Chapter 2
Business Issue Exploration

2.1 Conceptual Framework

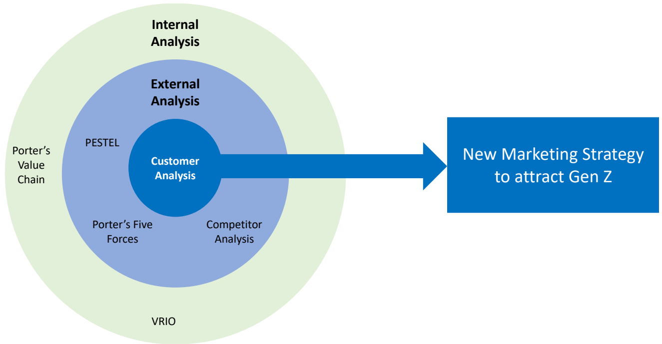

Figure 2.1 Conceptual Framework of the research (Source: Author, March 2022).

Marketing is a must have activity for any companies, "American Marketing Association defined marketing as the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large" (Kottler and Keller, 2012: 5). In the business case of Maybelline Indonesia, there are internal factors and external factors that will affecting marketing activities of the brand in Indonesia. For this reason, author will conduct internal analysis to identify the strength and weakness of the brand through 2 internal analysis tools such like Porter value chain and VRIO analysis. Porter value chain will contribute to the research by identify the five competitive forces of Maybelline to specifically define the strength and weakness of the brand in Indonesia market. To sum up the internal analysis, author will implement VRIO analysis to identify the competitiveness of internal key resources of Maybelline to face the competition in Indonesian market.

Of equal importance, author will conduct external analysis by using PESTEL tools to gain more qualitative factors about macro situation that influence customer decision making in purchasing makeup category (Maybelline). Afterwards, author will use Porter Five Forces analysis to identify the main sources of competition in makeup industry, hereinafter conduct deeper competitive analysis through 4P analysis of top main competitors of Maybelline in Indonesia to understand the threats to the brand.

As explained in chapter 1.1 (Background), Gen Z is a very important target market for Maybelline that will support sales recovery of the brand due to disruption in digital and covid-19 era, and for sure will fuel the future growth of Maybelline in Indonesia. Kottler and Keller defined that "Consumer behavior is the study of how individuals, groups, and organizations select, buy, use, and dispose of goods, services, ideas, or experiences to satisfy their needs and wants" (Kottler and Keller, 2012: 151). In this research, the author will emphasize on customer analysis that focus to have deeper understanding about behavior of Gen Z through literature review, analyst secondary data about Gen Z, and collecting primary data to have more insights of the target market towards makeup category as the basis to propose new marketing strategy of Maybelline.

2.2 Research Methodology

Author will combine both qualitative and quantitative methodology or using mixed research methodology for this final project, means that the analysis will comprises of 2 types of data/information as part of the analysis which are numerical data and non-numerical or textual data that will collected through qualitative and quantitative approach. And to support the data gathering, author will conduct a market survey to target market to collect primary data. In Addition, this research will also collecting secondary data from several sources (internal company, related research agency, literature, and government related bodies) to support both internal and external analysis of the business case. The detail of the research methodology will be explained in the next section.

2.2.1 Research Design

To organize an effective and efficient research, author need to formulate the structure and framework as the foundation of this final project in a research design. *A research design is a framework or blueprint for conducting a marketing research project. It details the procedures necessary for obtaining the information needed to* *structure or solve marketing research problems* (Maholtra and Birks, 2007: 64). In this final project, author divided the research into 4 segments, detail of the research design as shown in figure 2.2.

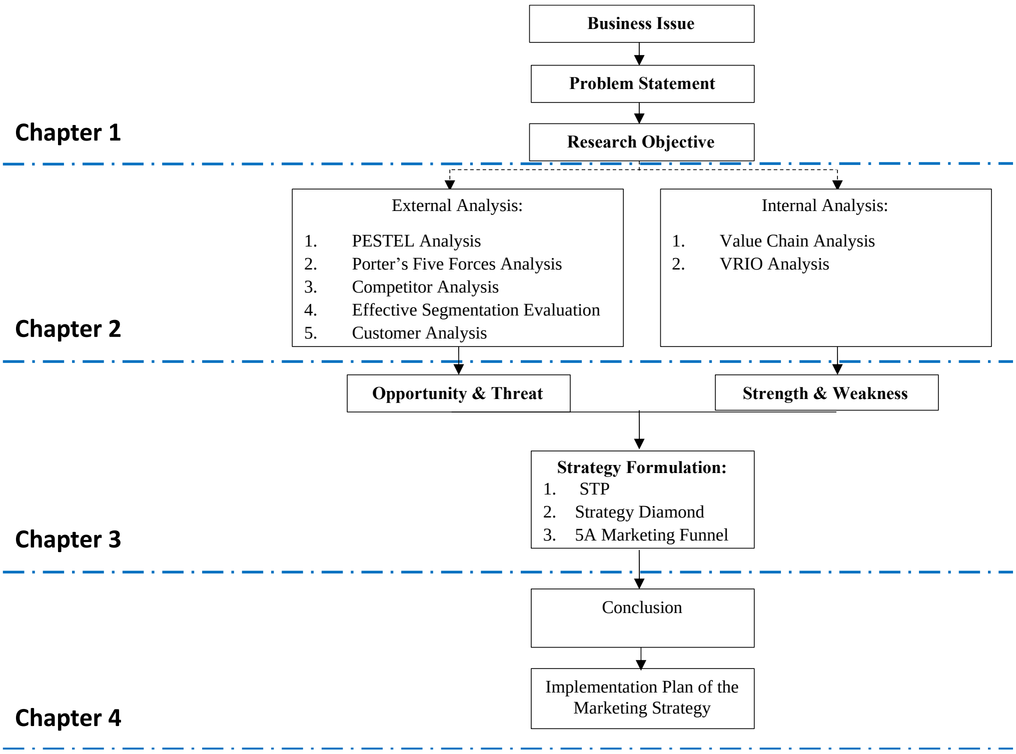

Figure 2.2 Research Design (Source: Author, March 2022).

In the first phase of the research, author identified business issue of the final project and describe the problem statement as the starting point to define the research objective. In the next phase, author will conduct 2 analysis which are internal analysis and external analysis. The internal analysis will comprise of 2 theories, which are Porter Value Chain and VRIO analysis, and author will use the result of those analysis to determine strength points and weakness of the brand. In addition, author will conduct external analysis through PESTEL that follow by Porter Five Forces, then collecting data to perform competitor analysis before conducting customer analysis to identify the opportunities and threats towards Maybelline. Among all the analysis, customer analysis will be the core of the research to gain deep understanding about target market (Gen Z) as one of the important elements before going to strategic formulation step.

In the next phase, author will use the result of external analysis to determine opportunity and threat factors that will affecting the brand strategy. On top of that, the internal analysis will give more insight about strength and weakness of the brands. Based on the TOWS result, author will start to define the marketing strategy proposal by creating strategy formulation. Segmentation, Targeting, Positioning (STP) will be the foundation to describe detail strategy of the brand using Strategy Diamond Framework before detailing the marketing mix proposal of Maybelline. At the end of the final project, author will define conclusion and recommendation for the brand before creating the implementation plan of marketing strategy proposal of Maybelline to attract Gen Z segment in Indonesia.

2.2.2 Qualitative Approach

Qualitative approach will support deep understanding and insight about the brand and target market, especially to understand the complexity of consumers. In this final project, author conducted deep interview with key stakeholders in makeup market in Indonesia that gave deep insight about the market and Maybelline. Those stakeholders are L'Oréal internal team, consumer makeup expert from the market and lastly target market of Maybelline from Gen Z segment.

The number of interviews that are to be carried out is determined at the research design stage. In qualitative research we are more concerned with the quality and depth than the proportions of people that gave one response or another. As few as 10 depth interviews can be enough and 30 would almost certainly draw out all the factors pertaining to the research topic (Hague, Harrison, Cupman & Truman, 2016: 84).

For this final project, author conducted 11 in-depth interviews. All of them are key people in makeup market, Maybelline, and purchasing experts (detail in appendix C1). Author organized minimum 30 minutes for each interview session and prepare list of questions to keep the focus during interview but will keep the conversation free as a dialogue and spending more time to listen the opinion of interviewee. Due to pandemic situation, most of respondents were more comfortable with online interview through various digital video conferences applications, and 5 people were willing to do offline in-depth interview.

2.2.3 Quantitative Approach

Customer analysis is one of the most important elements in this final project to determine marketing proposal of Maybelline to attract Gen Z segment. To support the customer analysis, author conducted quantitative survey to understand the purchase decision behavior of Gen Z towards makeup category, means that the quantitative research targeted Gen Z Female in the age range of 17 to 25 years old by 2022 as the respondents.

These measurements are required to determine proportions of people who use products (and services), who are aware of products, to establish which brands are known and which would be considered. The data are likely to be used in some form of analysis such as segmenting the market or determining the likelihood of buying products and services (Hague, Harrison, Cupman, & Truman, 2016: 107).
Author used Slovin's Formula to determined number or respondent needed for this research, below is the detail explanation of Slovin's Formula:

$$\mathrm{n} = \frac{\mathrm{N}}{1 + (\mathrm{N} \times e^2)}$$

n = number of samples
N = population size
e = margin of error

Based on the Slovin's Formula above, the calculation of respondents needed:
N = 17.263.282 (Gen Z Female in Indonesia, BPS Census 2020)
e = 10%

$$\mathrm{n} = \frac{17.263.282}{1 + (17.263.282 \times 10\%^2)}$$

n = 100 respondents

As shown in the calculation above that with margin error of 10%, author need to have minimum 100 respondents for the quantitative research. Author started to distribute the questionnaire by April 9th up to April 18th, 2022, and based on the final calculation, the total actual respondents are 194 people with 105 Gen Z. The detail result and summary about the survey will be explain in the customer analysis section.

2.2.4 Primary Data

There are 3 main topics in this final project, those are makeup, Maybelline, and Gen Z segment. Author completed the secondary data with primary data collection to examine business issue that mentioned in Chapter 1. *Primary data are data originated by a researcher for the specific purpose of addressing the problem at hand. They are individually tailored for the decision-makers of organizations that pay for well-focused and exclusive support* (Maholtra and Birks, 2007: 64).

There are 2 activities for primary data collection in this final project, which are in-depth interview with key people as mentioned in section 2.2.2 and conduct market survey to Gen Z as mentioned in section 2.2.3. The market survey covered several main topics that related to makeup and Maybelline with the objectives to understand total customer journey as explained below:

1. Consumer habit of Gen Z such like media, purchasing & consumption habit.
2. Influence of makeup trend to purchasing habit of Gen Z.
3. Perspective of Gen Z towards Online and Offline Shops.
4. Existing makeup product usage of Gen Z & the need gap.
5. Response of Gen Z towards Maybelline brand.

Author conducted the primary data collection through questionnaire to Gen Z segment that distributed by online media (online survey) and using Ms. Excel as the tool of data processing.

2.2.5 Secondary Data

Secondary data are data that have already been collected for purposes other than the problem at hand (Maholtra and Birks, 2007: 94). Maholtra and Birks also mentioned that there are 7 functions of secondary data as follow:

1. *Diagnose the research problem.*
2. *Develop an approach to the problem.*
3. *Develop a sampling plan.*
4. *Formulate an appropriate research design (e.g., by identifying the key variables to measure or understand).*
5. *Answer certain research questions and test some hypotheses.*
6. *Interpret primary data with more insight.*
7. *Validate qualitative research findings*.

(Maholtra and Birks, 2007: 96).

With those principles in mind, author used several secondary data and information related to the research's subject that available from many sources as mentioned below:

1. L'Oréal internal Data that available in official website at https://www.loreal.com/en/
2. L'Oréal internal consumer market insight data that company allowed to open for external.
3. Statistical data from Badan Pusat Statistik Indonesia that available at https://www.bps.go.id
4. External data from research agencies
5. Data and information from literatures and related data that available in internet from trusted sources.

2.3 Internal Analysis

2.3.1 Value Chain Analysis

Value creation is one of the objectives of a company, and the value creation should be beneficial to all the stakeholders in the company ecosystem. An entity will combine sets of activities to maximize value creation from all activities in the value chain of a company to maximize the offer to end user. The more value they created with optimize cost, the more profitability to a company. In 1985 Michael Porter defined *Value Chain as a set of activities that an organization carries out to create value for its customers*. (Mindtools.com, 2022)

Harvard's Michael Porter has proposed the value chain as a tool for identifying ways to create more customer value. According to this model, every firm is a synthesis of activities performed to design, produce, market, deliver, and support its product. The value chain identifies nine strategically relevant activities—five primary and four support activities—that create value and cost in a specific business (Kottler and Keller, 2012: 34)

Author use Porter's Value Chain as part of internal analysis to examine all the value chain process of Maybelline (in L'Oréal group), so that able to identify the important resources and their connection in the total value chain process that will affecting the performance of the products and product's value in the eye of customer.

Porter's value chain focus on the systems of an entity and examine how the inputs are changed into outputs that will purchased by the customers. In his analysis, Porter divided the company's activities into 9 Elements, and categorized those elements into 2 big segments, which are "Primary Activities" and "Secondary (or support) Activates".

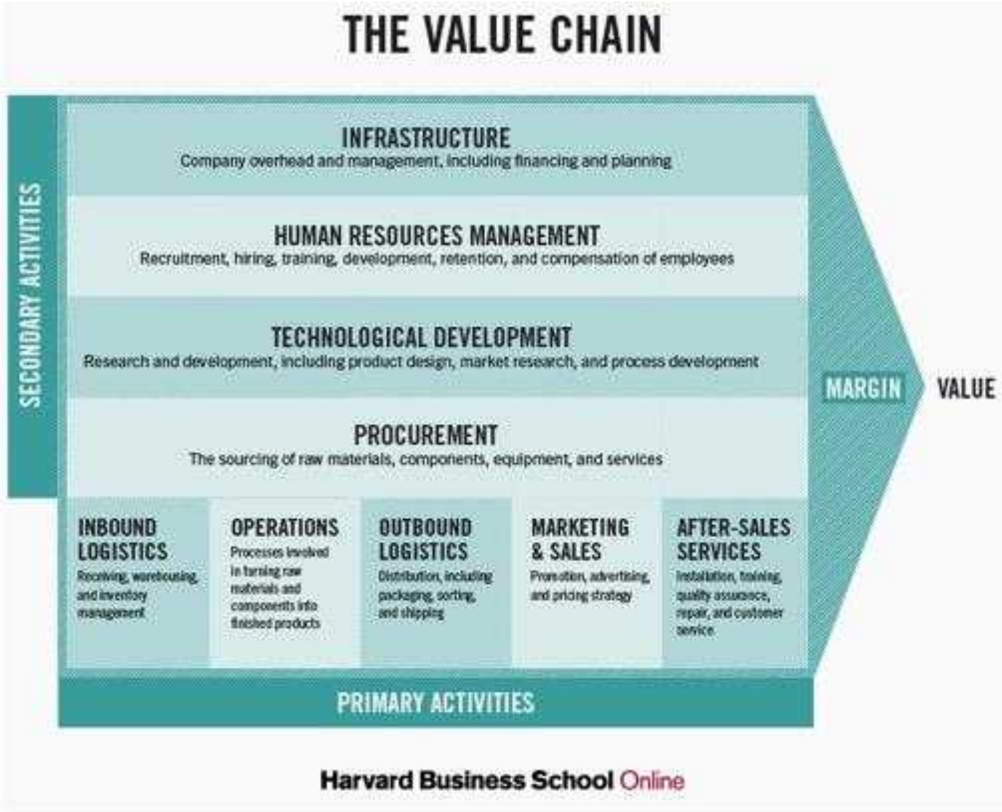

Figure 2.3 Porter's Value Chain (Source: Harvard Business School Online, https://online.hbs.edu/blog/post/what-is-value-chain-analysis, April 2022).

Primary activities are all the activities that related more to physical transformation (physical value creation) of a product/service that stared from input raw material to product that purchased by customers and including the post sales activities. Meanwhile secondary activities focus on supporting activities that related to primary activities, as one of the examples is Human Resources activities that will support marketing and sales activities by recruiting the right talent to maximizing the implementation of marketing program.

The five elements in Primary activities are as mentioned below:

1. **Inbound logistic.**

   Inbound logistic is all activities that related to acquiring resources such like reception of raw material/components as part of input to the operation process, stock entry, warehousing, inventory management of the raw materials/components (Robben, Quatrebarbes, and Probert, 2018: 9).

There is total 39 factories and 148 distribution centers in total L’Oréal group worldwide, means that there is total 187 inbound activities to ensure 6.4 billion units of finished were available in the market by full year 2021. There are 2 types of inbound activities in the group with different purpose:

a. Inbound to Factory.

   Inbound to the factory are related to raw material and packaging for production purpose. In 2021 the group purchased around € 5.01 billion purchases goods and service related to production, of which 63% of newly referenced raw materials are renewable and 40% of newly referenced raw materials respect the principles of green chemistry. In term of inbound process, all the raw material (input) sourcing from audited suppliers will be checked by Inbound Team and send sample (if needed) to the Quality Control department, once approved by the Quality Control team, then the raw material will transfer to raw material warehouse and stored properly according to the standard (material treatment standard & location of raw material warehouse).

b. Inbound to Country Distribution Center.

   Each of the subsidiary distribution center, in Indonesia the subsidiary work with third party logistic partner to manage the physical logistic of finished goods activities such like inbound process, product storage, stock management, up to outbound activities. The inbound process starts when finish goods (from factory) arrive at the port (if imported product), country inbound team will prepare the document to release the imported products. Once the document submitted and approved by port authorities, then the finished goods transfer to the warehouse and unloading the container. After that, the process continues to finish goods checking (number of quantity and quality checking), then after the approval, all the finished goods transfer to the warehouse to be stored properly according to L’Oréal standard.

2. **Operation.**

Operation activity is all activities that related to the processing of input materials/sources to finished goods (services) that included production process, quality inspections, packaging, production facility maintenance and other related activities (Robben, Quatrebarbes, and Probert, 2018: 9).

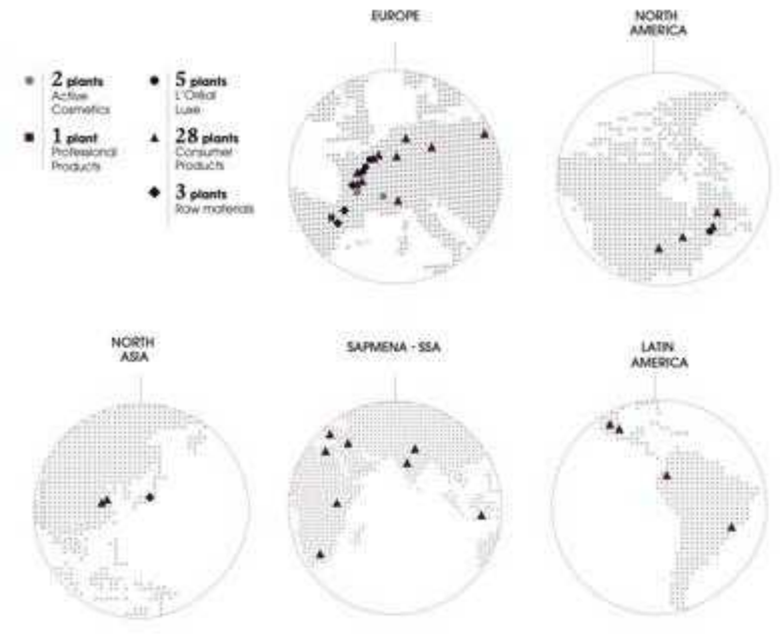

Figure 2.4 Manufacturing footprint of L’Oréal by geographic zone (Source: Annual Report 2021)

L’Oréal owned 39 plants that spread across the zone, they consist of 2 Plants for active cosmetic products, 1 plant for professional products, 5 for luxury products, 28 for consumer product and 3 factories for raw materials. In Indonesia the group investing 1 factory dedicated for consumer products (Garnier product) to serve Indonesia market and exported to other countries. The group divided the factory based on the specialization by technology of each product category such like haircare, skincare, makeup, perfumery to maximize best practices, increase agility, improve productivity, and easily to adapt with specific needs of local clients, consumer, and investments. On top of that, the manufacturer is also working with subcontracting partners in several region to serve the high demand during cyclical period in demand for specific technology such like makeup pencils and soaps. Around the 39 factories, 97% of the plants were already ISO 9001(Quality Management) certified and 100% were ISO 22716 (Best cosmetics manufacturing practices) compliant in 2021. In addition, L'Oréal heavily invested industrial 4.0 system in the factories to support the operational excellence. The plants equipped with cutting-edge technology including robotic technologies, automation, and collaborative robots, for the flexibility required to meet the demands of the market and consumer needs: from high-productivity plants for large-scale production to agile plants producing limited editions.

3. **Outbound logistic.**

Outbound logistic is activities that includes the output of finished goods inventory, order preparation, delivery to distributors and end customers (Robben, Quatrebarbes, and Probert, 2018: 9).

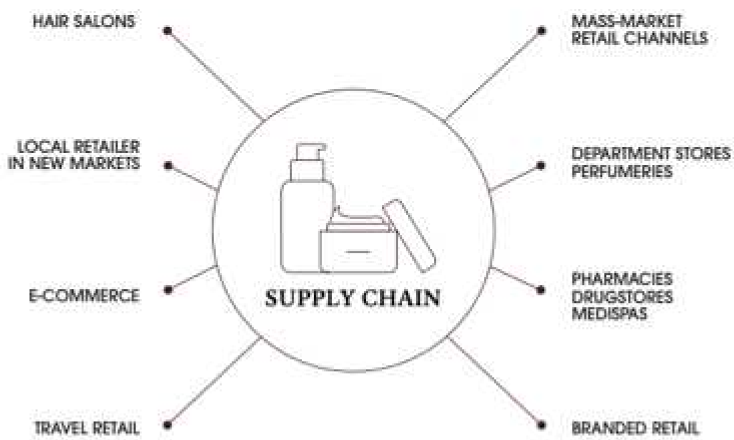

Figure 2.5 Multi Channel Outbound (Source: Annual Report 2021)

L'Oréal manage 148 distribution centers in the globe to serve all the customers in more 150 countries by 2021, and to support effectiveness and improve efficiency to serve customers from multi-channel need, the company gradually investing in the distribution center by transforming them to be fulfilment center powered by automation and data so that able to support and manage range of services to consumers such as personalization, box preparation, tailor-made delivery, and other services in the future. They will facilitate stock interoperability for omnichannel management and allow enhanced product traceability for greater transparency to consumers.

In Indonesia, the company decided to work with third party logistic to manage the physical logistic but take full control of planning and control the execution. Steps of outbound services in Indonesia are as below:

a. Customer Service received purchase order from customers (Distributors or Key Accounts) through commercial team.
b. Customer Service input purchase order to internal system.
c. Physical logistic check the availability of the products and produce invoice based on product availability, and send document to credit team for approval before delivery
d. Credit Team check the credit limit & payment status before release the Invoice for shipment
e. Credit Team release the Order
f. Physical Logistic team prepare picking up the products and prepare the delivery
g. Products deliver to customer's warehouse
h. Delivery team submit the delivery note (signed by customer) to Finance Team
i. End of the process.

4. Marketing and Sales.

Marketing and Sales activity is including activities in product management, promotion, advertising, channel & distribution strategy, pricing strategy and other related strategies (Robben, Quatrebarbes, and Probert, 2018: 9).

There are 4 important pillars in marketing & sales activities: Innovation for quality and premiumization, Glocalization, Digital and Beauty Tech, and Wider and Deeper Distribution for emerging market to recruit more new consumers. As mentioned in chapter 1 that research and innovation will always in the heart of the group, it is because of beauty business is an ideal ongoing quest that never stop. Consumer always need something new: new product, new trend, new experience, and consumers willing to pay for more innovation that fulfil or beyond their expectation (performance, quality, and benefits). For L'Oréal, innovation areas should cover and lead in areas of packaging, products, services, point-of-sale and online experience, personalization, brand image and reputation, and other areas to serve consumer needs. As in the implementation about unstoppable innovation is always pioneering to introduce new products every year as the best offer to consumers. It is company's responsibility to offer maximum creativity and inventiveness through all its brands to surprise and satisfy consumers.

Glocalization is a must for L'Oréal to keep offer bespoke and inclusive beauty by fulfill to the unique needs of every consumer all over the world as an international company. This strategy has been implemented consistently since years ago to not just standardize the product to achieve economic of scale, but it is based on detail attention to end users and a deep respect for the differences in their needs, lifestyles, desires, and traditions. One of the examples is when the group introduce Garnier in Indonesia by launching new product to serve middle mass segment in term of price and positioning of the brand, by January 2022 Garnier keep leading the beauty market of Indonesia.

Digital and Beauty Tech are the new mantra recently. Digitalization is part of human life today, and in digital bring proximity between the brand to end consumer, especially on social media. Digital has drastically transformed way of working in L'Oréal and fully integrated in the company solid network of over 3,000 digital experts and close to 52,000 employees trained in digital. On the other side, digital has changed the competition landscape of cosmetics market with more competition from new markets or new brands and other industries such as fashion, luxury, and e-commerce. To anticipate the recent situation, L'Oréal decided to keep superiority of marketing in the group's brands and products as key differentiation offer for end user. Speed in launching innovation is the key. On top of that, Group focus more to invest in digital and e-commerce, and as the result, group achieved 9.3 billion sales in e-commerce or representing 28.9% of total net sales in 2021. For Beauty Tech, the group believe that beauty tech is the future of beauty with a lot of breakthroughs such like artificial intelligence, robotics, the Internet of Things, 3D printing, nanotechnology, biotechnology, and other new technologies. Today, the company has decided to pioneering beauty tech leadership by optimizing artificial intelligence to be data driven company for all its activities and business lines and will maximize all areas of application for beauty tech.

L'Oréal has the ambition to conquer hundreds of millions of new consumers in the coming years, especially in emerging countries. Asia and Africa will be the focus of the group to achieve the ambition. Indonesia is the right example where the current distribution model is mostly serving consumer in urban area, but thanks to E-Commerce platform that open limitless distribution. One of the missions for commercial team in L'Oréal Indonesia is to prepare solid distribution network to support distribution in wider scale to reach all potential areas in the countries, conquest new cities, new regions and new areas with strong commercial capability will be the key to support the expansion. The second priority in distribution is go deep, means that the distribution network should be able to cover more potential sub-urban areas via direct coverage of indirect distribution through wholesaler all over Indonesia.

5. After Sales Services.

After sales services is all activities related to post selling activities such like repair, maintenance, consumer retention management, advocation, and other activities that related to post sales services (Robben, Quatrebarbes, and Probert, 2018: 9).

L’Oréal Indonesia offering multi-channel consumer advisory services to give direct and easy access for all consumer in Indonesia to have direct contact with the company. End user can choose any media such like Toll-Free number 0-800-1-560325 (Monday to Friday 09:00 - 17:00), or social media account of L’Oréal Indonesia in Facebook, Instagram, and Twitter, or through email to CONSUMERADVISORY@loreal.com, and lastly to online customer services that 24 hours operated in the official online stores of each brand.

In the field level, L’Oréal is also empowering all the commercial team such like Beauty Advisor and Field Sales Team as the front liner of the company to be not only salespeople, but beyond that to be the consumer/customer service of the group. The group already have thousands of Beauty Advisors and sales team that located in strategic stores of the regions and spread sales team all over Indonesia to serve the customers.

The other 4 elements of secondary activities in value chain are as below:

1. **Infrastructure.**

   Infrastructure is all the facilities in a company which includes general, financial, accounting & administration support, legal, business planning, quality control and others related activities (Robben, Quatrebarbes, and Probert, 2018: 10).

   L’Oréal had put Information Technology (IT) system as one of the fundamental infrastructures to connect the operations all over the world. But today IT have bigger role to play due the pandemic with +1500 IT projects in 2021. *Today, IT plays a pivotal role in L’Oréal’s Beauty Tech transformation by using the best of technology and data to drive innovation, the digitalization of our businesses, and the Group’s operational performance and security. Over the past three years, we have conducted a radical shift. This profound transformation has reached all our services and teams worldwide with the same level of quality and exacting standards*

(Etienne Bertin, Chief Information Officer, L'Oréal Annual Report 2021), cloud-based IT system is one of the pillars of group digitalization. In Addition, as one of international public listed company, the group is also consolidated financial report of group subsidiaries in +100 countries around the world into one global financial system, and one of the result is the ability of the group to keep improving the gross margin paired with rigorous cost control that allowing L'Oréal to allocate more investment to build the brand growth and increase the profitability at € 6.16 billion / +18.3% in 2021 (new record in L'Oréal history). And to support the operation in +100 countries, the group has built legal department in the countries as legal counsel to making sure that the entities are fully compliance with local regulation to guarantee the suitability of the companies. Lastly is about quality where the group has no tolerance about it. All the products should pass around 100 quality control check (from input of raw material to finished goods), there are 4 categories checking at the end of the production process, which are ensure customer safety, follow by product effectiveness checking, then to ensure the well-being of customers (texture, formula, & efficacy), and finally is the product appearance. The group is also implementing 2 certification such like ISO 9000 for quality management system and ISO 22716 (good manufacturing practice in cosmetics).

2. **Human Resources.**

Human resources activity is all the activities that categorized as recruitment, training, remuneration processes, skills management, organization structure, bonus policy, layoffs, insurance, company regulation, firing process and other related activities (Robben, Quatrebarbes, and Probert, 2018: 10).

The group believe that good governance company will ensure the sustainability of the company, not just to achieve the objectives but most importantly the right business process to guarantee the sustainability of the achievement with integrity. To do that, L'Oréal is strictly implement Ethical

Principles in the way of working of all stakeholders in the group. There are 4 elements of ethical principles in L'Oréal Code of Ethics, those are Integrity, Respect, Courage, and Transparency. And to making sure the implementation, the group implements "Speak Up Policy" that given access to anybody inside the company to raise any serious violations of group Ethical Principles directly to SVP & Chief Ethics Officer, via a secure website. L'Oréal has launched "Share & Care" program for the employee since 2021. The program is focus on 4 key pillars: Protection, Health, Balance, and Workplace to ensure all the workers are having access to the best social protection the respective countries, good healthcare system and well-being at working environment. For Care and Health particularly, it was not just only about physical health, but beyond that the group provide access to the employee to access financial assistance to protect their mental health or participated in activities to enhance their well-being, one of the activities created by the brand is Maybelline New York with its "Brave Together" program that created to help destigmatize anxiety, depression and offer access to free 1 on 1 support.

The last 2 years with pandemic were really pushed the group to innovate with human resources, since the group need balancing between productivity and safety of the people. The company shows the agility to transformed from conventional to hybrid working system by implementing remote working system effectively and giving not just hardware and software support, but also already trained +60,000 employee for digital upskilling. One of the solid proved was during pandemic where there were 35,000 users logged-in to Microsoft Teams at the same time.

People or talent is essential for L'Oréal since beginning, and to support the pipeline of good talents to support the business, company never stop for new employee recruitment although during the pandemic with e-recruitment. All the recruitment processes move to digital, starting by application, selection, signing agreement and induction process, as the result the group recruited almost 13,000 new employee as permanent worker in 2021.

3. Technological and Research Development.

All activities that include research and technology selection, the ability to innovate, the development of products or services, product safety, patent management, Digital capability, and any other activities related to cutting-edge development (Robben, Quatrebarbes, and Probert, 2018: 10).

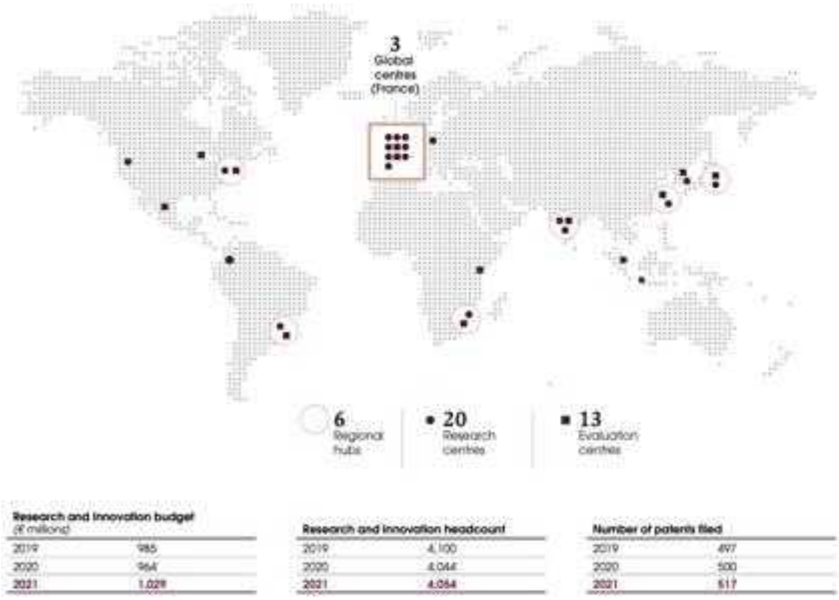

Figure 2.6 L’Oréal Research Centers (Source: Annual Report 2021)

Research and Innovation has been the core of the group since the beginning to produce qualitative products for end users. In 2021, the group keep investing around 3.2% of the turnover or around € 1,029 million in research with over 4,000 scientists at 29 research centers around the world (20 research centers, 6 regional hubs, and 3 global centers). As the result, the group has registered 517 patents in 2021 to support the sustainability of product development. And to continue the innovation in the future, L’Oréal research will focus on green science by combining biotechnologies & green chemistry the formulation science, the second one is combining New Tech Capability with the rise of computational chemistry, Augmented Reality modeling and discoveries through digital twins. *And the third one is leading the "augmented" beauty to amplify science powered by digital technologies to offer our consumers new and disruptive experiences* (Barbara Lavernos, Deputy CEO, Annual Report 2021).

Virtual Try-On based on Artificial Intelligence supported the group in designing specific product for everyone to expose their own uniqueness. One of the newest technologies that has been implemented in the market is Yves Saint Laurent Rouge Sur Mesure powered by Perso. The smart device combines consumer experience at home through styling app. End user can create their own bespoke lipstick via app, and consumer can get more than 5,000 possible shades of lipstick from the combination of best color shades of Yves Saint Laurent lipstick with only one click away.

L'Oréal is inventing the future of beauty by rapidly developing technological and scientific innovations which are increasingly underpinned by biotechnologies, nature, and the power of the living world (Annual Report 2021). The Green Science is not just in formulation only, buy it also covers total value chain from sourcing, formula development and manufacturing process that will be beneficial to that respecting the boundaries of our planet to guarantee the sustainability. *One of the examples is Volume Million Lashes mascara by L'Oréal Paris is the outcome of an innovative eco-design approach that has optimized the use of renewable, organically sourced raw materials: its formula contains 99% natural ingredients* (Annual Report 2021).

4. Procurement.

Procurement or purchasing (supply) are all activities that involves methods of purchasing raw materials, sourcing suppliers, negotiations with suppliers, rental of premises and other related activities to supply (Robben, Quatrebarbes, and Probert, 2018: 10).

L’Oréal operated in worldwide scale both for production and distribution with total € 5.01 billion purchases goods and service related to production. As the consequences, company need to implement global sourcing system with multiple sources and reception points for the supplier in the procurement process. The group gain the benefit of global sourcing but at the same time facing the complexity due to the scale and geographical area. And to simplify global sourcing, the group divided the sources into several categories: raw material, packaging, manufacturing/industrial equipment, advertising in the sales area (point of sale), marketing services, and general services. Each of the category will have their own specific requirement and sourcing standard to ensure the quality, effectiveness, eco-friendly material, safety and sustainability for the group, consumer, and respecting boundaries of the planet.

L’Oréal Buy & Care has been implemented since years ago as part of group commitment to establish common standard for the whole organization including suppliers to work based on the ethical value. The program obliges all suppliers being audited by independent auditor in 10 areas:

a. child labor
b. forced labor
c. the environment, health, and safety
d. compliance with the laws relating to trade unions
e. non-discrimination
f. disciplinary practices
g. harassment or a hostile working environment
h. due payment of remuneration and benefits
i. working time
j. relations with subcontractors.

And by end of 2021, group had done total 14,900 audits since 2006 with around 9,300 suppliers participated in the audits process.

Consumer today are more demanding than previous period, especially for transparency of a company, including transparent information about sourcing of the raw material due to the raising issue about sustainability. L'Oréal decided to utilize Tech to give direct access to consumer in tracing the source of the products. The company use "augmented" products as the media for consumer to trace the products, in this part procurement need to work closely with operation team and suppliers to validate the information about sourcing, quality, sustainability and more.

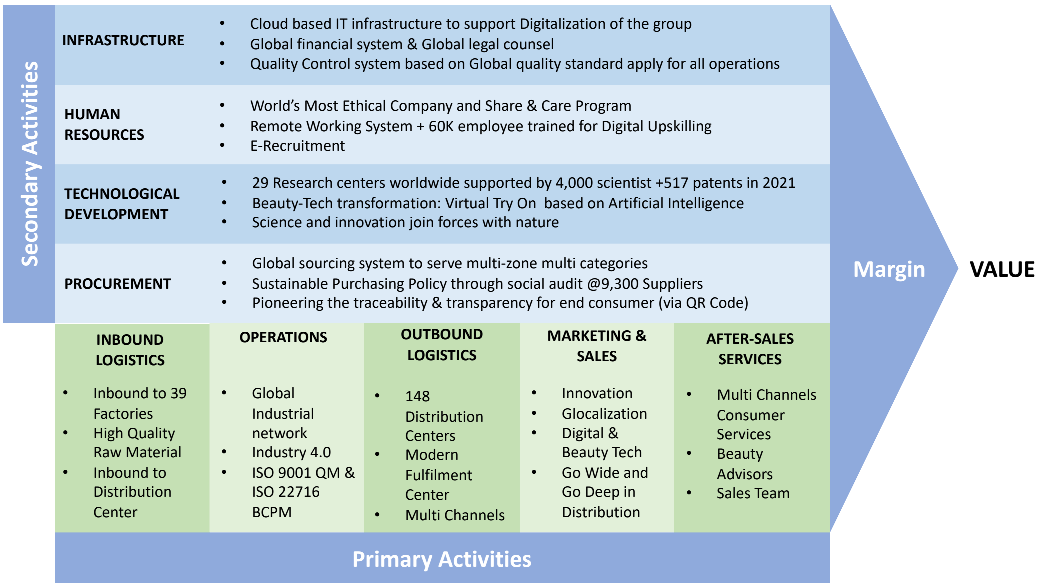

Figure 2.7 Summary of L'Oréal Value Chain (Source: Author, based on Annual Report 2021)

Based on Porter's Value Chain analysis model that summarize in in Figure 2.5, author identify 4 activities that will create more value for consumers, those are:

- Infrastructure, especially quality control system based on global quality standard that applied in all operations. The global quality control will ensure consumer to get the same best quality products everywhere around the world.
- Technological Development with the support of global research centers worldwide that able to identify pain points of end user and inventing right solution to end user with the cutting-edge product innovations. In addition, the group registered 517 patents in 2021.

- Multi-Channel outbound to support wider and deeper product distribution will ensure the proximity and product availability for end consumer.
- Digitalization of marketing activities will easier consumer to access the most updated information about the group and support the direct communication between end users to L'Oréal as the producer.

Author will use the result of the Value Chain analysis as the basis to identify internal resources that categorized as key resources in the resource-based view at VRIO analysis that will give better understanding to identify company's resources and capabilities that creates core competencies as competitive advantage to the group in supporting competitiveness of Maybelline brands in the market.

2.3.2 VRIO Analysis

Sustainable competitive advantage is one of very important factors for a product/service to compete in the market. The more Sustainable competitive advantage, the stronger will be the brand to compete in the market, that finally will deliver positive result in term of turnover or market share.

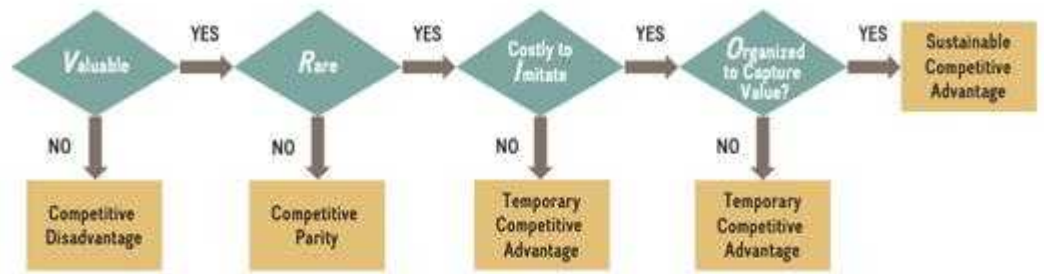

Figure 2.8 VRIO Framework (Source: Rothaermel, 2017: 113).

Strategic Management Professor in Utah University, Jay B. Barney introduce VRIO analysis as a business analysis framework in 1991 to measure the competitiveness of internal resources of a brand (product/Service). *The main aim of the VRIO analysis is to estimate the situation inside the company, to define its unique resources and capabilities that make it competitive on the market* (Peng, 2009). VRIO analysis is based on the 4 elements that mention as below:

1. Valuable

   A resource categorized as valuable if the resource able to support the company to exploit potencies/opportunities in the market, of if it's able to defend the business from threats. On top of that, the resource is also able to help the company to increase the perceived customer value of the product/service.

   Studying a firm's value chain forces us to think about firm resources and capabilities in a disaggregated way. Although it is possible to characterize a firm's resources and capabilities more broadly, it is usually more helpful to think about how each of the activities a firm engages in affects its financial, physical, individual, and organizational resources (Barney and Hesterly, 2015: 94).

2. Rare

   Resource considers as rare if only can accessed by one or very few companies. And if a resource fulfils the 2 criteria: Valuable and Rare then the resource will lead to competitive parity, because other companies can use the identical resource to implement the same strategies and no organization can achieve superiority from the identical resources.

   How rare a valuable resource or capability must be in order to have the potential for generating a competitive advantage varies from situation to situation. It is not difficult to see that, if a firm's valuable resources and capabilities are absolutely unique among a set of current and potential competitors, they can generate a competitive advantage (Barney and Hesterly, 2015: 94).

3. Inimitable

   According to Barney, there are 4 reasons why a resource is hardly to imitate, those are explained as below:

   - Historical conditions. *When a firm gains low-cost access to resources because of its place in time and space, other firms may find these resources to be costly to imitate. Both first-mover advantages and path dependence can create unique historical* *conditions* (Barney and Hesterly, 2015: 97). It is very costly for a company to imitate a resource that has been developed over a long period or due to any historical event.

- Causal ambiguity. This situation will happen only if other companies are not able to clearly identify any specific resources that became the competitive advantage of a brand. Sources of causal ambiguity include when competitive advantages are based on "taken-for-granted" resources and capabilities, when multiple non-testable hypotheses exist about why a firm has a competitive advantage, and when a firm's advantages are based on complex sets of interrelated capabilities (Barney and Hesterly, 2015: 97).
- Social complexity. *Social complexity is based on the resource that developed by a company base on interpersonal relationships or corporate's culture within the group*. (Barney and Hesterly, 2015: 97).
- Patents. *At first glance, it might appear that a firm's patents would make it very costly for competitors to imitate its products.24 Patents do have this effect in some industries. Only a source of sustained competitive advantage in a few industries, including pharmaceuticals and specialty chemicals*. (Barney and Hesterly, 2015: 97).

4. Organized.

   The capability of an entity to organize resources is the key to optimize the result. *A company should be able to create a certain process or procedure with the right organizational structures, management system, and culture to captive the value. However, to fully realize this potential, a firm must be organized to exploit its resources and capabilities* (Barney and Hesterly, 2015: 100).

The resource-based view will give better understanding to identify company's resources and capabilities that creates core competencies and lead those activities as competitive advantage of a group. Resource-based view explain that there are 2 types of resources: Tangible and Intangible.

Tangible resources have physical attributes and are visible. Examples of tangible resources are labor, capital, land, buildings, plant, equipment, and supplies. Intangible resources have no physical attributes and thus are invisible. Examples of intangible resources are a firm's culture, its knowledge, brand equity, reputation, and intellectual property (Rothaermel, 2017: 111)

The tangible resources in L'Oréal group are as below:

- Global Financial Resources proven by consistent financial result. The total Sales of L'Oréal in 2021 was recorded at €32.28 billion / +16.1% with operating profit of €6.16 billion or 19.1%. The valuation of L'Oréal by end of 2021 was €232.5 billion and regularly pay the dividend to the shareholder, by 2021 the dividend per share was €5.28 per share. On top of that, the other reserves that recorded in balance sheet 2021 was €19.1 billion and consistently increase year by year (2020: €18.6 billion and 2019: 16.9 billion). There are 2 major shareholders: Bettencourt Meyers family (33.3%) and Nestle (19.3%), and international institutional investors owned 29.84% of total shares. And as a global company that listed in Paris stock market since 1964 with proven financial records that has been established +100 years, the group have sustainable access to wider financial resources both from internal investor and external world class financial institutions.
- Global Research & Innovation Network. As mentioned in the previous sections, research and innovation is the core of the group with total 29 research centers around the world (20 research centers, 6 regional hubs, and 3 global centers). The group consistently invested in resources year by year and allocated €1.03 billion to financing the research that resulted in 517 registered patents. To support the breakthrough and sustainability of innovations, L'Oréal bounded several strategic partnerships with scientific "Tech" specialists in order to reinforce its knowledge and understand how beauty can be affected by hormonal activity, sleep and environmental

conditions, particularly pollution, those partners are Verify (subsidiary of Alphabet that focus in precision health), Clue (an app dedicated to menstrual cycles, to enrich knowledge about the impact of hormonal cycles on skin health and quality), Brezoometer to develop an exposome platform based around beauty, able to offer practical advice to consumers on their skin routines to combat the effects of their environment on skin ageing.

- Human Resources Worldwide Network. L'Oréal presence in +150 countries worldwide with total 85,412 employee (direct headcount). Diversity of the human resources enriched the companies human resource capability for more than 100 years, since the employee background came from +150 countries with various education background with strong experiences in various business are such like research, sales, marketing, finance, production, and others. In term of talent development, the company hold the 5th ranked for universum global ranking (business school) and 100% employee received training in 2021 (+530,000 hours training).
- Global Supply Chain Network with Cutting-Edge Technology. It was explained in the previous section that L'Oréal has 39 factories around the world, and investing the cutting-edge technology such like robotic technologies, automation, collaborative robots, and other technologies to support the flexibility, efficiency, and accuracy of the factories. And to support the total operation (Production & Supply Chain), the group has allocated €329 million investment in 2021 (2020: €278 million, 2019: €332 million).
- Multi-Channel Distribution Network supported by 148 distribution centers around the world. The international network has made L'Oréal as one of the top companies that able to serve the world by distribute around 6 billion products across countries in multiple channel such like Hypermarket, Supermarket, Mini Market, Department Store, Boutique, Drugstore, Beauty Store, salons, and others small retailer in general trade market in +150 countries. It's taken big efforts (and investment) with strong collaboration with external parties in supply chain entities such like logistic

provider and distributors around the world. For Indonesia, the group is also working with logistic provider to support the national distribution and collaborating with multiple distributors and national key account to ensure product availability and proximity to end users in all provinces of Indonesia.

The intangible resources are mentioned below:

- International Quality Standard. As explained in the previous section that L'Oréal implement strict quality control from end-to-end process of the products with total around 100 steps of quality control. The group tracked and checked the quality of the raw material from the origin of resource, follow by inbound quality checking, then production process quality control, up to the outbound quality control and lastly work with retailer to ensure the quality and safety of the product before going to end user. And to support the best product quality and safety, the company has applied ISO 9001 (Quality Management) in 97% of the factories in 2021 and 100% of them already certified with ISO 22716 (Best cosmetics manufacturing process). As the result, the total quality improvement process has been proven by low rate of consumers complaints in 2021 (39 complaints per million products sold).
- Glocalization Strategy. It takes long journey for L'Oréal to become international company during the era of second Chairman (Mr. François Dalle, 1957 - 1983). Under the leadership of the 5th Chairman Mr. Jean-Paul Agon (2006 - today), the group committed to universalization with clear statement "Beauty for All". To support the universalization, glocalization strategy taken the big portion as the basic philosophy in all steps of product development up to distribution. As the result, the group had more than 35 divers and complementary brands in worldwide level from all cultural origins by end of 2021. The brand originated from European, American, Chinese, Japanese, Korean, Brazilian, Indian, and African to support the glocalization strategy. In Indonesia, Garnier has been the number one Beauty Brand (Nielsen, December 2021) and available in multi-

channel distribution to serve Indonesian consumers from multiple segments through modern trade and general trade outlets.

- Digitalization of the Company. Digitalization has become not just supporting function to the company, but already became the core of the group. Information Technology revolution in the group has transform the company to be digital company in all aspects, started from research area, back end support up to the frontliner with Virtual Try-Ons based on Artificial Intelligence. In Indonesia, the digitalization is now becoming the biggest supporter to serve consumer through E-Commerce platform collaborated with several marketplace such like Shopee, Tokopedia, Lazada, Indomaret Klik, Watsons Online, Guardian Online, Sociolla and many others online platforms as shown in Figure 2.9.

Figure 2.9 Maybelline in Indonesia Marketplaces (Source: Author, April 2022).

- Brand Equity: Maybelline as #1 Makeup & L'Oréal #1 Beauty Company Worldwide. There are very few brands in the world that can be the number one brand at the number one company in its category. L'Oréal is truly beauty company that focus only on beauty for more than 100 years, the consistency of the group to build the beauty expertise in all aspects will not just beneficial to the group, but also to end users in the form of product and technology innovation offers to them. In Indonesia, claim of Maybelline as #1 makeup brand worldwide is very strong to create traction and as the guaranteed stamp to approach new consumer.

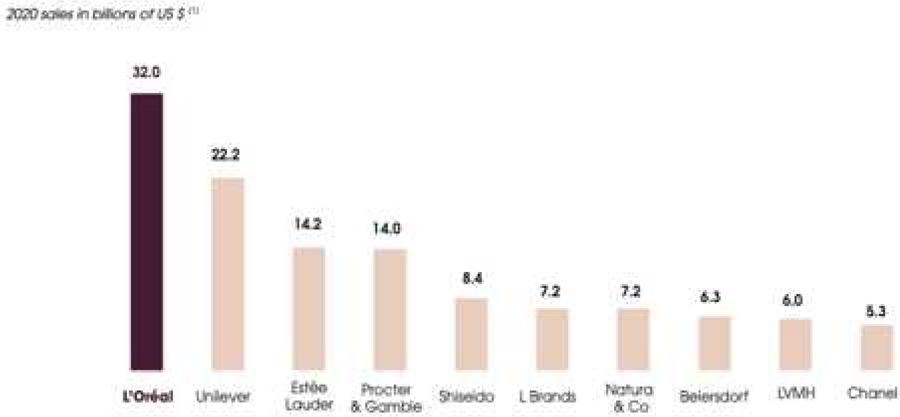

Figure 2.10 Worldwide Sales of Beauty Category 2020 (Source: L’Oréal Annual Report 2021).

It’s clearly stated in the VRIO analysis (Table 2.1) that L’Oréal had 2 resources that categorized as sustainable competitive advantage: glocalization strategy and brand equity to support market penetration in Indonesia. On the other side, there are 7 resources categorized as competitive parity: Global financial resources, global research & innovation network, human resources, supply chain network, multi-channel distribution network, international quality standard and digitalization of the company.

Resources / Capabilties	Valuable	Rare	Inmitable	Organization	Impact on Competitive Adantage
Global Financial Resources	Yes	No	No	Yes	Competitive Parity
Global Research & Innovation Network	Yes	No	No	Yes	Competitive Parity
Human Resources Worldwide Network	Yes	No	No	Yes	Competitive Parity
Global Supply Chain Network with Cutting-Edge Technology	Yes	No	No	Yes	Competitive Parity
Multi-Channel Distribution Network	Yes	No	No	Yes	Competitive Parity
International Quality Standard	Yes	No	No	Yes	Competitive Parity
Glocalization Strategy	Yes	Yes	Yes	Yes	Sustainable Competitive Advantage
Digitalization of the Company	Yes	No	No	Yes	Competitive Parity
Brand Equity (Maybelline as #1 Makeup & L’Oréal #1 Beauty Company Worldwide)	Yes	Yes	Yes	Yes	Sustainable Competitive Advantage

Table 2.1 VRIO analysis of L’Oréal Group (Source: Author, April 2022)

As the summary Internal Analysis in Value Chain and VRIO, author has identified key important resources and activities that will use as the Strength ellements and several activities that categorized as weaknesses of the group that will use in SWOT analysis in the next section.

2.4 External Analysis

2.4.1 PESTEL Analysis

Understanding of external situation is one of the fundamental analyses in marketing before conducting any strategy or tactical plan or action, especially for multinational company that operated in many countries where the group faces multiple different issues. An international company need to regularly monitor, review, and respond to any changes in the macro situation of local countries so that able to predict any threats, and or able to give right response to the changes that will give competitive advantage versus others. And PESTEL analysis offers simple but complete analysis to gain deep understanding about local context. *By analyzing the factors in the external environment, managers can mitigate threats and leverage opportunities. One common approach to understanding how external factors impinge upon a firm is to consider the source or proximity of these factors* (Rothaermel, 2017: 66).

PESTEL is the abbreviation of Political, Economic, Social, Technological, Ecological and Legal. *The PESTEL model provides a relatively straightforward way to scan, monitor, and evaluate the important external factors and trends that might impinge upon a firm* (Rothaermel, 2017: 67).

Figure 2.11 PESTEL Framework (Source: Rothaermel, 2017: 67).

Political. This aspect is mainly influenced by government decisions (both in national or local context) in certain country, and/or by issue raised by political parties who's able to influence the country direction/regulation/policy. And as one of the government products, legal factor is closely related to political aspects. Political decision will give strong impact to stability or security in doing business, fiscal, trade, taxation and even the business environment. *While political factors are in the firm's general environment, where firms traditionally wield little influence, companies nevertheless increasingly work to shape and influence this realm* (Rothaermel, 2017: 67).

Political products (government decisions) will have strong impact (directly or indirectly) to the beauty industry. One of the real cases is the social and people mobility restriction that implemented by government due to Covid-19 pandemic that has been explain in the background of this final project. The people mobility restriction in 2020 and 2021 has been clearly giving negative impact to cosmetics industry in total Indonesia, as the result makeup category market was pushing down to -34% by year-to-date October 2021 compared to same period in 2019. In April 2022, the government is already giving more relaxation to people mobility and social activities as stated by the President. *President Joko Widodo President Joko "Jokowi" Widodo has declared the national holiday for Eid Al-Fitr 1443 Hijr falls on May 2 and 3, 2022, and four collective leave days on April 29 and May 4-6, 2022* (Tempo.co, April 6th, 2022). The relaxation of social restriction will boost up makeup consumption up to the level of 2019, since there will be more offline event both in small or big scales, and women need makeup product to be in offline social gatherings.

The second raising issue is about drive local product consumption initiate by Indonesia government due to the rapid increase of imported consumption products as shown in Table 2.2. Imported consumption products was increased by +38% in 2021 vs capital goods +21%. President Jokowi asking all Indonesian to love and use local products and hate imported products during National Meeting of Trade Ministry on March 4th, 2021, in Jakarta.*"Ajakan-ajakan untuk cinta produk-produk* *kita sendiri, produk-produk Indonesia, harus terms digaungkan, produk- produk dalam negeri. Gaungkan juga benci produk-produk dari luar negeri"* stated Jokowi (Kompas.com, March 2021). The local product sentiment will bring negative impact to Maybelline, especially when there are more choices from local products such like Wardah, Emina, Implora, and others.

Clasification of Imported Products	Import Value (CIF million USD)			
	2019	2020	2021	2021 vs 2020
Consumption products	16.455	14.656	20.183	38%
Raw / Supporting Material	126.356	103.210	147.380	43%
Capital Goods	28.466	23.703	28.627	21%
Total Value	**171.276**	**141.569**	**196.190**	**39%**

Table 2.2 Import Value of Indonesia (Source: BPS, 2021)

Economic. Business entity has strong correlation with the macro-economic result in a country and usually will have direct impact to the business performance of a company. One of the examples is the foreign exchange rate that will result direct impact to the cost of importation material of an entity, or interest rate that will directly impact the cost of money of a group. According to Rothaermel in his book (Strategic Management Concept), *economic factors in a firm's external environment are largely macroeconomic, affecting economy-wide phenomena. Managers need to consider how the following five macroeconomic factors can affect firm strategy:*

- *Growth rates.*
- *Levels of employment.*
- *Interest rates.*
- *Price stability (inflation and deflation).*
- *Currency exchange rates.*

(Rothaermel, 2017: 68).

Table 2.3 shows promising indication of Indonesia macro economy, and we can conclude that economy of Indonesia starts to bounce back to the normal path as in 2019. In 2021 GDP growth is back to growth at +3.7% after experiencing minus growth in 2020 due to pandemic. The labor participant rate in 2021 at 68.08% was indicating that real business was in the recovery path. Looking at the inflation rate was also quite stable below 3% for the last 3 years and average currency exchange rate was below 14.500. On top of that, GDP per capita was very encouraging with steady growth (except 2020 due to pandemic) and estimate GDP per capita in 2021 was $4,225. Based on the macroeconomic indicators at closing 2021, author conclude that Indonesia has strong fundamental to grow in the future and create a conducive atmosphere to grow the beauty (makeup) business in Indonesia.

Macro Economy Indicators	2019	2020	2021	Source
GDP Growth (%, yoy)	5,02%	-2,07%	3,69%	Tradingeconomics.com
Labor Force Participant Rate	69,32	67,77	68,08	Tradingeconomics.com
BI Repo Rate (December)	3,50%	3,8%	3,50%	Bank Indonesia
Inflation Rate (%, yoy)	2,72%	1,68%	1,87%	Bank Indonesia
Average Currency Exchange Rates (USD to Rupiah)	13.901	14.105	14.269	Statista.com
GDP per Capita (in USD)	4.196	3.922	4.225	Statista.com

Table 2.3 Macroeconomic Indonesia 2019-2021 (Source: many sources, April 2022)

Sociocultural. Sociocultural factors are closely related to social environment of the market, and gauge determinants like cultural trends, norms, demographics, population analytics and other social/cultural developments of the community. *Because sociocultural factors not only are constantly in flux but also differ across groups, managers need to closely monitor such trends and consider the implications for firm strategy* (Rothaermel, 2017: 68). One of the real examples is the raise of hijab trend in Indonesia that giving drastically change to fashion and beauty trend in the market. The hijab trend is also influencing many western brands to adapt not only the communication, but more than that is to launch specific product to capture the new hijab market with specific offers such like shampoo and hair treatment product that served the Hijabers market, or the growing of Halal Tourism in these last few years. In the perspective of makeup market, hijab trend will encourage woman to expose more beauty of their face (since they cannot expose the hair), but for sure the makeup trend should be following the rule and tradition of Muslim woman accordingly. In Indonesia, Wardah is the brand that associated with halal cosmetics and has been consistently in promoting the halal cosmetics. It is a challenge for Maybelline makeup as international makeup brand rooted with American (New York) value to adapt with local context.

As part of sociocultural factors, Demographics is the core of this research. The growth of Gen Z segment that become biggest population in Indonesia with different behavior compared to previous generations, leads to the changing of the market that pushed most of producers to adapt their offers. Gen Z is the first digital native and has been adapted to the smaller screen with mobile digital technology, in addition Gen Z is the generation that has more access to new information include new trend due to digitalization. In this final project, author focus with Gen Z segment in customer analysis section.

Technological. These factors consist of all innovations in technology that catered wide scopes of human being. *Technological factors capture the application of knowledge to create new processes and products. Major innovations in process technology include lean manufacturing, Six Sigma quality, and biotechnology* (Rothaermel, 2017: 70). Innovations sometimes will give 2 sides impact to the industry, as the example is the innovation in electric vehicle that given positive impact to battery industry, but at the same time put "oil filter" manufacturer in unfavorable situations. Another example is about E-Commerce, it offers many choices and very convenience to end user, but on the opposite pushed offline retailers to drastically change their offer to survive in the market.

Based on the deep interview with 10 makeup business experts in Indonesia, there 2 big influences of technology to makeup market. The first one is digitalization, digitalization has changed many aspects in makeup market, especially the changing of media landscape in makeup business. The rise of digital influencer through social media created stronger competition from small brands towards bigger brands, the competition moved from value of media investment to value of content creation, the most creative content will get viral by itself through social media and get big exposure to attract new users. In addition, the rise of e-commerce is also giving access to all brands to reach distribution in nationwide without taking years to build national distribution networks that has been done by conventional brands in the past period.

The second influence of technology is the rise of "Hybrid Makeup". Hybrid makeup is makeup product with skincare function in one product, so the makeup product will have dual function for makeup and at the caring the face skin with skincare ingredients such like vitamins and other active ingredients that usually used in skincare products. Today, there many options for hybrid makeup from local market such like Luxcrime perfect canvas, Erha Lominous Pearl BB Cushion, Dear Me Beauty Conceal Serum Skin Corrector, Make Over Powerskin Radiant Tinted Moisturizer, Rabbit Habbit Blushing Moon, Looke Holy Lash Elixir Hades Mascara and may others.

Figure 2.12 Hybrid Makeup (Source: Hipwee.com, Beautynesia.id, Journal.Sociolla.Com, April 2022).

Ecological. *Ecological factors involve broad environmental issues such as the natural environment, global warming, and sustainable economic growth* (Rothaermel, 2017: 70). Climate changing, waste disposal, recycling, carbon footprint, and sustainability are part of environmental issue today. Ecological issue is now become the center of attentions of most of the leaders in the world due to environmental changing as the effect of global warming. At this stage, the pressure to business leaders to be more responsible with sustainability is getting higher.

And L'Oréal has been playing a big role in sustainability, the group already implemented environmental and social responsibility. There are many policies such like managing risk and controlling impact of factory to environment, participation in fighting against climate changes, sustainability from product design to end consumer and many others with detail measurement of the KPI.

Legal. *Legal factors include the official outcomes of political processes as manifested in laws, mandates, regulations, and court decisions—all of which can have a direct bearing on a firm's profit potential* (Rothaermel, 2017: 72). The changing in legal factors such like changing of regulation influenced the total industry in general, that will be impacting company operations at certain stage.

One of the most important legal aspects in Indonesia is about new halal regulation in Indonesia. The government issue new regulation to oblige all the beauty products to comply with halal regulation by 2026 as stated in Republic Indonesia Acts No. 33/2014 and Government Regulation No. 39/2021 about Mandatory Halal Certification for drugs, cosmetics, and consumption products in Indonesia. The new regulations pushed all beauty manufactures to totally change their formula, production process and labelling of the product to comply with Halal Regulation. For international companies like L'Oréal that have 39 factories across the world, the new halal regulation is a huge changing and takes huge efforts plus extra investment to get the halal certification for all factories that serve Indonesia market.

On the other side, new Halal regulation will reduce the competitiveness advantage of beauty halal brands (in Indonesia case, Wardah is the pioneer of Halal Cosmetics) because halal beauty product will become generic product in Indonesia. All the cosmetic brands include Wardah that enjoyed Halal Claim as their sustainable competitiveness advantage for more than 1 decades is now moved to become competitive parity since Halal claim for cosmetic brand is not rare anymore.

To summarize the PESTEL analysis, there are several macro situations that will bring positive impact to Maybelline and several factors that could bring negative impact to the business.

The key positive factors are as below:

- Strong macro economy fundamental and stability of Indonesia.

- Potential cosmetic market future growth in Indonesia as young population country (Gen Z is the biggest segment).
- Raising concern about sustainability (ecological) issue, and L’Oréal is one of the groups who has been prepared to answer this issue into real action plan.
- New Halal regulation that will reduce the competitive advantage of halal cosmetic brand

Negative factors of PESTEL to the business are:

- Restriction on people mobility and social events will reduce makeup consumption.
- Government policy to convert imported product consumption to local product.
- The raise of Hijab Trend is giving more benefit to Wardah Cosmetics that owned the image of Halal Cosmetics (reduce the competitiveness of Maybelline).
- The ease of access of new technology (ingredients/production) triggering the rise of Indie Brands (Include Hybrid Makeup) with more local contextual compared to international brands,
- Digitalization and E-Commerce reduce the competition gap between Maybelline as International Brand versus other indie brands in Indonesia.
- New Halal regulation by 2026 that pushed L’Oréal to adapt the production facilities that served Indonesia market

And author will use result of PESTEL analysis as input factors for SWOT Analysis to identifying opportunity and threat factors in the next section (SWOT analysis), especially to identify the important factors in macro situation of Indonesia that will deliver opportunity for Maybelline to strengthen their positioning in Indonesia Gen Z segment.

2.4.2 Porter's Five Forces Analysis

Following the PESTEL as analysis tools for macro situation, author use Porter's Five Forces business model to understand the competitiveness in smaller scale (industry level), including the industry's structure. *Porter's Five Forces is a model that identifies and analyzes five competitive forces that shape every industry and helps determine an industry's weaknesses and strengths* (Rothaermel, 2017: 72). The five forces theory is applicable in any economical segmentations to understand the level of competition in the industry and to enhance company's long-term profitability. There are 5 elements in Porter's Five Forces business model, those are:

1. Threat of new entrants.
2. Power of Suppliers.
3. Power of customers/buyers.
4. Threat of substitute products/services.
5. Competition in the industry.

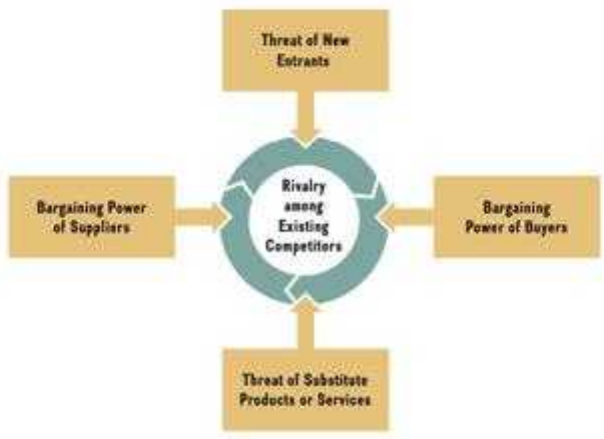

Figure 2.13 Porter's Five Forces Framework (Source: Rothaermel, 2017: 75).

As mentioned in section 2.2.2 about qualitative research, author has done the deep interview with makeup business expert comes from various business background such like consumer insight expert, retailers, internal L’Oréal makeup businesspeople, competitors, and marketplaces to gain better insight to support Porter's Five Forces analysis. The summary of those interviews is in the table 2.4 below:

Repondent	Barrier for new entry	Consumer Power	Threats of Subtitute Product / Service
1	Building brand awareness (Costly)	Stronger due to more choices than before	Growing of skincare reduce consumption of Makeup product & Aesthetic Clinic
2	Building brand awareness & 4P	Stronger due to more choices than before	Growing of skincare reduce consumption of Makeup product & Aesthetic Clinic
3	Building brand awareness & 4P	Medium power, there is still loyalty to the brand	Growing of skincare reduce consumption of Makeup product & Aesthetic Clinic
4	How to promote the brand and being accepted by consumer	Stronger than before, but need value for money (What's the benefit for me)	Not for the category, but will be more competition
5	Capability to build the brand and being accepted by consumer	Stronger than before, more demanding due to more information to consumer (digital) & more brands	Less resouces from the brand to build brand acceptence
6	Resources to build brand awareness and differentiation vs competitors	Consumer is more sophisticated, knowledgeble and having stronger bargain power due to more choices in the market	Pandemic, Skincare reduce the numbers of makeup usage
7	Tons of competitors in the market, need capability/resources to create differentiation and build brand awareness & distribution cost	Consumer is getting more fragmented, knowlegeble from online beauty community. At the end, consumer having stronger bargain positioning than before	Pandemic
8	Internal Resources (Capital, Innovation, Distribution capability, marketing cost)	Consumer power is getting bigger due to more makeup comtetions around the market	Social Value (woman wear less makeup due to social pressure)
9	Differentiation vs competition, pricing and capability to cath up with market movement	stronger than before, and more demanding	Skincare will reduce the usage of makeup (number of item)
10	Brands awareness, price, innovation and USP	Consumer is more demanding especially on price	Pandemic & changing of consuemer behavior

Table 2.4 In-depth interview summary of makeup businesspeople (Source: Author, April 2022)

Threat of new entry. If there is no significant barrier in the industry in term of technology, or no protected rights, or need less cost investment to start the business, and potential market is quite big, means competitors will be very easy to enter the market and creating threats to the existing company. And if the vice versa situations happened, then those situations created more benefit for incumbent to face the competition. Porter mentioned in his framework that a company can be beneficial from several important barrier, those are:

- Economic of scale.
- Network effects.
- Customer switching costs.
- Capital requirements.
- Advantages independent of size.
- Government policy.
- Credible threat of retaliation.

(Source: Rothaermel, 2017: 76)

Based on the in-depth interview result with makeup businesspeople, basically there is no significant barrier for new entry of makeup product in the market, since the there are many options for the brand to create the products. But the new brands need to have the creative idea to create certain differentiation of their offering to attract target market to accept their product. The other important factor is capital resource to support brand activities to develop strong brand awareness, or at least the new entry should have great creative idea to make it viral via digital networks (social media and/or influencer). Below table will explain further about barriers based on Porter's framework:

Entry Barrier Factors	Level of Barriers			Note
	Low	Medium	High	
Economic of scale.		✓		New brand could outsource the production with certain volume commitment (no factory investment)
Network effects.		✓		E-Commerce open for all products with certain traffic investment, but it takes time/big effort to build national networks of makeup brand (Distribution & Marketing Network)
Customer switching costs.	✓			With the assumption of price and target market are in the same segment target
Capital requirements.		✓		Promotion to build brand awareness will need big capital or big idea to be viral
Advantages independent of size. (Brand Loyalty, propriertery technology, & access to raw material)		✓		Building brand awareness/loyalty need bigger capital/strong creative a support of distinctive differentiation versus existing product in the market
Government policy.		✓		Cosmetic product need to comply with BPOM & Halal regulation, but outsource factory able to overcome this issue
Credible threat of retaliation.			✓	There are major international & local makeup brands from L'Oreal, Wardah, and others big brands both from local or internationl brand

Table 2.5 Entry barrier factors of makeup category (Source: Author, April 2022)

The only lowest barrier for makeup new entry is customer switching costs, since makeup is not categorized as expensive product for its segment, the price of Lancôme Teint Idole Ultra Wear Foundation SPF 15 at Rp.760,000 per piece will not be perceived as expensive for makeup addict women in A Class segment but will be expensive for C class segment. In the opposite side, credible threat of retaliation of existing product will be very high, since there has been strong dominant player in makeup category from both international and local makeup brand that will defend their existing market share. As the other barrier factors such like economic of scale, network effects, capital requirements, advantage independent of size and government policy are categorized medium. Based on the table 2.5., author categorized **threat for new entry is in medium scale**.

Power of Suppliers. Supplier is essential factors for an entity to supply input material for the company. But if the company have limitation of sources, then it will enhance the bargaining power of the suppliers that at the end will increase the cost and reduce the profitability or reduce the competitiveness of an entity in the market. Porter's frameworks describe that *to compete effectively, companies generally need a wide variety of inputs into the production process, including raw materials and components, labor (via individuals or labor unions, when the industry faces collective bargaining), and services. The relative bargaining power of suppliers is high when:*

- *The suppliers' industry is more concentrated than the industry it sells to.*
- *Suppliers do not depend heavily on the industry for a large portion of their revenues.*
- *Incumbent firms face significant switching costs when changing suppliers.*
- *Suppliers offer products that are differentiated.*
- *There are no readily available substitutes for the products or services that the suppliers offer.*
- *Suppliers can credibly threaten to forward-integrate into the industry*.

(Source: Rothaermel, 2017: 79)

Table 2.6 showed the result of in-depth interview with purchasing expert of makeup industry in Indonesia that has been experienced in managing global supply chain for multinational companies. It was stated that there are many sources for raw material of cosmetic industry from many sources (there 12 companies listed as cosmetic suppliers in Industrial Ministry of Indonesia). But there are 2 elements where the suppliers have strong bargaining power, those are switching cost of several important production support facility such like machine, molding, and others. And in certain situation (especially if the manufacture does not have good sourcing strategy), supplier of important material can threaten the manufacturer, especially if the raw material needs specific requirement with limited sourcing. And based on the table 2.6, author categorized **power of supplier is categorized as medium**.

Supplier bargaining power factors	Level		Note
	YES	NO	
The suppliers' industry is more concentrated than the industry it sells to.		✓	There are at least 12 Cosmetic Industry supplier listed in Minister of Industry in Indonesia
Suppliers do not depend heavily on the industry for a large portion of their revenues.		✓	The suppliers core business are mainly in B2B for industrial purpose
Incumbent firms face significant switching costs when changing suppliers.	✓		There are several area that need significant swithcing cost: production machine, molding, etc.
Suppliers offer products that are differentiated.		✓	Product offering is quite similar in term of technology except for ptented formula
There are no readily available substitutes for the products or services that the suppliers offer.		✓	Many suppliers available for any type of raw material
Suppliers can credibly threaten to forward-integrate into the industry.	✓		Suppliers need cosmetic factory to build the sustainable business

Table 2.6 Supplier bargaining power factors (Source: Author, April 2022)

Power of customers. Number of customers is closely related with the power of buyer, if a company has smaller and limited client based then the bargaining power of customers will be bigger, that at the end reduced the profitability or revenue of an entity because customers are able to push the price down or demanded for higher quality that will increase the producer's cost. On top of that, if the barrier of customers to move from existing company to its competitor is easy, it will also give negative impact to the company since the buyers has strong position to influence the internal process of the company and asking for extra service that will directly increase the cost. Porter explained that the power of customers is high due to certain situation mentioned below:

- *There are few buyers, and each buyer purchases large quantities relative to the size of a single seller.*
- *The industry's products are standardized or undifferentiated commodities.*
- *Buyers face low or no switching costs.*
- *Buyers can credibly threaten to backwardly integrate into the industry.*

(Source: Rothaermel, 2017: 80)

Figure 2.14 Prominent retailers in Indonesia (Source: Author, lazada.co.id, shopee.co.id, and tokopedia.com, April 2022).

There are around 44,405 modern stores in Indonesia by 2016 and around 20,589 traditional cosmetic stores all over Indonesia (Nielsen Apac Report, 2017). On the other sides, there are 118 companies registered cosmetic companies in Ministry of Industry by 2022 and there are 222,677 cosmetics products has been registered and got distribution license in Badan POM Indonesia (BPOM, 2022). Those numbers showed that both consumer and customers have many choices of makeup (cosmetics) product in Indonesia, meanwhile there is limitation of space in the stores, both offline and online stores. Makeup brands have tight competition to win the limited space in the stores and win the mindshare of consumers. Table 2.7 show the checklist of buyer's power towards makeup category based on Porter's Five Forces framework.

Prominent buyers such like top big national retailers both offline and online (Alfamart, Indomaret, Watsons, Guardian, Matahari DS, Shopee and others) has more power to manufacturer since they owned consumer traffic and have more options to choose to sell right products in the market. In addition, they have lower cost to switch between product and giving more space to the high selling product or decide which product should be discontinued in the stores. On the opposite area, there is no significant different offer in term of product technology between the makeup products. In conclusion, all the factors in table 2.7 showed that **buyers have strong power** to the makeup producers.

Buyer's power factors	Level		Note
	YES	NO	
There are few buyers, and each buyer purchases large quantities relative to the size of a single seller	✓		There are few buyers with large purchase power such like Alfamart, Indomaret, Watsons, Guardian, Matahari DS, Shopee and others
The industry's products are standardized or undifferentiated commodities.	✓		Makeup product technology are quite similar in the same price segment
Buyers face low or no switching costs.	✓		Manufacturer has more dependency to customers in distribution and proximity of the products
Buyers can credibly threaten to backwardly integrate into the industry.	✓		Buyers push manufacturer to sign trading term that giving more benefit for retailer

Table 2.7 Buyer's power factors (Source: Author, April 2022)

Threat of substitute products. Porter notes that "*A substitute performs the same or a similar function as an industry's product by a different means*" (Porter, 2008:14). In the recent years, we can see that the cutting-edge technology often changed the landscape of an industry by offering substitute product to the market. As the example, email that successfully substituted the conventional mail, and WhatsApp or Viber that able to reduce the dependency of user to email. The position of an entity will be weaker or less profitable if there are more substitute products/services available and easy to access by customers. *The threat of substitute is higher if the substitutes offer an attractive price-performance trade-off and/or buyers switching cost is low* (Source: Rothaermel, 2017: 82).

There is no direct product substitution mentioned by makeup businesspeople during the in-depth interview, and it has been proved by L'Oréal that consistency gain business growth year by year for more than 100 years in beauty and cosmetics business only. But the businesspeople mentioned 3 factors that potentially reduce the usage of makeup products:

- Growing of skincare/aesthetic clinic that will made woman skin healthier and looks better. This situation will be able to change the habit of the women to use lighter makeup (no more foundation to cover skin face skin), at the end it will reduce the usage of makeup, but not substituted the makeup product.
- Pandemic Covid-19 has pushed people to reduce the mobility, no social events and stay at home. This kind of situation, giving the best learning for makeup company to prepare better in the future. But pandemic will not

substitute makeup product since people will back use makeup once government allowing people to mobile and organize gathering/events.

- Social value that giving pressure to woman to be less attractive perhaps will give some impact to the way how women apply makeup. Wardah has proved to the market that respecting social value doesn't mean no beauty at all if it is not break the basic rule of the religion (or social value).

As the summary, author conclude that the threat of **substitute products to makeup category is low**.

Competition in the industry. *On the market with a big quantity of rival companies, customers will always be able to exercise a transition from one company to another for purchasing similar products or services* (Aliekperov, 2021: 31). The diagram in Figure 2.13 Porter's Framework showed that all the threats (except rivalry among existing competitors) are pointing toward the center, means that all the pressures from those four factors will strongly impacting competition in the industry. If the threats from the four threats are high, then the competition in the industry will be higher as well, since all the entities inside the industry should compete to get the resources and give the best offers to consumers. *The intensity of rivalry among existing competitors is determined largely by the following factors:*

- *Competitive industry structure.*
- *Industry growth.*
- *Strategic commitments.*
- *Exit barriers.*

(Source: Rothaermel, 2017: 83).

The biggest influence in rivalry factors is the competition due to numerous competitors in the market from small companies to big multinational company like L'Oréal. In total there are more than 100 cosmetic manufactures in Indonesia with more than 200,000 products registered in Agency of Food and Drugs control of Indonesia. The other 2 factors are in medium level, those are growth of cosmetic segment in Indonesia and exit barriers for existing players. Cosmetics market is still very promising in the future and projected to reached around USD 1.7 billion (Rp.

24.65 trillion - USD Rate Rp.14,500) in 2025, on top of that the young and big population will also contributed to boost up cosmetics market in the future. In term of exit barrier, it will be more complicated for existing top makeup player such as Paragon (Wardah, Emina, Makeover), L'Oréal and others due to factory investment. But the exit will be easier for new makeup indie brands since most of them outsource the production and focus only on sales, marketing, and product development. In conclusion, based on rating in table 2.8, author rate the **rivalry among competitor is in medium level.**

Rivalry Factors	Rivalry Level			Note
	Low	Medium	High	
Number of competitors in makeup (cosmetic) category.			✓	118 cosmetic companies registered in Ministry of Industry by April 2022 and 222,667 cosmetic products registered in BPOM for the lat past 5 years (April 2022)
Business growth rate of Makeup category.		✓		Compund annual growth of personal care & beauty market Indonesia at +6.5% (2021 - 2025) (Statista, 2021)
Strategic commitments.	✓			Top big companies has owned not only makeup categories
Exit barriers for existing makeup players		✓		Existing big players already invested in factory, but new brands using outsource production

Table 2.8 Rivalry factors (Source: Author, April 2022)

Based on the Porter's Five Forces framework, bargaining power of suppliers and threats of substitute products are categorized in low level, threat of new entrants is in medium level and power of buyers is categorized as high level. The last one is rivalry among existing competitor categorized as in medium level (table 2.15). Therefore, makeup industry (cosmetic) is still quite attractive to be develop in the future due to market potency (around USD 2.7 billion in 2025) with a quite healthy margin to financing the category development and profitable.

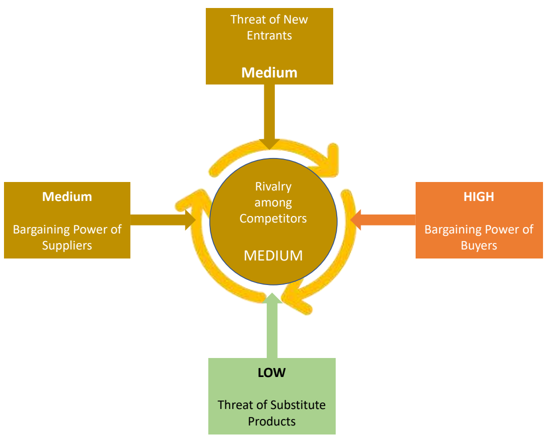

Figure 2.15 Porter's Five Forces of makeup market (Source: Author, April 2022).

Aligned with the Porter's Five Forces analysis of that makeup market of Indonesia is still quite potential to be developed, then author will use the result of the analysis as input for SWOT analysis section to develop strategic initiatives in conquesting Gen Z segment in Indonesia.

2.4.3 Competitor Analysis

Based on survey result in Gen Z segment about makeup product, the top 3 top of mind brands are Maybelline in the first position, follow by Make Over and L’Oréal Paris. But author decided to take out L’Oréal Paris in the competitor analysis and replace it with Wardah & Emina for 2 reasons:

1. L’Oréal Paris brand is part of L’Oréal group that targeted different segment and not consider as competitor of Maybelline.
2. Emina is #3 & Wardah is in #4 top of mind brand (based on Gen Z survey), but it is the Number One makeup brand in Indonesia with unique positioning as pioneer of halal cosmetic in Indonesia.

Marketing-mix tools was classified into 4 parts by E. Jerome Mc. Carthy, those are: Product, Price, Promotion and Place. Product is referring to finished goods or services that company offers to end users, and there are several offers that consumer can see or feel such like product variety, quality, design, features, brand name, packaging, and others. Price basically is the cost that customer should pay to get the product or service, and real product price comprise of many factors such like list price, discounts, allowance, credit terms, payment period and other factors that will influence cost value to buy a product / service. Promotion is all activities that company (product owner) to attract target customer to buy their product / service.

There are many promotion formats today in advertising both conventional and digital, public relation, sales force, sales promotion, direct marketing, and other promotional activities. The last one is Place that comprise of channel, distribution coverage, inventory, assortments, transport, and others. And author use 4Ps as the basic for competitor analysis.

The brand statement of Maybelline, Make Over, Wardah, & Emina are quite different and shows different brand positioning of those brands. Maybelline positioned itself as number one makeup brand in the world that will encourage optimism, bold and diverse. Make Over as professional cosmetics that offering complete ranges in all makeup categories. Wardah is well-known as halal beauty brand that offering calm and comfortable feeling to the target market. And Emina as the beauty bestie product of Teenager.

Figure 2.16 4Ps components (Source: Rothaermel, 2017: 25).

Marketers believe that brand statement or positioning should be able to represent the competitive advantage of its product to the target market. The competitive advantages need to be different to attract target market. Differentiation that offering benefits to target market is very important, but not all differences are meaningful, and each of the differentiations are giving cost impact to the company. A company should build differentiations that fulfil criteria below:

- Important. The difference delivers a highly valued benefit to target buyers.
- Distinctive, means that an entity should be able to offer the differentiation in distinctive way compared to the competitors.
- Superior. The differentiations should be superior compared to others able to offer benefits to the customers.
- Communicable. Means it easy to understand by target market in a good way
- Preemptive. The differentiations are difficult to copy by competitors

- Affordable. Not expensive and worth to buy for the target market.
- Profitable. Means that it should give added value to the company.

(Kottler, Amstrong, 2018: 231)

And before doing the 4P analysis, Author conduct brand positioning (statement) analysis by measuring the differentiations based on criteria that mentioned by Kottler and Amstrong above. The analysis is as below:

No	Parameters	Maybelline	Make Over	Wardah	Emina
		Maybelline New York is the #1 Makeup Brand around the World. Always on the pulse, hassle-free, and crafted by the cutting-edge innovation to create affection and satisfction for you!	Make Over Cosmetics is a professional cosmetics with complete range of colors, textures, and functions for each product categories.	Wardah is a beauty brand that cares and understands the wish of every women to always feel calm and comfortable with their look.	For Emina, every day is a new opportunity to be greeted with enthusiasm and passion. Emina's range of skincare and make-up are very easy to apply for teenagers and new makeup users. Emina will help you radiate positive energy every day with happy and healthy skin!
1	Important to Gen Z	5	3	4	3
2	Distinctive	4	3	3	3
3	Superior	5	4	3	3
4	Communicable	4	5	5	4
5	Preemptive	4	4	3	3
6	Affordable	4	4	5	5
7	Profitable	5	5	4	4
TOTAL SCORE		31	28	27	25
AVERAGE SCORE		4,4	4,0	3,9	3,6

Table 2.9 Competitor's Positioning Analysis (Source: Author, 2022).

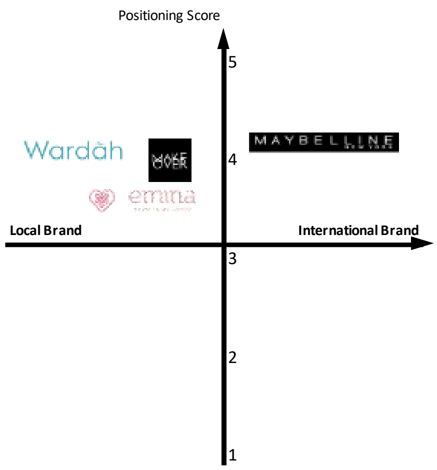

Figure 2.17A Competitor’s Positioning Map. (Source: Author, 2022)

Based on the positioning comparisons above, its showed that the gap between Maybelline and both competitors is quite close. Author will propose new positioning in Chapter 3 to make Maybelline more attractive to Gen Z but at the same time follow the international brand guideline.

In term of product, all the 4 cosmetic brands offering the same product variety and similar product features, especially for the prominent products as shown in the table above. A slightly different is the design of packaging that representing unique identity of the brands. Design of Maybelline is looks modern, bold, colorful & dynamic; Make Over with Black Touch that representing color of professional makeup artist, Wardah looks calm, comfort with soft color & touch of cream, and lastly Emina with soft color with teenager's image.

Marketing Mix	Elements	Maybelline	Make Over	Wardah	Emina
Product	Product Variety	Face, Eye, Lips products	Face, Eye, Lips products	Face, Eye, Lips products, Skincare & Personal Care	Face, Eye, Lips products, Skincare & Personal Care
	Face	8 Variants Powder, Foundation, Concealer, Blush, BB Cream, Contour & HiLight, Primer, Remover	8 Variants Powder, Foundation, Concealer, Blush, BB Cream, Contour & HiLight, Primer, Skin	8 Variants Powder, Foundation, Concealer, Blush, BB Powder, Contour & HiLight, Primer, Skin	6 Variants Loose Powder, Powder Complexion, Liquid Complexion, Blush, Highlighter, Concealer
	Lips	4 Variants Balm, Cream, Liner, Stick, Tint	5 Variants Gloss (Balm), Liquid (Cream), Pencil (Liner), Stick, Lips Pallet	5 Variants Gloss (Balm), Liquid (Cream), Pencil (Liner), Stick, Lips Pallet	6 Variants Gloss, Lipstick, Liquid, Liptint, Lip Matte, Care
	Eye	4 Variants Eye Brow, Eye Liner, Eye Shadow, Mascara	4 Variants Eye Brow, Eye Liner, Eye Shadow, Mascara	4 Variants Eye Brow, Eye Liner, Eye Shadow, Mascara	4 Variants Eye Brow, Eye Liner, Eye Shadow, Mascara
	Features				
	Face	Foundation - Liquid : Oil Control, SPF 22, Matte & Natural Finished	Foundation - Liquid : Ultr Cover, Matt & UV protection	Foundation - Liquid : Oil Control, 12 Hours, SPF 30	Compact Powder : Oil Control, 8 Hours, UV Filter
	Eye	Mascara : 16 Hours, waterproff	Mascara : 12 Hours, waterproof	Mascara : Argan Oil, Waterproof	Mascara : Long lasting, Easy to Apply
	Lips	Lips Cream (Liquid) : 16 Hours, Transferproof	Lips Cream (Liquid) : 14 Hours, Transferproof	Lips Cream (Liquid) : 12 Hours, Transferproof	Lips Cream (Liquid) : Vitamin E, Easy to Apply
	Design	Modern, Bold, Colorful & Dynamic	Black Touch, & Professional	Calm, Comfort with soft color & touch of cream	Teens Color & Soft creamy color
Price	Recommendation Price				
	Face	Foundation - Liquid : Rp.155,000 per pc	Foundation - Liquid : Rp.152,000 per pc	Foundation - Liquid : Rp.72,000 per pc	Compact Powder : Rp.36,000 per pc
	Eye	Mascara : Rp.139,000 ,-	Mascara : Rp.128,000 ,-	Mascara : Rp.67,500 per pc	Mascara : Rp.60,000 per pc
	Lips	Lips Cream (Liquid) : Rp. 129,000 per pc	Lips Cream (Liquid) : Rp. 128,000 per pc	Lips Cream (Liquid) : Rp. 66,300 per pc	Lips Cream (Liquid) : Rp. 48,500 per pc
	Discounts on single purchase (regular items)				
	Offline	Up to 40%	Up to 40%	Up to 30%	Up to 20%
	Online	5% - 47%	5% - 20%	5% - 20%	5% - 20%
Promotion	Advertising	TVC, Digital (KOL, Social Media Advertising, Live Streaming)	TVC, Digital (KOL, Social Media Advertising, Live Streaming)	TVC, Digital (KOL, Social Media Advertising, Live Streaming)	TVC, Digital (KOL, Social Media Advertising, Live Streaming)
	Sales Promotion - Online	Super Brand Day, Double Date, Account Anniversary, Live Streaming Sales	Super Brand Day, Double Date, Account Anniversary, Live Streaming Sales	Super Brand Day, Double Date, Account Anniversary, Live Streaming Sales	Super Brand Day, Double Date, Account Anniversary, Live Streaming Sales
	Sales Promotion - Offline	Mailer, Weekly Sales, Festive, GT Store Promotion	Mailer, Weekly Sales, Festive, GT Store Promotion	Mailer, Weekly Sales, Festive, GT Store Promotion	Mailer, Weekly Sales, Festive, GT Store Promotion
	Sales Force	Salesman & BA in prominent stores nation wide	Salesman & BA in prominent stores nation wide	Salesman & BA in prominent stores nation wide	Salesman & BA in prominent stores nation wide
	Public Relation	Online Launchng Event, Media Gathering, Brave Together	Online Launchng Event, Media Gathering	Online Launchng Event, Media Gathering, Beauty moves you	Online Launchng Event, Media Gathering, Beauty moves you
Place	Coverage in Indonesia	National	National	National	National
	Channels	General Trade, Modern Trade, E-Commerce	General Trade, Modern Trade, E-Commerce	General Trade, Modern Trade, E-Commerce	General Trade, Modern Trade, E-Commerce
	Type of Inventory at prominent Modern Trade	Owned by the store	Consignment	Consingment	Consingment

Table 2.10 Competitor's 4Ps (Source: Author, shopee.co.id, maybelline.co.id, makeoverforall.com, wardahbeauty.com, Eminacosmetics.com).

Recommendation selling price of Maybelline and Make Over are almost in the same level with less than Rp. 200,000 per piece for their prominent products (Foundation, Mascara, and Lips cream), meanwhile Wardah & Emina is below Rp. 100,000 for the same product ranges of the other 2 brands. Means that in term of price positioning, Wardah & Emina is more affordable compared to Maybelline and Make Over, although Maybelline was offering deeper sales discount both in offline and online marketplace compared to the others.

For promotion activities, all the brands were doing pretty much similar activities. Maybelline, Make Over, Wardah, and Emina are invested in TVC and digital advertising such like social media ads, key opinion leader (KOL) and live streaming. In term of sales promotion activities, all the brands are optimizing every promotion channel both in online and offline to maximizing their reach to end user. On top of that, Salesman, and Beauty Advisor (BA) are key resources for the brands to promote the brands directly to end user or to the customers. The last element is place, where all the brands are having same strategy with national coverage all over Indonesia and targeted all distribution channel such like General Trade, Modern Trade and maximizing E-Commerce to reach end users. The only different strategy between Maybelline and the other two brands is about type of inventory in the prominent stores, where the status of inventory of Maybelline's products are owned by the store meanwhile Make Over, Wardah, and Emina are doing consignment. As the summary of 4Ps competitor analysis in the table above, below are the result of the evaluation in competitive mapping of Maybelline and the competitors.

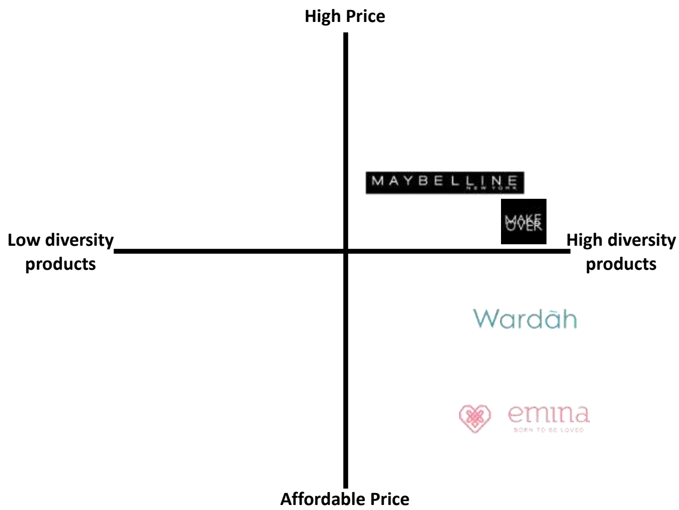

Figure 2.17B Positioning Map I of Maybelline (Source: Author, April 2022).

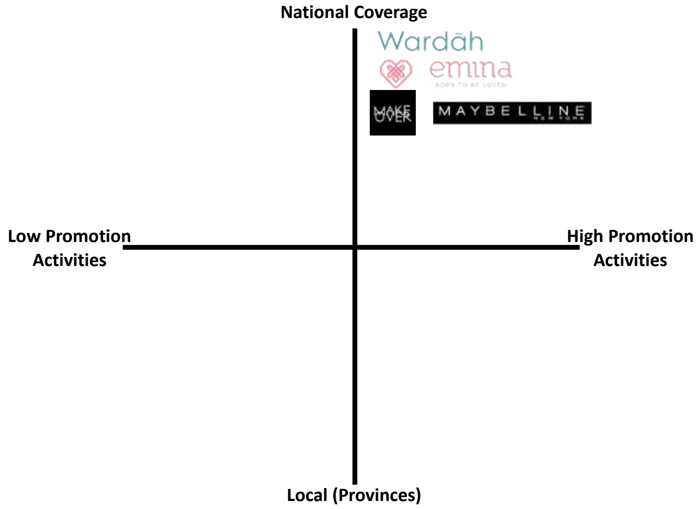

Figure 2.18 Positioning Map II of Maybelline (Source: Author, April 2022).

The Brand positioning statement and 4P analysis proven that the gap between Maybelline and other strong competitors are quite close, and Maybelline need to leverage image as International Brand as one of key differentiation in the adaptation of Positioning of Maybelline proposal in the next section.

2.4.3 Effective Segmentation (Target Market) Evaluation

Selecting the right segmentation to be the target market of a company is very important before moving further to create the marketing plan. A company should have clear parameters to measure the effectiveness of the targeted segment before deciding resource allocation to serve the target market. Kottler and Amstrong explained in Principle of Marketing (2018) that effective segmentation should fulfilled 5 criteria, below are those requirements:

1. *Measurable. The Size, purchasing power, and Profile of the segments can be measured.*
2. *Accessible. The market segments can be effectively reached and served.*
3. *Substantial. The market segments are large or profitable enough to serve.*
4. *Differentiable. The segments are conceptually distinguishable and respond differently to different marketing mix elements and programs.*
5. *Actionable. Effective programs can be designed for attracting and serving the segments.*

(Kottler & Amstrong, 2018: 221)

Once the segment is already fulfilled the requirement of effective segmentation, the next step is to evaluate the targeted market. Kottler & Amstrong defined that a firm should evaluate the target market base on 3 factors, those factors are segment size and growth, segment structural attractiveness, and lastly are company objective and resources.

Right size and growth are very subjective from one company to the others, depend on the management assessment of the size. For the example, big company usually is more attractive to serve big size and high potential growth segment because they already have the resources and expertise to serve such a big market. But for a small entity, they could be preferring to cover smaller segment since they have limited resources and less experience to compete in serving big market.

Second one is segment structural attractiveness, *a segment may be less attractive if it contains powerful suppliers that can control prices or reduce the quality or quantity of ordered goods and services* (Kottler & Amstrong, 2018:222). Reviewing the major of structural factors are important for a company because those factors will influence segment structural attractiveness in long-term basis. For the example, if there are too many strong competitors in the targeted segment will bring resulted higher cost to compete or will increase the probability to fail in the competition if the group doesn't have right resource to compete.

The last one is company objective and resources. *Some attractive segments can be dismissed quickly because they do not mesh with the company's long-run objectives. Or the company may lack the skills and resources needed to succeed in an attractive segment* (Kottler & Amstrong, 2018:222).

As mentioned in Chapter 1, the research will focus on Gen Z as the biggest segment in Indonesia. Table 2.10 showed that as the number one generation, Gen Z represent 26.5% of total population with 71.5 million inhabitants. And Gen Z Female representing the biggest segment in Indonesian Female with total 34.7 million people.

Generation	Population (Indonesia)					
	Male	%	Female	%	Total	%
Pre-Boomer	2.007.532	1,5%	2.616.968	2,0%	4.624.500	1,7%
Boomer	16.078.115	11,8%	16.414.860	12,3%	32.492.975	12,0%
Gen. X	28.333.040	20,7%	28.224.259	21,1%	56.557.299	20,9%
Milenial	35.394.641	25,9%	34.305.331	25,7%	69.699.972	25,8%
Gen. Z	**36.791.764**	**26,9%**	**34.717.318**	**26,0%**	**71.509.082**	**26,5%**
Post Gen. Z	18.056.807	13,2%	17.263.282	12,9%	35.320.089	13,1%
TOTAL	**136.661.899**		**133.542.018**		**270.203.918**	

Table 2.11 Population of Indonesia based on Census 2020 (Source: BPS, January 2021)

To have more clarity in Gen Z as selected market segmentation, author examined the selected market with effective segmentation evaluation that mentioned by Kottler and Amstrong in Principle of Marketing (2018).

Table 2.12 proved that Gen Z segment is highly effective segmentation, the detail explanation as below:

- Highly measurable. Badan Pusat Statistik Indonesia (Official Statistic Agent of Indonesia) announced that there are 34.7 million that categorized as Gen Z female and represent 26.5% of total female. Gen Z segments as well as the female is the number one generation in term of population in Indonesia
- Highly accessible. Gen Z in the first pure digital native, all of them are born in mobile digital era. And 94% of Gen Z are using internet every day and 60% of Gen Z spent 5 hours or more on internet (Populix, 2021: 8).
- Highly substantial. Gen Z is the largest segment, in addition 65.8% of Gen Z doing online shopping in last Past 1 Month (September 2021) (Populix, 2021: 11).
- Highly differentiable. Gen Z is unique segment that have specific behavior. Based on Populix Popvoice Gen Z 2021 research, proven that "They're social" and consume offline + online media. Gen Z believe in "Good Viral" and choose role models who are immensely popular but with good virtue, and lastly Gen Z show more concerns about health and hygiene factors. They also always want to try new things.

- Highly actionable. As the international brand, Maybelline has all the resource and international network to create specific program/action to capture Gen Z segment.

REQUIREMENTS	PARAMETER			
	LOW	MEDIUM	HIGH	Note
Measureable			✓	Gen Z Female: 34.7 million
Accessible			✓	Accessible by all media touch points & Point of Sales
Substantial			✓	Largest segments & profitable to served
Differentiable			✓	Gen Z is pure digital native and attracted to Digital Media
Actionable			✓	Maybelline able to optimize Digital and Beauty Experience to influenced Gen Z

Table 2.12 Evaluation of Segmentation effectiveness of Gen Z Segment (Source: Author, April 2022)

Following the evaluation of segmentation effectiveness, author conduct evaluation of Gen Z as target market of Maybelline as shown in the table below:

REQUIREMENTS	PARAMETER			
	LOW	MEDIUM	HIGH	Note
Market Size & Growth			✓	Gen Z Female : 34.7 million and share of employment will grow rapidly from 10% in 2019 to 30% in 2030
Structural Attractiveness		✓		There are several strong local brands as competitor such like Wardah & Make Over. But Maybelline is the number 1 international brand in the market and Number 1 Makeup brand Worldwide
Company Objectives & Resources			✓	Maybelline has all the resources to capture the market and aligned with group objective to make Maybelline number 1 in Indonesia

Table 2.13 Evaluation of Target Market (Source: Author, April 2022).

The evaluation result of target market evaluation in the table above shows encouraging and positive result for Gen Z as the target market, detail explanations are as below:

- Market Size and Growth is rated with highly mark. Based on the Popvoice 2021 research conducted by Populix in September 2021 and supported by Census result 2021, Gen Z represented 10% of total worker today that will rapidly increase to 30% in 2030. Means that Gen Z is not just important segment today, but they are also a very potential customers in the future that need to be influenced in the early stage.

- Structural attractiveness. The rating is only medium, because there are also several strong local competitors in makeup category in Indonesia such like Makeover, Wardah, and other indie brand in mass consumer makeup segment. But Maybelline is the biggest international makeup brand in Indonesia.
- Company objectives and resources. Highly mark in this factor, because Maybelline as part of L'Oréal group will get enormous support/resource from the group to win the competition in makeup category in Indonesia. On top of that, Maybelline Indonesia has a mission to follow global positioning as the number one makeup brand in the country.

As the conculsion of effective segmentation evaluation, it is proven that Gen Z is a very potential segment and important segment for makeup market, especially for Maybelline in Indonesia. Based on the result of effective segmentation evaluation, author will propose Gen Z Female as core target market in the proposed diamond strategy of Maybelline in Indonesia.

2.4.4 Customer Analysis: Understanding Consumer Behavior of Gen Z in Indonesia towards Makeup Category

Marketing decisions based on explicit consumer behavior theory, assumptions, and research are more likely to be successful than those based on hunches or intuition, and thus create a competitive advantage (Mothersbaugh, Hawkins, and Kleiser, 2020: 8). And as mentioned in the framework, customer analysis is the center of this research as the basis to design marketing strategy proposal for Maybelline Indonesia to attract Gen Z segment. Deep understanding about consumer behavior of Gen Z is the key for the customer analysis.

Marketers want to understand how the stimuli are changed into responses inside the consumer's black box, which has two parts. First, the buyer's characteristics influence how he or she perceives and reacts to the stimuli. These characteristics *include a variety of cultural, social, personal, and psychological factors. Second, the buyer's decision process itself affects his or her behavior. This decision process—from need recognition, information search, and alternative evaluation to the purchase decision and post purchase behavior—begins long before the actual purchase decision and continues long after* (Source: Kottler & Amstrong, 2018: 159).

Figure 2.19 The model of Buyer Behavior (Source: Kottler & Amstrong, 2018: 159).

Author conducted a survey towards Gen Z to gain deep understanding about consumer behavior of targeted market as explained in section 2.2.4. In addition, the survey will focus to understand Gen Z's black box as shown in Figure 2.19.

For the purpose of this research, author use Central Statistical Agency of Indonesia (BPS) data to identified population segmentations base on the birth year. The population segmentation is as below:

- Pre-Boomer: before 1946
- Boomer: 1946 - 1964
- Gen. X: 1965 - 1980
- Gen. Y: 1981 - 1996
- Gen. Z: 1997 - 2012
- Post Gen. Z: born after 2012

According to Jeff Fromm and Angie Read in their book Marketing to Gen Z, generation is not just impacted by the birth years. But influenced by impactful events that happened during the years. *Each of the generations develop strong emotional connections to these formative experiences, which impact how they view* *themselves and the world around them* (Fromm and Read, 2018: 19). The formative experiences will influence their mindset that reflected in their daily behavior as a consumer. For the example, Gen Z is the first digital native among all the population and 94% of Gen Z are using internet every day (Populix, 2021: 8).

In regards with the quantitative research analysis explain in section 2.2.3, author will use only the Gen Z segment as the basis of the customer analysis. The total Gen Z respondents that we got during the survey was 105 people with 90% of the population are female as stated in table 2.13. In term of education background, 56% graduated from university, and 37% graduated from senior high school which is quite in line with the occupation of Gen Z respondents in this survey that dominated by Gen Z college students (46%), and the second occupation is private employee (38%). For the location, 76% of Gen Z respondents located in Jabodetabek (Jakarta, Bogor, Tangerang, Depok, and Bekasi), Java (16%) and other regions (8%).

In term of media habit, Gen Z female is truly Digital Native with more than 90% of them often using Instagram in the last 6 months, 63% TikTok, 63% YouTube, WA 64%, and 60% of them watch Netflix. On the opposite, they are not often using conventional media (all conventional media liked below 5%. For Shopping, they prefer ECommerce (73%) rather than Offline Store (21%).

The survey was also showing the fact that 69% of Gen Z spent more than 1 million rupiahs as their monthly individual expenditure, it is coherence with habit of 70% Gen Z respondents that spending minimum Rp. 100.000 for one cosmetic transaction, of which 38% of the makeup basket value was at Rp. 200.000. Finally, 76% of Gen Z are regularly buying makeup product at least once in 3 months, with 40% purchased once per month, 27% (2 - 3 times per month) and 10% of them purchased cosmetics more than 3 times per month. **The facts of Gen Z Characteristic show that they are potential user of cosmetic and truly Digital Native.**

Respondent Profiles	Criteria	Amount	%
Gender	Female	94	90%
	Male	11	10%
Education	Elementary School	1	1%
	Junior High School	3	3%
	Senior High School (Vocational School)	39	37%
	Diploma / Bachelor	59	56%
	Master / PhD	2	2%
	Others	1	1%
Occupation	College Student	48	46%
	Private Employee	40	38%
	Students	6	6%
	Government officer	3	3%
	Entrepreneur	3	3%
	Others	5	5%
Domicile	Jabodetabek (Jakarta, Bogor, Depok, Tangerang, Bekasi)	80	76%
	Java (Non - Jabodetabek)	17	16%
	Sumatra, Kepulauan Riau and Bangka Belitung	7	7%
	Kalimantan and Sulawesi	1	1%
Individual Expenditure (Monthly)	Less than Rp.500.000,-	14	13%
	Rp.500.001 - Rp.1.000.000,-	19	18%
	Rp.1.000.001 - Rp. 3.000.000,-	41	39%
	Rp.3.000.001 - Rp. 5.000.000,-	15	14%
	Rp. 5.000.001 - Rp. 7.000.000,-	14	13%
	Rp. 7.000.001 - Rp. 10.000.000,-	2	2%
Use Makeup at lease once per week	Yes	98	93%
	No	7	7%
Makeup purchsed in last 3 months	1 time	42	40%
	2 - 3 times	28	27%
	More than 3 times	10	10%
	No makeup purchase	25	24%
Basket value of makeup purhase	Below Rp. 50.000,- per once purchase	15	14%
	Rp. 50.000 - Rp. 99.999,- per once purchase	14	13%
	Rp. 100.000 - Rp. 199.999,- per once purchase	33	31%
	Rp. 200.000 - Rp. 300.000,- per once purchase	22	21%
	Rp. 300.001 - Rp. 500.000,- per once purchase	9	9%
	Rp. 500.001 - Rp. 1.000.000,- per once purchase	6	6%
	Lebih dari Rp. 1.000.000,- per once purchase	3	3%
	Blank	3	3%
Media Habit	Movie Theater	18	17%
	Digital TV (Netflix, etc)	63	60%
	E-Commerce Platform (Shopee, Tokopedia, etc)	77	73%
	Google	60	57%
	Printing Media (Magazine, Newspaper, etc)	1	1%
	Paid TV (Transvision, MNC Vision, etc)	5	5%
	Online News	5	5%
	Radio	4	4%
	Social Media - FB	10	10%
	Social Media - Instagram	94	90%
	Social Media - Tiktok	66	63%
	Social Media - Twitter	39	37%
	Social Media Lainnya	10	10%
	Off Line Store	22	21%
	TV - Free to Air	3	3%
	Whatsapps	67	64%
	Youtube	66	63%

Table 2.14 Profile (Characteristic) of the respondents (Source: Author, 2022).

Table. 2.15 shows that the top 3 reasons of Gen Z to use makeup is related to personal aspiration to looks beauty, more confidence and fun. The survey is also indicating that external influence is also part of reasons to use makeup (but with small percentage). In summary, there are 2 dominant factors that drive Gen Z to use makeup:

- Satisfaction or self fulfilment feeling that with index of 127 or 50% of total liked counted
- Affection or need to have positive impression from others with index of 122 or 48% of total liked counted

Reasons to use makeup	Amount	%
Supaya terlihat tampil beda (Looks different) - Affection	23	22%
Supaya terlihat lebih cantik dan/atau lebih menarik (More beautiful) - Affection	67	64%
Supaya lebih percaya diri (More confidence) - Satisfaction	66	63%
Hobby, karena bisa hasilkan uang dari memakai makeup (MUA, Artist, etc) - Satisfaction	19	18%
Karena menyenangkan (Fun) - Satisfaction	42	40%
Pengaruh Influencer (KOL atau selebriti) (Influenced by Key Opinion Leader) - Affection	14	13%
Pengaruh keluarga (Influenced by Family) - Affection	5	5%
Pengaruh teman (Influence by Friends) - Affection	13	12%
Others	6	6%

Table 2.15 Gen Z reasons to use Makeup (Source: Author, 2022).

There are at least 13 cosmetics products that used by woman, table 2.16 shows the most favorite makeup product of Gen Z, those are:

- Tier 1: **Lips products** such like lips stick, lips cream (liquid), balm, etc. Lips product are the most frequent used (69% of Gen Z used lips product at least once a week) and 73% of them bought lips product in the past 6 months.
- Tier 2: **Brow Pencil**. 45% of Gen Z use brow pencil in weekly basis and 42% purchase brow pencil in the last 6 months.
- Tier 3: Face products (**Foundation, Concealer, Loose powder**) and 2 other prominent eye products such like **eye liner and mascara**.

Top of mind cosmetic brand	Amount	%	Rank
Maybelline by L'Oréal	89	85%	1
L'Oréal Paris by L'Oréal	72	69%	2
Emina by Paragon	64	61%	3
Wardah by Paragon	63	60%	4
Revlon distributed by Tempo Group in Indoensia	51	49%	5
Luxcrime	49	47%	
BLP Beauty	47	45%	
Esqa	46	44%	
Madame Gie	39	37%	
YOU	38	36%	
Implora	30	29%	
Moko Moko	21	20%	
Others	13	12%	
Somethinc	2	2%	

Table 2.16 Gen Z Makeup products (Source: Author, 2022).

The top-of-mind (TOM) brands of cosmetics in Gen Z segment is dominated by 3 companies (table 2.17): L'Oréal with **Maybelline and L'Oréal Paris brands**, Paragon group with **Emina and Wardah**, the third one is Tempo group with **Revlon** cosmetics. But the performance of the other new cosmetic brands is also promising and can be the threats for the big brands. The top-of-mind index for new cosmetic brands (less than 10 year in the market) that able to reach more than 30% are: Luxcrime, BLP Beauty, Esqa, Madame Gie, YOU and Implora that able to reach 29%.

Products	Usage min. 1X per Week	%	Purchased in 6 Months	%	Tier
Face Primer	16	15%	19	18%	
Foundation	22	21%	40	38%	3
Concealer	34	32%	41	39%	3
Loose powder (bedak tabur)	40	38%	41	39%	3
BB Cream (Blemis Balm)	7	7%	11	10%	
Blush On (pemerah pipi)	29	28%	34	32%	3
Eye shadow (Perona mata)	12	11%	20	19%	
Eyebrow pencil (Pensil Alis)	47	45%	44	42%	2
Bronzer (seperti blush on, membuat kulit terlihat lebih warm)	9	9%	16	15%	
Eyeliner	23	22%	37	35%	3
Maskara (Mascara)	36	34%	38	36%	3
Highlighter	8	8%	17	16%	
Lipstick (All forms of Lips : Balm, Cream, etc.)	72	69%	77	73%	1
Others	7	7%	8	8%	

Table 2.17 Gen Z's top-of-mind of cosmetic brand (Source: Author, 2022).

Based on the survey result in table 2.18, there are 3 prominent influencers for Gen Z, the first one is **Digital that dominated by social media, review of Key Opinion Leaders or KOL) and online stores.** Follow by friends and the last one is activation in offline stores such like product display and promotion material in offline stores.

The other conventional media (TV Commercial, Out of Home, and others) is having low influencing index to Gen Z segment, meanwhile family is still have influencing index at 17% (higher compared to other conventional media).

Who / What influence Gen Z about Makeup (Trend/Product) ?	Amount	%	Rank
Social Media (FB, Tiktok, Instagram, Twitter, Youtube)	87	83%	1
KOL Review (Review @social media, include youtube)	60	57%	2
Teman (Friends)	57	54%	3
Toko Online (E-Commerce)	31	30%	4
Toko (Display dan promotion material at offline Store)	29	28%	5
Keluarga (Family)	18	17%	
Google Ads	15	14%	
Iklan di TV Digital (Digital TV Ads.)	13	12%	
Iklan di Portal Internet (Ads in internal sites)	12	11%	
Iklan TV Regular (SCTV, RCTI, dsb) (TV Commercial)	5	5%	
Others	5	5%	
Iklan Luar Ruangan (Billboard, Spanduk, LightBox, dsb) (OOH	4	4%	
Brosur (Leaflet/brochure)	2	2%	
Iklan di Bioskop (Theater Ads.)	2	2%	
Iklan Radio	2	2%	

Table 2.18 Sources of Influencer of Gen Z (Source: Author, 2022).

Regarding to the favorite content type of Gen Z**, product review is the most interested one with almost 80% of liked**, then second one is new makeup trend and Haul (Haul is the combination of product review and vlog, where the content creator will review their recent shopping experience, review the product, and share experiences in using the product/service). The last tier is about unboxing of new product and education.

Figure 2.20 Favorite Type of Content (Source: Author, 2022).

Figure 2.21 Format of content (Source: Author, 2022).

Table 2.19 is about traction needed by a makeup brand to attract Gen Z segment. If Gen Z get exposed any makeup brand (awareness), then the next step (appeal) for them today is access the online platform (82%), or check product review of any Influencer in online platform (63%), or access to online store/marketplaces (57%) and around 49% access the brand social media account. Meanwhile the offline activities are below 40%. It's proven in this section that **online activities taking the big portion in the appeal-phase of Gen Z**. The next step is about information needed by Gen Z: **Price (80%) and function of product (75%)** are the most important information needed by them, and 72% of them need testimonial from the other users, in addition 71% will ask about effect of the product to their face, the fitness to their skin (66%), and finished result of the makeup products (65%). And the last information needed is about special offer of new product (28%).

What Gen Z will do if they are interested in a new makeup product ?

What will they do ?	Amount	%	Information needed ?	Amount	%
Baca comment2x tentang produk tersebut di Online Platform	84	82%	Berapa harganya ?	82	80%
Check product Review dari KOL	65	63%	Fungsi/kegunaan produk	77	75%
Akses ke Online Store	59	57%	Testimoni dari hasil penggunaannya	74	72%
Akses ke Brand Social Media	50	49%	Efeknya buat wajah saya ?	73	71%
Tanya pendapat Teman atau keluarga	39	38%	Seberapa cocok dengan kulit wajah saya	68	66%
Datang ke Toko Make Up (Toko kosmetik / modern drugstore / Department Store, Mini Market, Super Market, Hyper Market)	34	33%	Hasil make up nya seperti apa ?	67	65%
			Kandungan produk ?	56	54%
			Cara pakainya ?	39	38%
			Bisa dibeli dimana saja ?	32	31%
			Apakah ada penawaran paket special ?	29	28%

Table 2.19 Sources of Influencer of Gen Z (Source: Author, 2022).

The shopping destination of Gen Z female today is also **affected by Digital**, figure 2.22 shows that **Online stores (Shopee, Tokopedia, Sociolla, etc.) is the most favorite one (89.3%)**, follow by modern beauty store at mall (67%) and the third one is conventional cosmetic stores at 35% liked. In facts, other modern trade stores such like mini market, supermarket and hypermarket are having low liked (below 10%).

Figure 2.22 Favorite shopping destination of cosmetics (Source: Author, 2022).

There is different customer journey of Gen Z in store activities for offline and online store as describe in table 2.20. If they already decided to buy a product in offline store, 56% of them will go directly to makeup area and proceed the purchase, and 54% of them prefer to try tester first. The new habit today is comparing the price with online marketplace and will decide to buy at the cheaper one. Meanwhile in Online store, the situation is quite competitive between online stores since 66% of Gen Z will compare price or promotion package before deciding to buy at the cheaper one. 61% Gen Z prefer to read product review first, and only 30% that will directly proceed the purchase after product view.

Activies of Gen Z when they are in the store (Offline and Online)

Activies in Offline Store	Amount	%	Activities in Online Stores	Amount	%
Langsung ke area make up, lalu beli produk yang diinginkan (Go to makeup area, then proceed the purchase)	57	56%	Akses ke E-Commerce Platform, search produk yang diinginkan dan bandingkan paket promo/harga, pilih toko dengan harga/promo terbaik, lalu transaksi (Comparing promo/price among the platforms)	67	66%
Bandingkan harga toko dengan harga online, kalau harga online lebih murah, akhirnya beli di online saja (Compare the price of store vs online price, will buy online if cheaper)	55	54%	Baca-baca review produk di online store, sebelum memutuskan untuk transaksi (Reading product review in online store)	62	61%
Coba tester produk yang mau dibeli, kalau cocok dengan produknya, baru beli (Tester)	53	52%	Langsung ke page produk yang diinginkan, lalu langsung transaksi (Access to Product view, then proceed the transaction)	31	30%
Melihat ada promo apa saja di toko, sebelum beli produk yang diinginkan (Looking for any promotion before proceed the transaction)	50	49%	Lihat-lihat toko online (Webrooming) dulu, baru beli produk yang diinginkan	28	27%
Shopping around, dan Bandingkan produk yang mau kamu beli dengan produk sejenis lainnya sebelum beli produk yang paling cocok (Shopping around, compare the similar product)	49	48%	Saya tidak pernah belanja online (No Online Purchase)	2	2%
Konsultasi ke BA (Beauty advisor/SPG), kalau sudah yakin, baru beli produknya (BA Consultation)	21	21%			

Table 2.20 In store activities of Gen Z (Source: Author, 2022).

Based on the survey as in table 2.21, author found that 84% Gen Z will decide to buy the product if they like the product and suitable for them in term of quality, function, and packaging. The second decision factor is pricing (72%) that affordable for them (sesuai isi kantongku), and the third one is produced by the trusted company (60%). Promo indeed is important factor since 50% of them will decide to buy if there is any price discount promotion.

Purchase decision factors	Amount	%
Aku suka produknya dan sesuai dengan yang aku mau (Kualitas, Fungsi, Kemasan) (Like the product and suitable for me in term of quality, function and packaging)	87	84%
Harganya cocok, sesuai isi kantongku (Right price for me)	75	72%
Produknya diproduksi oleh perusahaan yang terpercaya (Produce by trusted company)	62	60%
Ada promo diskonnya (Discount)	52	50%
Banyak KOL yang review produknya (Massive KOL Review)	41	39%
Perusahaannya mendukung keberlangsungan lingkungan (The producer support Green, eco-friendly, sustainable)	25	24%
Ada hadiahnya (Gift with Purchase)	19	18%
Tempat belanja nyaman (The store is very convenience)	17	16%
Pelayangan BA (SPG nya) dan/atau staff toko nya baik (Good service)	15	14%
Produknya "green" dan tidak merusak lingkungan (Product Support Green and enviroment friendly)	14	13%
Sering lihat iklannya (Often to see the advertisement)	14	13%
Tempat belanja dekat rumah (The store near my house)	4	4%
Others	1	1%

Table 2.21 Purchase decision factors (Source: Author, 2022).

Around 81% of Gen Z respondent declared that they use Maybelline product, and the top reasons of non-Maybelline (19%) users are:

- Seen the advertising (often) but not interested to buy (37%)
- Don't know Maybelline (21%)
- Maybelline is not brand for me, seen the product review but not interested, pricy (@16% respectively)

Meanwhile for Maybelline users, 68% of them use Maybelline Eye Product (Mascara, Liner, Shadow, Brow Pencil, etc.), 64% use Lips category and 55% of them use Face products of Maybelline.

Based on the survey result stated in table 2.22, 62% of Gen Z users that they want to have more affordable product from Maybelline with the price level below Rp.100.000 per piece, follow by 33% of them that need more color or shades that is matched with Indonesian people. The suggestion from Gen Z user is asking for more attractive packaging compared to todays.

Suggestions to Maybelline from the users	Amount	%
Perbanyak produk yang harganya lebih terjangkau (Contoh : harga di bawah Rp.100.000,- per unit)	52	62%
Perbanyak pilihan warna atau shade yang sesuai dengan orang Indonesia	28	33%
Desain packaging harus lebih menarik dari sekarang	27	32%
Perbanyak review KOL tentang cara penggunaan dan fungsi produk Maybelline	18	21%
Perbanyak review KOL tentang Trend make up terbaru	17	20%
Perbanyak exibition/pameran offline tentang Maybelline	17	20%
Perbanyak jenis tester di toko	16	19%
Display produk harus lebih menarik dari sekarang	13	15%
Perbanyak Produk hybrid	11	13%
Pakai Brand Ambassador yang terkenal	5	6%
Others	4	5%

Table 2.22 Suggestion to Maybelline from the users (Source: Author, 2022).

Table 2.23 is explaining the action of Gen Z consumer if they are satisfied with the cosmetic product that they bought. **They are not totally passive at all, and 62% of them willing to give recommendation to anybody if someone asking about their opinion. 57% will proactively influencing their friends and family to purchase the same products** (racuni (pengaruhi) temanku dan keluarga untuk ikutan beli produk tersebut). They are willing to write positive review in the online store as well (36%), but less than 20% of them that will proactively post positive result/comment/review both in online community and social media.

What will you do if you are satisfied with the makeup product ?	Amount	%
Kalau ada yang tanya, kasih rekomendasi untuk beli (Giving recomendatin when someone asking about it)	64	62%
Racuni (pengaruhi) teman dan keluarga untuk ikutan beli produk tersebut (Influencing friends/family to buy the product)	59	57%
Kasih review positif di online store (Positive review in the online store)	37	36%
Tidak lakukan apa-apa, biasa aja. (passive)	22	21%
Minta pendapat teman dan keluarga tentang hasil make-up ku (Ask opinion about my makeup to friend/family)	19	18%
Kasih positive review di online community (Positive review in online community)	17	16%
Posting hasil make up ku di social mediaku (Post my makeup result in social media)	15	14%
Ke Brand Social Media, lalu posting comment positif (Post positive review to brand social media)	13	13%
Others	1	1%

Table 2.23 Actions if satisfied with makeup product (Source: Author, 2022).

The customer analysis explained that Gen Z female is a very important and unique segment for makeup market, they are very potential and yet have unique customer journey that has been quite different with previous generation because they are the first digital native. Author will use result of the customer analysis to define the 5A customer journey of Gen Z towards makeup market in the next chapter.

In regards of both internal analysis and external analysis in chapter 2, author determined all the factors that categorized as strengh & weakness factors from Internal Analysis. In addition, author used External Analysis to determine both the Opportunities and Threats for Maybelline in Indonesia that will use as the input to create SWOT matrix in Chapter 3.

As the conclusion of analysis in chapter 2, author use SWOT table to summarize the analysis as shown in table 2.24.

Strengths	Weaknesses
1. Reputation of L'Oréal as #1 Beauty Company & Maybelline as #1 cosmetic brand worldwide	**1.** Higher cost of good sold (COGS) to fulfil the requirement of international standard quality (same COGS for all countries with different consumer purchasing power)
2. Product with international quality standard	**2.** Less flexible to react on market dynamism due to complexity in global supply chain system
3. Cutting-edge product innovation supported by global research and innovation centers: Beauty-tech transformation	**3.** Less sourcing due to rigid purchasing policy due to social audit, traceability & transparency of the sourcings
4. Glocalization strategy: offering world class product that adapted to local context	**4.** Less distribution capability for deeper penetration in secondary cities (Regencies and County Districts)
5. Access to global financial resources that will support group expansion	**5.** Less flexible of Maybelline as Global Brand to react on dynamism of local market, and need to compromise between Brand Identity and dynamism of local market
6. Hybrid working system to attract good talent in the market	
7. Human resources worldwide network to support best practice sharing across countries	
Opportunities	**Threats**
1. Strong macro economy fundamental and stability of Indonesia	**1.** Restriction on people mobility and social events will reduce makeup consumption
2. Potential cosmetic market future growth in Indonesia as young population country	**2.** Government policy to convert imported product consumption to local product
3. The rise of Gen Z as the number one population segment in Indonesia and promissing to drive consumption of makeup category	**3.** Digitalization and E-Commerce reduce the competition gap between Maybelline as International Brand versus other indie brand in Indonesia
4. New Halal regulation that will reduce the competitive advantage of halal cosmetic brand	**4.** The rise of Indie Brand with good quality and more local contextual compared to other international brands
5. Maybelline is #1 in top-of-mind in Gen Z segment and 81% of them are Maybelline's users.	**5.** New Halal regulation by 2026 that pushed L'Oreal to adapt the production facilities that served Indonesia market
6. Gen Z consumer is not shy to recommend their favorite product	**6.** Consumer & buyer's power is getting stronger due to more qualified makeup brands in the market
	7. Strong local competitors (Make Over & Wardah) that able to give same product offering with more affordable price

Table 2.24 SWOT analysis of Maybelline (Source: Author, 2022).