

Cover and Index-

Topic: - BUSINESS ECONOMICS RESEARCH PROJECT {Product: Lakme Lipstick}

Roll No.- 20

Name: - PRIYANSHU MEHTA

INDEX

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Introduction-

This is a detailed and comprehensive report which deep dives into various aspects of one of the most used and demanded Cosmetic good which perhaps makes its way into each woman's purse – THE LIPSTICK! Not only is its market analysis portrayed, but also the various factors and forces which drive its Demand and Supply are listed down; coupled together with some interesting, captivating and viewer-friendly graphs.

This report incorporates the following: -

- ❖ **Holistic product analysis** comprising of – features, substitutes, complimentary goods, product insights, etc.
- ❖ **SWOT analysis** of a product as miniscule as the Lipstick
- ❖ **Detailed representation** of the **Microeconomic drivers** like Consumer demand and Product Supply
- ❖ **Overview yet practical data points** around **demand** and **supply of Lakme Lipsticks**, obtained through extensive survey of 40+ responses over numerous sample groups.
- ❖ **Growth opportunities possible** and **prevailing market trends** of this booming industry
- ❖ **Market** and **Industry analysis**
- ❖ **Elasticity of lipsticks** in relation with several influences like Price, Income, Cross [substitutes and complementary]
- ❖ **Detailed** and **pellucid graphs** showcasing all the findings
- ❖ **Linear regression** for knowing in a nutshell the dependent factors which influence lipstick's market presence

Lastly is the ***Harvard styled bibliography*** which lays down the sources, reports and articles which have helped in preparation of this report.

A **CONCLUSION** too is supplemented at the end which provides insights, suggestions, learnings, limitations and further scope regarding the topic and product.

An **Appendix** furthermore, is placed at the very end which as such is connected with the report subject but is too detailed to be actually mentioned in the report. It thus, supports my analysis and validates my conclusion.

Body-

PRODUCT ANALYSIS

Product insights: -

- ❖ Lakme lipsticks were the country's FIRST COSMETIC Lipsticks to be introduced to Indian women and take pride in being the expert on Indian Beauty for over 50 YEARS.
- ❖ It perhaps gets its origin from addressing the question – “Shouldn’t Indian women be able to wear Indian shades rather than follow Western color trends!”
- ❖ The contemporary Indian beauty expert - Lakme continuously innovates to offer a wide range of high quality and world class lipsticks. It combines international cosmetic technology with an in-depth understanding of the Indian woman’s needs.
- ❖ It also offers its consumers a comprehensive beauty experience through its products that are ideal for a variety of Indian skin tones...
- ❖ Have a product portfolio being priced to as low as ₹99, to lipsticks that now cost ₹1,300.

Product features: -

- ❖ Reasonably priced compared to its foreign rivals
- ❖ Enriched with natural oil extracts from places where they are best nurtured and cultivated
- ❖ Engineered to last long in ideal situations
- ❖ Moistens your lips in situations which lead them to drying and cracking
- ❖ In addition, lipsticks purveyed by Lakme are the only ones who have this ice-breaking feature
- ❖ Products synthesized to aid people prioritize health, hygiene and immunity; something which is quintessential in times as such.
- ❖ In relation with the above, they even do couple their lipsticks with shea butter, argon oil and essential vitamins.
- ❖ Wide array of shades which make lipstick buying experience relentless
- ❖ Customer experience gets to ultimate level with the soft cushiony feel and smooth and creamy application, which are some of the many edge-cutting features of Lakme lipsticks.

Market substitutes/competing brands: -

- ❖ Maybelline [very close substitute according to suppliers survey]
- ❖ M.A.C
- ❖ Revlon
- ❖ L’Oréal [indirectly this too is a close competitor since it owns Maybelline]

- ❖ Lotus [has good hold over **Herbal** and **Ayurvedic** lipsticks, something that has gained greater prominence in times like COVID]
- ❖ Color Bar [could give competition in future due to having Indian origin]
- ❖ Elle 18 [gets competitive edge due to having a very good online presence]

Market complimentary goods: -

- ❖ Lip pencil [highly bought together with Lipsticks according to the Supplier survey]
- ❖ Lip Balm
- ❖ Lip gloss

SWOT ANALYSIS

Strengths: -

- ❖ Harnessing the Make in India trend: In India's ever-growing *aatmanirbhar* market, Lakme has an upper-edge with not only being local but also having its name originate from the widely worshipped Goddess "Lakshmi". [a fact not oblivious to many!]
- ❖ Alluring line of products: Lakme gives women beauty a new shape by not only providing impressive product depth but also introducing a collection of groundbreaking cosmetics.
- ❖ Benefits from a robust parent company outreach system: Lakme enormously benefits from the deep seeped market penetration of HUL in the FMCG sector. Moreover, it also benefits from the TATA named attached with it since its inception which was later on bought by HUL. It also uses unorthodox delivery mechanisms to allow pharmacists, beauty salons, and showrooms to sell the products.
- ❖ Celebrity tie-ups: Lakme strategically positions itself in the minds of prospective consumers by targeting apt celebrities to represent their brand. This helps them resonate to the product even well.

Weaknesses: -

- ❖ Lesser preference by the premium customers: The growth for Lakme ceases when it comes to the premium priced products due to its value for money brand image and comparatively cheaper products. Revlon surfaces to be its most likely market competitor since it has a good hold over premium items that grow at 30% CAGR.

- ❖ Disparity problem: The variegated product line provided by Lakme places the consumer in dilemma since some products have gained hyped recognition but others are steered clear of as a result of their in differentiation..
- ❖ Unfavorable Retailer support: No return policy in case of defective pieces or fewer than expected sales. These situations can at times deter retailers from having Lakme as their first preference.

Opportunities: -

- ❖ Revolutionizing effect over people's life: Consumers want to look sharp, intelligent, and optimistic now and thus greater consumption of lipsticks is the way ahead. The relocation of people, saturation of industrialized economies, the shift in taste, and development in the rising segment of the emerging economies have moreover acted as icing over the cake.
- ❖ Expanding premium segment: Lakme's birth was backed by the needs of average Indian household who demanded for Indian complexion shades. However, now the premium and niche markets too present great opportunities for Lakme due to its rising awareness in that domain. Perhaps, taking decision otherwise would cost Lakme a great deal.
- ❖ Inclusion of the untapped remote locations: Lakme can harness and develop over the *aatmanirbhar* ideology by employing the potential rural women. This besides being a potential demand space, would also help obtain cheap labor along with supporting government's unemployment crisis.

Threats: -

- ❖ Underrated and Fake products ~ a major THREAT: As stated earlier, Lakme releases a wide range of products which results into some ending up being underrated and thus labelled as 'fake'. This repercusses into Lakme bearing a humongous cost towards its R&D and manufacturing department.
- ❖ Intimidating expansion of international brands: International and household brands like Revlon and others greatly affect Lakme in selected (premium) markets by diminishing its growth.
- ❖ Escalating allergic cases: Disparity between appetite & diet and various environmental factors that act upon the skin end up making it vulnerable to certain substances. Such cases rise daily and perhaps Lakme might have to sacrifice its short-term profits to obtain raw materials which support ethical lipstick consumption.

DETAILED REPRESENTATION: -

Microeconomic drivers ~

CONSUMER DEMAND & PRODUCT SUPPLY

Consumer demand in literal terms as the name puts it right is the **aggregate demand**, total **market consumers** have for a **particular product** which in our case is LIPSTICK. Product supply however implies the **aggregate supply** for a product that is **brought up by the suppliers** in **response to market factors**. So, let's analyse what are the factors which influence and drive these factors. However, before diving deep into the topic, let's first understand what is "Lipstick effect". It is nothing but a theory that when facing an economic crisis, consumers will be more willing to buy less costly luxury goods. They thus instead of buying expensive and premium goods, will buy expensive lipstick which would actually cost them less but give them the status symbol they have been seeking. The underlying assumption is that consumers will buy luxury goods even if there is a crisis. When consumer believes that the economy is dwindling, he/she will buy goods that has less impact on their available funds. This is the primal reason for the rise in lipsticks' demand even in such times of pandemic. Another rational for demand rise is driven by women's desire to attract mates with such easily accessible resources and depends on the perceived mate attraction function served by such products.



Also, as we know, we're moving away from living in a time when wearing a mask and lipstick just didn't mix, with sales of the colorful tubes hitting \$34.2 million in the four weeks ending in April. So typically, the logic goes, when lipstick sales are up, it means the economy is in trouble because people are restricting themselves to inexpensive pick-me-ups rather than pricey consumer goods. Now sales of lipstick are up more than 80% from the same period a year earlier, according to company and market reports, putting the lipstick index in question. Hence, we can evidently conclude that currently the lipstick sales of top brands like Lakme highly depend on the Mask restrictions that prevail locally; with sales being directly proportional to the level of ease. Also, certain mask guidance easing results into multifold benefit for Lipstick consumption since it's been ages that people (especially women considering our product target audience) have gone outdoors and worn makeup that could actually get noticed.

E-commerce, moreover, is said to be fueling growth in the lipstick market, with products now straightforwardly accessible to the remotest consumer possible in small towns and parts of rural India.

In addition, it is quite funny to note that Lipstick even though being a small and miniscule product, has a humongous market and sector in itself. This is so much so that it leads to clear indication of existence of a ***‘lipstick index’*** in the Indian market. It is a term that was coined by Leonard Lauder, former chairman of Estee Lauder, to describe the company’s increased cosmetics sales during the economic downturn of 2000. This was since consumers were said to delay big ticket purchases like automobile or consumer durable and find disposable income for small indulgences like a lipstick.

It's a clear indicator that the ***‘lipstick index’*** exists in India. The term was coined by Leonard Lauder, former chairman of Estee Lauder, to describe the company’s increased cosmetics sales during the economic downturn of 2000. In India, while consumers are said to be delaying big ticket purchases like an automobile or a consumer durable, they find disposable income for small indulgences like a lipstick.

Inferences drawn by HUL’s VP and some other industry heads are: -

Lakme owner HUL’s VP (skincare and colours) Prabha Narasimhan said, “One of the key reasons why colour cosmetics is less affected by the slowdown is that consumer usage is still low. As women become more aware about brands, they are willing to upgrade. There are a host of brands offering premium products at higher prices.”

“If we look at the entire spectrum of consumers, the aficionados buy 5-7 lipsticks of a given range and, with every collection, while at the other end of the spectrum, there are consumers who pick up just 1-2 lipsticks annually,” said Narasimhan.

“You will always find in a woman’s drawer a lipstick and a compact powder. Awareness and education about makeup, especially the ‘how to’ videos, are some of the building blocks driving the category’s growth,” said Kaushik.

Furthermore, as we know, the current pandemic has affected most discretionary categories but the beauty-services industry could be hit more than some others, with people relying increasingly on do-it-yourself services at home. In such scenarios, Lipsticks acted as a hedging instrument for Lakme since they were the only product that Lakme sold had undeterred levels of profit. This is evident enough to prove that Lakme lipsticks have a robust market demand with high levels of price inelasticity!

Also, while the Lakme brand is worth more than Rs 1,000 crore in revenue, cosmetics products such as eye-liners and lipsticks generate a bulk of its sales instead of beauty services.

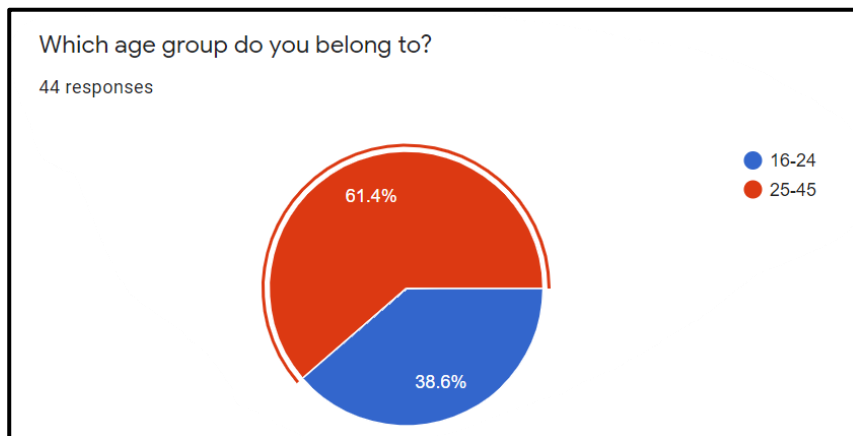
As per latest HUL reports ~ "The profitability for the year has been largely impacted on account of Covid outbreak. After a stringent lock down which disrupted operations in the first half, the company in the second half of the year has sequentially improved performance to almost previous periods revenue,"

Lastly, Lakme sales for the fiscal ending March '21 is reported to be INR2,945.05 (in lakhs), from which it is assumed that a huge 35-40% is contributed by its lipsticks line-up itself.

OVERVIEW: -

Customer Survey analysis: -

Customer survey basically is a method of getting consumer feedback. They help companies like **Lakme** measure satisfaction, perform market research, and gauge expectations. With this input, you can investigate customers' motivation and trigger points for purchasing the analyzed product. Below perhaps is a comprehensive analysis for the same.

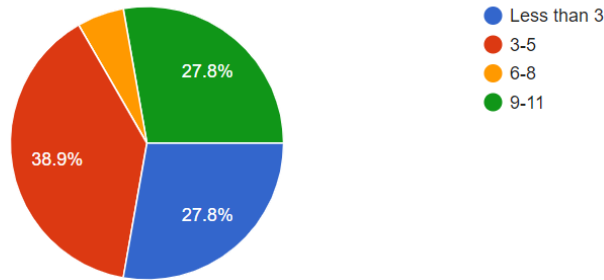


Inference: - Out of the total 44 responses obtained, a huge 61% belong from the elder age group of 25-45 whilst mere 39% are from a younger population of 16-24. Hence, it won't be wrong to state that the sample consists of a comparatively mature crowd which very well

knows how much it should actually be spending after Lipsticks with making considerations for saving as well.

For how many years have you been using lipsticks? [for age grp : 16-24]

18 responses

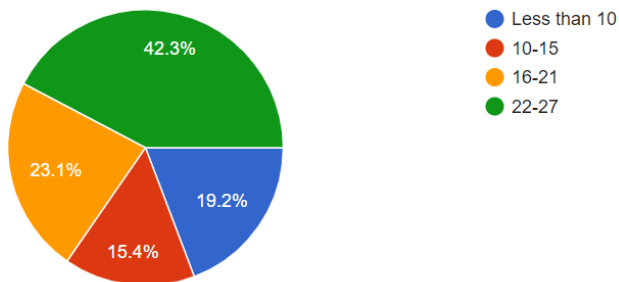


Inference: - The sample data for age group 16-24 collected is as such quite grown-up in terms of having experienced lipstick with majority having used for mere 3-5 years. However, this is followed by 9-11 and less than 3 years both having 27.8% votes each. Thus, we can conclude that we have a good

mixture of responses with 55.6% of responses being extreme i.e., either more than 9 or less than 3.

For how many years have you been using lipsticks? [for age grp : 25-45]

26 responses

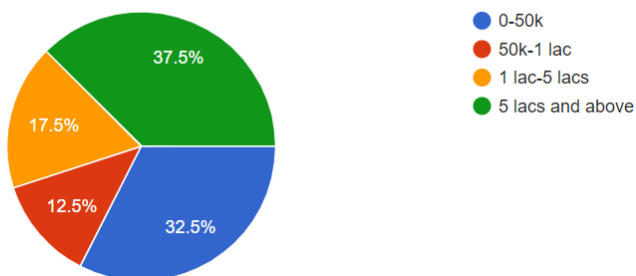


Inference: - Next, we have sample data for the time duration (in years) for which lipstick were used. This data as it is evidently visible, is more skewed towards the 22-27 years band with 42.3% responding for the same. This means that majority were introduced to lipsticks around

approximately the same time. Least responses are for the time duration in the range of 10-15 years. Also, as much as 19% have been relative amateurs in using lipsticks with less than 10 years of approx. usage. 16-21 years band falls second in terms of responses obtained.

What is your annual income level? [completely confidential info]

40 responses



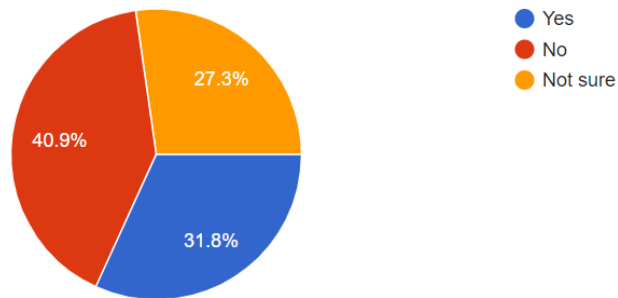
Inference: - As we already inferred, the working women of the age group 25-45 outweigh the younger sample group marginally. Thus, annual income of 5 lacs and above have got the highest response comprising of 37.5% of the total 40 responses received. This is followed

by 32.5% responses for annual income in the range 0-50k, which would perhaps be for the younger sample group who are either *interned somewhere* or receive *monthly pocket incomes*. This question

too has got mixed responses with the extremes getting the most responses. Also, it must be noted that the above responses will form the basis for the elasticity measurements too.

Was Lakme the first lipstick brand you were introduced to?

44 responses

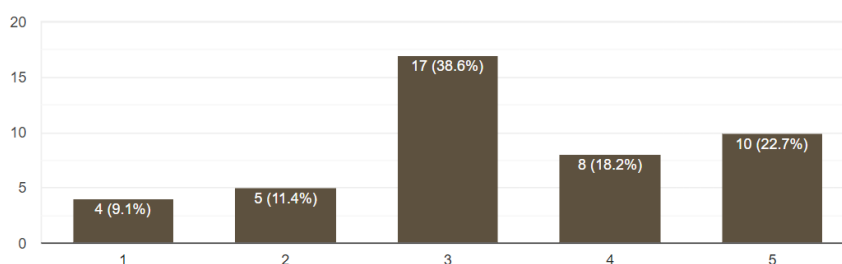


Inference: - This question holds significant importance since it will help me know how intuitive is Lakme as a brand for consumers. Unfortunately, a whopping 41% recollect that Lakme lipsticks weren't the ones they started their lipstick usage with. Also, it is said

that in case of cosmetics, women don't easily switch to competing brands once they find the current one quite comforting and suitable. This is as cosmetics can even have adverse effects on skin. 32% of the responses however had Lakme as their first choice and it won't be wrong to assume that Lakme would have retained most of them till date due to its strong and diverse market presence.

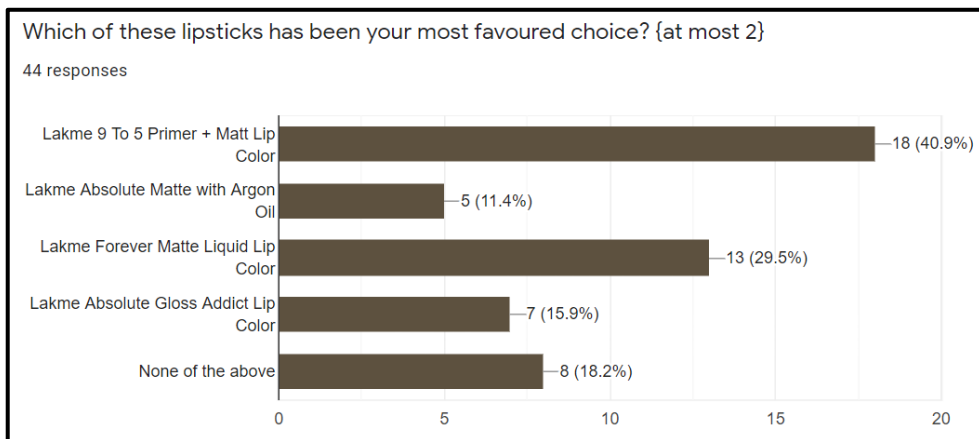
Whenever you go outdoors, how likely is it that you choose Lakme over other lipstick brands you possess?

44 responses



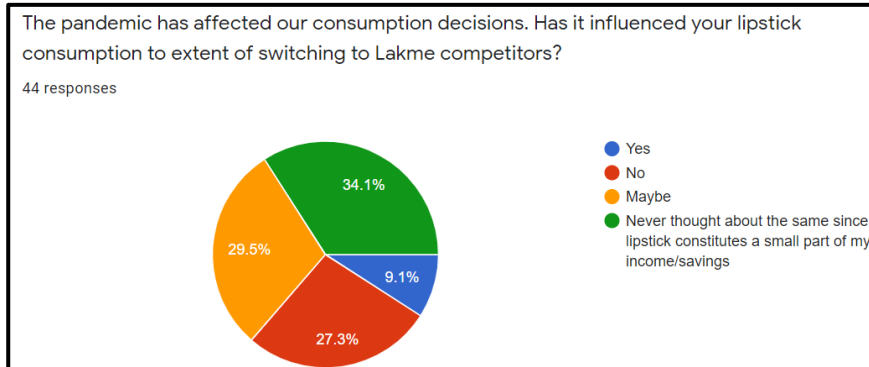
Inference: - This question holds importance in terms of determining customer loyalty and their intuitional belief towards the brand. 17 of 44 responses i.e., around 39% surveyed show average loyalty for Lakme which can be drawn conclusions from that they 50% of times could choose Lakme

or any other brand over the same. However, as much as 40.9% i.e., 18 responses show stronger brand loyalty which gives a satisfactory indication. 9 responses have poor brand loyalty and can anytime switch to close substitutes like Maybelline.



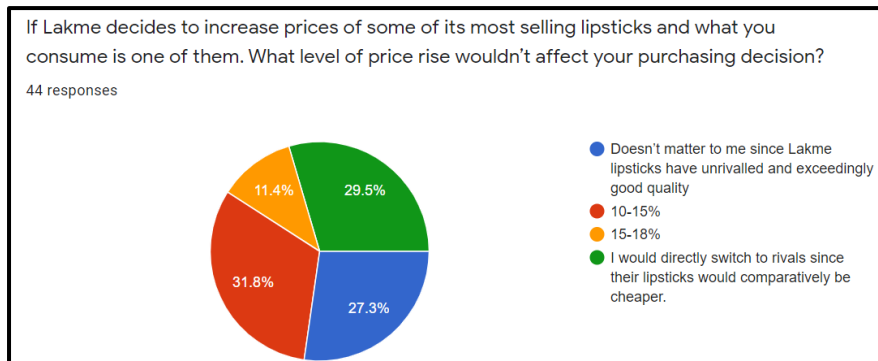
Inference: - These responses indirectly depict and help me determine what price range do Lakme customers usually prefer. The prices of the lipsticks mentioned from top to bottom are- ₹450, ₹800, ₹295, & ₹558. We can infer than Lakme

customers don't prefer much of its premium lipsticks and limit their purchases in the range of ₹250-₹600. Lakme 9 To 5 Primer + Matt Lip Color has the highest preference with 41% i.e., 18 people choosing it over others. It is next followed by Lakme Forever Matte Liquid Lip Color with 30% preference.



Inference: - Since the pandemic has affected everyone's income pattern, this question would help establish the income elasticity of customers for Lakme lipstick. A whopping **34% states** that in terms of income too customers have great loyalty towards Lakme. Economic up and down

trends don't seem to affect their demand with as much as 61% of market staying undeterred.

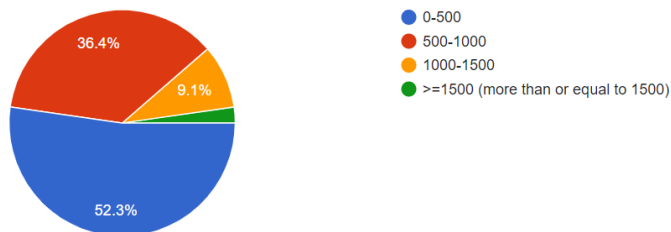


Inference: - We ascertain that **27%** of Lakme lipstick market is price **inelastic** whereas further **32%** would only **start reacting** when the prices cross the **level of 10-15%**. Lakme should perhaps **focus on the 29.5% of market** which is **highly price elastic** and could cause great

sales volatility if they were the ones who consumed the premium lipsticks. The **remaining 11.4%** is a quite safe zone since they are **highly price inelastic**.

At a time, how much do you spend on Lakme lipsticks?

44 responses

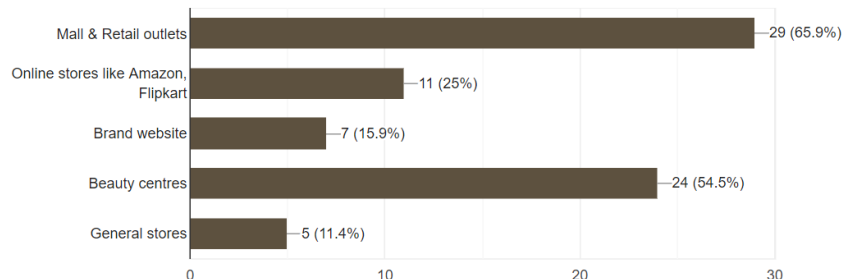


Inference: - This chart shows the level and type of total market consumers that Lakme currently captures. **52.3%** which is an enormous proportion, **states** that **majority of consumers prefer regular use lower-priced lipsticks**.

36.4% responses for 500-1000 furthermore **proves this point**. The **green** part showcases Lakme's **premium market coverage**.

Which marketplaces do you prefer purchasing lipstick from? {can select more than 2}

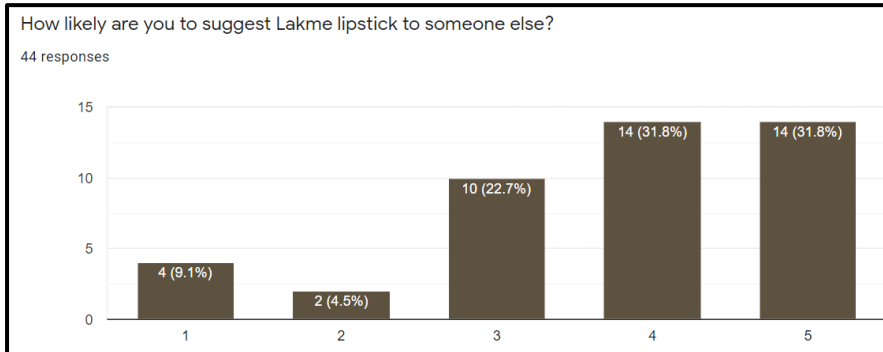
44 responses



Inference: - Herein, we aim to analyse and understand the market reach of Lakme lipsticks over various platforms that offer the same. **Mall & retail outlets** have the **most preference** i.e., **66%** which even proves that Lakme is **ubiquitously considered as a brand and luxurious product** to

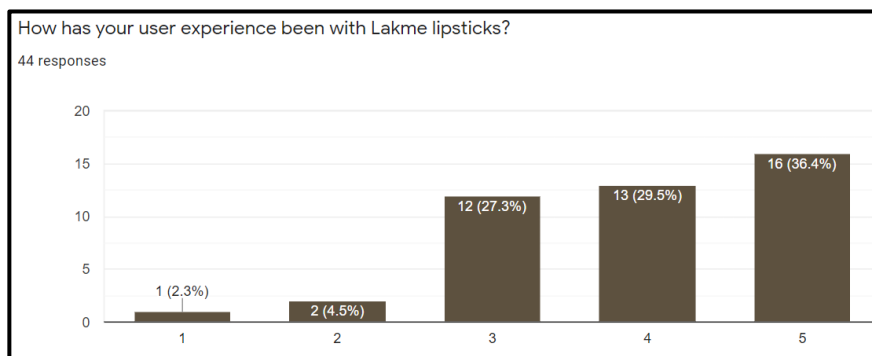
have.

This is followed by beauty centers. **Online reach** for Lakme lipsticks is the **least** and thus they should **aim at elongating the same**.



Inference: - As much as 28/44 i.e., 63.6% of survey respondents reverberate Lakme as a must use lipstick brand. This is what would provoke them to suggest it to others as well. This is really good for Lakme from longer run POV.

The outliers i.e., 3 customers accounting to 13.6% is what Lakme should aim to influence.

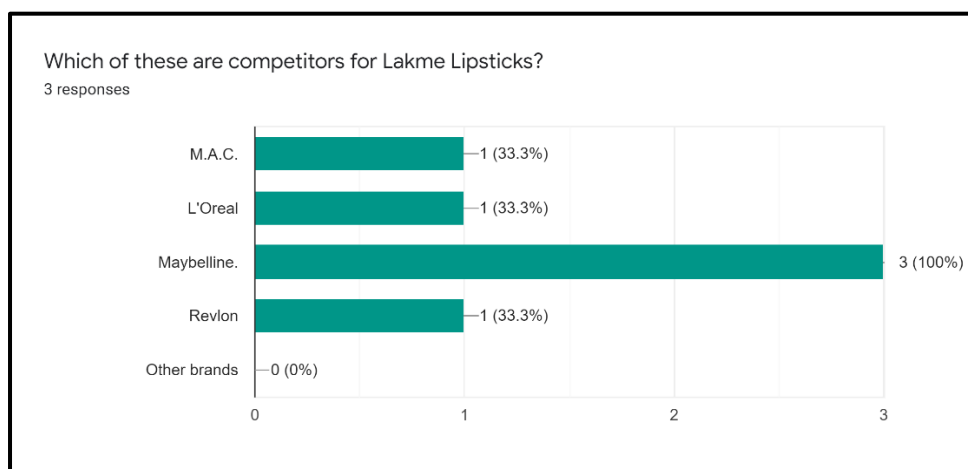


Inference: - This data is what forms the basis of the previous question. This means that if customers have good to best user experience with Lakme lipsticks, then and only then are they to suggest the same to others. Perhaps this is why both of

the graphs have similar customer review trend.

Retailer [supplier] Survey analysis: -

Following are graphical representations of what suppliers feel and have analyzed regarding Lakme lipsticks.

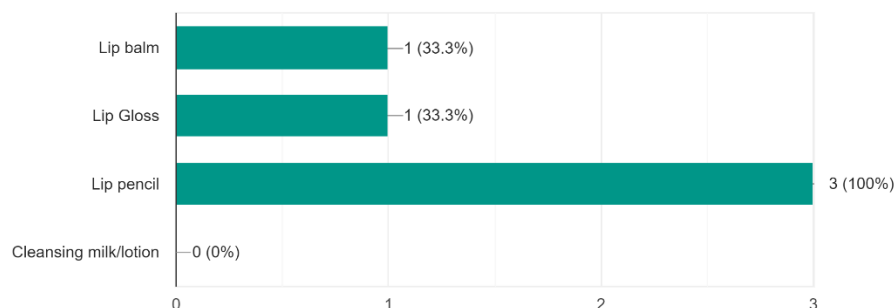


Inference- This graph is useful in knowing what are the close market competitors for Lakme. It is quintessential for Lakme to know them so that it can analyse their market strategies and perform likewise. Maybelline which is a US based company poses the

highest threat. Any mispricing by Lakme would hence mean losing elastic customers to the same.

Which of the following is a complementary for Lipsticks? [i.e. prefer purchasing along with lipsticks]? [Max 2]

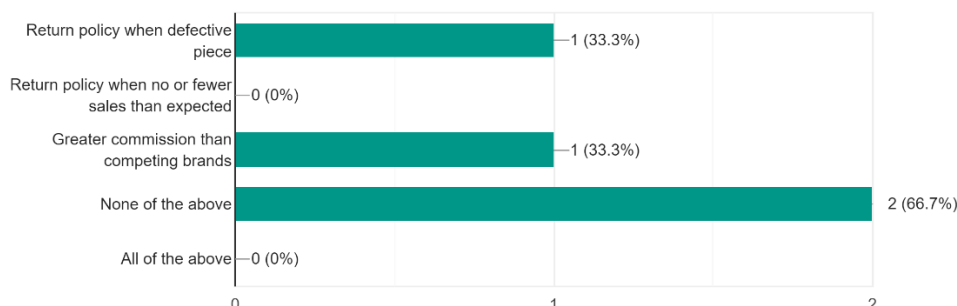
3 responses



Inference- Complementary goods are those whose demand is almost parallel to that of the main good i.e., Lipsticks in our case. Perhaps the best complementary goods for Lakme lipsticks are Lip pencils followed by Lip gloss and Balm.

How is Lakme better than its competitors? [more than 1 possible]

3 responses

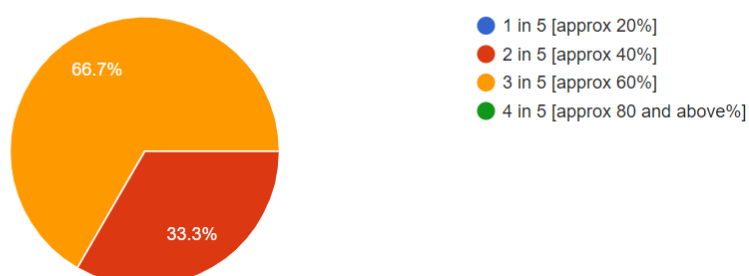


Inference- This question was posed to help me analyse seller/retailer sentiments towards Lakme. Majority of the suppliers get none of the mentioned benefits. However, 33% each get certain benefits like

return policy for defective products and better commission than competitors. These factors act in favor of suppliers.

What ratio of your lipstick customers demand Lakme?

3 responses

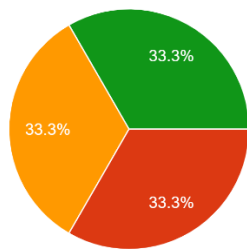


Inference- This survey data helps us know how deeply Lakme lipsticks have market penetration. It is remarkable to note that 60% of consumers that demand lipsticks, do the same for Lakme. It is followed by 2 in

5 i.e., 40% demanding Lakme lipsticks.

Which of these do you experience?

3 responses



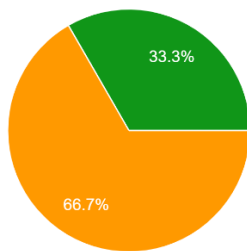
- Get higher profit margin than competitors, but lesser sales
- Get lower profit margin than competitors, but high sales volume
- Get higher profit margin than competitors and a high sales volume
- Get a lower profit margin than competitors and have lower sales volume

Inference- If retailers prefer keeping greater stock for Lakme lipsticks then which of these is the **trigger point** for the same. A **mixed result** surfaces with the last three i.e., red, yellow and

green getting equal weightage. Each case however prove that Lakme lipsticks undoubtedly have **high sales**.

How responsive is Lakme to order fulfilment?

3 responses



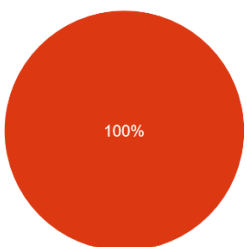
- Very responsive [gives same day/ within 24 hrs delivery]
- Good enough responsive [2-4 days for delivery]
- Poorly responsive [takes almost a week to deliver]
- Huge stock issues [takes anywhere between 7-10 days or even more to deliver]

Inference- Other than considering Lakme's penetration in Consumer market, its also important to consider **how deep are their roots in the supplier market**. However, it is sad to note that around **67% of**

suppliers feel that Lakme has **poorly responsive supply chains** taking a week to reinstate stock

Do you incur any advertisement cost for marketing Lakme lipstick?

3 responses

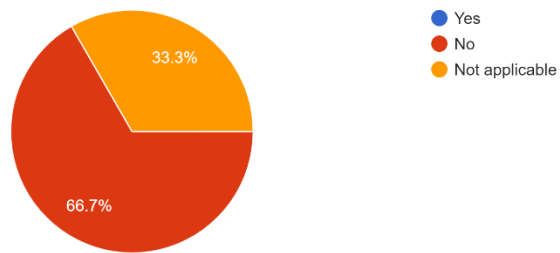


- Yes
- No
- Not sure

Inference- The suppliers have great relief in terms of advertisement costs to be incurred since the entirety of the same is borne by Lakme itself. They just need to make adjustments for

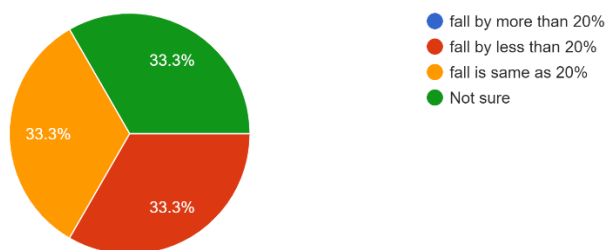
advertising in their premises.

Does Lakme reimburse you for the ad costs incurred?
3 responses



Inference- Since 100% of the market ad costs are borne by Lakme, this question perhaps is irrelevant.

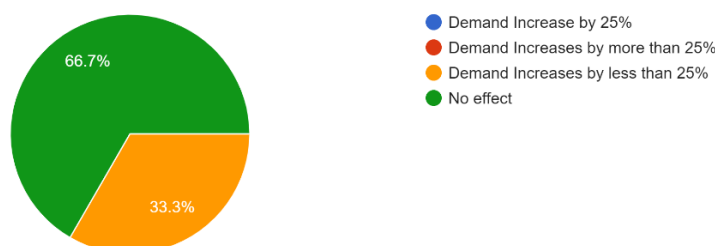
If Lipstick were to get expensive by 20%, how likely is the demand to fall?
3 responses



Inference- This pie chart data forms the basis for the price elasticity for Lakme lipsticks. Ignoring the 'not sure' part, majority feel that lipsticks are almost between unit and inelastic product

demand. This is good news for the business pricing strategies.

If PRICE of LIPSTICKS increase by 25%, how would it influence DEMAND for LIP GLOSS?
3 responses



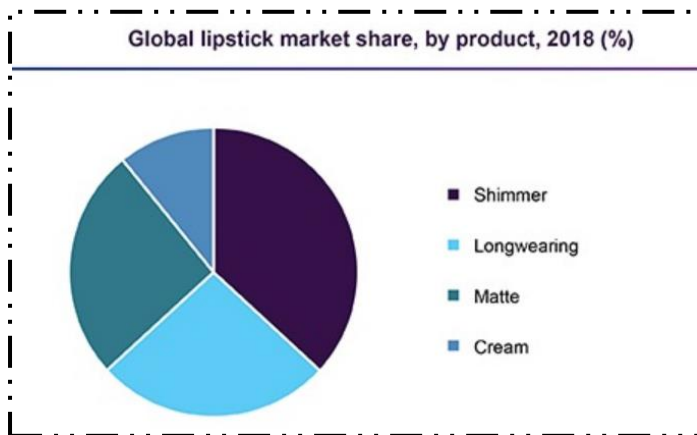
Inference- Furthermore other than price, another form of elasticity is **cross elasticity**. The data thus suggests that **Lipstick price and Lip Gloss demand are highly inelastic**. Therefore, even if lipsticks get expensive, they

would have no impact on the gross demand for the lip gloss.

Growth opportunities Possible and Prevailing market trends: -

First of all, let's understand what we mean by **Growth opportunities**: - it is an investment that is made into a certain project by the investor or a company with having analyzed that the former has the potential to grow significantly, leading to a profit for the investor. New investments are hence presented to potential investors as growth opportunities.

Therefore, after studying and analysing the market for Lakme lipsticks, we feel that following are the areas



which if improved could give Lakme its potential sales with following smart and efficient diversion of resources. Herein mentioned are the most prominent types of lipsticks prevalent in the market.

However, as we can notice, shimmer lipsticks hold a significant market share. Shimmer finished lip colors are also easier to remove as compared to matte cream and longwearing lip colors. As a result,

this product has gained significant popularity as everyday wear makeup. Shimmer lip colors are suitable for both daytime and night time looks. Furthermore, Lakme's competitors offer a wide range of colors in this shimmer finished lip colors.

It thus, is advisable that Lakme must make certain amendments forthcoming in its product manufacturing and integrate the following:

- 1) *Add greater shimmer in its lipsticks*
- 2) *Manufacture out of box shades which walk hand-in-hand with Indian complexion*
- 3) *Reduce the cream composition in the lipsticks since consumers prefer more of naturally built lipsticks without any such redundant additions.*
- 4) *In addition to the above, Lakme could even introduce pocket-friendly versions of lipstick which deliver great transport portability.*

Matte-type lipsticks are expected to stretch out at a remarkable CAGR of 7.9% from 2019 to 2025. Focusing on shimmer and matte lipsticks perhaps, could present great growth opportunities too! This is because consumer preference is shifting towards these dry lip colors owing to their long-lasting and natural look properties. Key players have introduced a wide variety of matte finished products, considering this trend.

Recently, MAC Cosmetics too launched matte Powder Kiss lipsticks in different shades. This weightless product has a powdery-matte finish that moisturizes lip. Hence, Lakme too must harness on the trend.

Moreover, recently, lip powder is something that has soared to new heights in terms of public preference. Its matte finish accompanied with light texture propelled the market. Coconut oil, glycerin and skin-hydrating vitamin E contents make the product highly demanded in nature. Furthermore, lip powder is more durable and long-lasting too than conventional lipsticks. Perhaps, this domain too could be ventured out for prospective growth opportunities.

However, other than considering the growth prospects, it's also important for Lakme to consider the latest ongoing market trends so that it can create and manufacture lipsticks in those lines and reduce the risk of fewer product sales.

Prevailing trends are –

Lipsticks which **last more** or which are quite **sustainable** and are **made with natural and organic ingredients** are the fresh demands of markets and companies have started producing such products. Thus, we can say that these two are the prevailing trends in the lipstick industry and moreover in the cosmetic industry which we too need to incorporate in our business.

The main rational behind the same is that people have become more health conscious in such times of pandemic and so are even ready to spend more for such lipsticks.

Market and Industry Analysis: -

The global lipstick market size was valued at USD 11.5 billion which is expected to grow at a compound annual growth rate of 7.4% from 2019 to 2025 to reach USD 18.9 billion by 2025 of which Lakme is a significant contributor.

Also, according to the research agency Nielsen, Lakme is the current market leader, with a 17.7 per cent market share in cosmetics.

Business Strategy: -

A business strategy is one which is aimed at creating value for clients and taking advantage of competitiveness by exploiting core competencies in particular product markets i.e., Lipsticks in our case. A company's core competency must be taken care of and attempted to meet customer requirements in order to achieve excellent yields. This is achieved through strategies at the business level. The Business strategy is

concerned with the situation of a company in sector with respect to rivals and the various competitive forces. Knowing the customers is very crucial in order to obtain and maintain a competitive advantage.

The various strategies that Lakme implements and executes as a part of its BUSINESS strategy are: -

I. PRODUCTION STRATEGY:

Innovations and advanced product launches at Hindustan Unilever Ltd.'s (HUL) personal care brand Lakme have surged over the past few years amid soaring demand for beauty products in India market, and rising competition from foreign and home-grown brands, such as L'Oréal-owned Maybelline, Color bar and MAC. The pace of recasting and transformations at Lakme, which sells colored cosmetics and skin care products, is up nearly three times than what it was few years ago, said a top HUL executive.

"As the market has evolved, our pace of innovation has every year been more than what it was in the past. If earlier we were doing 5-10 innovations a year, today we are doing 30-50 innovations, or renovations, on Lakme," said Sandeep Kohli, executive director, personal care, HUL.

A latest earnings presentation released by Lakme, portrayed that innovation-led growth in its colored cosmetics portfolio had helped the turnover of such products grow 2.3 times till FY19. The firm also said that 150 stock keeping units are being launched every year on an average.

Moreover, with cosmetics being used in India and more women move to work in urban areas, specialists are saying there is increasing pressure to come up with the chic product. With a range of products and fresh additions, Lakme has reacted to numerous difficulties and seeks to reinforce its strategy within the manufacturing department. The packaging has also been refurbished and segmented to lure working women and make them believe that applying Lipsticks is the way forward for a good corporate status.

The production strategy is furthermore divided as follows: -

- a. **Demographic:** Lakme targeted women from the age group 24-42 in this section and are now targeting young women.
- b. **Geographic:** It focuses primarily on the production of urban products.
- c. **Psychographic:** Lakme has almost targeted all of India and produces goods based on distinct segmentation kinds because Indian females generally do not have a fair skin like the Western counterparts.

The Indian economy's globalization and liberalization and altering demographics, the business is high on producing products for the Indian economy's growth.

II. MARKETING STRATEGY:

The internal industrial analysis can be carried out using various analytical methods like **SWOT Analysis** (already covered in an earlier section), **PEST analysis**, 4 Ps of the marketing mix and many more. Generally qualitative in nature, these analysis techniques are used to identify market issues, market status, product/service demands, and other facts related to the sector / organization / problem being considered. The SWOT analysis in this report reveals the internal state of the industry. Lakme's Lipsticks, as we know, have an extraordinary marketing strategy in order to attract the customers of the Indian market.

The marketing strategy enforces the marketing mix of Lakme which analyses the brand and company that covers 4Ps (Product, Price, Place, Promotion) of marketing mix.

1. **Product:** Lakme focuses on how to design, develop and manufacture its lipsticks in an attractive way to satisfy the particular needs of society at large. Lakme has a wide range of color cosmetics products that offer visible results to this vast range to glam up the look.
2. **Price:** This is the second component of the marketing mix and the company can determine it based on different economic factors and production and marketing costs. Price is what customers actually pay in the marketing mix for the product. Lakme has economic to expensively priced lipsticks for Indian customers in the country. Indian females however, are price conscious, want value for money and hence also spend wisely. This is perhaps one of the reasons why Lakme customers feel that their Lipsticks are the most appropriately priced since Lakme first analyses the local market and then prices the same at the best and efficient price possible. Lakme, therefore, has always ensured that it delivers right type of Lipsticks at the highest quality and at the lowest possible price, leaving its rivals behind.
3. **Place:** Customers always prefer to buy the required product from the nearest place where it is located. It is believed that Place in marketing mix is viewed as distribution channel and cover physical store as well as internet virtual stores. Lakme broadly promotes two categories of distribution channels.

They are: -

- Prestige-Department stores, which include specialty stores and chain department stores.
- Broad-Food stores, which include cosmetic discounter, warehouse clubs, and mass merchandisers.

Lakme over years, has even realized that it has to promote a product range that addresses the beautification needs of not only adult women, but also teenagers in today's context. This is primarily driven by the mindset

of today's teenagers – “*spend more, save less*”. Teenage girls thus, want to look and feel good always with using the best and most expensive possible make-up brand existing. Companies like Lakme perhaps smartly focus their marketing mix on such easy to win customers only who supplement them with a prodigious and massive level of profit!

4. **Promotion:** The fourth element of the marketing mix includes the way marketers communicate to express brand message in a market place. There are different methods of promoting product, for instance, through *word of mouth, sampling, advertising, and point of purchase*.

Pest analysis: -

PEST analysis has always been part of the external macroeconomic environment in which the company operates. The following comprehensively covers the impact macro factors have over the industry as a whole:

***Political Factors:**

a) **Tax Pressure:** Lakme does bear a 30 percent tax rate, which is the highest among all the tax rates, as a corporate tax rate. This thus, has a significant impact over its Lipsticks line-up since they solely account for the highest sales revenue. Tax pressure overall reduces the company's profit margins too.

b) **Environmental Regulations:** The green business norms of the government enforce the company to convert 30% of land in its possession into green land to make the environment eco-friendly. Even though it is an important contribution to maintain clean environment, Lakme ends up incurring fixed extra costs for the same.

c) **Tariff and Trade Restrictions:** Lakme Company has to bear the expenditure for paying the state taxes like Central Value Added Tax (CENVAT) which was earlier known as Excise duty, freight duty, GST etc for crossing borders for the purchase of raw material and the delivery of finished product.

***Economic Factors:**

a) **Inflation and Interest Rates:** Lakme adversely gets affected due to phases of higher inflation than expected while purchasing raw materials, machinery, etc. The Company also pays interest rate of 12% on its corporate loans which just adds onto the pile of obstacles.

***Social Factors:**

a) **Health Concern:** Keeping the safety of the customers and corporate social responsibility in mind, Lakme uses quality and safe chemicals that are not harmful for the lips even though they are a bit costly than the other chemicals. It even spends a lot on researching and acquiring organic products.

b) **Environment Norms:** Keeping the environment norms in mind, the company has converted 30% of its land into the green area and also used eco-friendly paper for the purpose of packaging.

c) **Emphasis on Safety:** Lakme has emphasized on employee safety and has offered employees insurance policy of Rs.1 crore with an annual premium of Rs.50,000/-

*Technological Factors:

a) **Research and Development:** In the coming years, the company has a plan to spend a considerable amount on consumer research and development of its green product range as the company has the advantage of being a leader over introducing such products on the Indian market and to ensure its brand will be easily copied by the competitors. In order to maintain a tight hold on the market, Lakme has decided to continue investing into research and development activities.

b) **Technology's Effect on firms offering:** The increase in the Research and Development cost will affect the Lakme's offering as lipstick costs will rise as R&D costs increase. It would thus have to aim about using much more efficient machineries equipped with the advanced technology. This would facilitate Lakme with cutting down on significant costs.

Furthermore, for analysing the market, we even need to take into consideration the sentiment analysis.

Sentiment analysis: -

This is a type of analysis that helps large enterprises gauge public opinion, conduct nuanced market research, monitor brand and product reputation, and understand customer experiences.

Following is thus my preliminary attempt at a sentiment analysis: -

The 20-year age group had overpowered the 2018 cosmetic [lipstick] market (which they will continue to do) with contributing for about 30% revenue to the industry. Moreover, the millennials fascinate over the fancy platforms like YouTube, Instagram, snapchat and Facebook over which they crave for various cosmetic products including lipsticks. Therefore, making millennial-friendly products could prove to be very useful for Lakme.

Furthermore, as the number of working women increase the more demand of lipsticks will come forward

Also as mentioned earlier, sentiments and principles of people are changing towards organicity and sustainability of the goods/products. the natural inclination towards good health changes the taste of people and brings a revolution in the market.

Also, people's viewpoint and sentiment for lipsticks, especially of women, is inclining more towards considering it as a daily life necessity rather than an occasional luxury.

Due to growing modernization and corporate world adaptation, applying cosmetics with lipsticks being the bare minimum has also been at escalated pace.

ELASTICITY of LIPSTICKS: -

What do we mean by elasticity of a Lipstick?

Elasticity in simple terms, is the measure of responsiveness of demand to change in the underlying factors. These underlying factors could perhaps be change in price levels of the lipstick, change in consumer disposable income or the price of the close substitutes [*mostly competing brands*] or complementary goods for lipsticks [*like lip gloss and lip pencil.*]

The two main types of elasticity however which we'll be touching upon in this project are : -

- I. Price elasticity of Lipsticks
- II. Cross elasticity between demand of LIP GLOSS and price changes of LIPSTICKS.

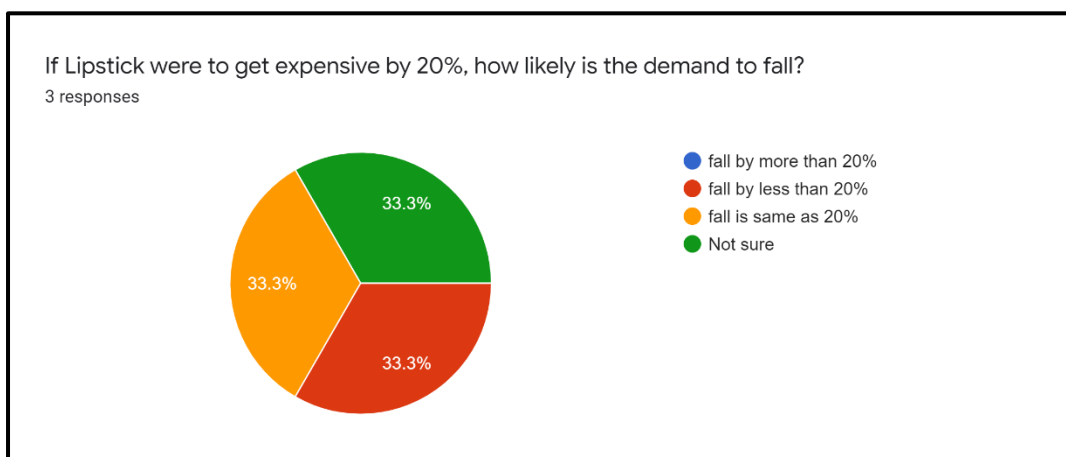
Price Elasticity of Lipsticks: -

This elasticity could be computed through various methods prevalent in the economy namely POINT method, ARC method etc.

However, the most commonly used method is the total expenditure method which is –

$$\% \text{ Change in Quantity Demanded} / \% \text{ Change in Price of the product.}$$

However, due to lack of reliable & complete data; we did conduct a supplier survey which helped us with providing the required elasticity information.



Excluding the “not sure” data, we can infer that demand for Lakme lipsticks is **somewhere between Unit elastic to Inelastic demand**. This means that Lakme with fair enough market survey can

proceed with a 1/5 th i.e., 20% price increase since there is around 66% chance of there being negligible impact on its lipsticks.

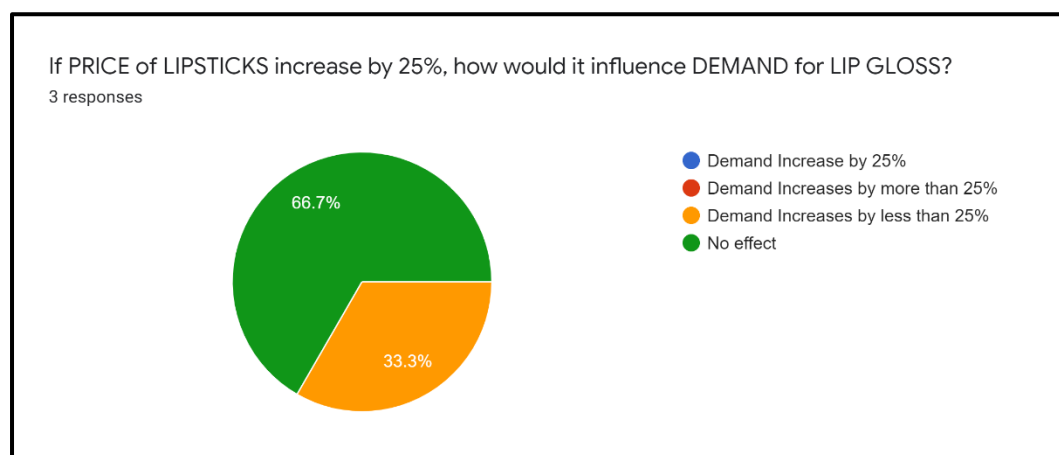
Cross Elasticity of Lipsticks: -

Widely used method to calculate this type of elasticity is: -

$$\frac{\text{Percentage change in demand of good A [i.e., Lip gloss in our case]}}{\text{Percentage change in price of good B [i.e., Lipstick in our case]}}$$

Companies like Lakme carry the rationale behind using cross elasticity that it would help them know the level of close substitutes and closely dependent complementary goods present in the market and that what impact would each have on one another. It would seem silly to compute this elasticity but since products are largely impacted by the indirect factors too, thus these must be carefully assessed to know the actual degree of risk involved.

However, due to lack of reliable & complete data; we did conduct a supplier survey which helped us with providing the required elasticity information.



As much as 67% of market respondents state that even though Lakme increases the prices of its Lipsticks, the market demand of Lip Gloss which is one of its close complementary goods

will stay untouched! This evidently proves cross elasticity between the two products is almost **Perfectly Inelastic** i.e., have no impact on demand no matter how much the prices fluctuate.



supplier
(Responses).xlsx

(Link for Excel spreadsheet consisting of Supplier survey data and Elasticity analysis)

LINEAR REGRESSION ANALYSIS: -

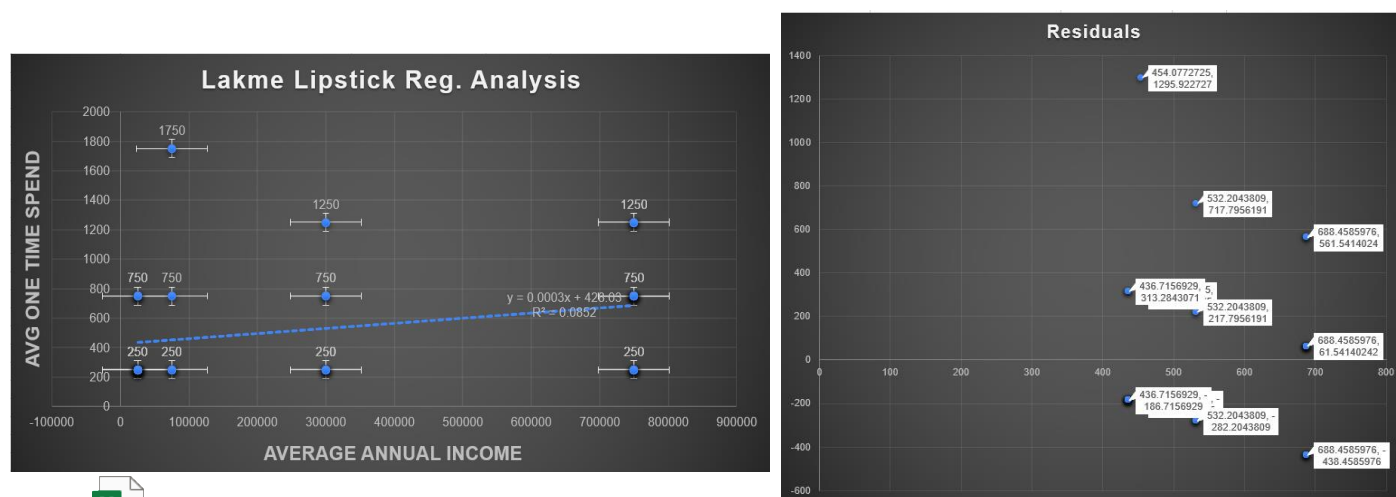
Considering the most influential parameter for Lipsticks – *THE AVERAGE CONSUMER SPENDING*

What is regression analysis?

Regression analysis is a statistical tool which helps to predict the dependent variable with the help of atleast one independent variable. It simply establishes a relationship between the dependent and the independent variables so that the likely future values could be predicted. It is formulated as $y = \alpha + \beta x + e$, where y is dependent variable, x is independent variable, α is intercept, b is slope and ε is residual i.e., the error term.

Based on my survey and the sample data collected, I have considered annual consumer income and their proportionate one-time spending over Lakme lipstick as my variables.

Y=One-time spending [dependent variable], **X=Annual Income**



Business Economics -
Academic Survey for I

(Link for Excel spreadsheet consisting of Consumer survey data and Linear Regression analysis)

Inference out of the analysis: -

As you can evidently notice that the r-squared value is mere 0.0852. This means that this regression model currently has an accuracy level of 8.52% which is undoubtedly very low. Perhaps other independent variables like *Average number of years for which consumers use the product, quantifiable preference for Lakme lipstick over competitors, numeric correlation of Lakme lipsticks with market ongoing trends etc.*, could be furthermore integrated in the model. This would help increase its accuracy to a desired 75-80%, thus making the model much more viable.

The second scatter plot is pertaining to Residuals of the linear regression. This means that they portray the magnitude by which the **actual values** differ from the **fitted/predicted values**. [Please do excuse the overlapping of point values due to closeness of points on the graph.]

CONCLUSION-

Synopsis: -

A cosmetic, especially like that of a *LIPSTICK* is implemented in daily lives, primarily to change or enhance the appearance of the lips. Each appearance is perhaps subject to the appeal and caliber of cosmetics consumed. Research showcases that cosmetic like Lipstick, make-up etc., is used not only by women but by men too from cradle to grave as it becomes vital for human beings.

A testimony to the significance of lipstick is the exponential development of beauty industries in and around the globe. India's ever-increasing population significantly multiplies the use of cosmetics. Lakme has in one manner or another occupied an important position in lives of Indians, all glories owed to its indigenous and above-average quality. This report perhaps was conducted to analyze and provide a holistic view of the Lakme lipstick's strategy, rivals and results.

If all the suggestions and findings of this study are listened to and carried out, the analysis pattern of cosmetics will undoubtedly be beneficial not only in India but also outside. With many players coming up with innovative products in the beauty care sector, Lakme aims to penetrate mainly into untapped markets, and have a stand in the market with parallelly expand globally. The analysis, therefore, offers in-depth data of Lakme's business strategies and how it has vied up to be the most intuitional company for the Indian consumer!

Limitations: -

- In times like Covid, it becomes really difficult to approach every possible supplier in the vicinity. This is as they straightaway refuse to fill the survey online due to information leak issues. Thus, the 3 responses obtained are assumed to be the supplier sample data for the entire market.
- Also, the general market data for lipsticks is assumed to be Lakme specific lipstick data since even after thorough searching, specific data wasn't available.
- Since HUL is the parent company owning Lakme, mentioning data around lipstick which is its sub-product was somewhat redundant for the conglomerate. Thus, a significant portion of Lakme financials is assumed to be that of Lipsticks. This is because Lipstick is a defensive product amongst the array of products Lakme provides to its customers.

- The entire customer survey was forwarded through digital platforms due to the ongoing pandemic. Therefore, the state of mind of the respondents and their interest in the survey couldn't be assessed. Thus, there are chances of fake and inappropriate responses having been obtained.

My insights & suggestions: -

1]

Lakme's drive comes at a time when competition in the beauty market is heating up. Besides, the emergence of online as a popular sales channel for beauty goods also poses a challenge to Lakme, as entry barriers to sell online are low. Lakme will thus need to enhance its presence online with adding greater prominence to the same.

2]

Kohli {executive director and personal care at HUL} added that currently, premium brands are the fastest growing "because that's where the market is evolving". Lakme, in response, has also become more aggressive with its pricing strategy to keep ahead of other mass-market brands, he added.

I herein suggest, that Lakme in the race of grabbing the premium and niche market mustn't overlook the prospects the remote locations of India serve it in a platter! Things are getting digital and so it must employ & create more awareness in the rural areas with trying to ace the rural as well as premium urban customers.

3]

Developing new, effective, and durable lipsticks using the latest emerging technologies such as nanotechnology; give product differentiation advantage to create a monopoly at least for some time to the Lakme.

4]

Lakme must introduce natural beauty product lines as individuals are increasingly getting health-conscious with being inclined towards herbal goods nowadays.

5]

It should even decrease its advertising spending, particularly in urban regions, and focus on online advertisements to reach new generation customers. Lakme should even throw light on the masculine industry which is becoming aware nowadays so that the male beauty section can also be a focus zone.

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15. LIPSTICK—EXTRAORDINARY ORDINARY THINGS
-JUNE 10, 2021 PHILIP YAFFE
-Lipstick—Extraordinary Ordinary Things • BLOG@UBIQUITY (acm.org)

APPENDIX-

Brief History of Lipstick-

Products used to put color on lips seem to be almost as old as humankind itself, largely by women but also by men.

Perhaps, as early as 3500 BCE, upper-class Mesopotamians are believed to have applied crushed semi-precious jewels to color their lips. Ancient Egyptians made a red dye for their lips from a combination of fucus-algin, iodine, and bromine mannite. Fabled Egyptian Queen Cleopatra (69-30 BCE) was said to have used a mixture of crushed carmine beetles and ants to give her royal lips a flaming red luster.

Furthermore, During the Second World War, metal lipstick tubes were replaced by plastic and paper tubes, metal was needed for the war effort. Even in the new packaging, lipstick became scarce during the war because some of the essential ingredients of its manufacture, notable petroleum and castor oil, had become largely unavailable.

Lastly, in 1995, the story of lipstick seemed to have come full circle when Lip-Ink International (El Segundo, California) was founded to manufacture and market a wax-free, long-lasting liquid lip coloring. Other companies were quick to put out their own versions of what are now generally referred to as “lip stain” or “liquid lip.”

Social History of Lipstick-

In certain ways, the development of lipstick over the ages reflects important changes in the structures and attitudes in human society. For example, if up to now you have consciously or subconsciously been thinking that all the preceding information about lipstick referred essentially or only to women, you would be wrong.

This is because, **Men continued to wear lip coloring for centuries**— including George Washington (1732-1799) in the United States. However, in France the fashion came to an abrupt halt during the French Revolution (1789-1792) when men wearing lip coloring was seen as a sign of sympathy for the oppressive aristocracy.

In the 1990s, lipstick colors became semi-matte (only slightly glossy), **in part inspired by several TV shows notably “Friends.”** In the late 1990s and into the 2010s, pearl shades became very popular. Rather than being matte or semi-matte, these lipsticks were extremely glossy.

In the first couple of years of the 2010s, bright, bold lip colors such as hot pink, neon, and orange came back into prominence. However, such are the vagaries of fashion, in 2014 and early 2015 things reversed, and

“nude lipsticks” shot up in popularity, following the precept that “less is more.” Nude lipstick refers to neutral shades or shades like skin tone.

Starting in 2015, liquid lipstick saw a boom in popularity. Liquid lipstick applies like a gloss but dries down, it tends to have more staying power and is more pigmented than traditional lipsticks. However, it dries out more quickly and cracks more readily over time.

The Lipstick Market

Lipstick is big business—and getting bigger.

The worldwide lipstick market size at the beginning of 2020 was valued at \$13.1 billion. This is **projected to rise to \$18.9 billion by 2024**.

While some men may occasionally use lipstick, according to market researchers, **not surprisingly women are by far the biggest customers**. The market researchers go further to say that the main drivers of the projected sales growth are: 1) the rising number of women in the workforce, 2) an inclination toward purchasing cosmetics on e-commerce beauty websites.

The global lipstick market breaks down into seven categories of sales channels: 1) cosmetics stores, 2) supermarkets/hypermarkets, 3) convenience stores, 4) department stores, 5) e-commerce sellers, 6) beauty salons, 7) grocery stores.

How Lipstick Is Made

Broadly speaking, lipsticks contain four fundamental classes of ingredients, waxes, oils, antioxidants, emollients. Whatever its end shade and form (solid, liquid), lipstick is made according to the same essential production process.

1. First, the ingredients are ground and heated.
2. Heated waxes are added to the mix for texture.
3. Oils are added to meet specific formula requirements.
4. The hot liquid is poured into a metal mold and then chilled.
5. Once the chilled liquid has hardened, the mixture is flame-heated for about a half-second to create a shiny finish and to remove imperfections.

Lead and other trace metals may be found in many lipsticks. These occur naturally. Since they are not intentionally added, such trace metals generally are not listed as ingredients. However, this doesn't mean that lipstick manufacturers, regulators, and consumer protection organizations are not concerned about them. They are. And for good reason. Lead accumulates in the body. Even though lipstick may contain only trace amounts of lead, over time the amount of lead absorbed into the body could reach dangerous levels.

Lipstick formulations are constantly changing, providing the possibility of higher levels of lead and other harmful contaminants being introduced, or new contaminants not previously there to be introduced. If one or more potentially toxic ingredients were shown to be above safe levels in a new formulation, the adverse publicity could do serious (if not catastrophic) harm to the manufacturer.

As noted earlier, to counter these potential dangers, as a safety precaution health authorities advise that lipstick should never be applied more than twice a day.

THIS IS WHY PERHAPS I PERSONALLY DETEST THE USAGE OF LIPSTICKS, since the cost involved here is **HUGE!**

Quotations about lipstick-

Let's be honest about it. Lipstick is a question of love and sexuality; women wear lipstick to attract the attention of men. And men are indeed attracted by it, so it seems to be a win-win situation.

Certain notable quotations are: -

"Joy is the best makeup. But a little lipstick is a close runner-up."—Anne Lamott

"I live by a man's code, designed to fit a man's world, yet at the same time I never forget that a woman's first job is to choose the right shade of lipstick."—Carole Lombard

"I came out of the womb waving red lipstick."—Rose McGowan

END- Perhaps herein the report about analysis over Lakme Lipstick comes to an end. I hope you enjoyed it as much as I enjoyed preparing the same! 😊😎

****THANK YOU****