

# Research on the investment value of Oriflame based on SWOT, PESTEL and financial analysis

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**Abstract.** The cosmetics industry has historically been a cornerstone of personal image enhancement, evolving alongside technological advancements and shifts in consumer behavior. Within this dynamic landscape, Oriflame, a direct selling cosmetic brand founded in 1967, has emerged as a leader in sustainability and product excellence. This study undertakes a comprehensive analysis of Oriflame's strategic positioning, employing a blend of qualitative and quantitative methodologies across SWOT and PESTEL frameworks, financial assessments, and market strategies. The findings illuminate Oriflame's robust strengths in direct selling and its diverse product portfolio, while also uncovering opportunities stemming from advancements in technology and evolving consumer preferences. However, the company faces challenges such as economic uncertainties and regulatory complexities, which could potentially impact its growth trajectory. Noteworthy successes include the implementation of digital sales models and the integration of AI technology, yet external factors like geopolitical tensions present threats to profitability. Moving forward, recommendations for Oriflame's continued growth emphasize leveraging social media for enhanced engagement and tailoring strategies to meet the unique demands of emerging markets. This study serves as a valuable resource for industry stakeholders seeking to navigate the complexities of the cosmetics market, emphasizing the importance of adaptability and strategic foresight in driving sustainable success.

**Keywords:** Oriflame; SWOT analysis; Marketing strategy assessment; Digital influence on cosmetics; Environmental sustainability in beauty industry.

## 1. Introduction

Over the years, cosmetics have played a significant role in enhancing personal image, evolving alongside technological advancements to offer effects. Increased education levels, spending power, and living standards, coupled with growing trade, have led to heightened awareness of the importance of self-grooming and self-image maintenance. Social media, particularly platforms like Instagram and YouTube, has become pivotal for brands to showcase their products and cater to a social-media savvy audience, reshaping the landscape of brand marketing and consumer behavior. Collaborating with social media influencers, alongside celebrity endorsements, has further expanded the reach of cosmetic brands, allowing them to engage with a global audience and generate widespread buzz [1].

Moreover, in times of economic downturns, the cosmetic industry has shown remarkable growth, especially due to its expansion into international markets, a trend quite different from other consumer sectors. A significant driver of this growth is the increasing distribution of cosmetics and toiletries in Asian markets, which offer immense potential for expansion. Additionally, the rise of online retailing has greatly contributed to the industry's growth in Asia, making cosmetic products more accessible to consumers [2]. Oriflame, a direct selling cosmetics brand since 1967, stands out for its commitment to sustainability. According to its website, the company actively works to reduce greenhouse gas emissions, demonstrating its dedication to environmental responsibility in the ever-evolving beauty industry. This article delves into Oriflame and utilizes a variety of sources, including website articles, journal publications, and research reports, to conduct qualitative and quantitative analyses of its research. It exam four crucial aspects: SWOT and PESTEL analysis, financial analysis, Market Strategy and Value Creation.

## 2. Method

SWOT analysis is a method for evaluating a company's internal resources and capabilities, known as strengths and weaknesses, along with its external market conditions, which encompass opportunities and threats. Numerous studies have demonstrated that SWOT analysis is widely utilized by managers as a strategic tool [3].

PESTEL analysis is a framework used to assess the Political, Economic, Social, Technological, Environmental, and Legal factors affecting a company's business environment. It examines the external macro-environmental factors that can impact the company's operations, market position, and strategic decisions. PESTEL analysis provides insights into the broader context in which the company operates, helping anticipate risks, capitalize on opportunities, and adapt strategies accordingly.

Financial analysis involves evaluating a company's financial health and performance by examining its financial statements, ratios, and key indicators. It assesses aspects such as profitability, liquidity, solvency, and efficiency to help stakeholders understand the company's financial position and make informed decisions about investments, financing, and operations.

## 3. Results

### 3.1. SWOT Analysis

Oriflame's long-standing presence in the beauty industry, spanning over 50 years. The brand's wide range of products, personalized customer assistance, and commitment to sustainability play key roles in its ongoing success. However, there's room for improvement in the reliance on individual consultants and limited promotional efforts. Opportunities arise from technological progress and increased interest in joining Oriflame as beauty consultants, showcasing the brand's growth potential. On the flip side, economic uncertainties, competition from substitute products, and changing regulations present challenges that demand thoughtful strategies. Most of factors in case study are fair, only a few special ones. The threat talked about in case study “Presence of many established brands at one place in the stores thus giving customers variety.” which is not proper. This is actually an opportunity to stand out among a large number of competitors. The strength “Oriflame Indonesia already has a website which can be used by consultants to make purchases online” can’t be regarded as a strength because online purchase has become a norm in recent years (table 1).

**Table 1.** SWOT analysis.

<b>Strength</b>	<b>Weakness</b>
<ol style="list-style-type: none"> <li>1. With over 50 years in beauty, Oriflame brings extensive expertise.</li> <li>2. Products cater to diverse demographics and income levels.</li> <li>3. Beauty consultants assist customers based on individual needs.</li> <li>4. From the SWOT &amp; PESTLE. Com, Oriflame prioritizes natural beauty products for a sustainable approach.</li> </ol>	<ol style="list-style-type: none"> <li>1. Relies on individual consultant networks, not in traditional stores.</li> <li>2. Limited mass media and billboard promotional activities.</li> <li>3. Shortage of professional employee recruiters.</li> <li>4. Strong dependence on direct selling.</li> </ol>
<b>Opportunity</b>	<b>Threat</b>
<ol style="list-style-type: none"> <li>1. Advances in cosmetic industry technology.</li> <li>2. Growing interest in earning income as Oriflame beauty consultants.</li> <li>3. Harnessing AI developments for better predictions and targeting.</li> <li>4. From EMBA Pro, utilizing increasing standardization for streamlined product offerings and focused marketing.</li> </ol>	<ol style="list-style-type: none"> <li>1. Economic slowdown causing a decline in market demand.</li> <li>2. Growing demand and supply for substitute products.</li> <li>3. Unstable foreign exchange rates affecting Oriflame product prices in Indonesia.</li> <li>4. Regulatory Changes: Evolving rules on cosmetic ingredients and safety standards impact product development and compliance costs.</li> </ol>

### 3.2. PESTEL analysis

This paper chooses the Indonesia to conduct PESTEL analysis.

**Political:** From the Diplomat, the political of the Indonesia is stability in recent years. The Oriflame just need to pay attention on the new policies and regulations that may affect the company operations.

**Economic:** The Indonesia's GDP is growing these years. And the Oriflame is always top 5 cosmetic brand in recent years in Indonesia, as for table2 [4]. But the income in Indonesia may be influenced by the exchange rates.

**Sociocultural:** From the TIBD, women in Indonesia have increasingly chosen cosmetics with halal labels that do not contain animal ingredients, which is in line with O's commitment to integrating science and nature into products.

**Environmental:** Nowadays, more and more consumers are emphasis about the sustainability [5]. The Oriflame is respect the environment in Indonesia or any other country and commit to sustainable development. And the Oriflame is against using the animal as the material of its product [4].

**Technological:** Technological progress rapidly in the Indonesia. The Oriflame need to adapt its digital strategy like e-commerce.

**Legal:** According to ISFMA, Oriflame should follow local regulations and laws, and adapt to local conditions, which is important for the Oriflame operating in Indonesia.

**Table 2.** Ranked of Skin Care Products for the 2015 -2019 Periods.

Numb	Years				
	2015	2016	2017	2018	2019
1	The Body Shop	The Body Shop	Wardah	<b>Oriflame</b>	The Body Shop
2	<b>Oriflame</b>	Wardah	The Body Shop	Wardah	<b>Oriflame</b>
3	Mustika Ratu	<b>Oriflame</b>	Mustika Ratu	The Body Shop	Mustika Ratu
4	Wardah	Mustika Ratu	Bali Ratih	Mustika Ratu	Wardah
5	-	Herbolist	<b>Oriflame</b>	Dove	Dove

Source: Top Brand Award (2020).

### 3.3. Financial analysis:

As Oriflame has not yet released the latest annual report, from the analysis of the financial statements for 2022 and 2021 that Orilame's operating profit has significantly decreased in 2022, mainly due to administrative expenses. The reasons are all disclosed in its additional financial notes. The main reason for the increase in administrative expenses is attributed to two primary factors. In 2022, administrative expenses rose by €100.7 million, primarily due to two factors: €74.1 million in impairment losses, covering property, plant, and equipment, as well as goodwill, and a €26.5 million increase in employee benefit expenses stemming from 2022 restructuring efforts, along with positive impacts from 2021 accrual releases related to staff and management incentives (table 3).

And the above reasons also affect the data presentation in the balance sheet. In the account of asset, property, plant, equipment and goodwill have significantly decreased compared to 2021. But Oriflame keeps its assets relatively stable by holding assets for sale.

**Table 3.** Income Indicators.

Period ended 31 December			
€'000	Note	2022	2021
Gross Profit		613,385	691,796
Administrative Expense	2.4	-328,067	-227,375
Operating profit		-24,591	144,650
Net Financial costs		-18,392	-108,676
Profit before income tax		-42,986	35,872

**Table 4.** Financial Position.

Period ended 31 December			
€'000	Note	2022	2021
Property, Plant and Equipment	3.1	44,804	109,739
Intangible assets & Goodwill	3.3	806,130	834,392
Assets held for sale	3.11	35,366	-
Total assets		1,362,831	1,389,049

## 4. Discussion

### 4.1. Marketing Strategy

Oriflame had successfully implemented the market by demographic, behaviour and geographic as its marketing strategy. It has launched different products for customers of different genders and ages. It also developed multiple markets, divided into four geographical regions and franchised dealer operations. Also, the satisfaction and trust of customers significantly influence the generation of positive word-of-mouth for Oriflame products [6]. For further development, it can collaborate with local influencers and famous brands to enhance brand visibility and credibility in new markets. The model "you create the brand, I contribute" has well established between luxury goods and cosmetics companies. And most people agree that they will believe a well-known brand can make sure quality [7].

From the mbaSKOOL, Oriflame adopts a 4Ps. market strategy, which covers Products, Price, Place and Promotion. Oriflame adopts a strategy of directly extending its product lines to all countries and prioritize skincare and wellness, and simplify the product range for easy recommendations, enhancing the overall product mix positively. Oriflame adapts prices to fit each country's market and aims to reach new customer groups through diverse channels and locations with innovative technologies. Oriflame emphasizes direct selling with consultant training, features celebrities in catalog promotions, and offers brief festive discounts for product promotion. Therefore, they can enhance business opportunities for Independent Brand Partners to boost growth in recruitment, retention, and productivity. To sum up, Oriflame's 4Ps strategy, emphasizing skincare, adaptive pricing, and innovative outreach, boosts brand recognition and benefits Independent Brand Partners.

Oriflame's main customers include those who focus on skincare, wellness, and daily life, as well as those who pursue environmentally friendly cosmetics. To further expand the Oriflame's market shares, the Oriflame need to consider how to include these who got same values. For example, the brand value of the Oriflame have the sustainability [8]. This means that it can allow people with sustainable development awareness to purchase their products, which not only meets consumer environmental awareness but also enhances Oriflame's corporate responsibility.

### 4.2. Value Creation in Cosmetic Industry

#### 4.2.1. Successful value creation

Oriflame's advantage in value creation has been a product of its strategy excellence in direct selling, especially in developing its emerging markets. With 50 years of skincare expertise, Oriflame integrates science and nature into its beauty products, emphasizing the provision of overall health and personalized beauty services. This strategy redirects customer attention from pricing to experiential advantages, generating distinctive value beyond conventional dynamics. The introduction of a subscription model within Oriflame has resulted in a substantial upswing in customer purchases. This impact is not only economically significant but also demonstrates persistence over time [9]. Oriflame excels in direct selling and eco-friendly products, prioritizing wellness, personalized beauty, and a subscription model for market innovation.

#### 4.2.2. Successful changes and factors of failure

Oriflame's successful change is the use of digital sales models and digital tools. Digital sales model, featuring user-friendly tools, creates a seamless experience for Brand Partners and Customers. Teaming up with Revieve, they launched the AI Skincare Advisor, available in 54 countries through Oriflame's app. This tool, using Revieve's technology, offers personalized beauty recommendations based on user's skin metrics. The AI not only enhances customer interactions and loyalty but also empowers brand partners. Oriflame excels in digital sales with the AI, transforming customer interactions and leading in the ever-changing beauty industry. In 2022, Oriflame encountered unprecedented challenges due to Russia's war in Ukraine. These difficulties translated into a double-digit decline in local sales, affecting profitability through lower sales, heightened product costs, manufacturing and supply chain under-recoveries, and postponed selling price increases.

Fitch Ratings recently downgraded Oriflame Investment Holding Plc's Long-Term Issuer Default Rating to 'B' from 'B+' and the senior secured rating to 'B' from 'BB-'. These adjustments reflect broader financial impacts due to operational challenges, emphasizing the need for strategic changes to navigate external conditions.

#### 4.2.3. Suggestion for further growth

For further growth, using the social platforms for the social selling could a way to promising avenue for Oriflame. The Oriflame could build its network of partners in social media like TikTok. The target consumers of the Oriflame could be the young woman. In the social media there were many potential consumers of Oriflame. Tapping into these social platforms could enhance brand visibility and engage potential customers [10]. Oriflame could boost its online presence through social media events, attracting attention and engagement. Customizing strategies for emerging markets is crucial. Do as Roman do could be an important rule for Oriflame. Understanding the local nuances, consumer behaviors, preferences and respect the local customs is important for Oriflame in an emerging markets [11]. Oriflame in China could introduce special products for Chinese New Year, aligning with local preferences. Adapting the product line to evolving consumer trends.

## 5. Conclusion

Oriflame's brand visibility and engagement with a broader audience, aligning with evolving consumer habits. However, in this era of rapid development of information and technology and consumers seek for more social responsibility practices, how can businesses globally strike the delicate balance between profit and purpose, embracing technology while upholding ethical and environmental values? As a customer, how can we navigate the beauty industry's evolving landscape in the future to balance variety factors? They are worthy to think. This study of the Oriflame brand provides in-depth reference value for business leaders, marketing professionals, academic researchers, investors, and shareholders. It explores the success factors and strategic decisions of Oriflame, which have important impacts and roles in guiding enterprise development, marketing strategies, academic research, and investment decisions.

However, there are still some shortcomings in this study, such as a lack of quantitative data analysis and customer surveys of the brand. Further research is needed in the future.

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