participants were first asked if they had ever colored their hair, and the great majority (73,37%) said no. Of those who answered yes, over 55% said they only color their hair once a year (Appendix 9).

Through the following crosstab, it can be verified that the age groups that responded most negatively to the question "Have you ever colored your hair?" were, as expected, <18, 18-25, and 26-35. On the other hand, the two oldest age groups all responded positively to the question. In this way, the fact that the Ombré kit is mostly aimed at the younger audience may thus be an obstacle for L'Oréal.

		Have you ever colored your hair?				
		Yes	%	No	%	Total
	Less than 18	0	0	2	100	2
	18 - 25	28	20,90	106	79,10	134
Age:	26 - 35	7	30,43	16	69,57	23
	36 - 50	4	100	0	0	4
	More than 50	6	100	0	0	6
	Total	45	26,63	124	73,37	169

Table 2 – Crosstab between age and people who have already colored their hair

As L'Oréal Ombré kit is a home kit, participants were also asked if they would consider coloring their hair at home (Appendix 9.3). 66,86% answered that they would not be willing to color at home, and the big causes were "It is safer at the salon", "There is nothing like professional application", and "It is a complex process to do at home", as it is stated in graphic 4. Furthermore, the fact that they have never colored at home, that they are afraid of the result and concerned about the time it takes to do it, are also some reasons mentioned by the participants.
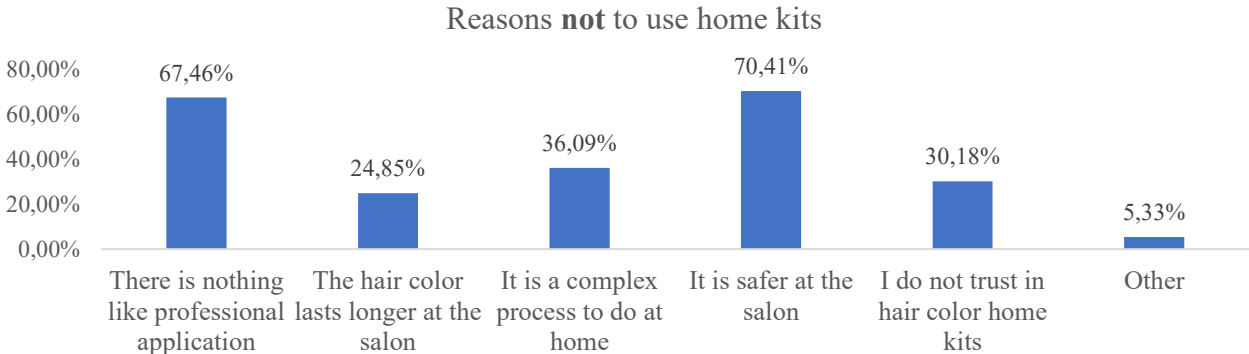
Graphic 4 – Reasons not to use home kits

For those who have responded positively to hair dyeing at home (33,14%), the big reasons were "It is cheaper", "Easy and practical process" and "The quality is also good", as it can be seen in graphic 5.

Reasons to use home kits
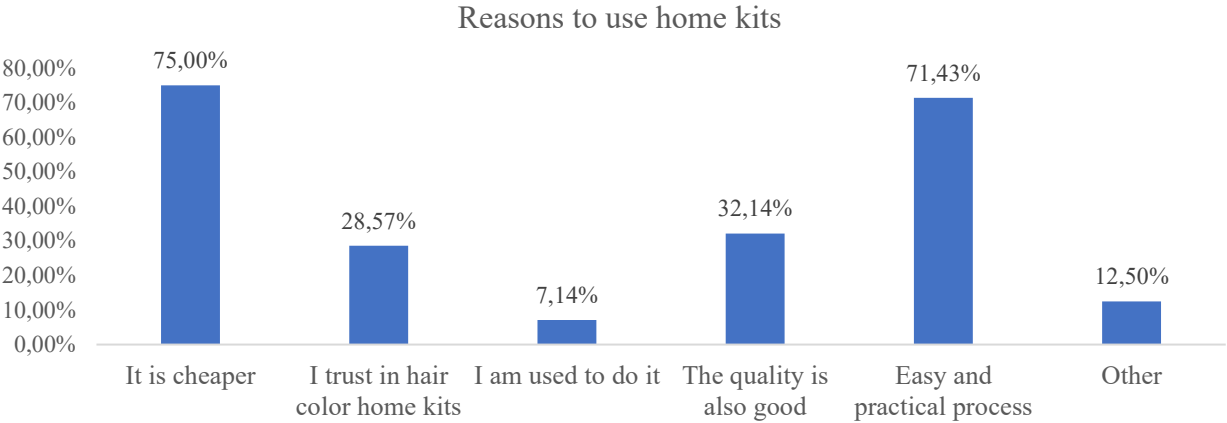
Graphic 5 – Reasons to use home kits

This section of questions accurately reflects that many people still do not feel comfortable with these home kits, as Brand Manager L'Oréal Paris Hair Color in Portugal Federico Nigra, referred. It is important to note that while participants who are willing to use home kits claim that it is a simple process and a good quality product, participants who are not comfortable with the process say that applying in salons is better, easier and safer. This may then mean that after trying the home kit, consumer negative opinion about home color kits may change. The big challenge here for L'Oréal is to make consumers, who have never used home kits, to get out of their comfort zone and try it out.

Regarding the Ombré hair, when participants were asked about if were familiar with Ombré hair, the vast majority (86,39%) said yes (Appendix 10.1). However, when asked later if have already used it, 89,04% said that have never (Appendix 10.2).

Next, participants were exposed to a brief explanation about L'Oréal Ombré kit and an image with some of the kits packages (Appendix 1). The main goal was to familiarize participants to the maximum about the product and expose them to some kind of curiosity. After seeing the brief explanation and the kits packages, as expressed in graphic 6, only 32,54% of the participants said that would consider using it. The main reasons were the trust on L'Oréal products and the desire to try the Ombré look (Appendix 10.4). On the other hand, the big percentage who is not willing to use the kit (almost 65%), says that the main reasons are because they are comfortable with their own hair and not comfortable using at-home hair color kits

(Appendix 10.5). Finally, only 2,96% of participants said they had already used the kit, which represents only 5 people.

This small percentage of people who have used the kit reflects quite well that either the kit did not reach the Portuguese public in the best way, or that the Portuguese consumer is not yet ready for the introduction of home kits.

Based on what you have read and saw, would you consider using it?

2,96%

31,54%

■ Yes
■ No
■ I already used it

64,50%
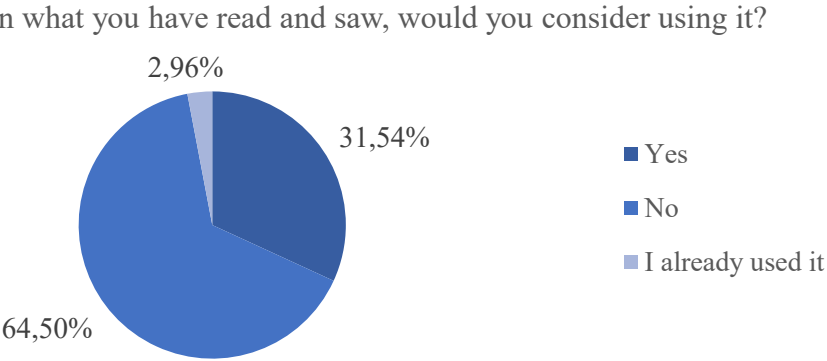
Graphic 6 – Usage of L'Oréal Ombré kit

For the few participants who have already used the kit, all agreed that the kit was easy to use. When asked if the result was not very different from the result in a hair salon, only two of them said "strongly agree" (Appendix 10.6). Additionally, when the sentence "price quality relationship is not good" was showed, three of them said that they did not agree. Regarding the final result, three of them said that liked the result. Finally, the question about if the duration of the look was as expected, just one of them was not satisfied with the result. To sum up, based on the few percentage of participants who have already used the Ombré kit, we can see that, in general, excluding one of the participants who was not properly satisfied, the overall evaluation is positive.

5. CONCLUSION

Through the development of this dissertation, it was possible to make a global analysis on the case under study, where we can say that, in terms of results, they are quite different at national and international level. If at international level, the product was successful and was well accepted by the consumers, in Portugal we can no longer say the same. The Portuguese consumer is not yet open to this type of products and, as such, we can reach to the conclusion that the hair color category may be some steps ahead of the consumer.

In order to arrive at more precise conclusions, it is essential to answer the key research questions previously established in the beginning of the dissertation process.

RQ1 – Is L'Oréal perceived as a trustful brand?

Although L'Oréal is the number one brand in the beauty industry, it is relevant and essential to understand if it is a trustworthy brand for consumers in general. The truth is that, through market research, it was possible to verify that brand trust is one of the three factors that most determines the purchase of hair care products. As such, also through the market research, it was possible to verify that more than 80% of respondents answered between "somewhat agree" and "strongly agree", to the sentence "I really trust in L'Oréal products". In addition, when participants were asked if they would be willing to use L'Oréal Ombré kit, the 32% who responded yes, have pointed out as one of the main reasons the trust on the brand. Thus, it is possible to conclude that L'Oréal is perceived as a trustful brand in consumers' minds.

RQ2 – What are the main drivers for L'Oréal to use Google Trends?

For L'Oréal, one of its main key points was always innovation, to be ready to respond to market opportunities. In this sense, nowadays, with technological developments, it makes sense for L'Oréal to be close to the consumer to better understand their needs. Thus, the main drivers for L'Oréal to use online search insights are:

- **Access to new market opportunities**: More and more markets are saturated due to the huge competition between companies. Thus, it is crucial to get out of the saturation zone to find strong market opportunities. With search insights, especially Google Trends,

companies can learn what is trending in the industry, and can be inspired by consumers' insights. This way, brands can understand what type of content they should be creating, in order to be one step ahead of the competition.

- **Simplify the product development process**: Even though search insights are mostly used in the idea creation phase of the product development process, it is also important to incorporate them in the course of the process, where at all stages can play an important role. For L'Oréal, it was important not only to create the idea, but also to decide the type of color formulas to deliver, the type of message to use in social media and, finally, the type of packaging to use. In this way, consumer insights can and should be used in the various phases of the product development process.

- **Brand trust**: The fact that, with the use of Google Trends, brands are close to the consumer and thus perfectly familiar with what consumers are looking for, helps to create a connection between the consumer and the brand. In this way, brands can make consumers feel confident about the brand since it offers them what they want at the exact moment they want.

- **Get a sense of brand popularity and its competitors**: Through the insights that Google Trends provides, L'Oréal is able to gain insight into the popularity of the brand and its competitors in order to realize its position in the market.

RQ3 – Was L'Oréal able to reach a new segment with the new product?

When we are talking about the hair color industry, it is generally directed towards higher age groups. Through the interview with the VP of Marketing L'Oréal Paris Hair Color, Julie Chamberlain, it was possible to notice that the average age of the typical consumer of L'Oréal hair color is around 45 years.

Knowing that the Ombré kit was essentially developed for the youngest consumers, L'Oréal was clearly betting on a new target. The fact that temporary colors were growing, made L'Oréal decide to try to insert a new age group - millennials - in the hair color category. Indeed, after the launch of the first Ombré kit, the brand got 50% of the consumers to be new in the category. This was due not only to the fact that the product was completely targeted to the younger

generation, but also because of the modern and innovative approach with which they developed the product and got involved with consumers.

RQ4 – What are the main existing barriers for the Portuguese consumer to use the L'Oréal Ombré kit?

Through an interview with Federico Nigra, Brand Manager L'Oréal Paris Hair color in Portugal, it was possible to notice that the Portuguese consumer did not receive quite well the entrance of the first kit to color the hair at home. In fact, through market research it was possible to understand that the barriers to this new product were:

- Never used this type of product;
- Do not trust in home kits;
- Prefer professional application;
- Complex process to do at home;
- Safer at the salon;
- Do not want to waste time doing it.

In this way, we can see that the fear of the unknown and the unwillingness to try new and different products are the main barriers for the less acceptance from the Portuguese consumer.

5.1 Wrap-up

That being said, it all comes down to the question proposed for this case study. As mentioned in the beginning, the problem statement that this case study strives to understand is how the use of Google Trends helped L'Oréal to increase innovation.

As mentioned in the case study, innovation has always been one of the key points of L'Oréal. However, over time, you need to innovate the way you innovate. In this sense, L'Oréal decided to innovate with the help of consumers. They decided to listen to what consumers needed, and look for possible market trends. In this way, L'Oréal started to introduce consumers' insights, taken from Google Trends, into their product development process. Indeed, the fact that Google has 50000 searches every second - represents 3.5 billion every day - makes Google Trends a window into people's intent. Even more, 15% - 20% of searches are new every day, which means it is possible to discover new trends at any time. Thus, the process of innovation is much

easier for L'Oréal, since it does not require so much thought - as regards what product to create - but rather more research. That is, the product development process is based on the question "what do consumers want?". With this online search insights tool, brands can have immediate access to this question, without needing all the thinking behind.

In this way, as Federico Nigra referred, this online search insights strategy was not only used for Ombré kit. This is currently a recurring strategy that has been helping L'Oréal in making innovative decisions. Even though the product in Portugal was not as successful as it was internationally - as it is possible to observe through the market research, only 2,96% of the participants said that have already used the kit – it was the turning point for an innovation cycle focused on consumer insights.

5.2 Recommendations

Based on the results found in this dissertation, it is possible to notice that, although the Ombré kit was a product that was, in general, successful, it could have been better implemented in Portugal.

Through the market research, it was possible to conclude that the Portuguese consumer is not yet open to home hair products. In this sense, it is essential to first think about how to change this preconception that remains in the minds of Portuguese consumers.

In order to overcome this constraint, it is important to define some strategies. First of all, it is necessary to realize what are the real reasons for them not using this product. Through the market research, it was possible to verify that safety problems, lack of confidence to do it alone, and the complex process were the main barriers faced by Portuguese consumers. After finding the causes, the following strategies could be defined to deal with these barriers. A new communication strategy must therefore be applied. A strategy where communication focuses primarily on the safety and ease of applying the kit. In this way, L'Oréal could try to do point of sale interviews or focus groups with female consumers in order to collect important and concrete insights. There is no better strategy than listening to what the consumer feels and what the consumer, in his opinion, thinks should be implemented. Additionally, to really reach consumers, it may be interesting for L'Oréal to offer free courses, with professionals, for consumers to deal with the product and to learn the bases for the application. Also, how-to videos and tutorials are good opportunities for L'Oréal to change negative consumers' opinion.

With these methodologies, L'Oréal may have access to key information to better reach the Portuguese consumer with hair home kit products.

5.3 Limitations and Future Research

During the progress of this dissertation, some limitations were found. In the literature review, even though several articles are from top journals, some of them are from non-top journals. Additionally, there were some difficulties in finding top quality journals regarding the hair care industry.

Concerning the market research, the fact that the sample is not properly big is another limitation for the study. Also, the sample is not a good representation of the typical L'Oréal consumer - in the hair color category -, as few people are willing to color their hair. In this way, it was not possible to obtain much feedback from the real potential consumer of the Ombré kit. This is due to the fact that the survey was distributed only through a digital channel, Facebook, only to close people.

In the case study, the main limitation was the information obtained through L'Oréal Portugal. The fact of being studying a product that was already launched in Portugal four years ago, and it is no longer on the market, made it difficult to obtain quantitative information. Also, the access to global information about hair care and hair color market was quite complicated since it represents confidential information, where only little information is available.

For future research, the main suggestions are:

- To develop a consistent survey, with a bigger sample and with a more representative sample of the typical hair color consumer.
- Make an in-depth study, to better understand what leads to the fact that, in other countries, this type of home kit is well received by consumers. This way, it may be possible to understand the best practices and implement some of them in Portugal.

6. TEACHING NOTES

6.1 Case Synopsis

L'Oréal is the number one brand in the beauty industry, and it is present in 140 countries of all 5 continents. In addition, L'Oréal had always been known for its innovation and the ability to always be on top of all consumer beauty trends. In fact, it is from the very beginning that one of the main key points for L'Oréal is R&D.

Although R&D plays a key role in the smooth running of the brand, in recent years the main responsible for innovation has been the attention that brands give to what consumers say. In this sense, over the past years, L'Oréal has been increasing the investment in digital marketing, while rethinking the way it uses one of its main tools, search.

Based on this, in 2013, L'Oréal launched the first ever DIY (Do it yourself) Ombré hair kit. After noticing that Ombré was a new trend used mainly by models and celebrities, L'Oréal decided to investigate on Google Trends what it is that the female consumer in general was searching about this new look. Indeed, the brand discovered that the female consumer was very interested in the Ombré look, and was searching particularly for a way to do it at home, which did not exist in the market. In fact, until that time, it was necessary to go to the hairdresser.

Considering this market opportunity, and analysing it in great detail, L'Oréal decided to create the first home Ombré kit.

6.2 Target ad Audience of the Case

The present case study can be addressed as learning material for undergraduate or master students, who are familiar with Management, Marketing or Strategy. More specifically, the case study is designed for courses such as Marketing, Digital Marketing, Marketing Communication, or Strategic Marketing. In addition, keywords such as, innovation, search, marketing insights, trends, and product development process can be reference points and are all covered in the case study.

6.3 Teaching Objectives

Through the L'Oréal case study, students will be able to understand the evolution of the product development process and the importance of the consumer in it. Moreover, it is also expected that they will realize that innovation, another key point in this case study, is essential for product development process, in a way that can change the idea creation phase of the product development. In this way, innovation eventually assume a major role in the company.

Furthermore, based on the example that L'Oréal showed in searching and listening to what the consumer wants, to therefore begin the product development process, students are invited to discuss and develop a critical thinking about this search insights strategy that is increasingly part of the L'Oréal culture.

6.4 Teaching Plan

Students are expected to read and analyse the case in advance, so that they are all contextualized with the subject under analysis in class. Additionally, students should respond to the case study suggested questions so that there is an open discussion in class about the main topics of this case study.

6.5 Suggested Questions

1. **What is the New Product Development process and what is the importance of Marketing in it?**

   The new product development can be defined as the transformation of new product ideas into selling outputs. In general, it is considered a very complex process since it requires a great effort in the creation and definition of ideas that make sense to insert in the market.

   Since marketing is a department that is constantly in contact with consumers, this department can greatly facilitate the New Product Development Process and, more specifically, the process of creating ideas. This happens to the extent that marketing, through its close contact with consumers and constant collection of information, can better understand what their needs are and thus create market opportunities for companies.

   In this way, we can conclude that the involvement of marketing in the new product development can lead to an increase of innovation performance.

2. **Characterize L'Oréal product development process.**

   Essentially, the product development process at L'Oréal relies mainly on the collaboration between research and marketing. Even though in the beginning this process was mostly dependent on the R&D department, over the years, marketing has assumed an increasingly important role in this process, where both departments gather information and share their inputs. Another important point is that both departments are involved throughout the entire product development process, not only on the conception of the idea itself.

   Also, since L'Oréal is a worldwide company, present on every continent, the product development process is essentially carried out at the company's headquarters in France. However, all the feedback that the company receives from the several countries where it is present, is considered and used for product development process.

   As such, we can say that the global consumer is increasingly influential in L'Oréal's product development process.

3. **How important was for L'Oréal listening the voice of the consumer for the development of the Ombré kit? What were the major advantages?**

   In fact, listening to the consumer, realizing their needs and also what was lacking in the market was the most important point for the development of this product.

   Even though L'Oréal saw a substantial rise in the use of the Ombré look in models and celebrities, the turning point happened when L'Oréal went to search in Google Trends what was being searched about this look. They came to the conclusion that what was really sought was a tool to make the look at home.

   In this way, it is very likely that, without the consumer's voice and therefore without his powerful insights, the Ombré kit would not have been developed.

   Still, it is important to note that L'Oréal has always been consistent with consumer insights, since they were not only used for the idea creation phase, but throughout the entire product development process.

   Regarding the advantages, in addition to the success on a product that was requested by the consumers, L'Oréal managed to improve its relationship with the consumers and its brand trust.

4. **Why is the Portuguese consumer not yet open to L'Oréal DIY (Do It Yourself) Ombré kit?**

   Through Market Research, it was possible to verify that the Portuguese consumer is not yet comfortable using home application kits. The main reason that may have led to this is the fact that the Portuguese consumers still do not have much experience on using this type of kits. The truth is that these type of kits require some experience that, for those who do not have, turns out to be decisive to not use. In addition, it was possible to understand that the majority of the participants prefer to color their hair at the salon due to safety issues. Another reason is that most participants find that there is nothing better than professional application.

5. **What can L'Oréal do to overcome this constraint?**

   Since the main reasons for not using the kit are safety issues and the lack of confidence to do it alone at home, one of the solutions may be to focus on advertising based on how to apply the kit and on the fact that the product does not pose any type of health problem. In this way, L'Oréal is able to show even more the image that it is easy and healthy to use the kit at home. Another solution may be free training for consumers to learn the basics and all the information they need to proceed with the application of the kit alone.

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Appendix 1: Online Survey

Dear participant,

My name is Maria do Carmo Cunha and I am finishing my Master at Católica Lisbon School of Business and Economics. Firstly, I would like to thank you in advance for taking this survey. The goal of this survey is to understand your perception about a cosmetics brand. This questionnaire is directed only to **women**. Your cooperation is crucial for the development of my thesis, so please answer truthfully to the following questions. This questionnaire will remain anonymous and will take about 5 minutes.

1. Gender:
   o Male
   o Female

2. When you think about hair care products, which are first three brands that come to your mind?

3. Please rank the factors that most determine your purchase in hair care products:
   a. Price
   b. Brand trust
   c. Perceived quality
   d. Design
   e. Trendy products

4. Please rank the following brands based on perceived quality:
   a. Schwarzkopf
   b. L'Oréal
   c. Wella
   d. Syoss
   e. Garnier

5. To what extent do you agree with the following statements, when you think about L'Oréal?
   a. I really identify with L'Oréal
   b. I associate L'Oréal as a hair care brand
   c. I associate L'Oréal as a feminine brand

    d. I consider L'Oréal a premium brand

    e. Select 'Disagree' here

    f. I associate L'Oréal as a fashion brand

    g. I consider L'Oréal as an innovative brand

    h. I really trust in L'Oréal products

6. What do you think are the most valuable attributes of L'Oréal? (Select three)

    a. Price

    b. Quality

    c. Diversity (Range of products)

    d. Professionalism

    e. Sophistication

    f. Fashion

7. How likely would you be to recommend L'Oréal to a friend or colleague? (0 = Not likely at all; 10 = Extremely likely)

8. Have you ever colored your hair?

    a. Yes

    b. No

9. How often do you color your hair?

    a. Once a month

    b. Once every 3 months

    c. Once every 6 months

    d. Once a year

10. If you were thinking about coloring your hair, would you consider doing it at home?

    a. Yes

    b. No

11. Why would you consider doing it? (Select three)

    a. It is cheaper

    b. I trust in hair color home kits

    c. I am used to do it

    d. The quality is also good

    e. Easy and practical process

    f. Other

12. Why wouldn't you consider doing it? (Select three)

    a. There is nothing like professional application

b. The hair color lasts longer at the salon

c. It is a complex process to do at home

d. It is safer at the salon

e. I do not trust in hair color home kits

f. Other

13. Are you familiar with Ombré hair (Californianas)?

a. Yes

b. No

14. Have you ever used it?

a. Yes

b. No

Ombré hair is a hairstyle where it gradually becomes lighter, or darker, towards the ends. L'Oréal developed and launched the first at-home coloring system. With the Ombré kit, consumers can easily applicate the Ombré look in the comfort of their homes. As the brand says, "It's easy as brushing your hair".

Below you can see L'Oréal Ombré kit package.

15. Based on what you have read and saw, would you consider using it?

    a. Yes

    b. No

    c. I already used it

16. Why would you consider using it?

    a. I trust in L'Oréal products

    b. Ombré hair gives a natural hair

    c. I am comfortable using at-home hair color kits

    d. Ombré hair gives a younger look

    e. I want to try this Ombré look

    f. Other

17. Why wouldn't you consider using it?

    a. I am not comfortable using at-home hair color kits

    b. I am looking for a more professional look

    c. I am comfortable with my hair

    d. Ombré hair doesn't give a natural hair

    e. I do not trust in L'Oréal products

    f. Other

18. To what extent do you agree with the following statements, when you think about L'Oréal Ombré kit?

    a. The kit is easy to use

    b. The result is not very different when compared with the result in a hair salon

    c. Price quality relationship is not good

    d. I liked the result

    e. The duration of the look was as expected

19. Age:

    a. Less than 18

    b. 18 - 25

    c. 26 - 35

    d. 36 - 50

    e. More than 50

20. Occupation:

    a. Student

    b. Employed

    c. Unemployed

21. What is your average annual household income?

    a. Less than 10000€

    b. 10000€ - 30000€

    c. 30001€ - 50000€

    d. More than 50000€

Appendix 2: Market Research - Demographics

Gender:

#	Answer	%	Count
1	Male	0.00%	0
2	Female	100.00%	169
	Total	100%	169

Age:

#	Answer	%	Count
1	Less than 18	1.18%	2
2	18 - 25	79.29%	134
3	26 - 35	13.61%	23
4	36 - 50	2.37%	4
5	More than 50	3.55%	6
	Total	100%	169

Occupation:

#	Answer	%	Count
1	Student	63.91%	108
2	Employed	32.54%	55
3	Unemployed	3.55%	6
	Total	100%	169

What is your average annual household income?

#	Answer	%	Count
1	Less than 10000€	32.54%	55
2	10000€ - 30000€	43.20%	73
3	30001€ - 50000€	17.16%	29
4	More than 50000€	7.10%	12
	Total	100%	169

Appendix 3: Market Research - First three brands that come to your mind

When you think about hair care products, which are first three brands that come to your mind?
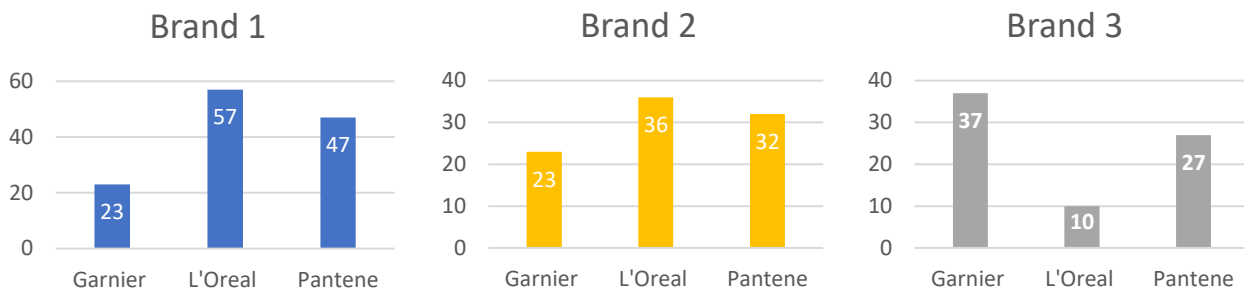
Appendix 4: Market Research - Factors that most determine purchase in hair care products

Please rank the factors that most determine your purchase in hair care products:

#	Question	1		2		3		4		5		Total
1	Price	31.36%	53	28.99%	49	31.95%	54	5.33%	9	2.37%	4	169
2	Brand trust	23.67%	40	37.87%	64	33.14%	56	5.33%	9	0.00%	0	169
3	Perceived quality	44.38%	75	30.77%	52	20.71%	35	4.14%	7	0.00%	0	169
4	Design	0.59%	1	0.59%	1	6.51%	11	52.07%	88	40.24%	68	169
5	Trendy products	0.00%	0	1.78%	3	7.69%	13	33.14%	56	57.40%	97	169

Appendix 5: Market Research – Brands ranking based on perceived quality

Please rank the following brands based on perceived quality:

#	Question	1		2		3		4		5		Total
1	Schwarzkopf	38.46%	65	20.71%	35	23.08%	39	13.61%	23	4.14%	7	169
2	L'Oréal	43.20%	73	37.87%	64	13.61%	23	5.33%	9	0.00%	0	169
3	Wella	4.14%	7	6.51%	11	16.57%	28	35.50%	60	37.28%	63	169
4	Syoss	4.14%	7	8.28%	14	14.79%	25	29.59%	50	43.20%	73	169
5	Garnier	10.06%	17	26.63%	45	31.95%	54	15.98%	27	15.38%	26	169

Appendix 6: Market Research – Consumers opinion about L'Oréal

To what extent do you agree with the following statements, when you think about L'Oréal?
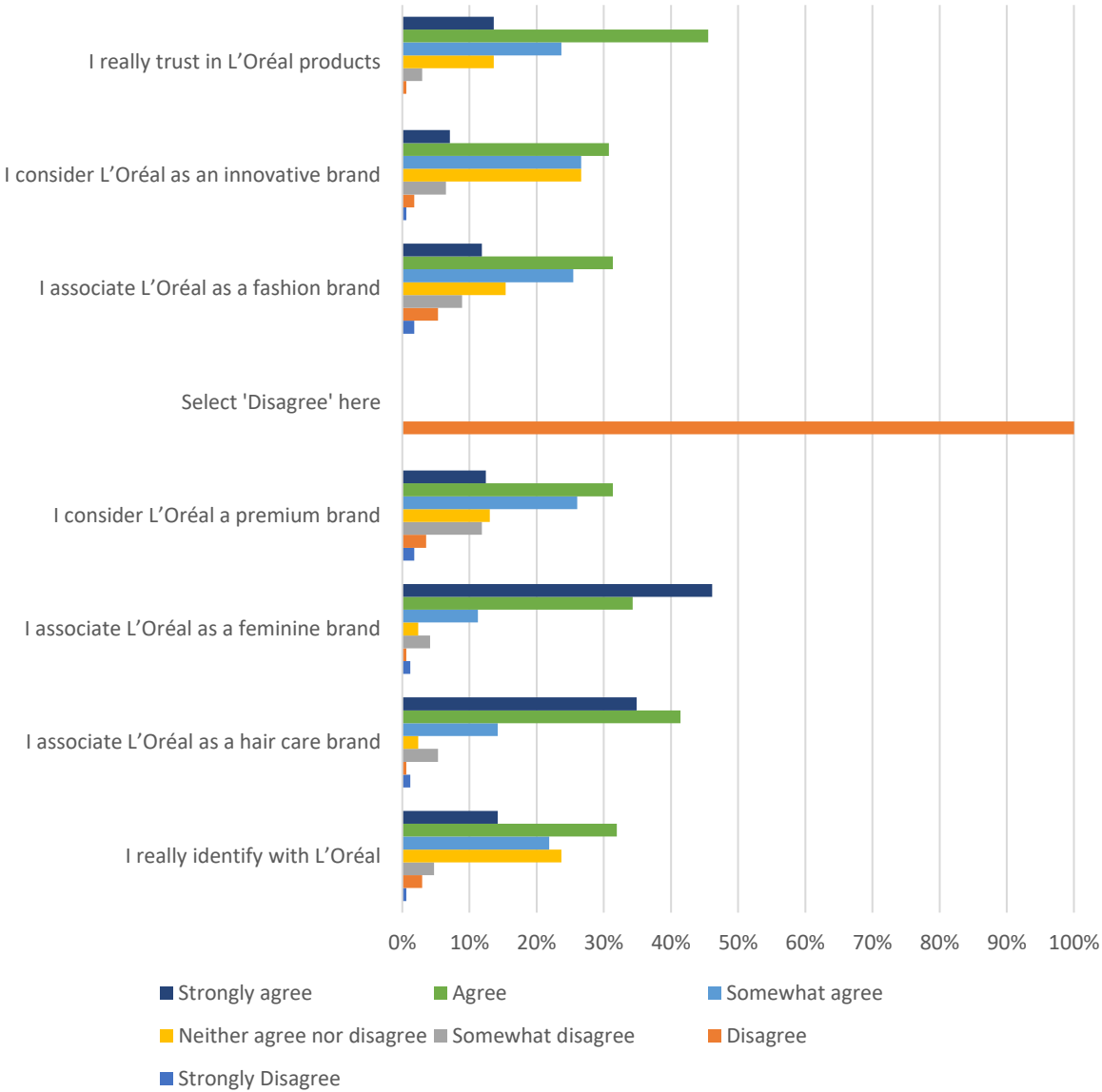
Appendix 7: Market Research – Most valuable attributes of L'Oréal

What do you think are the most valuable attributes of L'Oréal? (Select three)

#	Answer	%	Count
1	Price	50.30%	85
2	Quality	78.70%	133
3	Diversity (Range of products)	71.60%	121
4	Professionalism	34.91%	59
5	Sophistication	21.89%	37

6	Fashion	15.38%	26
	Total	100%	169

Appendix 8: Market Research – Likelihood to recommend L'Oréal

How likely would you be to recommend L'Oréal to a friend or colleague? (0 = Not likely at all; 10 = Extremely likely)

Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
0 = Not likely at all; 10 = Extremely likely	0.00	10.00	6.95	1.95	3.80	169

Appendix 9: Market Research – Hair color market

9.1 Have you ever colored your hair?

#	Answer	%	Count
1	Yes	26.63%	45
2	No	73.37%	124
	Total	100%	169

9.2 How often do you color your hair?

#	Answer	%	Count
1	Once a month	11.11%	5
2	Once every 3 months	13.33%	6
3	Once every 6 months	17.78%	8
4	Once a year	57.78%	26
	Total	100%	45

9.3 If you were thinking about coloring your hair, would you consider doing it at home?

#	Answer	%	Count
1	Yes	33.14%	56
2	No	66.86%	113
	Total	100%	169

9.4 Why would you consider doing it? (Select three)

#	Answer	%	Count
1	It is cheaper	75.00%	42
2	I trust in hair color home kits	28.57%	16
3	I am used to do it	7.14%	4
4	The quality is also good	32.14%	18
5	Easy and practical process	71.43%	40
6	Other[1]	12.50%	7
	Total	100%	56

[1] My friends do it at home; I can do it whenever I want to, without having to schedule the hairdresser; A friend could do it; Don't waste money in something I could not like; It's fun; I trust myself better than I trust hairstylists.

9.5 Why wouldn't you consider doing it? (Select three)

#	Answer	%	Count
1	There is nothing like professional application	67.46%	114
2	The hair color lasts longer at the salon	24.85%	42
3	It is a complex process to do at home	36.09%	61
4	It is safer at the salon	70.41%	119
5	I do not trust in hair color home kits	30.18%	51
6	Other[2]	5.33%	9
	Total	100%	169

[2] Don't need it; Porque eu não teria jeito e ia ficar mal; Would save me the work of doing it myself; Since I have never done it I don't think it is wise to do it by myself at home; Less work; Não estou a pensar pintar; Afraid of the kits.

Appendix 10: Market Research – Ombré Hair

10.1 Are you familiar with Ombré hair (Californianas)?

#	Answer	%	Count
1	Yes	86.39%	146
2	No	13.61%	23
	Total	100%	169

10.2 Have you ever used it?

#	Answer	%	Count
1	Yes	10.96%	16

| 2 | No | 89.04% | 130 |
| | Total | 100% | 146 |

10.3 Based on what you have read and saw, would you consider using it?

#	Answer	%	Count
1	Yes	32.54%	55
2	No	64.50%	109
3	I already used it	2.96%	5
	Total	100%	169

10.4 Why would you consider using it?

#	Answer	%	Count
1	I trust in L'Oréal products	61.82%	34
2	Ombré hair gives a natural hair	32.73%	18
3	I am comfortable using at-home hair color kits	9.09%	5
4	Ombré hair gives a younger look	7.27%	4
5	I want to try this Ombré look	36.36%	20
6	Other[3]	1.82%	1
	Total	100%	55

[3] Sounds safe.

10.5 Why wouldn't you consider using it?

#	Answer	%	Count
1	I am not comfortable using at-home hair color kits	37.20%	61
3	I am looking for a more professional look	19.51%	32
2	I am comfortable with my hair	62.80%	103
4	Ombré hair doesn't give a natural hair	16.46%	27
5	I do not trust in L'Oréal products	0.61%	1
6	Other[4]	2.44%	4
	Total	100%	164

[4] I'll probably end up getting tired of it; Não iria nunca usar este tipo de kits para o cabelo.

10.6 To what extent do you agree with the following statements, when you think about L'Oréal Ombré kit?

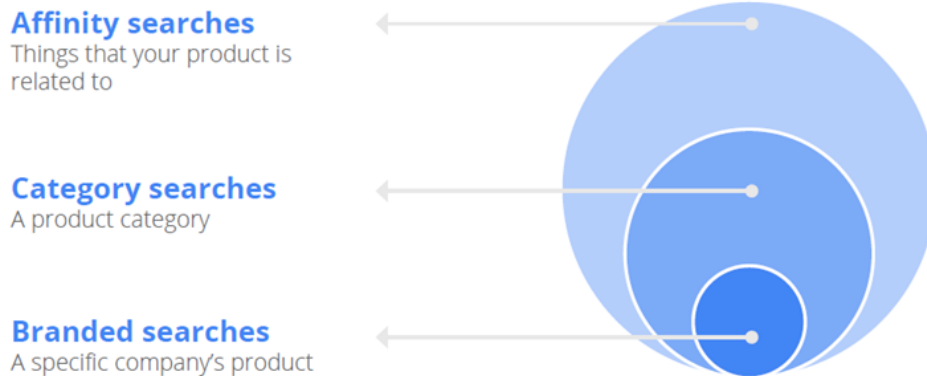Chart categories (top to bottom):
- The duration of the look was as expected
- I liked the result
- Price quality relationship is not good
- The result is not very different when compared with the result in a hair salon
- The kit is easy to use

X-axis: 0% 10% 20% 30% 40% 50% 60%

Legend:
- Strongly disagree
- Disagree
- Somewhat disagree
- Neither agree nor disagree
- Somewhat agree
- Agree
- Strongly agree
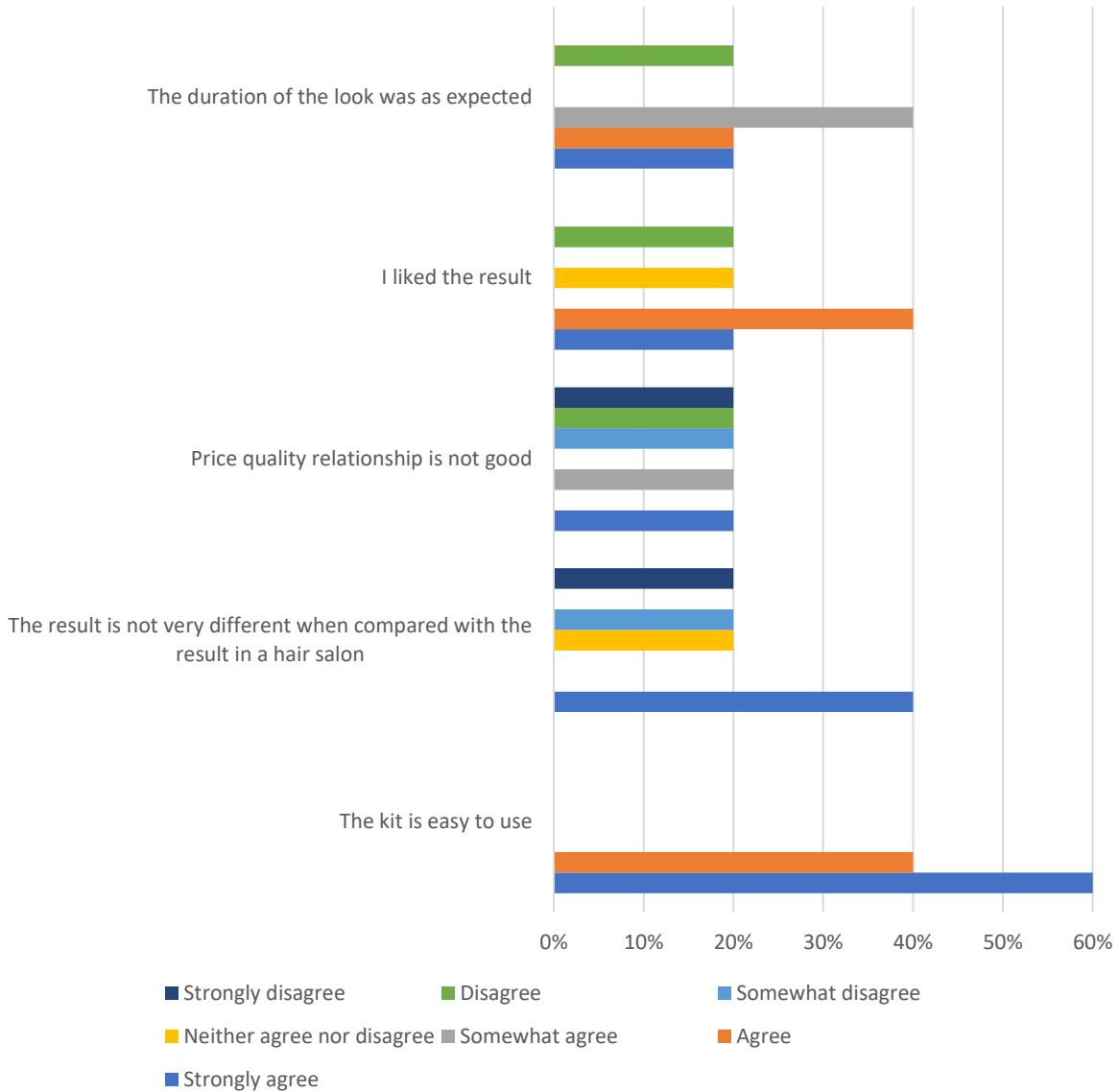
Appendix 11: Market Research – Analysis at Jumbo, a Portuguese supermarket

Market analysis at Jumbo. The main brands in the hair color market were analysed, and L'Oréal, Garnier, Wella, Syoss and Schwarzkopf were the main players identified.

Appendix 12: Case Study – Reaching the audience

12.1 Different searches types

Affinity searches
Things that your product is related to

Category searches
A product category

Branded searches
A specific company's product

Indicative diagram showing volume of different search types; not to scale

Source: 'Search for Brands: Brand Marketer Guide' from Think with Google

12.2 Organic results on Google

Google   curly hair   🔍

The 10 Best Cuts for **Curly Hair**: Hair Ideas: allure.com
www.allure.com/hair-ideas/2012/the-best-haircuts-for-curly-hair ▾ Allure ▾
"Fashionable **hair**" used to mean flat, sleek, and stick-straight. But more women—
celebrities included—are embracing their natural (read: wavy or curly) texture ...

How to Follow the Curly Girl Method for **Curly Hair** - wikiHow
www.wikihow.com › ... › Grooming › Hair Care › Curly Hair ▾ wikiHow ▾
Most shampoos contain harsh, drying sulfates that are extremely damaging for **curly
hair** (ammonium laureth sulfate, ammonium lauryl sulfate, sodium laureth ...

Curly Hair - Reddit
www.reddit.com/r/**curlyhair**/ ▾ Reddit ▾
curlyhair. subscribeunsubscribe11,615 readers. ~29 users here now. Welcome! Post
your curly haired questions or awesome curly haired do's! Need help with ...

Hair - Wikipedia, the free encyclopedia
en.wikipedia.org/wiki/**Hair** ▾ Wikipedia ▾
Jump to **Curly hair** - [edit]. **Curly hair**. Jablonski asserts head hair was evolutionarily
advantageous for pre-humans to retain because it protected the scalp ...

How to Style **Curly Hair**! (**Curly hair** routine) - YouTube
www.youtube.com/watch?v... ▾ YouTube ▾
Oct 22, 2012 - Uploaded by AndreasChoice
Comment down below with what your hair texture is like and if you
► 4:34   want a video on my favorite deep conditioners ...

31 Problems Only People With **Curly Hair** Will Understand
www.buzzfeed.com/.../problems-only-people-with-c... ▾
Jun 25, 2013
You leave the house, and your **hair** looks great! Then you catch a
glimpse of yourself in a window, and ...
More by Erin La Rosa - in 149 Google+ circles

Organic search results for "curly hair"

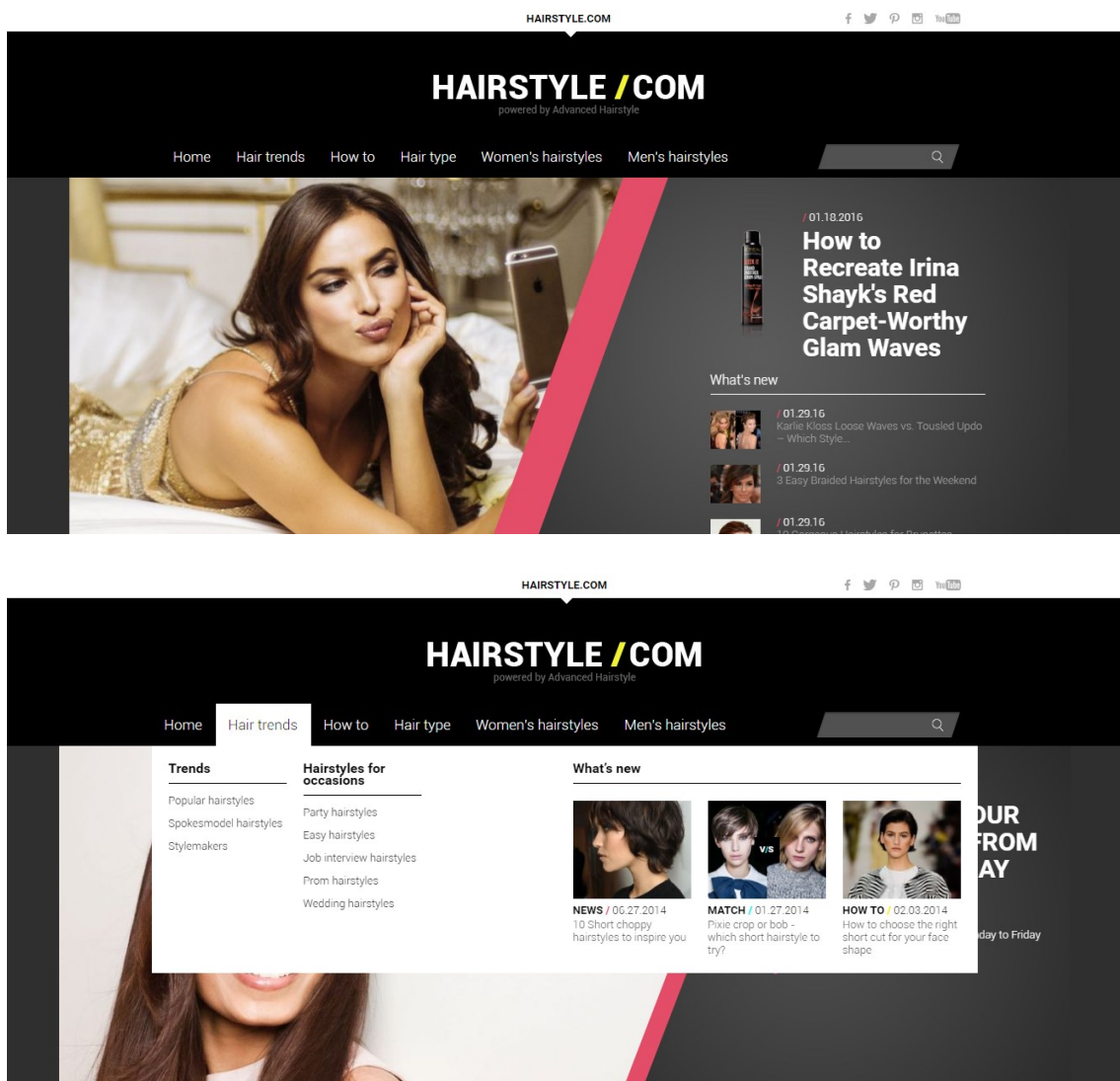Source: 'Search for Brands: Brand Marketer Guide' from Think with Google

12.3 L'Oréal search ad for ombré kit
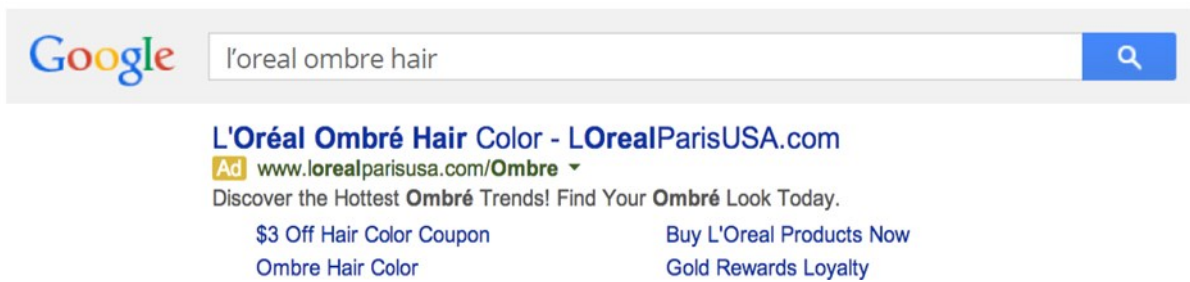
Appendix 13: Case Study – L'Oréal website for occasion hairstyles

Appendix 14: Interview Guideline to Julie Chamberlain, VP of Marketing L'Oréal Paris Hair Color

1. How L'Oréal promotes product innovation in the company?
2. Frequently Product teams work with Marketing and Market Insights to create new products? If yes, what's usually the approach and processes?
3. What are the Critical Success Factors in the hair color industry?
4. Who is the typical consumer of hair dyeing products?
5. When was launched the kit?
6. How was the response to the first at home kit? It was accepted in a positive way the fact that Ombré hair kit is a DIY home kit? Or it was difficult to face hair salon competition?
7. With the Ombré hair kit, L'Oréal reached new consumers to the category. How has this had impact on L'Oréal strategy? How can L'Oréal keep these new consumers? How can L'Oréal engage with them? Did L'Oréal keep them?