Marketing

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Marketing Project

Bio Hair

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Table of Content :

1. Introduction…………………………………………………………………………………....3

1.1 About us…………………………………………………………………………................3

1.2 Project……………………………………………………………………………...............3

1.3 Size and budget…………………………………………………………………………….3

1.4 Mission Statement.…………………………………………………………………………3

1.5 Ecological program………………………………………………………………….……..4

1. Product…………………………………………………………………………………..……..4
2. Marketing research…………………………………………………………………………….5
3. Competition……………………………………………………………………………………6

4.1 OGX………………………………………………………………………………………..6

4.2 Pantene……………………………………………………………………………………..7

4.3 Garnier Fructis……………………………………………………………………………..8

1. Target market………………………………………………………………………………….9
2. Price…………………………………………………………………………………………..10

6.1 Shampoo price……………………………………………………………………………10

6.2 Conditioner price…………………………………………………………………………10

6.3 Final price………………………………………………………………………………...11

7. Sources…………………………………………………………………………………………12

1. Introduction

1.1 About us

We are a group of girls that are really passionate about the well-being of the planet, animals and the human race. We are very concerned about the fact that in today’s day and age, the average product not only contains chemicals that are toxic to the environment and to humans, but many of them are tested on animals. We focused our efforts to one product in particular, something that every person uses; shampoo and conditioner. Since our hair is also something that is important to us, we came to the conclusion that there must be other people that care not just about their hair but also about the well-being of animals and the planet. This product not only incorporated exclusively non-toxic ingredients, but also unlike most companies that produce hair products, we are firmly against testing on animals.

1.2 Project

5 years ago we came together and decided to make a line of hair products; most companies that produce hair products neglect their ethical standards and disregard the harm they cause to the environment and to animals that they do tests on. On the other hand, many companies that produce environmental/animal friendly products neglect the quality of the items they produce. This not only discourages people who want to make small changes to lower their waste level, but also people who continually use those products and are dissatisfied with the results. Our company wanted to create a line of products that not only is friendly to the environment and to animals, but is superior quality to the average shampoo and conditioner line.

1.3 Size and Budget

We are a medium sized company that has grown over the years. We began as a single shop in Los Angeles, California because L.A is a place where many people pay attention to how products are made and the effects different chemicals have on our bodies and the environment, as this awareness has grown globally, we have been able to open 2 more shops in L.A and our products are now also available online and are shipped all over the world. Our yearly budget is $500,000.

1.4 Mission statement

To be the leader in high quality hair products without neglecting our ethics.

1.5 Ecological program

People fail to realize that every time we shower and use shampoo and conditioner, the chemicals go down the drain and enter our water system, so we ensure that our products are completely non-toxic to the environment. Not only does our actual product not harm the environment but we also reduce the amount of plastic used that needs to be recycled by creating stations in different salons and cosmetic stores where our customers can refill their already purchased bottles for a lower price.

2. Product

Our product is entirely made from natural ingredients that will help restoring your follicle and scalp without harming your health and our dear planet. Indeed, you could wash your hair in a river and the water would not be affected as our shampoo is free from any toxic chemicals that give cancer, decrease your immune and reproductive system and contaminate ecosystems. Our packages are also natural and non-toxic but as our bottles are made from PHA Polyesters, a mix of PHB and PHV Polyesters that can be produced by corn-steeped liquor, molasses and even activated sludge and again, it is biodegradable. Plus, we do not test on animals.

Why using chemicals for base ingredients when nature already provides it for us? The surfactant, Sodium Cocoyl Isethionate, is made from fatty acids extracted from coconuts, a renewable source. It is mild on hair, face and scalp and is biodegradable. Our antioxidant, which preserves preparations from pollution, bacteria, yeast and oxidation, is no other than Vitamin E. Our emollient, Almond Oil give a soft texture and consistency while hydrating, nourishing, soften and add shine to your hair. To finish, our emulsifier, Beeswax, is what allows our selected oils to mix in water.

After having naturally selected our base ingredients, we went in search of what exactly weaken our strands. Why do we lose it, why is it so dry, brittle, and dull? To find a solution, we went to the roots of our hair, were we found amino acids. Amino acids are naturally produced by our body and they constitute a large portion of our cells, muscles and tissues. They are essentials for healing and repairing. So, we added Methionine which considerably strengthen the hair structure as it contains sulphur, which build chains that create networks and so fight against hair loss. This is what exactly happens in hair. Next, we added Arginine, a precursor to nitric oxide, who opens potassium channels of cells and so improve irrigation. Arginine has then a big impact on hair growth. In addition, Glutamine, the most present amino acid, is indispensable to hair growth. Our Glutamine production decreases with time and under stress or physical stain, our body demands more of Glutamine. By fulfilling its demand, the hair is stronger. Our shampoo will leave your hair stronger and healthier.

Now, our conditioner will intensely nourish, help restoring weaken hair and their natural shine and repair split ends. Plus, it prevents balding as it is made of Coconut Milk and Camellia oil, which help retain moisture and act as a barrier against environmental pollutants. Our conditioner will leave your hair protected, repaired, nourished and shinier.

3. Marketing research

Located in Los Angeles, our company is looking to market its products to the 3,857,799 inhabitants, 49.85% of which are male and 50.15% are female. That is out of the 318,9 million people in all of the United States of America. When it comes to purchasing products such as make up, toiletries, fragrances, skin care enhancers and hair products the Unites States is spending around $39 billion US every year, which puts them at the top of list of spenders followed by Japan and France. When American men and women are compared, studies show that on average all men in conjunction spend about $11 billion US a year on those products whereas woman spend close to $28 billion. Focusing on hair products, out of the 39 billion dollars that Americans spend every year on the various products that were mention earlier, only 22% is spent on hair products. Taking into account that 92.65% of the population uses shampoo and the remaining 7.34% don’t.

In the hair care industry L’Oreal is at the top of the chain selling their products in 130 countries. Founded in 1907 in Paris France, they’ve grown to be a multibillion-dollar company with a market capital of $106,6 billion in May of 2015. L’Oréal has a long list of brands that include Garnier Fructis, Vive, Softsheen-Carson, Matrix and Redken along with their numerous colorant brands. Focusing on the United States, the leading company is P&G, Proctor and Gamble. In 2014 alone they had $590 million in sales.

Often times when we think about hair products we are gender biased and mainly think about woman’s hair, but there are many trends that are bringing forth the line of men’s hair care products. With the “Man Bun” and the “Comb Over” quickly becoming trendy men are looking for great products that will give their Bun’s and Comb Over’s the shine and volume they deserves. Some of the most liked shampoos for men are Dove Men+ Care, Redken owned by L’Oréal, Old Spice and Head and Shoulder’s owned by P&G.

4. Competition

4.1 OGX (Organix), Goldman Sachs:

OGX is an American brand who was distributed by Vogue International based in Tampa Bay, Florida. OGX has shampoos and conditioners, hair styling products, body washes and lotions and its annual sales are approximately of $80 million before interest, taxes, depreciation and amortization. They have just recently been bought by Goldman Sachs.

Their strengths would be that they are very popular: they are the brand that sold the most in 2007 and 2008 compared to other hair brands. Despite the fact that they do not meet California’s standards for marketing themselves as organic, their sales are continuously growing. They have acquired consumers’ trust. Now that they are a Goldman Sachs brand, they have access to great expertise, name recognition and plenty of capital for strong research and development.

Their weaknesses would be their lack of investment in research as they were sued in 2011 by the lobby group ‘’Center for Environmental Health’’. The lobby claimed that OGX was not complying with the California Organic Production Act because their products are not at least 70% organic. CEH (Certified Ethical Hacking group) stated that they should not market and label themselves as organic since only a few to none of their ingredients are organic and other ingredients in their shampoos are related to health problems. Plus, they are no longer cruelty-free.



4.2 Pantene, Procter&Gamble:

Pantene is one of the hair care line of Proctor&Gamble that generates approximately $3 billion annually. They are based in Cincinnati, Ohio. Originally, Pantene was developed in Switzerland during the Second World War. Scientists were trying to found a compound that could help burns healing. They found Panthenol, or Provitamine B-5, can improve the hair health. Procter&Gamble acquired Pantene in 1985.

Their strengths would be being a billion dollar worth company. They can then invest in strong advertising campaigns using celebrities appreciated by the public to promote their products. Knowing your favorite actress is using a Pantene product helps their sales level. They have a certain esthetic that is easily recognized by consumers, so there differentiation is pretty strong. They also always try to know what do their consumers need and so often create new products to meet and satisfy their needs, like basing their products on hair types and not solutions.

Their weaknesses would be even though they have money, they decided not to invest much in research. P&G were trying to implement the ‘’Less is more’’ philosophy in their company, but as the rising concern and preference over natural and organic products from the consumers that started and the fact that they are doing their own research about what is in a shampoo, they found out Pantene was doing more harm than good to their hair and health and executives and to admit it. That lowered their sales a lot, approximately of 11.2% ($512,500,000) and had no choice but to revamp the brand, like offering a natural line. That helped their sales of 7%. Competition is another weakness that brings people to often try new products, so there is no brand loyalty, even though they tried to promote it with celebrities. Plus, the fact that their products are mid-prices let people think their products are cheap quality.



4.3 Garnier Fructis, L’Oréal Paris

Garnier Fructis the second largest brand of the L’Oréal Paris group based in Clichy, Hauts-de-Seine in Paris. There is no specific information for Garnier’s sales and profits but, for the whole L’oréal Group their sales for September 30th,2015 were approximately of $18,700,000. It is constantly growing. The L’oréal Paris group is worth 106,6 billion of dollars.

Their strengths would be their interesting and fun advertising strategies, like their contests. They ask people to execute an original and fashionable hairstyle and might have the chance to win an entire to new line of Garnier Fructis. They were also smart to go in foreign countries, like India in1992 and Asia in 1995. Bollywood stars are endorsing their products, like Kareena Kapoor and to enter Asian market, they developed a special hair-dye just for them, so they invest in their research and development and are present in emerging markets. They also offer many products for different needs and hair types for men, women and kids. Plus, they have a strong slogan: <<No one makes your hair stronger. >>

Their weaknesses would be that their sales would have been bigger if they had entered the Asian market a little sooner. Garnier shows vegetables and fruits and oils a lot in its ads, but with the rise of organic and all-natural product trends, people started looking at the ingredients and found out they use harmful chemical ingredients and so, people perceive their brands as too expensive to be sold in drugstores (because it is not that a good quality) as their main target market are middle class people.



5. Target Market

With the rising population, and everyone wanting the next big thing, the hair care business will keep growing to keep up with the high demands of the men and women that have luscious locks, man bun and comb over’s.

Considering that almost 100 percent of the US population uses shampoo, we would like to target as many people as possible. We will focus on four main groups. Parents, young adults the group of people that have a love for animals and making the planet a better place, and finally people that want to have really good hair.

In the US the average family size has four people with an average income of $51,939 US per parents. In most cases it is the parents that would by the food and other necessities that the family would need. Therefore we believe that by targeting the parents and adults would really bring our business forward, making our product affordable and appealing to the average income family.

By 18 years of age young adults start college, move out to a dorm and get their first job. As time goes on they become more independent and make their own decisions. Young adults are the age group that really cares about how they present themselves, and hair is a very important factor. Having a shampoo and conditioner that will allow them to accomplish the look they are aiming for and one that’s on budget.

Not only will our product make your hair look great, but it will also make the planet a better place. All of our products are earth friendly, and they are not tested on animals. Therefore we are also aiming out hair product line to the kind-hearted people that really make an effort to better the planet.

Finally, we are targeting our hair products to those who love to have the wind blow in their hair and look great in the meanwhile. Our products will give your hair the volume and nutrition that it’s asking for.

6. Price

6.1 Shampoo Price

Cost of Ingredients:

* Sodium Cocoyl Isethionate: $88.03 for 5 kg
* Amino Acids: hard to find price. 200$ for 4 kg
* Almond Oil: $1173 for 20 kg
* Vitamine E: $156.85 for 1 kg

Here’s the percentage list and price based on a 375 ml bottle:

* Water: 70%, cheap price.
* Sodium Cocoyl Isethionate: 15%, $0.95
* Amino acids: 7%, $2.88
* Almond Oil: 5%, $1.50
* Vitamin E: %, $1.68

We shall not forget for the water and plastic which cost around $1.20, but it is very cheap price. It would cost approximately $5.50 to produce a bottle of shampoo with the information available on the web. Therefore, it would surely cost less than that since laboratories and companies buy in bulk, so technically, the price of our ingredients and the production cost are even lower than $5.50 per bottle.

6.2 Conditioner price

Cost of ingredients:

* Coconut Milk: not expensive, price may vary. Less than $5 for 400 ml, $2 for 400 ml
* Camellia Oil: $78.95 for 4L
* Beeswax: $207.82 for 20 kg
* Vitamine E: $156.85 for 1 kg

Here’s the percentage list and price based on a 375 ml bottle :

* Water: 60%, cheap price.
* Coconut milk: 20%, $0.37
* Camellia Oil: 10%, $0.71
* Beeswax: 5%, $0.18
* Vitamine E: 3%, $1.68

Again, we have to add plastic and water and consider that buying in bulk could lower our price of production. It would cost approximately $3 to produce a conditioner bottle.

6.3 Final price

In order to make profit and to compete with our many rivals, both our bottles of shampoo and conditioner will be sold at $9.99, which is an affordable price since we want to encourage families and adults of all ages to use our product and so, to change our planet.

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