



University of Wales
Trinity Saint David
LONDON

Master of Business Administration

Assessment 1 – Strategic Management

(LCMB7003)

Update:

Lecturer: Dr. Jayalakshmi

Report By

Varma Vishvesha Rajkumar

ID: 2436048@student.uwtsd.ac.uk

TABLE OF CONTENTS

Sr. No.	Title	Page No.
1.	Introduction	3
2.	Selection of Organisation and Target Market 2.1 Overview of the Selected Organisation: L'Oréal 2.2 Overview of the Target Market: Indonesia 2.3 Strategic Rationale for Market Selection	4 - 6
3.	Comprehensive Strategic Analysis 3.1 Macro-Environmental Analysis of Indonesia (PESTLE Framework) 3.1.1 Political and Legal Environment 3.1.2 Economic Environment 3.1.3 Social and Cultural Environment 3.1.4 Technological Environment 3.1.5 Environmental Factors 3.2 Industry and Competitive Analysis (Porter's Five Forces) 3.3 Internal Strategic Analysis (VRIO Framework) 3.4 SWOT Analysis and Strategic Implications	7 - 14
4.	Strategy Development and Formulation 4.1 Strategic Direction and Growth Rationale 4.2 Application of Ansoff's Matrix 4.3 Market Entry Strategy for Indonesia 4.4 Competitive Strategy and Positioning 4.5 Risk Analysis and Mitigation Strategies 4.6 Strategy Implementation Framework	15 - 19
5.	Performance Evaluation Framework 5.1 Balanced Scorecard for International Expansion 5.2 Triple Bottom Line (TBL) Integration 5.3 Governance, Control and Performance Monitoring	20 - 22
6.	Conclusion	23
7.	References	24 - 25

1. INTRODUCTION

The contemporary global business environment is characterised by rapid transformation driven by globalisation, technological advancement, evolving consumer preferences, and intensifying competitive pressures. For multinational corporations, sustained growth increasingly depends on their ability to identify and successfully penetrate emerging international markets while maintaining strategic coherence and operational effectiveness. Strategic management, therefore, plays a critical role in enabling organisations to align internal capabilities with external market opportunities in order to achieve long-term competitive advantage.

The global beauty and cosmetics industry has experienced consistent growth over the past decade, supported by rising disposable incomes, increased urbanisation, digital influence, and heightened consumer awareness regarding personal care and wellness. Within this context, emerging economies have become central to the expansion strategies of leading global firms, as mature markets in Europe and North America approach saturation. Companies operating within this sector must balance global brand consistency with local responsiveness, particularly in culturally diverse and regulation-intensive markets.

This report focuses on the international expansion strategy of L’Oreal, the world’s largest beauty and cosmetics company, through its proposed entry into Indonesia. L’Oreal has established a strong global presence through a diversified brand portfolio, advanced research and development capabilities, and a proven ability to adapt products to local market needs. Indonesia represents an attractive target market due to its large population, youthful demographic structure, expanding middle class, and rapidly growing demand for beauty and personal care products, particularly skincare and halal-certified cosmetics.

The purpose of this report is to develop a comprehensive organisational expansion plan that critically evaluates the strategic suitability of Indonesia as a target market for L’Oreal. The analysis applies established strategic management frameworks, including PESTLE analysis, Porter’s Five Forces, VRIO, SWOT, Ansoff’s Matrix, and performance measurement models, to assess both the external environment and L’Oreal’s internal capabilities. The report further proposes an appropriate market entry strategy, competitive positioning, and implementation approach designed to achieve sustainable growth while mitigating potential risks.

The structure of the report is as follows. Section Two justifies the selection of L’Oreal and Indonesia as the organisation and target market respectively. Section Three presents a comprehensive strategic analysis of the external and internal environments. Section Four develops and formulates the proposed expansion strategy, including entry mode and competitive positioning. Section Five outlines a performance evaluation framework using the Balanced Scorecard and Triple Bottom Line approaches. The report concludes with a strategic summary and reflection on the long-term implications of L’Oreal’s expansion into Indonesia.

2. Selection of Organisation and Target Market

2.1 Selection of Organisation - L'Oreal

L'Oreal is the world's largest cosmetics and Beauty Company, operating in more than 150 countries with a diversified portfolio spanning mass-market, luxury, professional, and dermatological beauty segments. In 2023, the company reported revenues of €41.2 billion, reflecting a year-on-year growth of 11%, despite macroeconomic uncertainty and inflationary pressures across key markets (L'Oreal Annual Report, 2023). This sustained performance highlights the organisation's strategic resilience, strong brand equity, and effective global-local operating model.



Figure 1: L'Oreal Corporate Logo.

Available at: <https://www.loreal.com>

L'Oreal's strategic strength lies in its ability to combine global scale with local responsiveness. The company invests heavily in research and development, allocating approximately 3.5% of annual revenues to R&D, supported by over 4,000 researchers across multiple innovation hubs worldwide (L'Oreal Annual Report, 2023). This capability enables the firm to adapt product formulations to diverse consumer needs, regulatory environments, and cultural preferences, which is particularly critical when entering emerging markets with distinct social and religious considerations.

Furthermore, L'Oreal has demonstrated extensive experience in emerging market expansion, with strong market positions in regions such as India, China, and Latin America. Emerging markets contributed over 40% of L'Oreal's total sales growth in 2023, underlining their strategic importance within the firm's long-term growth agenda (Statista, 2024). The company's prior success in navigating complex regulatory frameworks, fragmented retail structures, and culturally sensitive product requirements makes it a suitable candidate for further expansion into Southeast Asia.

From a strategic management perspective, L'Oreal represents an appropriate organisation for international expansion analysis due to its strong internal capabilities, financial capacity, brand-driven competitive advantage, and proven scalability. These characteristics align closely with the assignment objective of evaluating how organisational resources and strategic choices interact with external market conditions to support sustainable international growth.

2.2 Overview of the Target Market: Indonesia

Indonesia represents one of the most attractive emerging markets for international expansion due to its scale, demographic profile, and evolving consumer economy. With a population exceeding 270 million, Indonesia is the fourth most populous country globally, offering a substantial consumer base for fast-moving consumer goods, including beauty and personal care products. Approximately 60% of the population is under the age of 35, creating a young, aspirational, and consumption-driven demographic that closely aligns with the core target segments of the global beauty industry (World Bank, 2023).

Economically, Indonesia has demonstrated consistent macroeconomic stability, with average annual GDP growth of around 5% over the past decade, supported primarily by domestic consumption, urbanisation, and employment growth. Rising disposable incomes and an expanding middle class are expected to significantly strengthen demand for branded consumer products. Estimates suggest that over 140 million consumers will fall within the middle-income category by 2030, reinforcing long-term growth potential for skincare and cosmetics (McKinsey & Company, 2023).



Figure 2: Indonesia Beauty and Personal Care Market Size (USD Billion)

Source: Ken Research (2024), Indonesia Beauty and Personal Care Market, www.kenresearch.com

The beauty and personal care market in Indonesia was valued at approximately USD 9 - 10 billion in 2023 and is projected to grow at a compound annual growth rate (CAGR) of over 7% through the end of the decade (Statista, 2024). Skincare represents the largest and fastest-growing segment, driven by climatic conditions, increasing awareness of skin health, and strong influence from East Asian beauty trends. The rapid adoption of digital platforms and social media has further accelerated product discovery and purchase decisions through influencers, online reviews, and e-commerce channels.

Indonesia's status as the world's largest Muslim-majority country makes halal certification a core market requirement, extending beyond ingredients to sourcing, production processes, and ethical standards. While this context increases entry complexity, it favours multinational firms with strong compliance systems and advanced research capabilities, enabling L'Oreal to build trust and legitimacy. Additionally, Indonesia's ASEAN membership enhances its strategic value as a platform for regional expansion. Despite challenges such as infrastructure gaps and competition from local brands, the market's scale, demographic momentum, and economic growth make it a strong fit for L'Oreal's international expansion strategy.

2.3 Strategic Rationale for Market Selection



Figure 3: Comparative growth outlook of the makeup segment across major Asian economies, highlighting Indonesia's high-growth trajectory within the broader beauty and personal care market

Source: <https://www.6wresearch.com/industry-report/indonesia-makeup-market-outlook>

The selection of L'Oreal for expansion into Indonesia is strategically justified by the strong alignment between the organisation's internal capabilities and the external characteristics of the Indonesian market. Indonesia's large and youthful population, rising disposable incomes, and growing demand for skincare and halal-certified beauty products create favourable demand-side conditions, while the fragmented nature of the beauty market provides scope for an established global player to achieve early brand leadership.

From a resource-based perspective, L'Oreal's advanced research and development capabilities, financial strength, and experience in emerging markets position the firm well to address Indonesia's regulatory requirements and cultural expectations, particularly in relation to halal compliance and product localisation. These capabilities represent a source of competitive advantage that smaller domestic firms and less sophisticated international entrants may struggle to replicate.

Strategically, entry into Indonesia also supports L'Oreal's long-term growth objectives by reducing dependence on mature Western markets and strengthening its presence in high-growth emerging economies. Indonesia's role as a key ASEAN member further enhances its attractiveness as a regional platform for future expansion across Southeast Asia, enabling potential economies of scale in production, distribution, and marketing.

Overall, the convergence of market attractiveness, strategic timing, and organisational capability makes Indonesia a suitable and strategically coherent choice for L'Oreal's international expansion, provided that the firm adopts a phased entry approach and prioritises localisation, regulatory compliance, and culturally sensitive brand positioning.

3. Comprehensive Strategic Analysis

This section critically analyses the strategic environment surrounding L’Oreal’s proposed expansion into Indonesia by examining both macro-environmental forces and their strategic relevance to the beauty and personal care industry. Rather than providing a descriptive overview, the analysis focuses on identifying external conditions that materially influence market attractiveness, entry feasibility, and competitive positioning.

The section begins with a PESTLE analysis to assess broad political, economic, social, technological, legal, and environmental factors shaping Indonesia’s business context. These insights establish the foundation for subsequent industry-level and firm-level analysis, ensuring that strategy formulation is grounded in real market constraints and opportunities. The emphasis throughout is on strategic implications specifically how external forces interact with L’Oreal’s internal capabilities and long-term growth objectives.

3.1 Macro-Environmental Analysis of Indonesia (PESTLE Framework)

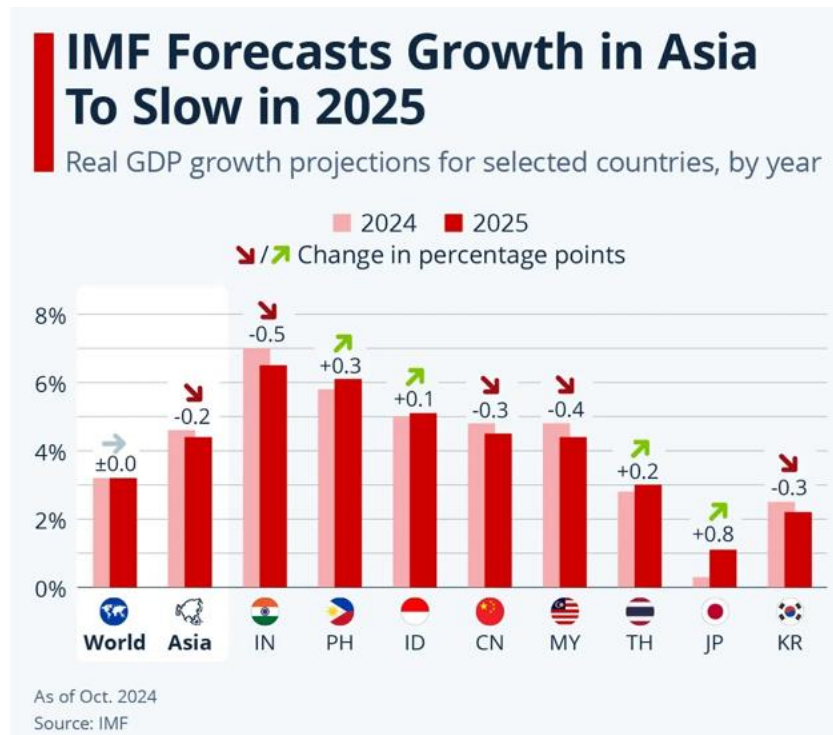


Figure 4: Indonesia’s GDP growth trend and economic stability (2024–2025)
(Source: World Bank; International Monetary Fund)

The PESTLE framework is applied to evaluate Indonesia’s macro-environment in order to determine its suitability as a target market for international expansion. While the framework provides a structured method for analysing external influences, its value lies in interpreting how these factors enable or constrain strategic choices, rather than treating them as isolated variables.

3.1.1 Political and Legal Environment

Indonesia has demonstrated a relatively stable political environment, supporting long-term policy continuity and investor confidence. The cosmetics industry is subject to strict regulatory oversight, particularly through BPOM approvals and mandatory halal certification. Although these requirements increase compliance costs and extend time-to-market, they also function as institutional entry barriers, disadvantaging smaller firms with limited regulatory expertise. For L'Oreal, which possesses well-established global compliance systems and regulatory experience, these conditions reduce relative risk and support early legitimacy in the market.

3.1.2 Economic Environment

Indonesia's economy has sustained average GDP growth of approximately 5% per annum, driven primarily by domestic consumption rather than exports. This consumption-led growth model is favourable for consumer goods firms, particularly in sectors such as beauty and personal care. However, uneven income distribution and regional disparities mean that demand is concentrated in urban centres, reinforcing the need for selective geographic focus and tiered pricing strategies rather than uniform national expansion.

3.1.3 Social and Cultural Environment

Demographic and cultural factors strongly shape consumption behaviour in Indonesia. A young population, rising urbanisation, and high social media engagement have accelerated beauty awareness and brand experimentation. At the same time, religious norms exert a decisive influence on purchasing decisions, with halal compliance serving as a baseline expectation rather than a differentiator. Brands that fail to demonstrate cultural sensitivity risk rapid consumer rejection. L'Oreal's ability to integrate scientific credibility with culturally adapted product development provides a meaningful strategic advantage in this context.

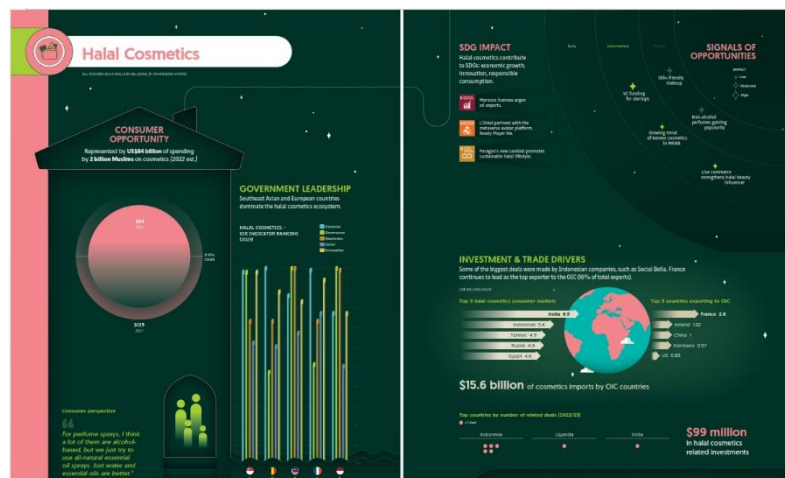


Figure 5: Digital adoption and halal regulatory environment shaping Indonesia's cosmetics market (2024–2025)

(Source: Statista; BPOM Indonesia)

3.1.4 Technological Environment

Rapid digitalisation has significantly altered how Indonesian consumers discover and purchase beauty products. High smartphone penetration, growth in e-commerce platforms, and the influence of social commerce and beauty influencers reduce

dependence on traditional retail formats. This environment favours firms capable of executing digital-first and Omni channel strategies, allowing faster market penetration and more efficient brand-building areas aligned with L’Oreal’s global digital capabilities.

3.1.5 Environmental Considerations



Figure 6: L’Oreal’s environmental sustainability initiatives, highlighting eco-friendly packaging, responsible sourcing, and reduced environmental impact across global operations.

Source: L’Oreal Sustainability Report

Environmental awareness and regulatory pressure regarding packaging waste and sustainability are increasing, particularly in major cities. Although compliance with environmental standards raises operational costs, it aligns closely with L’Oreal’s global ESG commitments and enhances brand credibility among environmentally conscious consumers. Sustainability therefore functions less as a constraint and more as a strategic legitimacy factor.

Strategic Implications

Indonesia’s macro-environment offers strong demand-side growth potential, supported by economic stability, favourable demographics, and digital readiness. At the same time, regulatory complexity and cultural expectations raise the importance of compliance, localisation, and phased execution. Collectively, these conditions favour large, capability-rich multinational firms, making Indonesia a strategically appropriate market for L’Oreal’s international expansion when approached through a controlled, compliance-led, and digitally enabled entry strategy.

3.2 Industry and Competitive Analysis: Porter's Five Forces

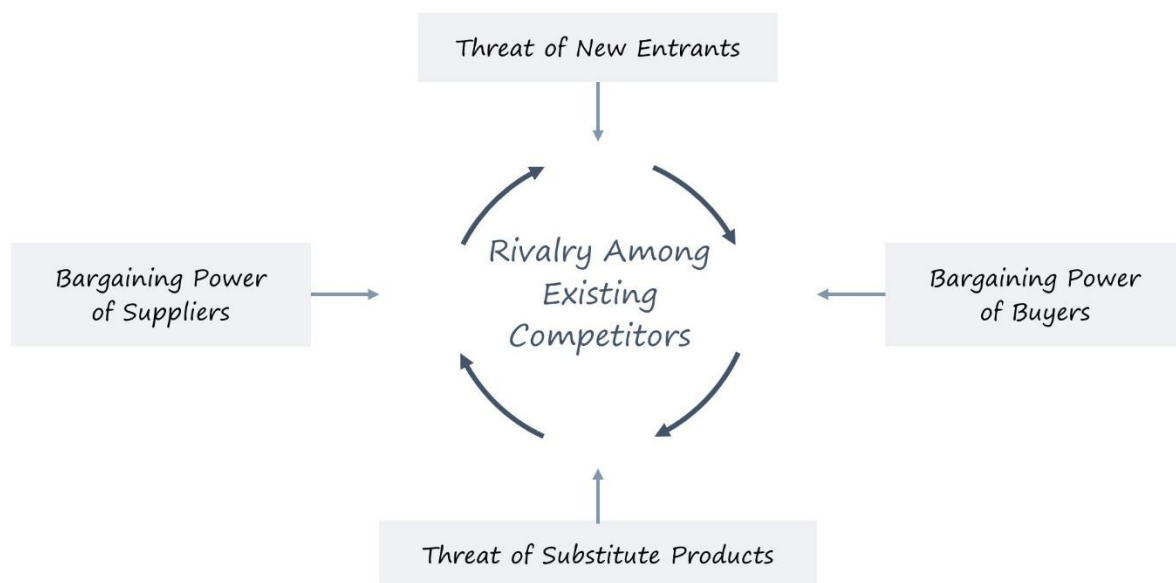


Figure 6: Porter's 5 Forces Model Diagram

Source: <https://www.wallstreetprep.com/knowledge/porters-five-forces-model/>

The Porter's Five Forces framework is applied to evaluate the competitive intensity of Indonesia's beauty and personal care industry and to assess its overall attractiveness for new international entrants. While the framework provides a useful structural overview of industry competition, it is interpreted dynamically to reflect digital disruption and evolving consumer behaviour in emerging markets.

Threat of New Entrants

Entry barriers in Indonesia are moderate due to regulatory requirements such as BPOM approvals and mandatory halal certification, which increase compliance costs and time-to-market. However, the growing size of the beauty market and the rise of digital-first brands lower traditional entry barriers related to physical retail infrastructure. For L'Oreal, strong regulatory expertise and financial resources reduce relative entry risk compared to smaller or less compliant competitors.

Bargaining Power of Suppliers

Suppliers of raw materials, packaging, and manufacturing inputs are relatively fragmented, limiting their bargaining power. L'Oreal's global sourcing network and economies of scale further reduce supplier dependence, enabling cost efficiencies and quality control. However, specialised halal-certified and sustainable inputs may slightly increase supplier power in selected categories.

Bargaining Power of Buyers

Indonesian consumers exhibit high price sensitivity and low switching costs due to the availability of numerous local, regional, and international brands. The widespread use of e-commerce platforms and social media enhances price transparency and intensifies buyer power. This reinforces the need for strong brand differentiation, trust, and perceived value rather than price competition alone.

Threat of Substitutes

The presence of traditional herbal and natural beauty products, alongside private-label offerings, increases substitution risk. While these alternatives may appeal on price or cultural familiarity, they often lack scientific validation and global quality assurance. L’Oreal’s science-backed formulations and brand credibility help mitigate substitution threats, particularly in skincare and dermatological segments.

Competitive Rivalry

The Indonesian beauty market is highly competitive, characterised by intense rivalry among local brands, regional players, and established global firms. Competition is driven by frequent product launches, influencer-led marketing, and promotional pricing. As a result, sustainable competitive advantage depends on innovation, brand trust, and effective localisation rather than scale alone.

Overall, Indonesia’s beauty and personal care industry exhibits high competitive intensity but strong growth potential. While buyer power and rivalry are significant, regulatory barriers and brand trust requirements favour well-resourced multinational firms. For L’Oreal, success will depend on differentiation through science, halal compliance, and digital engagement, rather than cost leadership, reinforcing the strategic logic for a controlled and capability-led market entry.

3.3 Internal Strategic Analysis: VRIO Framework

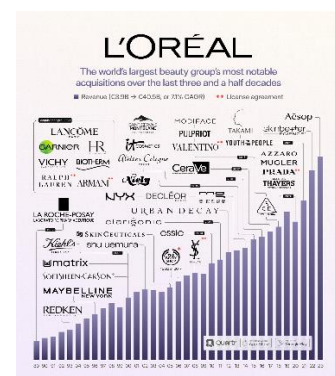


Figure 7: L’Oréal’s innovation capabilities, global brand portfolio, and operational scale
(Source: L’Oréal Annual Report)

The VRIO framework evaluates whether L’Oreal’s internal resources and capabilities can create a sustained competitive advantage in the Indonesian beauty and personal care market, with a specific focus on international expansion.



Figure 8: VRIO framework for evaluating internal resources and capabilities

Source : <https://www.mbaknol.com/strategic-management/vrio-analysis/>

In the context of international expansion into Indonesia, the framework helps evaluate the strategic relevance of the firm's innovation capability, brand equity, and organisational structure.

Valuable

L'Oreal's advanced R&D capability, strong global brand portfolio, and financial strength create value by enabling product innovation, quality assurance, and consumer trust. In Indonesia, where halal compliance, skincare efficacy, and brand credibility shape purchasing decisions, these capabilities support an affordable-premium positioning.

Rare

Few competitors in Indonesia match L'Oreal's scale of scientific expertise, global R&D network, and multi-brand architecture. This allows the firm to serve mass, premium, and dermatological segments simultaneously without brand dilution.

Inimitable

L'Oreal's advantages are difficult to replicate due to decades of cumulative R&D investment, tacit knowledge, and established brand equity reinforced by scientific credibility and long-term consumer trust.

Organised

L'Oreal's decentralised yet integrated structure enables effective exploitation of these resources by balancing local adaptation with global quality and brand standards—critical in a regulated and culturally diverse market such as Indonesia.

Overall, the VRIO analysis indicates that L'Oreal holds a sustained competitive advantage in Indonesia, strengthened further by localisation and regulatory compliance during market entry and expansion.

3.4 SWOT Analysis and Strategic Implications

The SWOT framework is used to synthesise insights from the external (PESTLE and industry analysis) and internal (VRIO) assessments in order to identify key strategic priorities for L’Oreal’s expansion into Indonesia. Rather than listing factors descriptively, the analysis focuses on how strengths can be leveraged to exploit opportunities and mitigate risks within the Indonesian beauty and personal care market.



Figure 9: SWOT framework summarising internal and external strategic factors

Source:

<https://www.bitesizelearning.co.uk/resources/swot-analysis-explained-examples-templates>

Strengths such as L’Oreal’s advanced R&D capability, strong global brand portfolio, and experience in emerging markets position the firm to respond effectively to Indonesia’s demand for science-backed, halal-compliant, and high-quality beauty products. These strengths allow L’Oreal to differentiate itself from local competitors that often lack scientific credibility and consistent quality assurance.

Weaknesses, including limited local brand familiarity at entry and the complexity of adapting global brands to diverse regional preferences, highlight the need for phased expansion and strong localisation strategies. Without careful cultural adaptation, even globally recognised brands may face slow initial adoption.

Opportunities arise from Indonesia’s young population, expanding middle class, rapid digital adoption, and growing demand for skincare and halal-certified cosmetics. These trends create scope for digital-first brand building, influencer-led marketing, and product innovation tailored to local needs.

Threats include intense competition from local and regional brands, high buyer power due to low switching costs, and regulatory complexity related to halal certification and product approvals. Failure to manage these risks could erode margins and delay market penetration.

The SWOT analysis suggests that L’Oreal should pursue a strategy that leverages its innovation and compliance capabilities to capture growth opportunities, while mitigating risks through phased market entry, strong localisation, and digital engagement. Success in Indonesia will depend less on scale alone and more on the firm’s ability to translate global strengths into culturally relevant and trusted local offerings.

4. Strategy Development and Formulation

Building on the insights derived from the external and internal analyses, this section focuses on the formulation of an appropriate international expansion strategy for L'Oreal. The objective is to translate analytical findings into clear strategic choices relating to growth direction, market entry, and competitive positioning within the Indonesian beauty and personal care market. Emphasis is placed on strategic coherence, feasibility, and long-term value creation.

4.1 Strategic Direction and Growth Rationale

Following the comprehensive external and internal analyses, this section outlines the strategic direction underpinning L'Oreal's proposed expansion into Indonesia. The strategic objective is to achieve sustainable long-term growth by entering a high-potential emerging market while leveraging existing organisational capabilities to manage risk and enhance competitive positioning.

L'Oreal's strategic direction is driven by the need to diversify revenue streams away from mature Western markets, where growth is increasingly constrained by market saturation and intense competition. Indonesia offers a contrasting growth environment characterised by favourable demographics, rising disposable incomes, and expanding demand for skincare and personal care products. This makes the market strategically attractive for medium- to long-term value creation rather than short-term profit extraction.

From a corporate strategy perspective, the expansion aligns with L'Oreal's global growth ambition of strengthening its footprint in emerging economies through capability-led internationalisation. Rather than pursuing aggressive scale expansion at entry, the strategic emphasis is placed on controlled market penetration, regulatory compliance, and gradual brand building. This approach reflects the regulatory complexity of the Indonesian market and the importance of trust, cultural legitimacy, and halal compliance in consumer decision-making.

At a business strategy level, L'Oreal aims to compete through differentiation rather than cost leadership. The proposed strategy focuses on science-backed formulations, product safety, and brand credibility, supported by selective localisation to address climatic conditions, skin types, and religious requirements. Digital engagement and influencer-led communication are central to this approach, enabling efficient customer reach while minimising dependence on traditional retail infrastructure during the early stages of entry.

Overall, the strategic direction emphasises long-term competitiveness over rapid market capture, balancing growth opportunities with risk management. By aligning its innovation capability, compliance expertise, and digital strengths with Indonesia's market conditions, L'Oreal positions itself to build a sustainable and defensible presence within the Indonesian beauty and personal care industry.

4.2 Application of Ansoff's Matrix

Ansoff's Matrix is applied to evaluate alternative growth strategies available to L'Oreal and to justify the most appropriate strategic choice for expansion into the Indonesian market.



Figure 10: Ansoff Matrix illustrating strategic growth options

Source: <https://corporatefinanceinstitute.com/resources/management/ansoff-matrix/>

From an Ansoff perspective, L'Oreal's expansion into Indonesia is best positioned as a Market Development strategy, whereby existing and proven product portfolios are introduced into a new geographic market. This strategic choice enables the firm to minimise product-related risk while focusing managerial attention on market-specific challenges such as regulatory compliance, cultural adaptation, and brand building.

Market Penetration, which involves increasing share in existing markets, is less suitable given the maturity and saturation of L'Oreal's core Western markets. Similarly, Product Development, which would require significant new product creation at entry, would increase complexity and risk in a market already characterised by regulatory and cultural constraints. Diversification, representing the highest-risk option, is also strategically inappropriate at this stage due to the absence of prior market presence in Indonesia.

By adopting a Market Development strategy, L'Oreal can leverage its established brands, scientific expertise, and operational capabilities while selectively adapting formulations and marketing to meet local requirements, including halal certification and climatic suitability. This approach balances growth potential with risk management and aligns with the firm's long-term objective of strengthening its footprint in high-growth emerging economies.

Overall, the application of Ansoff's Matrix supports a controlled, capability-led international expansion strategy, positioning L'Oreal to achieve sustainable growth in Indonesia without overexposing the firm to unnecessary strategic or operational risk.

4.3 Market Entry Strategy for the Indonesian Market

This section evaluates alternative market entry modes and justifies the most appropriate entry strategy for L’Oreal’s expansion into Indonesia.

Selecting an appropriate market entry mode is critical, as it determines the level of control, risk exposure, resource commitment, and long-term strategic flexibility. In the context of Indonesia’s regulatory complexity, cultural sensitivity, and competitive intensity, L’Oreal should adopt a phased entry strategy centred on a wholly owned subsidiary, complemented by selective local partnerships.

A wholly owned subsidiary offers L’Oreal high levels of strategic and operational control, which is essential for maintaining brand consistency, product quality, and compliance with strict regulatory requirements, particularly halal certification and BPOM approvals. Given the importance of consumer trust and product safety in the Indonesian beauty market, full ownership enables L’Oreal to directly manage formulation standards, supply chain processes, and quality assurance systems. The company’s strong financial position and international experience further reduce the risks typically associated with high-control entry modes.

However, recognising the cultural and institutional complexity of the Indonesian market, selective local partnerships may be utilised in non-core activities such as distribution, retail access, and influencer-led marketing. This hybrid approach allows L’Oreal to benefit from local market knowledge, established networks, and faster market access without compromising strategic control over core brand and product decisions.

Alternative entry modes such as licensing and franchising are considered less suitable due to the limited control they offer over product quality, brand representation, and regulatory compliance. Similarly, a full-scale joint venture may dilute strategic decision-making authority and create coordination challenges, particularly during the early stages of market entry when alignment with global standards is critical.

Overall, a controlled, wholly owned subsidiary-based entry, supported by targeted local collaborations, provides an optimal balance between control and flexibility. This approach enables L’Oreal to build brand legitimacy, ensure regulatory compliance, and gradually scale operations in Indonesia while retaining the option to deepen local integration as market familiarity increases.

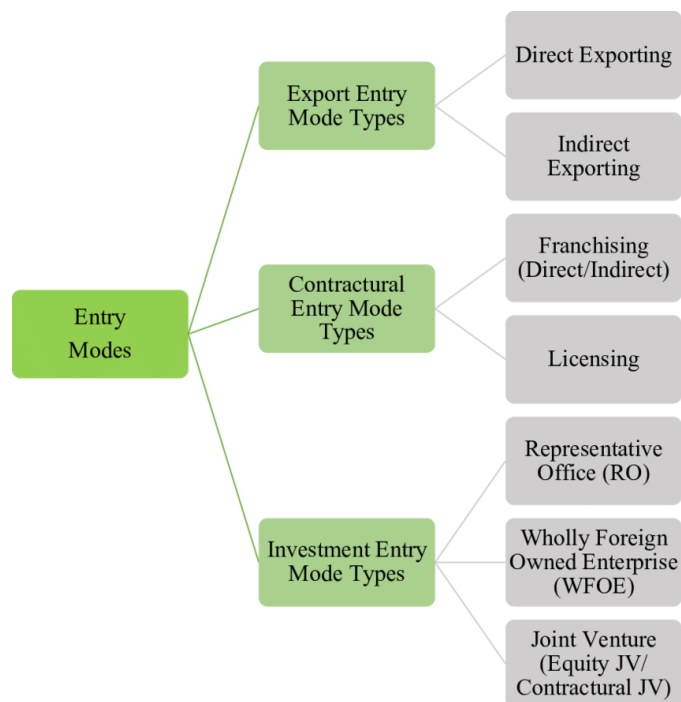


Figure 11: Alternative market entry modes for international expansion
(Source: ResearchGate)

4.4 Competitive Strategy and Market Positioning

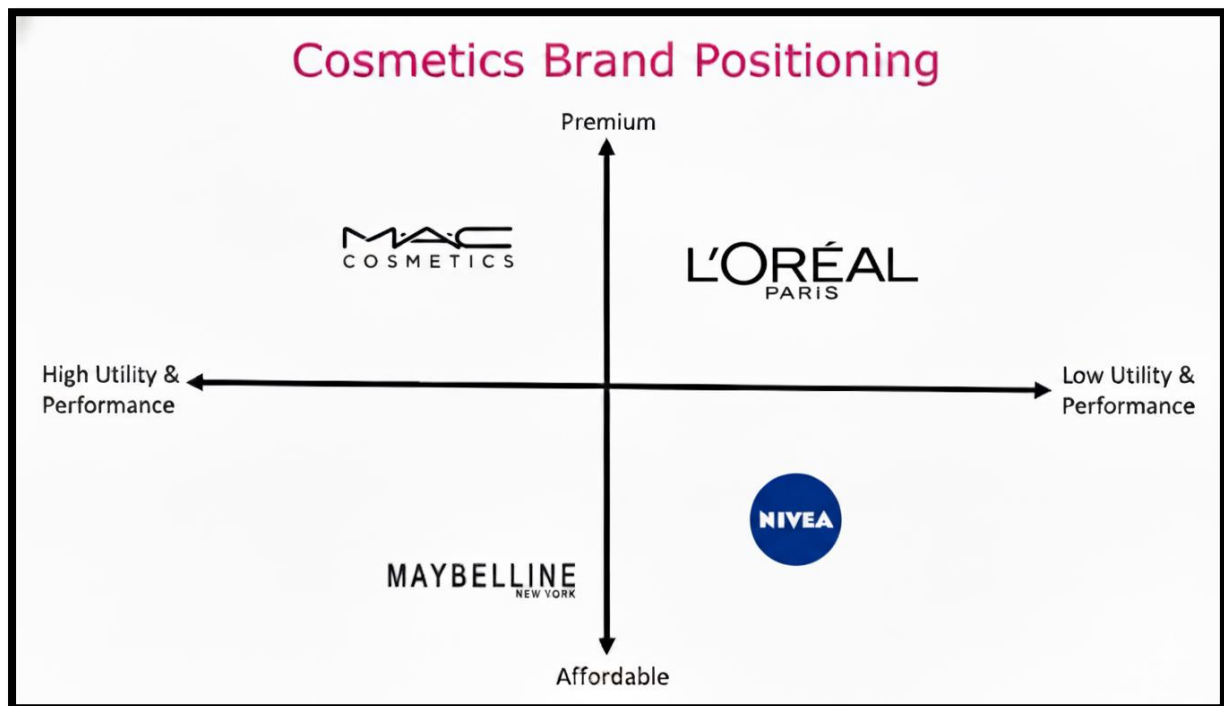


Figure 12: Differentiation-led positioning in the beauty and personal care market
(Source: Author's synthesis based on Porter's Generic Strategies)

This section outlines the competitive strategy through which L'Oreal will position itself within the Indonesian beauty and personal care market to achieve sustainable competitive advantage.

L'Oreal should adopt a differentiation-based strategy rather than cost leadership in Indonesia, as high buyer power, intense competition and low switching costs make price-based competition unsustainable. Positioning the brand as "affordable premium" allows L'Oreal to combine scientific credibility and global trust with prices accessible to Indonesia's growing middle class.

Differentiation should focus on science-led innovation and localisation, including products suited to Indonesia's tropical climate and diverse skin types, alongside halal compliance as a baseline requirement. This should be supported by digital-first marketing, influencer partnerships and educational content to build trust and highlight product efficacy and safety. Overall, this approach helps L'Oreal strengthen brand equity and achieve sustainable growth in the Indonesian beauty market.

4.5 Risk Analysis and Mitigation Strategies

International expansion into an emerging market such as Indonesia exposes L'Oreal to a range of strategic and operational risks that must be proactively managed. Regulatory risk represents a primary concern, particularly in relation to BPOM approvals and mandatory halal certification, which may delay product launches and

increase compliance costs. This risk can be mitigated through early engagement with regulators, phased product rollouts, and the use of internal compliance expertise.

Cultural and market acceptance risk arises from differences in consumer preferences, religious norms, and regional diversity. Failure to adapt products and communication strategies may limit brand acceptance. To mitigate this, L’Oreal should prioritise local market research, employ local managerial talent, and adopt culturally sensitive branding and influencer partnerships.

Competitive risk is elevated due to intense rivalry and high buyer power within the Indonesian beauty market. Aggressive pricing and promotional strategies by local brands may pressure margins. This risk can be mitigated through differentiation based on scientific credibility, halal compliance, and trusted brand positioning rather than price competition.

Operational and supply chain risk may emerge from infrastructure constraints and reliance on imported inputs during the initial entry phase. Establishing diversified sourcing arrangements and gradually increasing local production can reduce dependency and improve resilience over time.

Overall, effective risk management for L’Oreal’s Indonesian expansion requires a phased, capability-led approach that balances growth ambitions with regulatory compliance, localisation, and operational flexibility. Proactive risk mitigation will be essential to ensure sustainable market entry and long-term performance.

4.6 Strategy Implementation Framework

Effective implementation is essential for L’Oreal’s expansion into Indonesia and should follow a phased, coordinated approach that aligns organisational structure, operations and control systems. Establishing a local subsidiary with a hybrid management structure combining global oversight and local leadership will support cultural adaptation, regulatory compliance and brand consistency.

Operationally, focus should be placed on regulatory approvals, halal certification and supply chain readiness, with initial reliance on imports followed by gradual localisation. Investment in employee training, digital capabilities and local partnerships will strengthen execution, while clear performance targets and review mechanisms will ensure flexibility and strategic alignment. Overall, this approach supports sustainable growth and competitive positioning in the Indonesian market.

Overall, a phased and locally integrated implementation approach allows L’Oreal to balance control with flexibility in the Indonesian market. By aligning organisational structure, operations and capability development, the firm can reduce execution risk and enhance market responsiveness. This strengthens the likelihood of achieving long-term competitiveness and sustainable growth.

5. Performance Evaluation Framework

This section establishes a structured framework to evaluate the effectiveness of L'Oreal's international expansion into Indonesia. The objective is to ensure that strategic intentions are translated into measurable outcomes and monitored through both financial and non-financial indicators. To achieve this, the Balanced Scorecard is applied alongside sustainability considerations, enabling a holistic assessment of performance during the early and growth phases of market entry.

5.1 Balanced Scorecard Framework

The Balanced Scorecard is adopted to evaluate L'Oreal's Indonesian expansion across four interrelated dimensions: Financial, Customer, Internal Processes, and Learning and Growth. This framework moves beyond short-term financial metrics by incorporating drivers of long-term competitive advantage, which is particularly important in an emerging market context where brand building, compliance, and capability development precede profitability.

From a financial perspective, performance should be assessed through revenue growth, market share progression, and operating margin development. Given the phased entry strategy, early performance evaluation should prioritise controlled revenue growth and cost management rather than immediate profit maximisation.

The customer perspective focuses on brand awareness, customer acquisition, and trust indicators such as perceived product safety and halal compliance. In Indonesia's beauty market, where buyer power is high, improvements in brand recognition and repeat purchase rates are critical indicators of strategic success.

Within internal processes, key measures include regulatory approval timelines, supply chain efficiency, and speed of product localisation. Efficient internal processes reduce time-to-market and enhance responsiveness to local consumer preferences, directly supporting competitive positioning.

Finally, the learning and growth perspective emphasises employee capability development, digital marketing expertise, and organisational learning related to regulatory compliance and cultural adaptation. Continuous capability development ensures that L'Oreal can sustain competitive advantage as the Indonesian market evolves.

Overall, the Balanced Scorecard provides a structured mechanism to align strategic objectives with operational execution, enabling L'Oreal to monitor progress, identify deviations, and adjust strategy dynamically during its international expansion.

5.2 Triple Bottom Line (TBL) Integration

The Triple Bottom Line (TBL) framework is applied to complement the Balanced Scorecard by incorporating economic, social, and environmental performance dimensions into the evaluation of L'Oreal's expansion into Indonesia. This approach ensures that strategic success is assessed not only in financial terms but also in relation to broader stakeholder and sustainability outcomes.

From an economic perspective (Profit), the focus remains on achieving sustainable revenue growth, improving operational efficiency, and gradually enhancing profitability as market presence matures. Rather than prioritising short-term returns, performance evaluation should emphasise long-term value creation and resilience within a competitive emerging market environment.

The **social dimension (People)** is particularly important in Indonesia, where ethical practices, halal compliance, and community trust strongly influence consumer behaviour. Key social performance indicators include employee development, local employment generation, ethical sourcing, and consumer trust in product safety and cultural sensitivity. Strong social performance enhances brand legitimacy and supports long-term customer loyalty.

The **environmental dimension (Planet)** addresses L'Oreal's responsibility to minimise ecological impact through sustainable sourcing, recyclable packaging, and reduced carbon emissions. Increasing environmental awareness among urban Indonesian consumers makes sustainability an important factor in brand perception. Alignment with global ESG commitments also strengthens stakeholder confidence and regulatory legitimacy.

Overall, the integration of the Triple Bottom Line framework ensures that L'Oreal's Indonesian expansion strategy balances **profitability, social responsibility, and environmental sustainability**. This holistic performance evaluation approach supports long-term strategic viability and reinforces the firm's commitment to responsible international growth.



Figure 13: Triple Bottom Line framework for sustainable performance evaluation

Source: <https://jdmeier.com/people-planet-profit/>

5.3 Governance, Control and Performance Monitoring

Effective governance, control, and performance monitoring mechanisms are essential to ensure that L’Oreal’s expansion into Indonesia is implemented in a disciplined, compliant, and strategically aligned manner. Given the regulatory complexity and competitive intensity of the Indonesian beauty market, strong governance structures are required to balance local responsiveness with global strategic oversight.

From a **governance perspective**, L’Oreal should operate its Indonesian subsidiary under a clear reporting and accountability structure that aligns local management with global headquarters. Strategic decisions relating to brand positioning, product standards, regulatory compliance, and sustainability should remain under central oversight, while operational decisions such as marketing execution, distribution partnerships, and local talent management are delegated to the country-level leadership. This hybrid governance model ensures consistency in brand and ethical standards while allowing flexibility to respond to local market dynamics.

Strategic control mechanisms should be embedded to monitor whether the expansion remains aligned with long-term objectives. These include clearly defined strategic milestones, phased investment approvals, and periodic strategic reviews conducted by regional and global leadership teams. Such controls reduce the risk of over-expansion, regulatory non-compliance, or strategic drift during the early stages of market entry.

In terms of **performance monitoring**, L’Oreal should integrate financial and non-financial indicators through the Balanced Scorecard and KPI framework outlined in Section 5. Regular monitoring of revenue growth, market share progression, brand awareness, regulatory approval timelines, and customer trust indicators enables early identification of deviations from strategic targets. Sustainability and ESG-related metrics further ensure that expansion activities remain aligned with the firm’s global commitments to ethical sourcing, environmental responsibility, and social impact.

Finally, **feedback and corrective control systems** should be established to enable continuous learning and adaptation. Market intelligence, consumer feedback, and performance data should inform iterative strategic adjustments, allowing L’Oreal to refine product offerings, pricing, and communication strategies over time. This dynamic monitoring approach ensures that governance and control systems support not only compliance and accountability but also long-term competitiveness and strategic resilience.

Overall, a robust governance and performance monitoring framework enhances transparency, reduces operational and regulatory risk, and ensures that L’Oreal’s Indonesian expansion is executed in a controlled, measurable, and strategically coherent manner.

6. Conclusion

This report has critically examined the strategic feasibility of L’Oreal’s international expansion into Indonesia by integrating macro-environmental analysis, industry competitiveness, and internal capability assessment. The findings indicate that Indonesia represents a high-potential emerging market, supported by favourable demographics, consumption-led economic growth, rapid digital adoption, and increasing demand for beauty and personal care products.

However, the analysis also highlights significant challenges, including intense competitive rivalry, high buyer power, and stringent regulatory requirements, particularly in relation to halal certification and product approvals. These conditions increase entry complexity and necessitate a strategy that prioritises control, compliance, and cultural sensitivity rather than rapid or cost-led expansion.

The study demonstrates that L’Oreal possesses the internal resources and organisational capabilities required to succeed in this environment. Strong research and development expertise, global brand equity, experience in emerging markets, and an effective global–local organisational structure provide the basis for sustained competitive advantage. Consequently, a market development strategy supported by a controlled, wholly owned subsidiary entry mode and a differentiation-based, affordable-premium positioning is identified as the most strategically coherent approach.

Overall, the report concludes that Indonesia offers a strategically viable and attractive growth opportunity for L’Oreal when approached through a phased, compliance-led, and differentiation-focused strategy. By aligning its global strengths with local market requirements and maintaining robust governance and performance monitoring mechanisms, L’Oreal can establish a sustainable and defensible presence in the Indonesian beauty and personal care market while supporting its long-term international growth objectives.

7. References

- Ansoff, H.I. (1957) 'Strategies for diversification', *Harvard Business Review*, 35(5), pp. 113–124.
- Barney, J. (1991) 'Firm resources and sustained competitive advantage', *Journal of Management*, 17(1), pp. 99–120. <https://doi.org/10.1177/014920639101700108>
- BPOM Indonesia (2023) *Cosmetic product registration and regulatory requirements*. Jakarta: National Agency of Drug and Food Control. Available at: <https://www.pom.go.id> (Accessed: 18 December 2025).
- Elkington, J. (1997) *Cannibals with forks: The triple bottom line of 21st century business*. Oxford: Capstone.
- Euromonitor International (2024) *Beauty and personal care in Indonesia: Market analysis and forecasts*. London: Euromonitor International.
- Hill, C.W.L., Hwang, P. and Kim, W.C. (1990) 'An eclectic theory of the choice of international entry mode', *Strategic Management Journal*, 11(2), pp. 117–128. <https://doi.org/10.1002/smj.4250110204>
- International Monetary Fund (IMF) (2024) *World economic outlook: Navigating global divergence*. Washington, DC: IMF. Available at: <https://www.imf.org> (Accessed: 18 December 2025).
- Kaplan, R.S. and Norton, D.P. (1996) *The balanced scorecard: Translating strategy into action*. Boston: Harvard Business School Press.
- Kotler, P. and Keller, K.L. (2016) *Marketing management*. 15th edn. Harlow: Pearson Education.
- L'Oreal (2024) *Universal registration document and annual report 2024/25*. Paris: L'Oreal Group. Available at: <https://www.loreal.com> (Accessed: 18 December 2025).
- McKinsey & Company (2023) *The future of Southeast Asia's consumer market*. Available at: <https://www.mckinsey.com> (Accessed: 18 December 2025).
- Porter, M.E. (1980) *Competitive strategy: Techniques for analysing industries and competitors*. New York: Free Press.
- Porter, M.E. (2008) 'The five competitive forces that shape strategy', *Harvard Business Review*, 86(1), pp. 78–93.
- Statista (2024) *Beauty and personal care market revenue in Indonesia*. Available at: <https://www.statista.com> (Accessed: 18 December 2025).
- World Bank (2023) *Indonesia overview*. Available at: <https://www.worldbank.org/en/country/indonesia> (Accessed: 18 December 2025).

World Bank (2024) *World development indicators: Indonesia*. Available at: <https://databank.worldbank.org> (Accessed: 18 December 2025).