Masters of Science in Business Administration

L'ORÉAL PORTUGAL

A DIGITAL CHALLENGE FOR THE ACTIVE COSMETICS DIVISION

Francisco Ascenso

Student Number: 152114063

Advisor: Professor Pedro Celeste

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2. Abstract

Dissertation Title: L'ORÉAL PORTUGAL: A DIGITAL CHALLENGE FOR THE ACTIVE COSMETICS DIVISION

Author: Francisco Nogueira Seco Ascenso

This thesis focuses on a topic which comes from the digital development of the pharmaceutical sector in the Portuguese market. L'Oréal, a multinational company, and worldwide leader in the cosmetic market has to deal in Portugal with challenges which are associated to the Portuguese context. Linked tightly with the overall Portuguese context, the pharmaceutical sector is starting to face new challenges associated with new trends observed in the market. Digital is one of those trends. Considering the example of other sectors and markets, the pharmacists' opinions and the knowledge from different players in the market, this dissertation will study the impacts that a sudden digital development of the sector (mainly centered on the company's clients) might have on the L'Oréal Portugal Active Cosmetics Division business. The main conclusions presented in this paper are related with the fact that although L'Oréal has some tools to leverage in case of a digital development of its clients there are a lot of possible developments which can bring risks and, at the same time, opportunities for the company.

To conclude, with this paper, the reader will be able to understand how a sector, which traditionally shows little change and innovation, can represent and create situations for giant players to stop, analyse and rethink their strategy.

2. Resumo

Tema: L'ORÉAL PORTUGAL: A DIGITAL CHALLENGE FOR THE ACTIVE COSMETICS DIVISION

Autor: Francisco Nogueira Seco Ascenso

Em plena era de revolução digital, esta tese aborda a possível digitalização do sector de farmácia em portugal e os desafios que daí poderão advir para aqules que estão ligados ao sector. Por sector de farmácia, entenda-se, neste caso, canal de farmácia.

Como principal objecto de estudo será dada a atenção ao caso da divisão de Cosmética Activa da L'Oréal que exerce a sua actividade utilizando somente os canais de farmácia e parafarmácia para a distribuição dos seus produtos. Assim, mais do que um estudo acerca do negócio de farmácia, esta tese centra-se no mercado de dermocosmética em canal de farmácia.

Partindo do ponto de vista de uma multicional como a L'Oréal e tendo em conta o seu passado e imagem ligada à inovação, esta tese pretende demonstrar que o canal farmácia apresenta desafios que deverão ser levados em conta pela empresa no desempenho da sua actividade. Para tal, foram contempladas as perspectivas de agências digitais, de profissionais no mercado de dermocosmética (Colaboradores L'Oréal) e farmacêuticos.

As principais conclusões do presente estudo estão assim associadas à necessidade de levar a cabo investimentos em iniciativas por parte da empresa para estimular o desenvolvimento digital do sector. Este investimento terá em consideração ganhos futuros por parte da empresa em termos de maior informação do mercado e, principalmente, dos consumidores e do negócio de farmácia, de diferenciação para outras empresas no sector, de construção de uma imagem de empresa inovadora, etc.

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3. Introduction

L'Oréal is one of the biggest players in the market for skincare products and currently the market leader in the cosmetic segment worldwide. In Portugal, L'Oréal is structured in four different divisions and Active Cosmetics (to be addressed in this thesis) being one of them. At this division, four brands are commercialized: Vichy, La Roche-Posay, Roger Gallet and Skinceuticals. Although there are different strategies assigned to each brand, in this case study, I am just focusing on the brands as a whole, addressing a real challenge that all the brands are faced with. All of them are sold exclusively at pharmacies and parapharmacies.

Therefore, this case study will be focused on the impacts that can be associated with the usage of online sites by the retailers such as pharmacies and parapharmacies. L'Oréal, as manufacturer and the initial player of the supply chain, gives extreme importance to what would be the consequences and the changes that this process can bring to its business. For L'Oréal, associated with the great percentage that those pharmacies have on their portfolio, it can become a serious challenge or problem in the future because they remain adapted to the pharmacies' traditional way of operating. A possible change in the way the retailers operate will imply changes and readjustments on the company strategy.

3.1 Problem Statement

The aim of this thesis consists in understanding how much value L'Oréal can extract from the "digital development" of its traditional clients and how it can impact the company's way of operating the business.

3.2 Key Research Questions

a. How effective would be the implementation of digital solutions (as e-commerce) on dermocosmetic products? Will it increase the total market or will it just have impacts on the existent market?

b. Which are the possible digital tools that can be adopted by the retailers and what are their advantages and disadvantages for them?

c. What could be the strategic implications for L’Oréal resulting from more innovative retailers? How is the company’s IT prepared for dealing with e-retail solutions?

d. Are the pharmacies and the pharmacies’ professionals receptive to the implementation of digital solutions?

3.3 Methodology

In order to present specific data and to take relevant conclusions related to the topic that I am addressing in this thesis, I will use two different types of data sources: primary and secondary data. While the primary data will be data which I will collect during my research, the secondary data will be data that other authors collected and analyzed which can be relevant to highlight in this context. Thereby, important articles from marketing top journals will be used in the Literature Review section mainly for the characterization of the present context and to explain specifically the industry, the players and what is going on. In the case study, this information will be complemented with quotes from quotidian facts and figures which will give us the exact perspective of what is the actual context that the company is dealing with.

Furthermore, related with the primary data which will be used, I will focus on both types of data: quantitative and qualitative. The more qualitative data will be extracted from interviews with digital experts, L’Oréal employees and pharmacy owners. For the quantitative information, I will run a survey which will serve to extract more representative information from a larger sample of interviewees to be implemented to pharmacists.

4. Literature Review

In this chapter, I will provide appropriate data which will serve as basis to the development of this thesis and which will support later conclusions and analysis on the specific case of L'Oréal and its clients.

4.1 Trends in the Pharmaceutical Industry

The Pharmaceutical Industry, as any other industry, is exposed to the major changes and developments occurring at a global level. According to a recent article, pharmacy appears as the industry in which the "need for transformation was the highest" and the "degree of preparedness was the lowest" (Utikal and Woth, 2014). For these authors, those conclusions were also related not just with "soft issues" as workforce qualification but also with "hard issues" as entire business processes.

One of the recent transformations in the industry was the appearance of cosmetic products with therapeutic functions sold at pharmacies. Cosmeceuticals is a concept that is being more and more present at the pharmacies: The fact that the consumers are getting increasingly interested in these solutions due to the fact that no prescription is required to acquire it, which results in a significant source of revenue in the pharmaceutical industry was also studied by important authors. For instance, according to McConaha et al. (2014), the laboratories which are responsible for providing cosmetic products to pharmacies are beneficiating from the inexistence of strict rules regarding these products.

Regarding the Portuguese pharmaceutical context, an important article was written about some of the changes which are actually occurring in this sector. The authors state that "Portuguese pharmacies have been expanding the scope of their activity. Over this decade, they started offering, among others, services such as medication delivery, smoking cessation support or influenza vaccinations" (Martins and Queirós, 2015). According to the Portuguese authors, the reason behind this new context for the Portuguese pharmacies is related with the change on the regulatory environment. For instance, to own a pharmacy it is no longer required to be an actual pharmacist and it is possible to apply discounts on medicines which need prescription. Another change was the allowance for selling medicines at distance and offering home delivery services. Apart from that, as a curious fact, the authors note that Portugal has less pharmacies per inhabitant than the European average.

Given the global impact of e-pharmacies, authors are also turning their attention to the subject of online pharmacies. The "clients of Internet pharmacies still do their shopping in bricks-and-mortar pharmacies more often than in online pharmacies." Furthermore, "It was found that in repeat purchase the customers substantially take into account, when choosing an Internet pharmacy, their own experience and do not choose only according to the first advantageous offer" (Lostakova et al., 2012). From a more judicial perspective, the appearance of "internet pharmacies" or the creation of "their own web counterparts illustrates the increasing importance of business on the Internet" (Oliver, 2000). The author analyzed the impact that it can have in terms of commercialization of drugs which require prescription: "Many of these web sites prescribe prescription drugs without a valid prescription, dispense drugs of questionable quality and fail to inform patients of possible side effects and interactions" (ibid.) Moreover, the author split the e-pharmacies into four main categories: "online pharmacies that are partners with traditional brick and mortar pharmacies (…); online pharmacies that are themselves brick and mortar pharmacies (…); online pharmacies that operate solely on the Internet (…); and web sites, usually based outside of the United States, where consumers can order prescription drugs without a prescription (…)" (ibid.). All of those different types of internet pharmacies have their own rules for operation. According to the author, the law has to be reviewed and adjusted to this trend which is becoming bigger.

4.2 Industry trends on Cosmetics

Regarding the cosmetics industry, cosmetics is a "general term applied to all preparations used externally to condition and beautify the body, by cleaning, coloring, softening, or protecting the skin, hair, nails, lips, or eyes". (Khraim, 2010)

Cosmetics, as an industry strictly related with beauty, is always changing according to the different concepts and ideal notions of what beauty is. Recent trends were identified related with the twenty-first century (Taylor et al., 2013). In relation to the actual trends which are affecting the market for beauty products, the authors noted the "increasing interest in natural products", the market expansion for male products and "growing preferences for unisex and "green" cosmetics". Moreover, even the anti-aging skin care segment "was growing rapidly as older cohorts in populations across the world increased". Furthermore, they state that the recent growth within the BRIC countries contributed to the exact acceleration of the differentiation related to "ideal beauty image based on ethnic lines" (ibid.).

The changes in the dermocosmetic field were also discussed in other important articles. “Dermocosmetics is now a branch of dermatology using cosmetics in the scientific management of a variety of skin disorders.” (Dreno et al., 2014).

At the same time there is an increasing valuation for natural products (Taylor et al., 2013) related to the appearance of what is called “cosmeceuticals”. Cosmeceuticals, as defined by the authors, consist of a mix of cosmetics and pharmaceuticals. The pharmaceuticals added consist mainly of ingredients which tend to prevent the effects of skin aging. As noted in the same article, “nutricosmetics" were also being used for “skin maintenance and enhancement”.

In the study of the cosmetics industry, the so-called ‘lipstick effect’ is another concept which gained some relevance in the academic field (Hill et al., 2012). The main presented conclusion was related with the cosmetic products’ consumption trend to increase during recessions. This fact was related with the women’s need to be more physically attractive during economic recessions. Thus, during economic downturns, the consumption habits shift from unrelated beauty products to beauty-related ones. From the research done based on observational studies, this effect was especially valid for women, since the men’s sample did not show any evidence of it. The reasons behind it may be related with natural causes inherent to the human being which influences women to try to be more attractive during the worst economic seasons.

In relation to the purchasing factors affecting the purchase for beauty products, the “findings demonstrated that favorite scent and intention to purchase were affected differentially by sight and smell”, however, when comparing both factors, “sight having a more significant effect on purchase intention, and thus a higher purchase motivation than smell”. (Yang & Chen, 2015). However, the environment and cultural factors have also important roles on the purchase decision for cosmetic products (Pervin et al., 2014)

4.3 Digital & Multi/Omni Channels in Retailing

When firms use both the Internet and physical stores for distributing goods and services, this dual-channel retailing strategy is called ‘‘multichannel retailing” (Carlson & O’Cass, 2011).

For a retailer which always based its activity in a Brick and Mortar system, it might represent a challenge to become multi-channel based. However, it can bring some advantages too (Agnihotri, 2015). For instance, the “large variety of products offered (made possible by almost limitless “shelf” space)” is one of its advantages but also “the convenience arising from home delivery” is also something important that is offered to the consumers. Other advantages for the retailer are the “low prices due to cost saving in inventory holding” and “easier price comparisons because of the ready availability of information online” (ibid.).

If in the past everything started with strategies involving the decision as to whether new channels should be added to the existing channel mix (Geyskens et al., 2002), nowadays the scope of multi-channel retailing has been broadened by considering issues such as the management of customer across channels and the integration of the retail mix across channels (Neslin et al., 2006). “In the past, brick-and-mortar retail stores were unique in allowing consumers to touch and feel merchandise and provide instant gratification; Internet retailers, meanwhile, tried to woo shoppers with wide product selection, low prices and content such as product reviews and ratings (Brynjolfsson et al., 2013). As the retailing industry evolves toward a seamless “omni-channel retailing” experience, “the distinctions between physical and online will vanish, turning the world into a showroom without walls” (Brynjolfsson et al., 2013).

Thus, becoming a omni-channel retailer represents more than what is being done by some traditional retailers which “have employed only ad hoc strategies such as creating websites and establishing an online presence to implement e-tailing strategies but have not yet completely utilized the full potential of online retailing and have not integrated it with their established B&M model” (Ellis-Chadwick et al., 2007). Therefore, “B&M retailers need to establish congruence between their online presence and the physical store if they desire to be valued by their customers and hence have a competitive advantage over online retailers by providing an additional retail channel” (Bezes, 2013). This congruence between all channels “facilitates customers’ information processing in their cognitive schema so that they are able to conveniently switch from one channel to another” (Lwin et al., 2007).

Along with this investment in multi-channels and its implementation, come some cross-channel effects which, according to some authors, might also be important to consider. From the research conducted by Verhoef et al. (2007), it is suggested that it is “not uncommon for customers to use the Internet as a “search channel” and the offline store as the “purchase channel”. Thus, the retailers should have in mind the consequences of their strategies on all channels.

For instance, findings "indicate that positive cross-channel advertising effects exist and are almost as strong as own-channel effects" (Dinner et al., 2014). For the specific case of the retailer tested in the conducted research, the advertising cross effects were large, particularly from online advertising to offline sales.

Regarding the reasons for the typical retailers' failure to be present on online channels, it is said to be "often due to the lack of integration between a firm's Internet and physical stores (…) many firms seem either unable or unwilling to provide such services" (Herhausen et al., 2015). However, this fact could also be related with the almost independent way of operating on those channels (Gallino and Moreno, 2014).

To conclude, another topic about the usage of omni and multi-channel solutions is related with how profitable it may prove to be to motivate our customers to shop using multi channels. "The managers have the opportunity to grow customer profits by encouraging customers to shop in multiple channels" (Venkatesan et al., 2007). Regarding the benefits that managers can take from it, he added: "providing a multichannel experience to customers has the potential to improve two critical aspects of CRM: customer retention and customer growth". The reasons underlying those presented conclusions were several. The first reason was related with the possibility that firms have to "provide several add-on services to customers through their channels, as order online, pickup offline, etc." (ibid.). Thereby, the customers are expected to become more satisfied thus establishing deeper relationships with the firm. These aspects lead to higher share of wallet to the firm which represents higher profits too.

5. Case-study

In the first week of September 2015, L'Oréal Active Cosmetics business unit was just finishing a two-days meeting. The meeting was planned to present all the work done by each department during the last trimester and to discuss future challenges that may affect the company's future operations. Francisco, a newly hired trainee, who has been responsible for a project which implied the personal visit to more than a hundred points of sale during the summer, asked to speak.

As a member of a business development and commercial department, he was wondering how it would be possible to help the company's clients to sell more to final consumers using digital tools. According to him, the pharmaceutical industry was not properly digitally developed and so not prepared to satisfy new needs brought by technology evolution. The question, exposed to the division's executive board, was about L'Oréal's actual responsibility in that field and what would be the company's ability to adapt if the pharmaceutical industry were to suddenly change. The data presented during the following case-study, when not presented the external source, was based on internal data provided by the company.

5.1 The Company

History

L'Oréal was founded in 1909 at Clichy with the name of "Socieété Francaise des Teintures Inoffensives pour Cheveux. Later on, building on the success of hair related products, the company launched in 1934 the first shampoo which would be accessible for everyone as a mass-market strategy. Over the following years, the company kept innovating and introducing new products to its portfolio. As an example of those inventions, the launching of products with sun protections contributed to establish L'Oréal as the most successful company operation in the hair and skin-care market.

As an already very well-established company in the world market for skin care and hair-related products, the company had the need to keep up with the world innovations. Having already the financial resources, the company started with an acquisitions strategy which allowed it to accomplish two different objectives. Firstly, integrate into its structure all the knowledge acquired from other companies' scientists and, secondly, to start building an "empire" based on an overall market perspective, reaching different target consumers with different products. Lancôme was the first big acquisition by L'Oréal (1964), which was then followed by the acquisitions of brands such as "Laboratoires Garnier" (1965), "Biotherm" (1970), "Gemey" (1970), "La Roche-Posay" (1989) and others.

In 2015, L'Oréal was the world's leader in cosmetics and beauty care products with 32 international brands with annual sales of more than 50 million euros. It was present in 130 countries employing around 78,600 employees. The last data about company's annual performance reports 22.53 billion euros of sales in 2014. (Exhibit 1)

The Group: Current Composition

L'Oréal operations are organized into five major divisions. Each division has its own brands portfolio, business models and internal management, marketing and commercial departments.

Starting with the *Consumer Product Division*, which is responsible for almost half (10.7 billion euros) of the total revenues of L'Oréal Group, this division commercializes products under 6 different brands: L'Oréal Paris, Maybelline New York, Essie, Garnier, NYX Cosmetics and Softsheen Carson.

The *Luxury Products Division* is the division with a broader brands portfolio. From the total of 18 brands commercialized internationally under this division, we have premium brands such as Giorgio Armani, Yves Saint Laurent, Diesel, Cacharel, Kiehl's and Lancôme. Setting generally high prices for its products, the division try to reach market niches and thus profit from the above-average margins used. In relation to the sales importance of this division, it is the second major division with 28% of weight (6.2 billion euros) on total group sales.

The *Professional Products Division*. At this division, the brands are targeted to the hair-care professionals market. In total, we can find internationally 13 brands commercialized in different countries. However, the most well-known brands are L'Oréal Professional, Kérastase, Redken Matrix and Essie. The professional products division, according to the data from 2014 annual reports, had a weight around 13% of total group sales.

Active Cosmetics Division is another division that is focused to another market segment. There are 5 main brands which are managed in this division: Vichy, La Roche-Posay, Roger Gallet, Skinceuticals and Sanoflore. The distribution strategy for this division consists of drugstores, pharmacies, parapharmacies and medical-spas. In 2014, the sales were 1.7 billion euros (7% of the total 22.53 billion euros).

The *Body Shop*. Under this brand we find almost 2,800 stores in over 60 countries, including Portugal. The core values of this division are related with the natural components used on their products. In terms of sales, in 2014, it achieved 873 million euros, which represents almost 4% of the total group revenues

Strategic Pillars

From the company's history, three main factors which contributed to the overall success of this group may be highlighted.

The first factor is related with the importance given to innovation. In 2014, the company invested 761 million euros (3.4% of its total sales) on R&D activities. The number of registered patents in the same year was 501. Besides that, the company owns 23 research centers, employs around 3,600 people from 60 nationalities and from 30 different disciplines (chemistry, dermatology, ethnology, physics, etc.). Furthermore, we might note the company's investment in partnerships with universities, start-ups and public research centers.

In 2015, in Portugal, L'Oréal adopted exactly the same directives with the implementation of two different university contests which served exactly to work on the company's visibility to the students but, at the same time, to work on this innovation field: Reload My Pharmacy and L'Oréal Brandstorm. Charles Arkwright, HR director in Portugal, exactly enunciated the importance of having people at the company with innovating characteristics: "The things that we value the most when we are choosing people to work with us are: ambition, open-minded, people (…) who are always connected with the world, creativity, hard-working and people who are not afraid to be exposed to risk". (*Diário Económico 21/07/2014*)

Another strategic pillar of L'Oréal is related with the Acquisition Strategy. In relation to all of those acquisitions done by the group strategy, the group's chairman and CEO Jean-Paul Agon stated that "their role in the construction of the group is essential, for they build the organic growth of tomorrow, and contribute to the vitality and quality of our brand portfolio". (*Letter to shareholders no. 59, Autumn 2013*). From the 32 most international and successful brands, just 3 of them have been created by L'Oréal and several successful examples from those acquisitions can be pointed out: La Roche-Posay, Vichy, Maybelline New York, Kiehls, etc.

The last key success factor is the regional expansion. The fact that the company invests huge amounts of money on the internationalization of its brands has contributed to the company's differentiation from other competitors. The company is present in 130 countries with 32 international brands (Exhibit 2). Furthermore, the company is not simply content to be present in those countries but also adapts its strategies to each market. The company approaches the cultural differences between countries by considering those differences in the way they advertise and build their brands' strategies. To exemplify this perspective, in 2010 Jean-Paul Agon, L'Oréal chairman and CEO, said: "You need a global brand, which is then adapted to the key markets on the key continents in order to offer consumers the right and relevant products, which is what universalization is all about" (sic.) (*Moodie Report 11/11/2010*).

5.2 Industry Profile

Industry characterization´

As stated above, all of the brands from L'Oréal Active Cosmetics division are sold at pharmacies or parapharmacies. In Portugal, there are about 2,835 pharmacies and 330 parapharmacies (*HMR Market data*). This huge network of points of sale ensures that the products sold at those places can be always nearby the consumers. In an age in which the convenience factor is becoming more and more important for consumers to choose where to buy the products it can be a positive point for this kind of distribution channel. (Appendix 1)

If we consider the total hygiene market in 2014 and the different types of distribution channels used to distribute the products in this sector, mass market distributors represent 42 % of the total sales while pharmacies and parapharmacies represent 24% of it. Perfumeries are the third most used channel with 18% responsibility over the total sales in the market.

Regarding the Portuguese pharmacies, it is possible to highlight trends, which were already identified by the company, and that are affecting the actual running of this business. One of the structural changes in this industry is related with the recent growth on the number of parapharmacies. These kinds of distribution channel have fast growing business models and are good at opportunities detection. They are price oriented, they benefit from knowledge gleaned from other areas and invest their resources on aggressive marketing. Their huge exposure and ability to present lower prices to the final consumer is impacting an industry which until recent years in Portugal was almost only based on pharmacies. In the first semester of 2015, parapharmacies already represented an important part of the total sales related to division's dermocosmetic products.

Financial difficulties are also an example of something which is impacting the business. Starting with the financial crisis which affected Portugal from 2009, some of the pharmacies started to have problems in terms of finances. At the stores, stock & SKU listing reduction and price reductions led to lower margins. The growing success of generics (Appendix 2) was also another phenomenon which happened due to this financial pressure over the Portuguese consumers which started to adapt their consumption habits for low cost solutions instead of the brands which until then they were used to buying.

Another trend which is being watched is related to the appearance of group pharmacies. It consists of pharmacies which started to act like a group in order to get favorable commercial conditions, to transfer know-how between the members and to be more flexible running their business. In Portugal, we have important groups of pharmacies as Holon Group, Barral Group, etc.

The business is also changing to a more OTC's and dermocosmetic oriented model, related with two main factors. First we have the financial factors and then we have the changing from a focus on *cure* to a focus on *care*. It means that the consumers are starting to be focused on prevention, gathering information from all easily acessible means of communication (internet, television, radio, etc.). Both of these factors led pharmacies to change their business. In the future, it is expected that OTCs and dermocosmetic products will assume the most important role in the pharmaceutical activity, ensuring also higher margins than medicine. (Appendix 3)

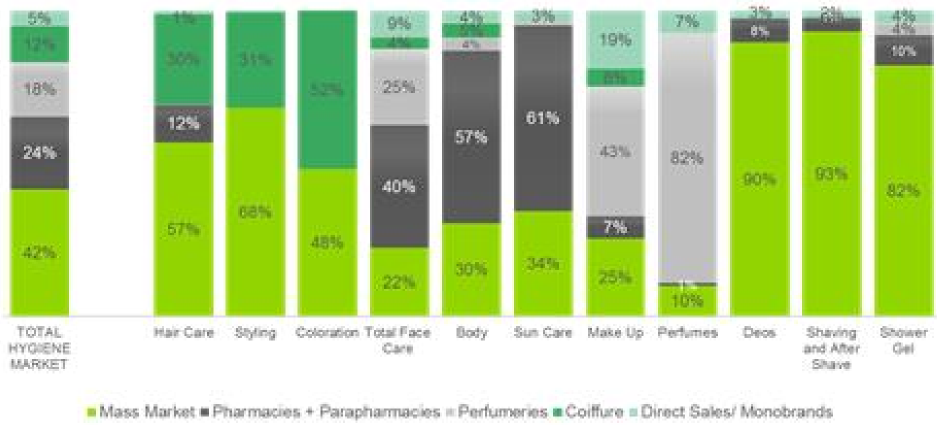

Image 1: Categories' Sales distribution by channel *Source: HMR Market data*

According to the most recent data extracted from the HMR database, when analyzing the different categories behind the hygiene market, pharmacies and parapharmacies are the major channel for consumption just on Face Care, Body, and Sun Care. On the other hand, on Hair Care, Styling, Deodorants, Shaving and Shower gel, the distribution channel with most success is the mass market.

L'Oréal Portugal: Active Cosmetics Division

In Portugal, the *Active Cosmetics Division* is composed of all the international brands associated with this division with the exception of Sanoflore. The data collected in the Portuguese dermocosmetic market from the 2015 first semester show us the position of the entire division versus the competitors on the different dermocosmetic categories. If we consider the sum market share of the brands in this division, ACD was the leader on skincare (23%), hair (25%), acne (26%), deodorants (38%) and make up (43%) categories. The leading position is just missed on sun (19%), body (8%) and men (16.1 %) categories.

Vichy is the most important brand from the division's portfolio. This brand has strong positions in the skincare (14%), hair (22%), deodorants (30%), make-up (30%) and men (16%) categories. The products are heavily advertised (Exhibit 3) and use strong emotional campaigns. This brand builds on consumers' ideal concepts of beauty and so in their ads it is shown exactly how people can be if they use the products. Despite the fact that this brand is mass-marketed, the products' prices are mid-ranged.

La-Roche Posay is the most dermatologic brand present in the divisions' portfolio. This brand has a strong position in the market of products for sensitive/atopic skin. The communication strategy is also aligned with the brand's core values: investment in media and public relations (sponsored articles and studies) and in medical advice for the usage of the brands' products (Exhibit 4). The brand portfolio is mid-priced. Compared to Vichy, LRP differentiates by not having the commercial approach and not having the mass-market approach. The available solutions within the brand portfolio are designed to meet specific problems for sensitive or problematic skins and, in this market, regarding the data from the 2015 first semester, LRP is the leader with approximately 18% of market share.

Roger & Gallet is the third brand from the division. The products commercialized under this brand are perfumes, scented waters and scented hand creams. This brand is in an expansion strategy in terms of its distribution channels and in 2015 it started to be commercialized at parapharmacies (Wells). The products are priced at medium levels and offer a more premium and personalized solution to the traditional perfumes based on commercial scents. The basis of the scents used in the products are mainly fruits, flowers and other natural elements.

Skinceuticals is the premium brand from the portfolio. Designed to target a niche market for people who really care about their skin and want to use the most innovative products, the products are overall priced at very high levels. With the main goal of showing value for money, this brand invests in having a more medical approach than La Roche-Posay. Comparing the data from 2014 and 2015, in the first semesters, this brand presented a positive growth of 32% in terms of sell-out. Despite the still small proportion on the divisions' revenues, this brand is getting good results from a selling strategy based on personal advisors recruited for personalized advice to the consumers at the stores. The products commercialized under this brand are just present in few pharmacies which have also premium consumers/market.

Industry Players: L'Oréal Active Cosmetics Competitors

L'Oréal Active Cosmetics' main competitor in Portugal is *Pierre Fabre.* Founded in 1961, it is, in 2015, present in 130 countries with products focused on three sectors: medicines, dermocosmetics and familiar health. Considering the dermocosmetic segment, the competitor splits its brands in two different categories. The first category is the one which comprises the more dermatological brands: Avéne (the major brand from this group), Ducray, A-Derma and Pierre Fabre Dermatologie. The second segment encompasses more mass-marketed brands such as Galénic, Elancyl, Klorane and Rene Furterer. Pierre Fabre and L'Oréal AC are the two main competitors and this competition is hard both in terms of visibility (at the points of sale), advertising, influence to the pharmaceutical and medical staff, and in terms of launching similar products for similar targets. In total, Pierre Fabre has the first place in terms of sell-out in the dermocosmetic market in Portugal.

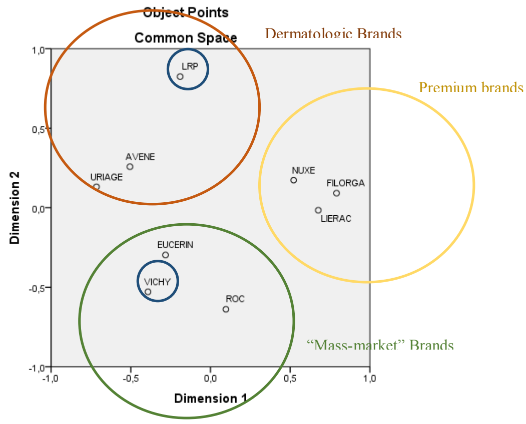

Image 2: Perceptual Map – Internal Mistery Shopper Project

Studying the tactical positioning of all the brands in the dermocosmetic category, Avéne has a representative advantage over for example Vichy and La Roche-Posay. The Avéne's positioning is neither pure dermatologic nor mass-marketed. It allows the brand to steal part of the most health-concerned consumers (inclusively with sensitive or problematic skins) and also have a brand with a strong brand-image which leads to a very well-known brand to consumers who want to buy a brand that could be recognized in the market.

According to the data from the first semester of 2015, Avéne was the leader in the Portuguese market for the sun category with 26% of market share and the second player in the markets of skin-care and make-up. In the hair market, Klorane and Ducray have also very strong positions with market shares equal to 19% and 9% respectively.

Johnson & Johnson Portugal is another important competitor for L'Oréal AC. In the skin and hair categories, brands such as ROC, Neutrogena, Johnson's and Piz Buin are brands which have also strong positions in the dermocosmetic market. Piz Buin, for instance, is historically a brand with very good position in the sun category. In 2015, this brand finished the first semester with 15% of market share, below Avéne (26% market share) and above La Roche-Posay (14%). In the deodorants category, ROC appears right below Vichy, which always had a very strong position also in this category, with 23% of market share.

Uriage represents an *L'Oréal Active Cosmetics* competitor especially for the body category products and market for sensitive skins. Uriage, as a brand, is present in more than 70 countries including Portugal and from its beginning it conquered a good position especially in the baby's category. It has a market share of 8% in the total body category.

As final examples from important national competitors, *Barral* and *Edol Laboratórios* are both brands which are exclusively present in the Portuguese market and which have good positions in the body category. In the first case, Barral, was a brand that appeared from the launching of a cream by a Portuguese pharmacy likewise called Barral. Edol is a Portuguese laboratory which developed different brands in different categories. In this case, the unique competitor to active cosmetics' products is ATL brand which competes in the body category.

5.3 Digitalization at L'Oréal Active Cosmetics

According to a recent article published by McKinsey & Company, digital is becoming a serious trend in the health-care area and, by implication, for all the industries adjacent to it. Leveraging on the fact that "In a digital age, patients are much less dependent on their doctors for advice" pharmacies have the conditions to assume a more important role in everyone's life. In the same article, by analyzing the conclusions of a survey, "more than 85 percent of patients said they were confident in their ability to take responsibility for their health and knew how to access online resources to help them do so".

Therefore, considering the global evolution and all the potential that being more digital can represent "The pharmaceutical industry is no exception. To thrive in a digital world, pharma companies will need to deploy next-generation technologies to streamline their business processes" (McKinsey & Company Article). The gains and benefits can be several and diversified. From R&D, passing by Marketing and Sales and Data Mining, pharmacists can really explore this opportunity. If they have databases using the patients/consumers consumption patterns, they will be able to better understand the needs of their clients. The reader may be unsure about whether pharmacists may leverage on digital tools to sell more of cosmetic products. However, as proven in other industries, it is possible. Probably, if we consider a consumer who for example bought once an anti-aging product and never bought again, the situation might seem important to explore and investigate because he/she represents a potential customer.

With regard to the national law for online promotion of medical products, the Portuguese legislation allows the promotion of cosmetics and over the counter drugs.

> *"It is prohibited the advertising to the general public of medicines: a) Subject to medical prescription; b) Containing substances defined as narcotic drugs and psychotropic under international conventions that bind the Portuguese State; c) reimbursed by the SNS"*
>
> *Decreto-Lei n.º 128/2013 - Artigo 152.º*

Nevertheless, the Portuguese legislation has some rules in terms of the national advertising of cosmetic products: the obligation to enunciate the expiration date, the ingredients, identify the producer, etc. (Decreto-Lei n.º189/2008). All these rules are, though, normal in every activity and so, are not difficult to accomplish.

If we consider the e-pharmacies online business we already see a few movements in this field with some pharmacies having their own website (e.g. Farmácia Sá da Bandeira, Farmácia do Caniço, etc.) and a pure online pharmacy player Sweetcare. Sweetcare is the major player in the online pharmacies business which was successfully introduced in the market (Exhibit 5) and bases its strategy on the commercialization of cosmetic products, drugs which do not require prescription and other health-related products.

In other industries, even in Portugal, digitalization has already occured and left its marks. The processes were changed, the benefits were taken and the competition changed. The Portuguese banking sector is a good example of that. For instance, Activobank which has its operations exclusively based on the internet.

L'Oréal Active Cosmetics Actual Strategy

Thus, taking into consideration that digitalization will sooner or later penetrate into the cosmetics industry, it is important to understand if the companies are prepared.

According to an interview with Mónica Macedo, division's Digital Manager, the effects of digitalization in the company's business were several. For instance, at the purchase decision process, the search for information stage is becoming more intensive and important. As highlighted in the interview by Mónica Macedo, the "consumers no longer enter in a pharmacy without checking previously for online feedback, advice and evaluations from past consumers who tried the products".

In terms of specific digital actions adopted, the company, in its digital plan, considers two different approaches. Firstly, L'Oréal directly target consumers by defining strategies to increase their purchase intention and work on brand's perceptions on consumers' mind. The intention behind it consists in working on the consumers' choices to impact on the retailers' preferences. In this field, starting with the Brands' Websites, L'Oréal AC is permanently monitoring what is happening on its website. To do this, the division uses key performance indicators which characterize the visitors' behavior when they entered in the brands' websites. For instance, examples of KPI's are: Number of Visits in the Brands' Sites; Average time spent on those sites per visit; Mobile Traffic; Paid Search Results; etc. On Social Media, divisions' brands have presence in Facebook and Youtube. On Youtube, the measuring of the divisions' performance is done using indicators as the number of youtube views. In Facebook, there are two main indicators used, the number of fans and the Facebook interaction rate. In May 2015, the number of Facebook fans was equal to 1,122,686 for Vichy, 565,584 for La Roche-Posay and 206,276 Roger Gallet. Those KPI's and its goals definition are aligned with the different realities of each brand.

For Monica Macedo, the second approach is the Digital Marketing for clients (pharmacies and parapharmacies) and, here, the company has a major solution in terms of e-learning for pharmacists to know how to advise and present the products to consumers and to provide specific technical content sponsored by dermatologists. This digital platform (Exhibit 6), created in 2012, is called cosmeticaactiva.pt and is a well-known web portal used by the company. This platform allows L'Oréal to communicate with pharmacists with the main purpose of educating the people who actually work at pharmacies about the company's portfolio. Sales techniques, products' scientific composition, special advice about the prescription, cross-selling advice are all examples of topics covered in the contents available at that platform. With more than 6,000 users, this channel had an enormous success among the pharmacists. Besides the enormous success, the fact is that this platform starts to lack in some aspects. For example the connection with social networks which are massively used is inexistent, the fact that it is non-responsive, etc.

By 2015, the company has clearly defined that both types of digital marketing are important because it serves different objectives. However, and considering all the potential benefits that the company can extract from here, the digital manager recognizes that the company has a lot to develop in terms of this client's targeted marketing. For example, for such a big company as L'Oréal, it is not easy to understand that in terms of CRM there is no clear database nor strategy in order to track consumers' habits and even clients' sales.

Thus, from this second approach, arises the challenge and concern in relation to the company's future. The fact that the industry was not being digitally developed means that the company was not prepared also. Another possible example of it can be related with the commercial team: actually the commercial teams are responsible for selling to all the direct clients just based on selling on a door-to-door system, there is no system for the clients to do an online order through phone, internet or another way.

Cristina Abreu, who currently assumes the role of manager of the e-learning, indeed recognizes it as a trend which L'Oréal cannot dismiss and which is imperative to adapt to. According to her given interview, the company should continue to force the digital development of the pharmacies because it is the future and the benefits that it can bring for both sides (the company and pharmacies) are several which makes it an "obvious move".

In 2013, the Roger Gallet marketing team decided to try to test the implementation of a platform to be used for online orders of the brand's products. The process was simply designed and required just a log in for each pharmacy and then, at that platform, it was intuitive to register an order. The result was not satisfactory and the company suspended this platform function concluding that the industry was not prepared yet for it.

The question now is related with the fact that if the industry suddenly changes and if it is now more receptive to use digital tools in their business, the company would like to take advantage of it. Simplifying processes, gathering more data, selling its products online to its clients, communicating instantaneously, analyzing the data, deploying CRM strategies, etc.

In terms of digital potential for e-commerce in this area, in 2014, Google reported that 52 million of the searches done in Portugal were related with beauty. It means that *beauty* was the most searched category on google by Portuguese consumers. Therefore, although the implementation of e-commerce tends to be a reality either for e-retail or for transactions between manufacturers and retailers, according to Mariana Caraça, the truth is that the industry players are not taking advantage of all the potential of this sector in the digital field.(Appendix 4)

5.4 The Challenge

To conclude, the challenge is becoming increasingly real to L'Oréal Active Cosmetics division in Portugal. How would the company adapt to this new environment? What would be the impacts for the company? How can L'Oréal maintain its leading position? Which role should the firm have in this process in the pharmaceutical industry? A company that has innovation as one of its core values cannot let it represent a danger but instead has to leverage it as an opportunity.

Considering this presented challenge and competitive environment, L'Oréal Active Cosmetics would like to know more about it and know what can be deployed in terms of strategies to counteract this challenge. Francisco, as a trainee, has the possibility to help the company to study this question.

6. Research

6.1 Interviews

For the most qualitative research I considered the interviews of a pharmacist (Ana Orvalho), a digital company director (Duarte Silva), the digital manager from L'Oréal Active Cosmetics Division (Mónica Macedo) and two other company collaborators (Cristina Abreu and João Roma) who have also a pharmacist degree. Although I contacted the national pharmacies association (ANF), they did not answer to my interview. The guidelines used are attached to this case study (Appendix 5).

Every interview about the topic of this thesis starts with a general introduction and conversation about the industry. The interviewed pharmacist, *Ana Orvalho*, had an opinion that the activity changed a lot during the last ten years. The impacts were an increasing competition on the sector and a negative impact on the profitability of the activity. From another perspective, *Duarte Silva,* a pharmacist and also the director of a digital company called Ongagement, more than highlight that the sector has been changing in the last years, recognized how difficult these times for pharmacies are. According to him, nowadays around 1,200 pharmacies from a total of 2,800 are in a bankruptcy situation. When comparing with other industries players, *Duarte Silva* recognized the pharmacies, as part of a pharmaceutical sector, as the least developed element. However, as it has been happening in other industries with all the elements, according to him the pharmacies will also pass through those changes. From the company side, the visions are similar. For João Roma, who is currently manager at La Roche-Posay, the overall inefficiency of the running of a pharmacy business is once more related with the changing context from the last years: "until 2008/2009 the pharmacies were managed in a way that they did not need to worry about innovation, their business was safe and was based just on medicines".

When the topic of digital tools was introduced, the pharmacist *Ana Orvalho* expressed great interest towards the implementation of those tools. However, she pointed out that the web presence of the majority of pharmacies was limited to facebook. Regarding the digital tools implemented by the pharmacies, the digital expert *Duarte Silva* agrees on the fact that social networks are the most used tool. However, according to him, most of the implemented digital tools are underexploited. For Duarte Silva, most of the implemented tools are lacking in technical management and support.

Monica Macedo, the division's digital manager, highlighted the role of the laboratory for the industry development. She argued that the sector in terms of digital is not properly developed and the company actually has to have a more forceful strategy to help sales through direct advertising for consumers, by giving them tools to directly post on their social networks, for instance. When asked about the lack of CRM solutions for L'Oréal, Mónica Macedo recognized it rather as something under study by the company.

Another issue that aroused comment in one of the interviews was the role of the universities in the bachelor programs, which do not prepare the pharmacist to manage a business. According to *João Roma*, almost none of the pharmacists' courses offer notions of management/marketing. Regarding the financial capabilities of pharmacies to invest in digital tools, the same interviewee stated that most of the pharmacies do not have means to promote and invest in those tools. The development of those tools should be sponsored by the national pharmacies association or by the laboratories.

The legislation is still something that, according to João Roma, "scares" the pharmacists when considering to go for an online option.

When considering the potential tools to be used in the future, the pharmacist limits its possibilities to websites or e-commerce options. For the specific case of this pharmacy, they are also studying the introduction of a digital commerce solution to be used to commercialize OTC's. From the digital agency, the services available to offer to pharmacies are several. Starting from offering a social media page which can be totally managed by the agency, the agency also offers the possibility of having an e-commerce website (or implementing it through the usage of direct facebook tool), the usage of CRM platform that can be very important for pharmacies to track the consumption habits of their consumers and leveraging on it. The implementation of special campaigns using simple digital methods as QR codes or others are also offered by the company. In addition to those services, SMS Marketing and newsletters are also something that this digital agency has available to offer to their clients as pharmacies.

Regarding the advantages for the pharmacies and for the laboratories from the implementation of digital tools, *Duarte Silva* (digital expert & pharmacist) summarized those advantages into advantages for pharmacies and for laboratories. For pharmacies, the advantages consist in understanding where the consumers are and those consumers are increasingly more on digital. In his opinion, the fact that everyone used a smartphone and everyone values the mobile option, it should be important enough for every company to leverage on it. Therefore, the pharmacies will be able to better know their customers, to track and predict their behavior and be able to exploit more value that can be extracted from them (as consumers). For laboratories, and specially for cosmetic-related laboratories, the gains will be got from two sides: from sell-out (which will of course help the pharmacies to sell more to the final consumers) and from this increase in terms of sell-out will result an increase also in terms of sell-in (laboratories selling to pharmacies or wholesalers). Here, there was as important concept which was also mentioned in the interview. The fact that the cosmetic market can be important to help the pharmacies to get higher margins on each sale. If the medicines market cannot be stimulated in terms of demand (since it depends on the physical/psychological condition of the humans) the cosmetic market has that potential. The market for cosmetics can be stimulated and can be easily offered to all consumers.

For the manager, the main advantages will be the better relationship management with the clients and the better results in terms of loyalty management. The result will not be a mass scale selling of cosmetic products through a pharmacy's website, for example, but will be a better management of the relation with the existent clients of that pharmacy. More information available to both pharmacies and laboratories, better tracking of consumer needs and better education for consumers about the way the cosmetics products should be used.

With respect to the online ordering option and its disadvantages, for *João Roma*, a potential problem might be that if every laboratory decides to have their own method to do online orders, then they will create much "noise" to the pharmacy. For him, the right way to start conquering the online market should be by using existent tools which do not represent much difference from those the pharmacists are used to. The e-learning platform is a good example of it. In addition to that, another issue might be how the pharmacists (who are used to and exposed to commercial teams from all the laboratories) will react if some of those laboratories decide to just have an online ordering option. According to the La Roche-Posay manager, the pharmacists will not be equally interested in those laboratories due to the fact that they will lose the feeling of being an important pharmacy for the laboratory as they have when they have a special member of the commercial team assigned to them. This fact will represent a risk for the laboratory which is considering to adopt those measures. For him, e-mail and phone communication is inefficient for commercial purposes.

If a sudden change occurs, the most difficult aspects for L'Oréal management to deal with will be in terms of logistic and human resources processes. Besides that, new tools will have to be deployed. Despite all these difficulties, *João Roma* states that L'Oréal has completely the power and the means to reach the needed standards to quickly adapt to a new business condition.

6.2 Survey: Methodology

In order to launch the survey the company suggested using their already presented channel between the company and the pharmacists: the e-learning platform (cosmeticaactiva.pt).

The online survey (Appendix 6) was conducted between 16th and 30th of October 2015. To better communicate it, an email newsletter was developed to be sent to all the platform's users to announce the possibility of them participating in an academic research about the pharmaceutical industry (Appendix 7). For those who, for some reason, were not reached through email, a special highlight was placed on the homepage of the platform to announce the survey (Appendix 8).

The online distribution method used for building the survey was Qualtrics.com and for the analysis of the results Excel and SPSS were used.

The sample was equal to 324 respondents and from those, 71% were general pharmacists, 13% technical assistants, 8% directors, 7% people responsible for shopping to laboratories and 2% were beauty/cosmetic advisors. In terms of the national distribution of the respondents, the sample was well distributed: 26% from the center region of Portugal, 25% from Lisbon and surrounding area, 24% from the North, 15% of people from Porto and surrounding area and with 3% each, the regions of Alentejo, Algarve and Islands (Madeira and Azores).

6.3 Survey: Results

i. Pharmaceutical Industry

The first set of questions were related with a ranking question about which factors affect the most the consumers choice of a pharmacy where to shop (1 being the most important and 4 the least important). The quality of the service (mean equal to 1.8) and price (mean equal to 2.3) were the most valued factors according to the pharmacists' opinions (Exhibit 7)

When considering the importance of the dermocosmetic products for the pharmacies, most of the respondents rate the dermocosmetic products as very important to their activity (the mean was 4.38 from a scale of 1 to 5, with 5 being the most positive evaluation) (Exhibit 8)

Considering the question of the relationship between the pharmacies and the laboratories, it was also studied whether a supplier/laboratory might be considered a good one to work with. Several factors were presented and the ones which were most valued for our sample were innovation and low prices. Having means of 1.9 and 2.7 respectively, calculated from ranking scales of 1 to 5. (Exhibit 9)

In this survey, a subset of questions were also asked to the respondents in order to understand how they evaluate their sector when comparing to other retail activities. Using a scale from 1 to 4 (1 being 'completely disagree' and 4 being 'completely agree') the respondents were prompted to give their opinion. By analyzing the mean value, we understand that the general respondents consider that the pharmaceutical industry is changing, while already modern. The respondents also nominated the pharmaceutical sector as generally most developed compared to other sectors and considered the sector as suited to the actual consumers' needs. (Exhibit 10)

When asked if they consider their pharmacy innovative and modern, 81.8% of the total respondents answered "Yes". (Exhibit 11)

ii. Digitalization at pharmacies in these days

When the current digital solutions used by pharmacies were analyzed, several types of digital tools that can be adopted were presented to the respondents. The main goal was simply to measure if they are already using or being exposed to some of the tools that can be used. The results show that from the 324 total respondents, 82% of them are currently working in a pharmacy present in social networks (such as facebook, twitter, etc.), 80% work in a pharmacy with basic management software (stock monitoring, sales log, etc.), 64% with advanced management software (advanced sales analysis, consumers' purchasing patterns analysis, etc.), 61% are also familiar with online ordering (to laboratories). From the least used digital tools, we got store locator (38% of penetration), websites (28%) and online shopping for their pharmacy (12% of the total respondents). (Exhibit 12)

Having chosen the online ordering option, two additional questions were asked. The first additional question was related with which kind of supplier have that option of online ordering available. Here, the results show that although it is a somewhat well-established and used tool in pharmacies, it is not the case for the dermocosmetic suppliers ((Exhibit 13). The next question, designed to further explore the possibility of having practical e-retail solutions, was related with the general evaluation of those tools, 4 being the most positive evaluation ("Very Important Tool") and 1 the least positive ("Not an important tool"). The resultant mean was equal to 3.41, which represents an excellent evaluation for the importance of having these kind of tools ((Exhibit 14).

If we consider, not the present tools available at pharmacies, but the potential importance of the implementation of those tools, the management software tools are those most recognized by pharmacists as important for their business. After these, the social networks and the e-commerce solutions are also of interest to the professionals (1 being the least important and 5 the most important ((Exhibit 15).

iii. The E-Learning Platform

The results showed a general satisfaction with the platform (the mean was equal to 3.57, with 1 being the least satisfied option, and 4 being the most satisfied option). ((Exhibit 16).

In relation to the specific functionalities that should be offered through the platform ((Exhibit 17), the respondents were asked to rank the most important features that should be present in the platform. By considering the results, the education modules were the most valued feature followed by the general information about the visibility materials to be implemented at the stores and the general information about special campaigns. On the other hand, respondents valued as least interesting options: having the possibility to chat with other users, online ordering for visibility materials and the online function with which they can change their earned points for products.

iv. Cross-Effects

To conclude the analysis of the survey's results, it is important to present some outputs extracted from the analysis of different variables.

If we consider the different roles of each person at their pharmacy, we understand that for example the possibility of having tools for pharmacy's advanced management might be more interesting from the point of view of the ones responsible for ordering for pharmacies. If we consider the ANOVA outputs presented in Exhibit 18 we understand that the ones who gave more value to this idea were exactly the ones who have that responsibility at the pharmacy. Exhibit 18.

Regarding the impact of the pharmacy's location, a new variable was created to help analyze the different impacts of it on some of the pharmacists' opinions about innovation in their business. For the pharmacies located in Lisbon and Porto, which are the most industrialized and developed regions, the responses were significantly different in the way the respondents feel about the industry. The respondents from those areas agreed the most with the fact that this is a sector in a fast changing process and so, also less adapted to the current needs of the customers (although this last one was not significantly different) Exhibit 19.

Another comparison which is interesting to do and which presented significant results was the comparison between the location and the way they think about the advantages they can have through adopting new digital tools for their business. For the pharmacists who work on pharmacies in metropolitan areas the actual information that they extract from the business is not enough to do accurate analysis of their performance. Furthermore, they are also the ones who recognize more the benefits of investing in new digital tools (Exhibit 20)

Another fact that was noticed during the analysis of the survey results was the relation between how they value the dermocosmetic market in their activity and their opinion about what should be deployed for having more innovative retailers. The results were surprisingly different for these two groups (i.e. those respondents who classified [see question 2] dermocosmetics as very important products and those that did not). The one-way Anova test shows us that in four possible tools to be deployed by retailers there are significant differences between the groups. On social networks, websites, store locator and online store the respondents which recognized dermocosmetic products (group 1) valued significantly higher those options than respondents from pharmacies which do not place much importance on the dermocosmetic products (Group 0) (Exhibit 21).

7. Conclusions

7.1 Conclusions: Answering the KRQ

In this part of the paper the main conclusions of the research will be presented aligned with the initial research questions proposed.

1. **How effective would be the implementation of digital solutions (as e-commerce) on dermocosmetic products? Will it increase the total market or will it just have impacts on the existent market?**

First of all, from the pharmacists that have participated in the research who are actually working at national pharmacies, they overall recognize the great importance of dermocosmetic products to their business. Furthermore, another important fact was that the ones who recognized the most the importance of dermocosmetic products in their activity were the ones who valued the most the importance of having digital tools applied to their business. Therefore, a possible implementation of tools as social networks, websites, usage of store locators, or online stores (i.e. the ones with significant differences) can be options to be explored. Another important point was that, although the pharmacists are generally used to being exposed to online ordering tools, those tools **are not** being implemented and used by dermocosmetic laboratories. The general satisfaction with this kind of solution seems to be also very high.

From all the in-depth interviews it is also possible to justify how important the digitalization of the pharmaceuticals sector applied to the dermocosmetic segments could be. Duarte Silva stated that digital tools will allow the pharmacies to sell more to consumers and, selling more by stimulating the demand which is not possible to do regarding the commercialization of medicines, for instance. Apart from this opinion, João Roma also highlighted that the impacts might be in terms of loyalty management. It means, this manager thinks that the implementation of those tools will allow the existent clients also to be more able to buy cosmetic products, enlarging their shopping bundles and making communication with them easier through internet or via mobile. From the in-depth interview with the L'Oréal's digital manager, Monica Macedo, the digitalization on the dermocosmetic field will also be affective on the search part of the consumers' decision process. According to her, if the consumers are easily able to find more information and if it is well linked with the possibility of buying the product they are watching, if they do not buy at that moment they will choose to buy it later. This fact is aligned with the Google report which shows *beauty* as one of the most searched keywords. To conclude, all this information leads to the prediction of the certain effectiveness of implementing digital tools directed to this dermocosmetic business.

2. **Which are the possible digital tools that can be adopted by the retailers and what are their advantages and disadvantages for them?**

In terms of the portfolio usually presented to a pharmacy's owner, the digital company interviewed which is specialized in the healthcare market, highlighted the most important possibilities. The first presented option (which is the most intuitive for everyone and which allows the pharmacy to establish a connection with their clients) is the social networks. Here, the agency offers the possibility of building the entire page (with or without an online shopping feature) and doing its maintenance, or merely creating it and selling it to the client. A website is also another solution available for who owns a pharmacy business. This website can also be integrated with an e-commerce option. Other simple methods (such as offering a store locator feature or managing SMS marketing campaigns and email newsletters) are also possible.

Building on the fact that Mónica Macedo stated that there was no solution for dealing with CRM and hence it should be deployed using the clients or even the final consumers, I tried to understand whether it may be possible to develop and to implement to this business. Duarte Silva, the digital expert, argued that a CRM solution is possible but that it has to be sponsored by other organizations or firms other than the clients. The individual clients do not have the power or sufficient knowledge/information to put it into practice. João Roma, the La Roche-Posay manager, also highlighted that point.

About the advantages and disadvantages for the market players of introducing the digital options, *Duarte Silva* (digital expert & pharmacist) reduced it to advantages for pharmacies and laboratories. For pharmacists, the main gains came from the better knowledge and information about the consumers. Basically, it consists of putting on the map the pharmacy, because everyone is always on digital. The better knowledge, information and treated data will let the pharmacies better predict the consumers' behavior, track their behavior and leverage on it by cross-selling or up-selling. The gains for laboratories are mainly linked with the gains for pharmacies also: more sales which leads to higher revenues and more information which leads to better decisions and predictions.

A potential disadvantage/problem arises with the massification of digital tools from the multiple laboratories that the pharmacist has to deal with. As João Roma stated, the noise that it can create for the users will be enormous which can be prejudicial to all the laboratories. Another disadvantage is linked with the risk of substituting the digital tools for personal communication with the company's clients in the case of L'Oréal. In his opinion, digital is not preferred to the traditional way of communicating and it may lead to a disadvantage comparing to other brands that have people assigned to personally visit the different stores.

3. **Which could be the strategic implications for L'Oréal resulting from more innovative retailers? How is the company's IT prepared for dealing with e-retail solutions?**

From the pharmacist and digital expert opinion, the strategic implications will be mainly based on more information about the business, increasing revenues from more sales to the final consumers and the saving on inefficient costs.

From this manager's perspective, the fact of having more innovative retailers will impact the company mainly in terms of logistic processes and human resources issues. For him, it was clear that new tools will have to be deployed internally to answer to the new context. The firm will have to re-adapt and will have to ensure that this adaptation ensures that the company do not lose its leading position in the Portuguese market. However, in his opinion, the company has the know-how, the financial power and the flexibility to quickly adapt to a new market dynamic.

If we consider the pharmacists' opinion regarding the major tool used by L'Oréal to communicate with them (the e-learning platform), they showed high levels of satisfaction with that tool. This fact, and linking it to the overall data about the success of the platform, shows that the future might have new challenges and opportunities on leveraging on this communication channel to answer to a digitalization process.

To sum up what can be the strategic implications for the company and making a link with what was defended by the digital manager in terms of effects of digitalization on final consumers, the process tends to be the same also for retailers. The purchase decision will depend more on the information available online. The searching of information will have a more important role on each purchase and the clients will tend to compare all the possibilities of laboratories. Here, once more, the e-learning platform seems to be a good tool to use. The information is already there and the users are both using it and satisfied with it.

4. **Are the pharmacies and the pharmacies' professionals receptive to the implementation of digital solutions?**

Regarding the receptivity to the implementation of digital solutions for pharmacies, the pharmacists expressed their opinion through the different interviews and the survey launched especially targeted to them. Regarding the actual stage of development of the sector, they did not see their sector as being less developed than others. In fact, if we consider the overall pharmaceutical sector in terms of inventions for new formulas to be applied in medicines, new processes for the production of medicines, maybe this part of the pharmaceutical sector might have been disturbed by the idea of measuring the pharmacy as simply a retail activity. However, when we split the respondents according to their region, Lisbon and Porto forming one group and the other cities another group, we see that the pharmacies mainly present in metropolitan areas recognize this sector has having a fast changing process, one which is less adapted to the current customers' needs (although not presenting a significant difference). Another important conclusion to study the receptivity that digital solutions might have on the pharmaceutical activity as retailers, was the fact that the survey's respondents valued innovation as the most important factor to have in a supplier/laboratory like that at L'Oréal. Furthermore, the respondents recognized the importance of software, social networks and e-commerce solutions for the development of their business.

From another cross-effect study done between the relationship of the professionals' responsibility at the pharmacy and the value given to having, for example, an online ordering option, showed that it is mainly the professionals with more responsibility at the pharmacies that understand the importance that these tools can have for their business.

Ana Orvalho, the independent pharmacist interviewed for the study, recognized the importance that digital tools would have for her business. For the future of her pharmacy she stated that she is considering opening a website with an e-commerce function to sell some of the OTCs and other products available at the pharmacy that she thinks can be easier to sell on the internet.

The issues stated by João Roma about the lack of education in terms of management skills and the possible role of legislation as a factor which can represent a barrier to the attempt to implement digital solutions to promote the business is also something that cannot be ignored.

7.2 Recommendations

One of the recommendations worth adding is related with the E-learning platform which was presented in this case study. The platform has an enormous potential to reach the firm's clients. No other communication channel exists to communicate with pharmacists directly in a manner the company desires. Thus, if the platform already has the professionals enrolled, and so, present on it, why not leverage on it? Nowadays, a project is being held in order to re-think the platform while studying what can be added to it. The most innovative features that might be added are: an online ordering option for products, information and an ordering option for visibility materials (as stoppers, banners, flags, etc.) or a system to automatically create new contents for clients' social network pages, etc. For example, a possible tool which might help the company to get more visibility in the clients' webpages and social network pages can be the creation of an online editor tool at which the pharmacists can download content to post on their pages by just changing or filling in information: for example, a template banner for a special Christmas promotion available at all pharmacies whereby one need only fill in the template with the pharmacy name and add a call to action according to what the pharmacists require. The main advantage of this communication channel is related with the fact that it actually reaches more pharmacies than the ones visited by the company representatives.

Another idea might be leveraged on the perspective of a pharmacy as a space for relaxing and contracting services. The idea might be sponsoring the implementation and the maintenance of wi-fi internet in each of the pharmacies for the possibility of deciding in terms of data mining collected from each sale done in that pharmacy. It will allow the company to have an excellent tool for customer relationship management purposes.

Another recommendation is related to recent news from the ANF (National Pharmacies Association) which decided to launch in 2016 a new platform for online shopping. Basically, at that website, any consumer can have a login and shop for OTCs and other health-related products. To pick up the product, the consumer might choose the pharmacy at which he/she wants to collect the products. It will allow the pharmacies, even if they do not have any website, to sell online and to get more traffic inside the pharmacies. The potential role of L'Oréal might be in the sponsoring of the platform or doing a partnership with the association to split the costs, or studying a way for the company to be more visible than competitors on that website.

As described in the case-study, the inexistence of a CRM tool was also something that worried the digital manager, Monica Macedo. Therefore, the company needs something that can integrate the sales data and analyse it to get valuable information. In one of the meetings with the digital agency Ongagement, I was presented with a proposal that exactly fills this gap. Basically, it is a software which saves all the information and sends it to the laboratory. Nonetheless, this software is not linked with CiPharma which is the major software used by the Portuguese pharmacies. It means that they will have to change their entire sales software to integrate this new one, which would make it much more difficult to sell to a pharmacy's owner.

8. Limitations and Future Research

One of the possible limitations was related with the sample collected, which was arguably too limited to reach representative conclusions. Also related with the survey, there was another limitation that came from the distribution channel used to distribute the survey. The company allowed distribution through their e-learning platform. Thus, it allowed me to get a greater exposure to the population of people who actually work in pharmacies. However, the company asked me to restrict publication to the users that are direct clients from L'Oréal Active Cosmetics. This meant that it was not possible to get the perspective of those pharmacies which do not have the presence of the company's commercial teams and who have to work with wholesalers (typically the smaller pharmacies).

A further limitation was that, from the company's perspective, it might be not good to publish certain information as it might represent advantages to the company's competitors.

9. Teaching Notes

9.1 Synopsis

This paper was written in a digitalization era where the firms have to lead with new contexts, new challenges and have to readapt their ways of doing business. As one of those firms, L'Oréal Portugal Active Cosmetics Division is facing a digitalization process for the health-care business. This process brings opportunities and challenges for the firm to readapt their processes. Therefore, in this dissertation, the different perspectives from different players in the pharmaceutical sector are analyzed. The main goal was, then, presenting the reader with the issues that can be associated with a process of digitalization of a sector which traditionally is not associated with mobile usage and interfacing. The company's strategy and the existent tools are described and analyzed in order to understand how the company can react to defend always its leader position in the market. As a role model in terms of innovation, the company cannot allow it to damage its image in the market.

9.2 Target Audience of the Case

The target audience of the case is mainly composed of marketing or strategic management students. This case study is designed to offer students a different perspective of marketing through the different players of the supply chain. Here, we are mainly focused on the impacts of L'Oréal which is the base line player of the supply chain. Therefore, teachers might use this case study to show that the effects of retailers' development are several and broad, not just for the final consumers but also for the manufacturer/supplier.

9.3 Teaching Objectives

This case study might be important to reach different learning goals. Firstly, it is possible for the students to apply the knowledge gleaned from management and marketing classes. By identifying different targets, communication strategies, price policies and other marketing elements the students will train those concepts with practical examples. Moreover, the case study is also important to get a notion of a new market: the [online] cosmetics market. Presenting the company and its different divisions, its competitors and marketed brands, the students will be able to totally understand the market and be able to discuss practical effects of potential measures. Also, the entire industry of pharmacies as retailers (which has up to now been little studied in terms of marketing) may now be studied in some depth.

9.4 Teaching Plan

A possible plan to be used by teachers can be divided in two different phases. The first phase can be based on an individual base at which the students would have a specific time to read the case and to prepare individual responses to it. After that, during class, the teacher has also the possibility to use this case study as an object to stimulate the group discussion and presentations about possible risks, solutions and measures to be implemented by the company.

Individual Discussion

Starting with the suggestions for the individual discussion, several issues might be raised to check whether the students were able to understand the case:

i. Which were the current trends on the Portuguese pharmaceutical industry? (Pages 18 and 19)
ii. What were the strategic pillars for the company establishment? (Pages 16 and 17)
iii. Characterize the different brands present in the L'Oréal Portugal brands portfolio and define them in terms of strategy, target audience, communication strategies and distribution channels used. (Page 20)
iv. What is the current situation of L'Oréal Active Cosmetics division in terms of digital strategies? What was being done by the firm in this field? (Pages 24 and 25)
v. What is cosmeticaactiva.pt and what are the main advantages for the firm of having this tool? (Page 25)

Group Discussion

Secondly, in order to stimulate the group discussion around the topic, the instructor might use a two-step analysis. The first analysis might be listing the different tools which could be used by the pharmacies' owners and suggested or used in partnership with laboratories. The second step for the analysis of this case study might be focused on the two different perspectives: to adopt the perspective of a laboratory and adopt the perspective of a pharmacy owner. Here, the challenge might consist of listing all the advantages and disadvantages of introducing digital tools and discuss it in groups.

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10.2 Case Study

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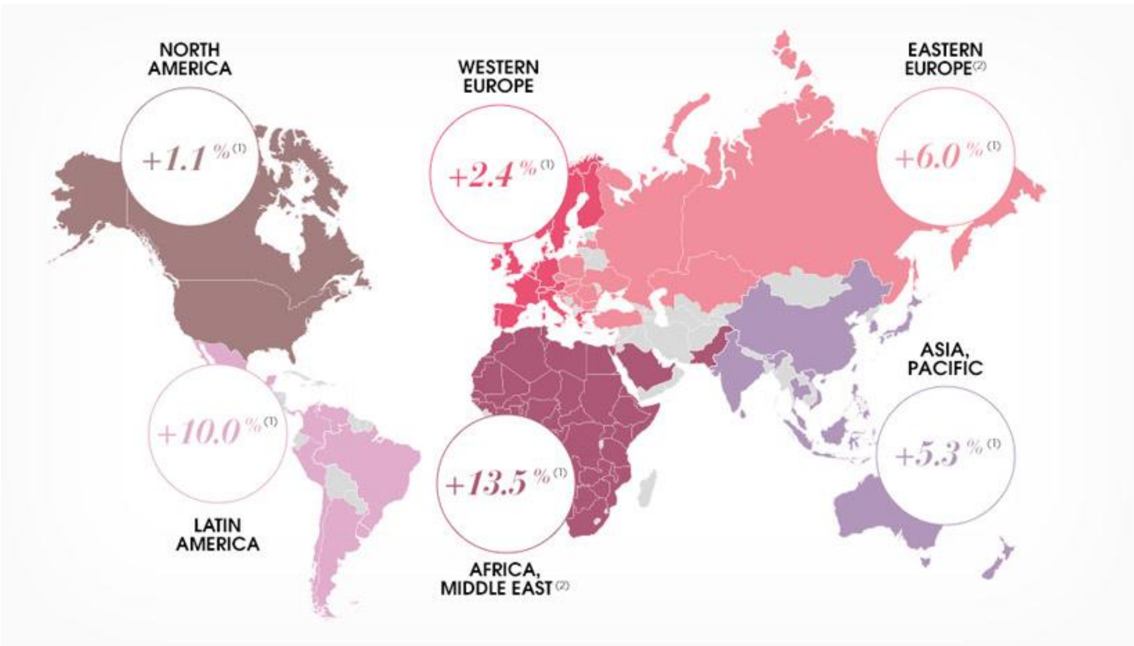
11. Exhibits Case Study

Exhibit 1: Key Figures 2014

Source: L'Oréal Internal Reports

Exhibit 2: World Performances



Source: L'Oréal Internal Reports

Exhibit 3: Vichy – Paid Advertising

Source: Cosmpolitan 06/2014

Source: Maxima 04/2014

Exhibit 4: La Roche-Posay – Advertising

Exhibit 5: Sweetcare

Exhibit 6: Cosmetica Activa.pt

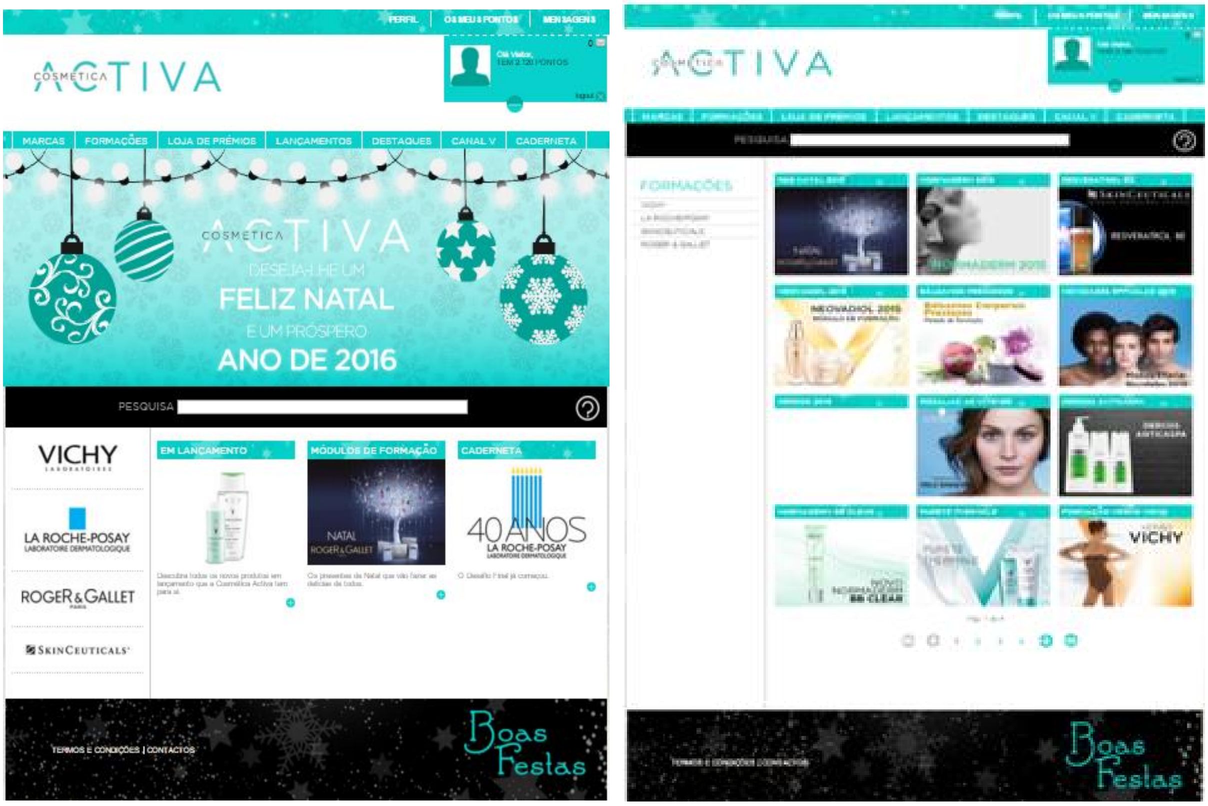


Exhibit 7: Pharmacies & Para pharmacies Choosing Factors

Na sua opinião, quais são os factores mais importantes para um consumidor na escolha da sua farmácia (Ranking Question)

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
Preços	324	1,00	4,00	2,2963	1,06092	1,126
Qualidade do Serviço	324	1,00	4,00	1,8395	,95996	,922
Diversidade de Produtos	324	1,00	4,00	3,1451	,83310	,694
Acessibilidade/Localização	324	1,00	4,00	2,7191	1,15306	1,330
Valid N (listwise)	324					

Exhibit 8: Importance of dermocosmetic products for pharmacies' business

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Qual a importância que dá aos produtos de dermocosmética na sua farmácia? (1 a 5)	373	1	5	4,37	,628
Valid N (listwise)	373				

Exhibit 9: Suppliers' choosing factors

Na sua opinião o que mais distingue um bom laboratório/fornecedor (1: Mais importante; 5: Menos importante)

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
Inovação	324	1,00	5,00	1,9475	1,20385	1,449
Preço	324	1,00	5,00	2,6667	1,24169	1,542
Diversidade de Produtos	324	1,00	5,00	3,2623	1,37278	1,885
Equipa Comercial	324	1,00	5,00	3,5154	1,25770	1,582
Acessibilidade)	324	1,00	5,00	3,6080	1,28244	1,645
Valid N (listwise)	324					

Exhibit 10: General Pharmacists Opinion

Considera o sector farmacêutico, um sector .... (1: Discordo Completamente 4: Concordo Completamente)

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
Moderno	324	1	4	3,17	,574	,329
Em mudança	324	2	4	3,42	,564	,318
Não propício a inovações	324	1	4	1,68	,687	,471
Adaptado às correntes necessidades dos consumidores	324	1	4	3,05	,485	,236
Mais desenvolvido do que outros sectores ou retalhistas (ex: comércio alimentar)	324	1	4	2,86	,710	,504
Sub-Desenvolvido (ex: modelos de negócio e de actividade não são os mais inovadore)	324	1	4	2,06	,675	,455
Valid N (listwise)	324					

Exhibit 11: Pharmacies' Digitalization

No que diz respeito à sua farmácia, considera-a uma farmácia moderna em termos de práticas e métodos?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Sim	265	81,8	81,8	81,8
	Não	59	18,2	18,2	100,0
	Total	324	100,0	100,0	

Exhibit 12: Tools used by pharmacists in their pharmacies

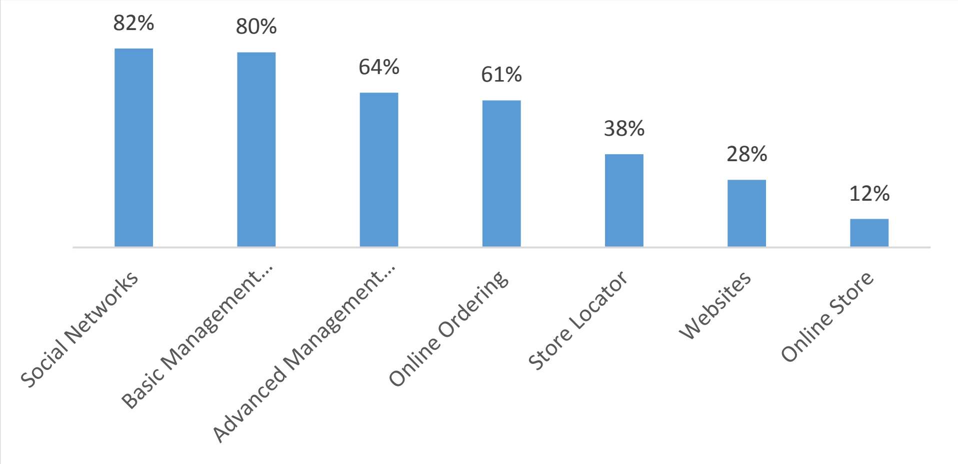


Exhibit 13: Which laboratories have an online ordering option

Qual o tipo de laboratórios que disponibilizam ferramentas de encomendas online

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Dermocosmética	16	4,9	8,2	8,2
	Medicamentos Sujeitos a Receita Médica	104	32,1	53,1	61,2
	OTCs (Medicamentos Não Sujeitos a Receita Médica)	33	10,2	16,8	78,1
	Outros	43	13,3	21,9	100,0
	Total	196	60,5	100,0	
Missing	System	128	39,5		
Total		324	100,0		

Exhibit 14: How satisfied are the pharmacists with those online ordering tools

	N	Minimum	Maximum	Mean	Std. Deviation
Como avalia essa solução disponibilizada para a actividade da farmácia?	196	1	4	3,41	,588
Valid N (listwise)	196				

Exhibit 15: Which tools the pharmacists consider important for the digital development of the pharmacy business

Na sua opinião, qual a importância que as seguintes soluções digitais poderiam ter para a modernização da sua farmácia

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation

Redes Sociais (Facebook, Twitter, Instagram...)	323	,00	5,00	3,8328	1,21196
Websites	324	,00	5,00	3,3920	1,22565
Store Locator (Localização da farmácia disponível de obter online)	322	,00	5,00	3,3447	1,32168
Softwares de Apoio à Gestão Avançados (Análise de vendas, padrões de compra por consumidor, rentabilidade de produtos e promoções...)	323	,00	5,00	4,1641	1,04896
Softwares de Apoio à Gestão (Registo de stocks, facturação, ...)	322	,00	5,00	4,2733	,96666
Loja Online (Possibilidade de fazer compras via internet)	322	,00	5,00	3,1491	1,44563
Plataforma de encomendas online (plataformas disponibilizadas por laboratórios)	323	,00	5,00	3,8173	1,22122
Valid N (listwise)	322				

Exhibit 16: General satisfaction with the e-learning platform

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
Como avalia a plataforma de E-learning	324	2	4	3,57	,526	,277
Valid N (listwise)	324					

Quais as funções que acha mais importantes ter disponíveis na plataforma do E-Learning L'Oréal Cosmética Activa (1: importante 8: menos importante)

Exhibit 17: Which tools the pharmacists consider important to have on the e-learning webpage

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
Módulos de Formação	324	1,00	8,00	1,2407	,71087	,505
Informações de acerca de materiais de visibilidade para o ponto de venda	324	1,00	8,00	3,7284	1,75257	3,072
Informações acerca de campanhas	324	1,00	8,00	3,3858	1,29392	1,674
Encomendas Online	324	1,00	8,00	5,0586	1,60869	2,588
Encomendas Online de Materiais de Visibilidade	324	1,00	8,00	5,8086	1,41655	2,007
Informação Geral de Marcas	324	1,00	8,00	4,2284	1,91062	3,650
Loja de Prémios (Possibilidade de trocar pontos por prémios)	324	1,00	8,00	5,7438	2,09801	4,402
Contacto Instantaneo com pessoas da DCA ou outros utilizadores	324	1,00	8,00	6,8056	1,65691	2,745
Valid N (listwise)	324					

Exhibit 18: Which tools the pharmacists consider important to the digital development of pharmacies

Na sua opinião, qual a importância que as seguintes soluções digitais poderiam ter para a modernização da sua farmácia?

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Softwares de Apoio à Gestão Avançados (Análise de vendas, padrões de compra por consumidor, rentabilidade de produtos e promoções...)	Between Groups	10,359	1	10,359	9,459	,002
	Within Groups	358,103	327	1,095		
	Total	368,462	328			

Descriptives

		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean: Lower Bound	95% Confidence Interval for Mean: Upper Bound	Minimum	Maximum
Softwares de Apoio à Gestão Avançados	Outros	282	4,0887	1,08169	,06441	3,9619	4,2154	,00	5,00
	Responsáveis & Directores	47	4,5957	,79836	,11645	4,3613	4,8302	1,00	5,00
	Total	329	4,1611	1,05989	,05843	4,0461	4,2760	,00	5,00

ANOVA

Quais as funções que acha mais importantes ter disponíveis na plataforma do E-Learning L'Oréal Co...-Encomendas Online

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	3,266	1	3,266	1,261	,262
Within Groups	836,845	323	2,591		
Total	840,111	324			

Descriptives

Quais as funções que acha mais importantes ter disponíveis na plataforma do E-Learning L'Oréal Co...-Encomendas Online

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Outros	278	5,0935	1,61845	,09707	4,9024	5,2846	1,00	8,00
Responsáveis & Directores	47	4,8085	1,55533	,22687	4,3518	5,2652	1,00	8,00
Total	325	5,0523	1,61026	,08932	4,8766	5,2280	1,00	8,00

Exhibit 19: Localization versus Agreement with sentences

Considera o sector farmacêutico, um sector ....

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Em mudança	Between Groups	1,820	1	1,820	5,875	,016
	Within Groups	104,707	338	,310		
	Total	106,526	339			
Adaptado às correntes necessidades dos consumidores	Between Groups	,673	1	,673	2,890	,090
	Within Groups	78,750	338	,233		
	Total	79,424	339			

Descriptives

		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
						Lower Bound	Upper Bound		
Em mudança	Outras	210	3,36	,563	,039	3,28	3,43	2	4
	Areas Metropolitanas	130	3,51	,546	,048	3,41	3,60	2	4
	Total	340	3,41	,561	,030	3,35	3,47	2	4
	Outras	210	3,08	,483	,033	3,01	3,14	2	4

		N	Mean	Std. Deviation	Std. Error	Lower Bound	Upper Bound	Minimum	Maximum
Adaptado às correntes necessidades dos consumidores	Areas Metropolitanas	130	2,98	,482	,042	2,90	3,07	1	4
	Total	340	3,04	,484	,026	2,99	3,09	1	4

Exhibit 20: Pharmacists agreement with sentences

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Como avalia as seguintes afirmações-As farmácias podem ter muitas vantagens de adoptar ferramentas digitais	Between Groups	1,357	1	1,357	4,309	,039
	Within Groups	102,337	325	,315		
	Total	103,694	326			
Como avalia as seguintes afirmações-A informação que se extrai hoje em dia das vendas da farmácia permitem fazer uma boa análise e gestão da actividade	Between Groups	3,178	1	3,178	7,807	,006
	Within Groups	132,296	325	,407		
	Total	135,474	326			

Descriptives

		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean Lower Bound	95% Confidence Interval for Mean Upper Bound	Minimum	Maximum
"As farmácias podem ter muitas vantagens de adoptar ferramentas digitais"	Outras	197	3,58	,606	,043	3,50	3,67	1	5
	Areas Metropolitanas	130	3,72	,486	,043	3,63	3,80	3	5
	Total	327	3,64	,564	,031	3,57	3,70	1	5
"A informação que se extrai hoje em dia das vendas da farmácia permitem fazer uma boa análise e gestão da actividade"	Outras	197	3,61	,658	,047	3,52	3,70	1	5
	Areas Metropolitanas	130	3,41	,606	,053	3,30	3,51	2	5
	Total	327	3,53	,645	,036	3,46	3,60	1	5

Exhibit 21: Pharmacists agreement with sentences according to their value to dermocosmetic products

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Na sua opinião, qual a importância que as seguintes	Between Groups	6,504	1	6,504	4,462	,035
	Within Groups	476,621	327	1,458		

		Sum of Squares	df	Mean Square	F	Sig.
soluções digitais poderiam ter para a moderni...-Redes Sociais (Facebook, Twitter, Instagram...)	Total	483,125	328			
Na sua opinião, qual a importância que as seguintes soluções digitais poderiam ter para a moderni...-Websites	Between Groups	11,102	1	11,102	7,450	,007
	Within Groups	488,789	328	1,490		
	Total	499,891	329			
Na sua opinião, qual a importância que as seguintes soluções digitais poderiam ter para a moderni...-Store Locator (Localização da farmácia disponível de obter online)	Between Groups	9,205	1	9,205	5,337	,021
	Within Groups	562,231	326	1,725		
	Total	571,436	327			
Na sua opinião, qual a importância que as seguintes soluções digitais poderiam ter para a moderni...-Loja Online (Possibilidade de fazer compras via internet)	Between Groups	18,221	1	18,221	8,945	,003
	Within Groups	664,044	326	2,037		
	Total	682,265	327			

Na sua opinião, qual a importância que as seguintes soluções digitais poderiam ter para a modernização da sua farmácia

Descriptives

		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
						Lower Bound	Upper Bound		
Redes Sociais (Facebook, Twitter, Instagram...)	,00	185	3,7027	1,15779	,08512	3,5348	3,8706	,00	5,00
	1,00	144	3,9861	1,26815	,10568	3,7772	4,1950	,00	5,00
	Total	329	3,8267	1,21365	,06691	3,6951	3,9584	,00	5,00
Na sua opinião, qual a importância que as seguintes soluções digitais poderiam ter para a moderni...-Websites	,00	186	3,2204	1,22576	,08988	3,0431	3,3977	,00	5,00
	1,00	144	3,5903	1,21421	,10118	3,3903	3,7903	,00	5,00
	Total	330	3,3818	1,23265	,06786	3,2483	3,5153	,00	5,00
Store Locator (Localização da farmácia disponível de obter online)	,00	184	3,1902	1,26824	,09350	3,0057	3,3747	,00	5,00
	1,00	144	3,5278	1,36870	,11406	3,3023	3,7532	,00	5,00
	Total	328	3,3384	1,32193	,07299	3,1948	3,4820	,00	5,00
Loja Online (Possibilidade de vender via internet)	,00	184	2,9348	1,41270	,10415	2,7293	3,1403	,00	5,00
	1,00	144	3,4097	1,44558	,12046	3,1716	3,6478	,00	5,00
	Total	328	3,1433	1,44445	,07976	2,9864	3,3002	,00	5,00

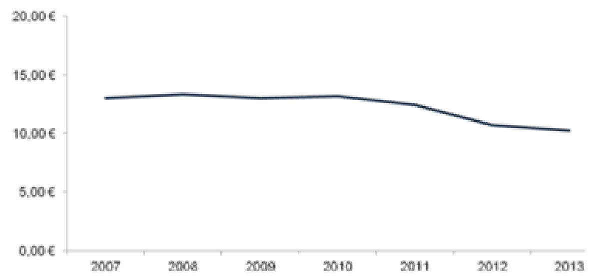
12. Appendices

Appendix 1: Number of Pharmacies in Portugal – Evolution 2004/2014

Anos	Farmácias: número Farmácia Farmácias	Farmácias por 10 mil habitantes Rácio - Por dez mil Farmácias por 10 mil hab.
2004	2.759	2,6
2005	2.775	2,6
2006	2.775	2,6
2007	2.775	2,6
2008	2.774	2,6
2009	2.803	2,7
2010	2.879	2,7
2011	2.900	2,7
2012	2.910	2,8
2013	(R) 2.881	(R) 2,8
2014	2.889	2,8

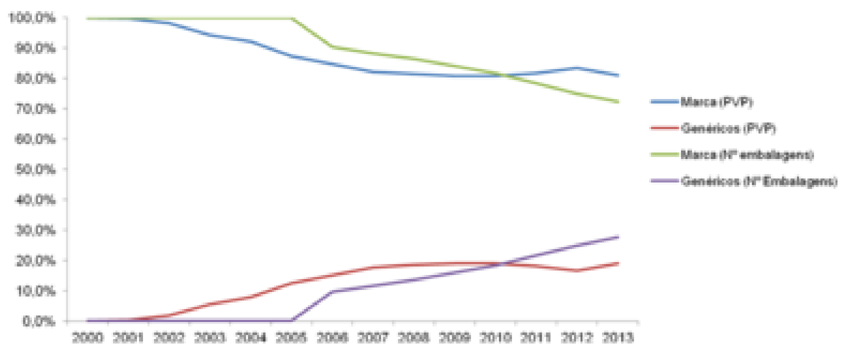
Source: Pordata.com

Appendix 2: Evolution of medicine prices sold in Portuguese pharmacies 2007/2013



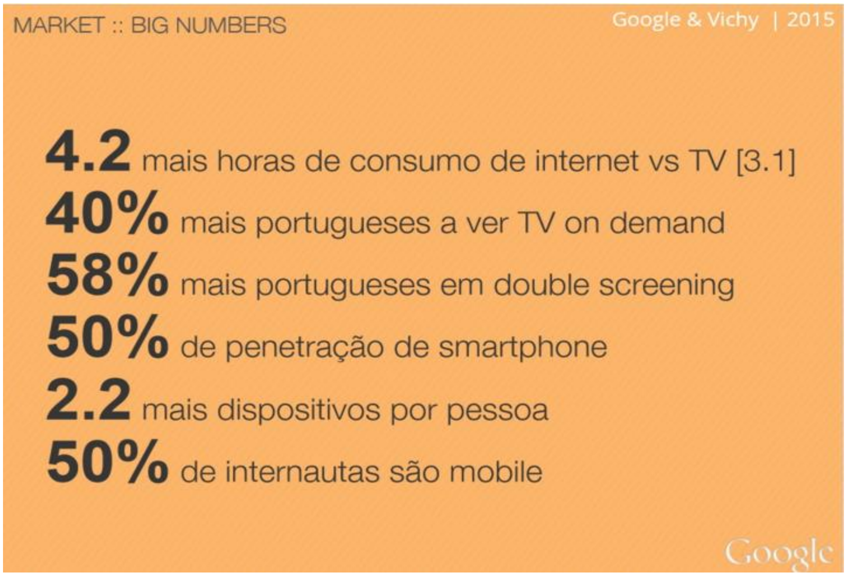
Source: Primopraxis & Infarmed

Appendix 3: Evolution of medicine market shares sold in Portuguese pharmacies 2000/2013



Source: Primopraxis & Infarmed

Appendix 4: Google & Vichy study results



Appendix 5: Interview Guidelines

Guideline Interview – L'Oréal
1. Qual a importância do Digital para a L'Oréal? O que faz a L'Oréal em termos de acções específicas digitais?
2. Estas acções são direccionadas apenas para o cliente final ou também são feitas pensando no retalhista (farmacias)?
3. Quais os KPI's utilizados para medir o impacto das acçoes feitas a nível digital pela empresa? *(Digital Manager)*
4. Qual o papel da L'Oréal e qual o papel das agências de comunicação com quem trabalha? Como de distribuem as responsabilidades/funções? *(Digital Manager)*
5. Quais as diferenças da L'Oréal para a concorrência em termos de actividade digital?
6. Qual a abertura dos farmaceuticos a estas novas tendências? São receptivos á utilização de meios digitais?
7. Está a L'Oréal a retirar o máximo proveito do digital em termos de relação com os clientes?
8. A L'Oréal estaria preparada para vender aos seus clientes sem a venda ser feita presencialmente? *(Comercial Manager)*
9. O que poderia ganhar a empresa com o desenvolvimento tecnológico dos seus clientes?
10. Qual o potencial de venda de produtos dermocosméticos online?

Guideline Interview – Digital Expert **Agencias Comunicacao e Empresas de Gestão/Sistemas de Informação**
1. Alguns dos clientes são farmácias?
2. Qual o nível de aceitação que acha/sabe (no caso de serem clientes) terem as farmácias para a utilização de ferramentas digitais?
3. Quais os serviços que a agência oferece?
4. Quais desses serviços se adaptariam á realidade de uma farmácia?
5. Quais os benefícios desses serviços para a farmácia e para os laboratórios com quem trabalham?
6. Quais as principais dificuldades que teriam as farmácias á utilização desses serviços

Guideline Interview – Pharmacists
1. Como vê a actividade da farmácia nos dias de hoje? Principais mudanças, dificuldades e desafios que estão subjacentes ás pessoas que têm uma farmácia hoje em dia
2. Como se tem desenvolvido e como se caracteriza a concorrência?
3. O que gostaria/qual a estratégia da farmácia para o futuro? Concentrar OTCS? Dermocosmética?
4. Que tipo de produtos lhe dão mais rentabilidade hoje em dia?
5. Qual a receptividade para ferramentas digitais?
6. Em termos de ferramentas digitais, o que utiliza a sua farmácia? Redes sociais, websites, etc.
7. Qual a estratégia futura em termos de ferramentas digitais. O que gostaria de ter? O que pensa ter? Quais as vantagens dessas opções futuras?
8. Em termos de comércio online, acha que os clientes da farmácia poderiam beneficiar da utilização dessa alternativa? Acha que teria sucesso a implementação dessa medida nas farmácias?
9. Em termos de informação que extrai da actividade da sua farmácia. Qual a sua qualidade? Consegue fazer uma análise dessa informação?
10. Como define a sua relação com os laboratórios que tem á disposição?

Guideline Interview – Associação Nacional de Farmácias
1. O que é a ANF? Quais os objectivos e qual o papel da associação?
2. Como é a relação da ANF com as farmácias/parafarmácias?
3. Como descreveria o sector farmaceutico? Mudanças, desafios, dificuldades
4. A nível de negócio, quais são as tendencias? OTCS, Dermocosmeticos,…
5. Qual o papel dos laboratórios na actividade das farmácias?
6. Como têm as farmácias reagido á crescente utilização de plataformas digitais e outros meios tecnológicos?
7. O que pode justificar o atrasar do desenvolvimento tecnologico por parte das farmácias?
8. Quais os exemplos de acções e meios digitais implementados por algumas farmácias?
9. Quais as vantagens que as farmácias podem ter com essa introdução?
10. Quais as dificuldades/desvantagens que representam?
11. Quais os impactos que a modernização das farmácias poderiam ter para todos os players do mercado: ANF, Farmácias, Laboratórios, Grossistas…

Appendix 6: Survey

1.Caro Utilizador,
O presente questionário insere-se no âmbito de uma tese de mestrado da Universidade Católica Portuguesa - Faculdade de Ciências Económicas e Empresariais. Estando o autor actualmente a colaborar com a L'Oréal, o objectivo deste estudo passa por perceber as dinâmicas do sector farmacêutico e, sobretudo, perceber quais os impactos que poderão existir com a introdução de meios tecnológicos nas operações diárias das farmácias. Os resultados servirão para uso académico e para o desenvolvimento de um caso de estudo relacionado com o sector. Este questionário tem uma duração estimada de resposta de 10 minutos e todas as suas respostas serão sempre mantidas como anónimas e confidenciais. A sua participação é muito importante.
Obrigado,
Francisco Ascenso
francisco.ascenso@loreal.com

2. Na sua opinião, quais são os factores mais importantes para um consumidor na escolha da sua farmácia? (Ordene consoante a sua opinião sendo 1: Mais importante; 4: Menos importante)
______ Preços (1)
______ Qualidade do Serviço (2)
______ Diversidade de Produtos (3)
______ Acessibilidade/Localização (4)

3. Qual a importância que dá aos produtos de dermocosmética na sua farmácia?
- ❍ Nada Importantes (1)
- ❍ Pouco Importantes (2)
- ❍ Neutro (3)
- ❍ Importantes (4)
- ❍ Muito Importantes (5)

4. A sua farmácia trabalha directamente (não através de grossistas) com algum laboratório de dermocosmética?
- ❍ Sim (1)
- ❍ Não (2)

5. Qual a abertura da sua farmácia para partilhar dados de vendas com os seus fornecedores?
- ❍ Partilha dados (1)
- ❍ Não partilha dados (2)

6. Na sua opinião o que mais distingue um bom laboratório/fornecedor (1: Mais importante; 5: Menos importante)
_______ Inovação (Novos inovações nos produtos, Modernos sistemas de encomendas, Plataformas digitais de apoio, ...) (1)
_______ Preço (Independetemente dos produtos que são oferecidos, apresenta preços mais baixos) (2)
_______ Diversidade de Produtos (Apresenta um extenso rol de produtos) (3)
_______ Equipa Comercial (Um comercial simpático, conhecedor dos produtos, atencioso,...) (4)
_______ Acessibilidade (Possibilidade de contactar rapidamente alguém responsável do laboratório) (5)

7. Considera o sector farmacêutico, um sector ....

	Discordo Completamente (1)	Discordo (2)	Concordo (3)	Concordo Completamente (4)
Moderno (1)	❍	❍	❍	❍
Em mudança (2)	❍	❍	❍	❍
Não propício a inovações (3)	❍	❍	❍	❍
Adaptado às correntes necessidades dos consumidores (4)	❍	❍	❍	❍
Mais desenvolvido do que outros sectores ou retalhistas (ex: comércio alimentar) (5)	❍	❍	❍	❍
Sub-Desenvolvido (ex: modelos de negócio e de actividade não são os mais inovadore) (6)	❍	❍	❍	❍

8. No que diz respeito à sua farmácia, considera-a uma farmácia moderna em termos de práticas e métodos, isto é, inovadora/adaptada ao contexto actual?
- ❍ Sim (1)
- ❍ Não (2)

9. Quais as ferramentas digitais que a sua farmácia dispõem actualmente? (Caso não tenha nenhuma das ferramentas deixe em branco todas as opções)
- ❑ Redes Sociais (Facebook, Twitter, Instagram...) (1)
- ❑ Websites (2)
- ❑ Store Locator (Localização da farmácia disponível de obter online) (3)
- ❑ Softwares de Apoio à Gestão Avançados (Análise de vendas, padrões de compra por consumidor, rentabilidade de produtos e promoções...) (4)
- ❑ Softwares de Apoio à Gestão (Registo de stocks, facturação, ...) (5)
- ❑ Loja Online (Possibilidade de fazer compras via internet) (6)
- ❑ Plataforma de encomendas online (plataformas disponibilizadas por laboratórios) (7)

Answer If Quais as ferramentas digitais que a sua farmácia dispõem actualmente? (Caso não tenha nenhuma das ferramentas deixe em branco todas as opções) Plataforma de encomendas online (plataformas disponibilizadas por laboratórios) Is Selected

10. Qual o tipo de laboratórios que disponibilizam ferramentas de encomendas online
- ❍ Dermocosmética (1)
- ❍ Medicamentos Sujeitos a Receita Médica (2)
- ❍ OTCs (Medicamentos Não Sujeitos a Receita Médica) (3)
- ❍ Outros (4)

Answer If Qual a sua função na farmácia? Is Selected

11. Como avalia essa solução disponibilizada para a actividade da farmácia?

- ❍ Nada Importante (1)
- ❍ Pouco Importante (2)
- ❍ Importante (3)
- ❍ Muito Importante (4)

12. Na sua opinião, qual a importância que as seguintes soluções digitais poderiam ter para a modernização da sua farmácia
______ Redes Sociais (Facebook, Twitter, Instagram...) (1)
______ Websites (2)
______ Store Locator (Localização da farmácia disponível de obter online) (3)
______ Softwares de Apoio à Gestão Avançados (Análise de vendas, padrões de compra por consumidor, rentabilidade de produtos e promoções...) (4)
______ Softwares de Apoio à Gestão (Registo de stocks, facturação, ...) (5)
______ Loja Online (Possibilidade de fazer compras via internet) (6)
______ Plataforma de encomendas online (plataformas disponibilizadas por laboratórios) (7)

13. Como avalia as seguintes afirmações

	Não Concordo Totalmente (1)	Não Concordo (2)	Concordo (3)	Concordo Totalmente (4)	Não sei/Não respondo (5)
As farmácias podem ter muitas vantagens de adoptar ferramentas digitais (1)	❍	❍	❍	❍	❍
A informação que se extrai hoje em dia das vendas da farmácia permitem fazer uma boa análise e gestão da actividade (2)	❍	❍	❍	❍	❍
A farmácia deve apostar em ferramentas de comércio online (3)	❍	❍	❍	❍	❍
Os laboratorios devem apostar em ferramentas de encomendas online (4)	❍	❍	❍	❍	❍
A modernização das farmácias passa pela utilização de ferramentas digitais (5)	❍	❍	❍	❍	❍

14. Como avalia a plataforma de E-learning
- ❍ Nada Satisfatória (1)
- ❍ Pouco Satisfatória (2)
- ❍ Satisfatória (3)
- ❍ Muito Satisfatória (4)

15. Quais as funções que acha mais importantes ter disponíveis na plataforma do E-Learning L'Oréal Cosmética Activa (Ordene consoante a sua opinião sendo 1 a função que seria mais importante ter na plataforma e 8 o menos importante)
______ Módulos de Formação (1)
______ Informações de acerca de materiais de visibilidade para o ponto de venda (2)
______ Informações acerca de campanhas (3)
______ Encomendas Online (4)
______ Encomendas Online de Materiais de Visibilidade (5)
______ Informação Geral de Marcas (6)
______ Loja de Prémios (Possibilidade de trocar pontos por prémios) (7)
______ Contacto Instantaneo com pessoas da DCA ou outros utilizadores (8)

16. Qual a localização da sua farmácia?
- ❍ Algarve (1)

- ❍ Alentejo (2)
- ❍ Centro (3)
- ❍ Norte (4)
- ❍ Lisboa e Vale do Tejo (5)
- ❍ Porto (6)
- ❍ Ilhas (7)

17. Qual o tipo de localização da sua farmácia
- ❍ Rua - Centro da cidade (1)
- ❍ Rua - Zona residencial (2)
- ❍ Rua - Suburbio (3)
- ❍ Shopping (4)
- ❍ Rural (5)
- ❍ Outra (6) ____________________

18. Qual o número de colabores na sua farmácia?
- ❍ 1-3 (1)
- ❍ 4-7 (2)
- ❍ 7-10 (3)
- ❍ >10 (4)

19. Qual a sua função na farmácia?
- ❍ Responsável Compras (1)
- ❍ Director Técnico (2)
- ❍ Conselheira/o (3)
- ❍ Ajudante Técnica(o) (4)
- ❍ Farmaceutica(o) (5)

Q5 Para algum comentário ou sugestão relacionada com este questionário:

Q6 Obrigado pela sua participação!

Appendix 7: E-mail Newsletter

Appendix 8: Cosmeticaactiva.pt Homepage – Survey's mention