國際學碩士學位論文

Comparison of the Competitiveness of L'Oéal & Amore Pacific:

An approach by the Generalized Double Diamond Model

L'Oréal 과 아모레퍼시픽의 경쟁력 비교연구
: 일반화된 더블 다이아몬드 모델을 이용한 접근

2018年 2月

서울大學校 國際大學院

國際學科 國際地域專攻

金 秀 芝

Abstract

Traditionally French companies have been strong in cosmetics industry. But in recent years Korean companies have emerged in the industry with Korean wave (*hallyu*) boom in Asia and beyond. According to the Women's Wear Daily (WWD) who published world's 100 beauty companies for 2016, L'Oréal was the world's number one company in the industry while Amore Pacific, a Korean national champion, entered for the first time as number seven in the Top 10 list. Does this mean that Amore Pacific is competitive enough as the global multinational company like L'Oréal to establish its own legacy and long term strong hold in the market?

This study is designed to analyze the competitiveness of the world's leading company L'Oréal thoroughly and compare with that of Amore Pacific, the Korean champion company. In order to analyze the competitiveness at firm level, we followed the Generalized Double Diamond model as a comprehensive and balanced framework, proven to be most effective to incorporate multinational activities to Porter's Diamond Model. The study allows us to visualize the competitiveness of each firm.

Based on this study, L'Oréal is indeed internationally competitive but Amore Pacific still remained as domestically competitive. It suggests for Amore Pacific to expand outside of Asia and to invest more in R&D so that Related and Supporting Industries can grow further. And it also emphasized the importance of increasing brand awareness as a part of Demand Conditions strengthening. This study intends to contribute to shaping the two cosmetics companies' future strategy by attempting to draw a whole picture of each firm's competitiveness.

Keywords: Competitiveness, Generalized Double-diamond model, Firm-level, Cosmetics industry, L'Oréal, Amore Pacific

Student number: 2008-23454

Table of Contents

Tables and Figures

Tables

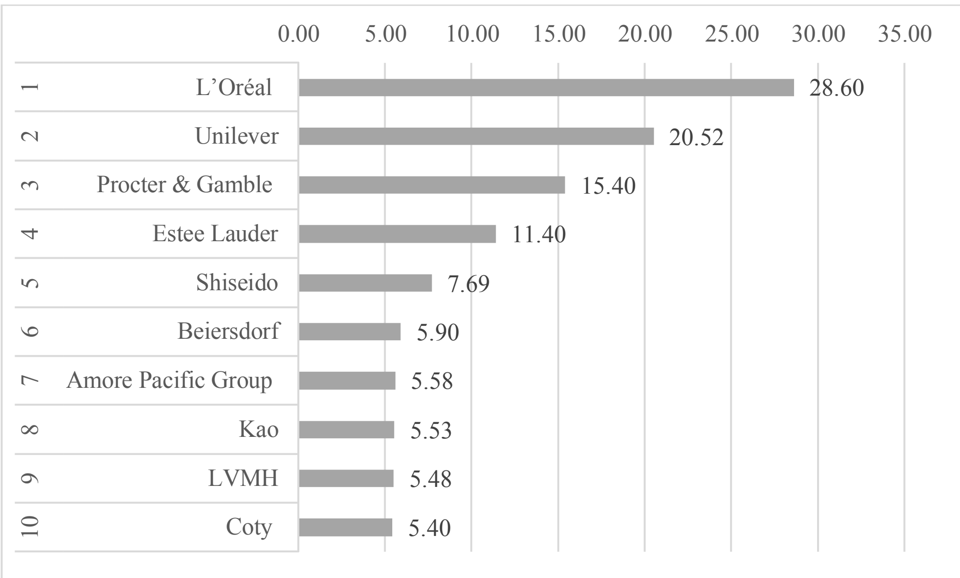
Figures

1. INTRODUCTION

The word ‘cosmetic’ is from ancient Greek word ‘kosmētikos’ meaning to arrange or adorn. Cosmetics has existed for thousands of years as it satisfies basic instinct of human beings to be beautiful. Striving through time with the zeal for beauty, the cosmetic industry is still growing today. In modern time it became largely global industry, still people tend to associate cosmetics with France due to its historical, cultural background and fame for art in general. Proving such perception of people, the French multinational company L’Oréal is the leader of cosmetic industry in the world according to Women’s Wear Daily (WWD), one of the recognized fashion-industry trade journal that publishes world’s Top 100 beauty companies every year.

L’Oréal is undoubtedly number one with sales value of 28.6 billion USD in 2016 with annual growth of 2.3%. The next is Unilever, Anglo-Dutch multinational company. These top two companies are based in Europe occupying 44% of global market share. The other spots in the top 10 beauty company list are mostly occupied by American multinationals while only three Asian companies making it in the list. Among Asian companies, Amore Pacific recorded its first entry in the list as a Korean company with notable two-digits growth rate of 18.2% in 2016, the fastest among all in top rankings.

The result is truly inspiring, not only for Korean cosmetics companies but for all parties in the industry. As a matter of fact, Korean beauty (K-beauty henceforth) is at the center of the attention in the industry as the trend-leading country with K-wave (*hallyu*) in recent years. Amore Pacific is now the Korean national champion, who just stepped into the global beauty war against global multinationals with the help of K-wave.



*Source: WWD

Table 1 Top 10 global cosmetics brands by WWD (based on sales in 2016, Unit = $bn)

There have been many rhetoric and articles that jumped into conclusion that Korea would be the next leader of the cosmetic industry thanks to its innovative products. The country’s booming cultural influence within and beyond the region only seemed to corroborate the belief to be a fait accompli. WWD ranking also added more grounds to this notion by providing quantified results. It was indeed a grand achievement for Amore Pacific to land in top 10 list. However the sales gap between the world's number one company, L'Oréal, and Amore Pacific remains too large to claim the next leadership in the industry.

Naturally, the next question to ask in order to assess whether Amore Pacific can challenge the likes of L'Oréal in its competitiveness. How competitive is L'Oréal compared to other players to drive future results? What defines or manifests competitiveness: sales volume or growth rate? Can we visualize competitiveness of firms to allow easy and wholistic comparison?

Cosmetics, as its long history tells, have been studied by many scholars. Most of them approached it as a subject of liberal art, for example, how the perception of beauty has been evolved, or that of chemistry delving into how a certain ingredient reacts to radiation[1]. Some studies focused on the success of companies such as L'Oréal or Kao Corporation and described these companies as globalization winner[2]. The study mainly focused on one factor, such as its

[1] e.g., study 1. Cultural and social influences on the perception of beauty – a case analysis of the cosmetics industry, study 2. Globalization and beauty – a history and firm perspective, study 3. Application of radiation technology to develop green tea leaf as a natural resource for the cosmetic industry

[2] e.g., study 1. L'Oréal and the globalization of American beauty, study 2. How global brands compete, etc.

international sales volume or a strategy or an initiative that the companies took to explain why they found the success. However, a sole factor cannot make a company successful, but the mixture of various factors that influence over time and that eventually transform into competitive advantage can. Among various models that suggested approaches for competitiveness analysis, Porter (1990) introduced the theory of competitive advantage to identify factors that influence competitiveness and to show how these factors interact and relate to the economic performance of a country's industries in a global economy. Although this model successfully integrated important variables that determine a nation's competitiveness into one model, it failed to incorporate the effects of multinational activities (Moon, Rugman and Verbeke 1998). In order to incorporate multinational activities and government as endogenous factor of the model, Moon et al. (1995) extended Porter's single Diamond to the Generalized Double Diamond model. As Porter's model comprises firm-specific linkages among four determinants, his model is not only useful for industrial and national level studies but also for firm level studies. In the same vein, the Generalized Double Diamond model is even more useful for the comprehensive analysis of a firm including multinational activities into the framework. Moon & Lee (2004) adopted the Generalized Double Diamond model for the first time at firm level; they analyzed the competitiveness of Samsung Electronics

Company (SEC) compared to that of Sony and revealed its real character through the study.

In light of the effectiveness of their study, this paper aims to analyze the competitiveness of L'Oréal along with that of Amore Pacific also using the approach adopted by the Generalized Double Diamond model. The main objective is, above all, to understand the competitiveness of L'Oréal and Amore Pacific in its true character, within a balanced and comprehensive framework, different from previous studies done for each firm. The second objective is to understand implications of this competitiveness study to Amore Pacific, as a new comer in the world Top 10 rankings with increasing presence in the world of cosmetics, thanks to its innovations and K-wave boom. The study will allow us to visualize the competitiveness of L'Oréal and Amore Pacific by constructing diamonds for domestic and international levels.

The result of this study shows that L'Oréal is indeed domestically and internationally competitive, while Amore Pacific still needs to work more on its international competitiveness. In order to do so, it suggests that Amore Pacific has to expand more aggressively outside of Asia, and to invest more in R&D which, in turn, would strengthen its Related and Supporting industries conditions. Lastly, to improve weak Demand conditions of Amore Pacific, the company has to endeavor to build up stronger brand identity.

The purpose of this study is descriptive but it will be meaningful to give comprehensive understanding of the global leading firm as well as rising one in Asia with the approach of the Generalized Double Diamond model that provides balanced point of view. Like the old saying that you can win every battle when you know your enemy and yourself, it will provide insight for each firm to learn from the best practice, and also for any firm who aims to conquer the number one position in the long-run.

The paper will proceed as follows. In the next section, we will describe characteristics of the cosmetic industry including main players, market size and the trend. Then by reviewing existing studies, we will explain why the Generalized Double Diamond Model should be adopted for the study and then actual methodology will be presented. Then we will present the empirical study applying the Generalized Double Diamond Model and construct the diamonds. In the last section, we will analyze the result and conclude.

2. THEORETICAL BACKGROUND

2.1. Understanding of the Industry

Today, the cosmetic industry requires high technology and intense knowledge. From manufacturing point of view, it is a fine chemical industry with small quantity batch production for each product of which ingredient is unique and process varies accordingly (Choi, 2007). The industry consists of skincare, haircare, make-up, men product, fragrance, oral & body care products: skincare has the biggest sales volume but make-up is showing faster growth than any other categories in recent years according to Euromonitor. In the consumer segments or distribution channels perspective, it can also be categorized as luxury, premium, mass and pharmaceuticals.

The industry used to be a typical domestic one because of differences in skin type, color and nature as well as beauty routine depending on country's demographic and cultural background. Today, it has become widely global thanks to various factors: internet, less barriers among countries for trade, advanced transportation etc. In any case, the desire to be beautiful is universal and breakthrough of technology in transportation, communication makes it possible for beauty trends to have no geographical limit to spread out, even though there are certain differences in popular trends for different ethnic groups.

As a result, multinational companies with well-known brands compete each other fiercely in global scale fully using its competitive marketing skills. When it comes to luxury cosmetics of certain price level, the dominance of prestigious brands from historically advanced countries such as France and the United States is more conspicuous due to their long history and brand image built throughout the time. They have comparative advantage in global competition as they are the first mover in the market who have continued to develop new technology, products and know-hows in marketing methods based on their long history and efficient R&D and manufacturing systems. It is a common belief in this specific sector that studying first movers will give fruitful lessons for the second movers. Table 2. shows Top 10 players in recent 3 years.

Table 2. Top 10 global cosmetics companies for 3 years (2014 to 2016) by WWD

Ranking	2014	Ranking	2015	Ranking	2016
1	L'Oréal	1	L'Oréal	1	L'Oréal
2	Unilever	2	Unilever	2	Unilever
3	P&G	3	P&G	3	P&G
4	Estee Lauder	4	Estee Lauder	4	Estee Lauder
5	Shiseido	5	Shiseido	5	Shiseido
6	Beiersdorf	6	Beiersdorf	6	Beiersdorf
7	Avon Product	7	J&J	7	Amore Pacific
8	Chanel	8	Chanel	8	Kao
9	J&J	9	Avon Product	9	LVMH
10	Kao	10	Kao	10	Coty
14	Amore Pacific	12	Amore Pacific		

*Source: Women's Wear Daily (WWD)

<u>L'Oréal</u>, has kept its top ranking since 1980s, and different from all well-known high-end cosmetics companies located in Europe, it is a company solely focused on cosmetics (Oh & Rugman, 2006). The French company, keeping its stand both domestically and internationally over a hundred years, has representative status of France in many ways. The group is founded in 1909 by Eugène Schueller, a chemist who formulated the first hair dyes himself and sold to Parisian hairdressers. He was a brilliant entrepreneur who continued to innovate products and marketing methods. The company enlarged its scope from hair products, body soaps, shampoo to all kinds of cosmetics ever since, and never stopped in innovation for products. Innovation has been always at the forefront of international marketing. One of the biggest successes was the legendary slogan "because I'm worth it", introduced in 1971 when it launched hair-color products in the United States. This slogan has evolved to "because we're worth it" today, still recognized in every corner of the world as catchphrase for L'Oréal Paris. The company made a new leap forward with the arrival of CEO Lindsay Owen-Jones in 1988 by changing its scope to become the world leader in cosmetics through aggressive mergers and acquisitions. Today the company owns over 41 brands across the segments divided by four different divisions: luxury products, consumer products, professional products as in hair styling products, and the active cosmetics under the leadership of

Jean-Paul Agon since 2011. Among all divisions, consumer products have the biggest share of 48.1% in total sales of the group, followed by luxury products (30.8% share), professional products (13.6% share), and active cosmetics (7.5%). The headquarter is located in Haut-de-Seine near Paris, but different divisions are dotted in Parisien suburban area. Geographically Western Europe still generates the biggest sales portion of 32.1%, followed by North America of 28.5%, Asia Pacific of 22.6% and the rest, Latin America (7.4%), Eastern Europe (6.3%) and Africa, Middle East (3.1%). The group's strategy is 'Universalization', a broader meaning of 'globalization' embracing differences in desires, needs and traditions. And it defined its mission as 'Beauty for all', offering all women and men worldwide the best of cosmetics innovation in terms of quality, efficacy and safety to satisfy all their desires and all their beauty needs in their infinite diversity.

Meanwhile, **Amore Pacific** started its business as a cottage industry since 1932. Selling hair oil made by mother of Seo Sunghwan, who is the founder of the company, was the beginning of its business. After the liberation of the country in 1945, Seo Sunghwan founded Pacific Chemicals Corporation as the former Amore Pacific of today. Thanks to series of hit products such as "ABC pomade" and "ABC vanishing cream" in 1950s, the company generated sound growth and became the number one cosmetics company in the country. With technical cooperation with Coty, the French cosmetic company at that time (today it became an American), in 1959, it also started to upgrade its technology for product development and actively adopted advanced technologies from developed countries. Today the company owns over 28 brands including Sulwhasoo, Laneige and Innisfree, endeavoring to become global brand company. In recent years, especially between 2014 and 2015, the company recorded rapid growth mainly thanks to big demand from Chinese customers. All channels such as door-to-door, department store, and especially travel retail recorded skyrocketing sales thanks to the boom for Korean cosmetic products with K-wave. Due to the diplomatic tension between Chinese and South Korean government since the second half of 2016, the company had to go through a difficult time afterwards. It made a strategic decision to move focus from China to ASEAN and the U.S. market after low performance in 2016. The company is run by Suh Kyungbae, the grandson of the founder, since 1997. The headquarter moved to Yongsan-gu in Seoul, where Pacific Chemicals Corporation had been established, after completion of new building construction in 2016. It aims to be 'Asian Beauty Creator', who changes the world with beauty.

2.1.1. The Market Size

Even after the financial crisis in 2008, the growth of cosmetics industry kept annual growth over 10% while other consumer products' annual growth remained at 3 to 4% from 2009 to 2011. Many studies reported that the perception of people toward cosmetics was changing from being a luxury to necessity goods owing to increasing interest and pursuance in healthy life with various individual styles (Lee, 2017). Such high demand for cosmetics remains strong today and the cosmetic industry is continuously growing: total sales value for beauty and personal care in the world reached 444 billion USD in 2016 with annual growth rate of 4%, CAGR expected to be sound at 4.3% from 2016 to 2022. As a single country, the U.S. is the biggest market with 76 billion USD sales, followed by China and Japan in 2016. By the end of 2017 Chinese market may take over the position of the biggest market from the U.S., if the current sales growth rate persists. The European Union (hereafter EU), if accounted as a single combined market, comes first in the cosmetic market ranking, with 93 billion USD in 2016. Among the EU countries, France is the traditional leader known for its beauty industry, and Germany also leading with its strong position in chemicals. Although the market sales in the region may decrease due to slowing-down economy, the cosmetic companies in the region remains competitive. According to Cosmetics Europe, 26 of the world's 50 leading cosmetic brands are domiciled in EU.

Table 3. Market size by region

2016	Sales (BN$)
Europe	93
US	76
China	49
Japan	26
Korea	11

*Source: Euromonitor, 2016

2.1.2. The Market Trend

Region by region, country by country the beauty trend varies, nonetheless many observes and summarizes current trend in 5 key points. First (1), consumers seek sustainable products but with ultra-performance. They are conscious of the effects and impacts of their purchase on the environment and on society (Lopaciuk & Loboda, 2013). The ingredient and origin of sources have to be at full disclosure. At the same time, they don't compromise on the effectiveness of a product. Pharmaceutical brands emerged in this particular context. Second (2), innovation is at the center of consumer interests; they are willing to try out new things. A lot of beauty devices are developed in the interest of bringing more effective and efficient cosmetic use. Third (3), millennials are the main target for all beauty companies at this moment. They indulge in spending on what satisfies them. For this age group, peer review matters more than traditional advertisement and retail elements. As a result, fourth (4), digital channels are overtaking the position of established retail channels such as department store, boutiques. P2P, O2O are no longer unfamiliar concept. Such deconstruction of conventional conservative distribution allows niche brands to flourish in the market. Also shop-in-shop is gaining popularity as it endeavors to provide consumers more engaging experiences. Fifth (5), men and silver markets are booming. Grooming has become popular more than ever with growing interest in new lifestyle and travel. Men enjoy services for shaving, hairstyling, and spend for their selves to buy skincare, haircare products. Also, silver population, especially baby-boomers after the retirement, also likes to take care of themselves with functional anti-aging products for skin and hair. The growing needs identified heretofore gave a push for big companies to invest more on R&D and at the same time right channels to reach out to the customers.

2.2. Literature Review

2.2.1. Cosmetics Industry

Cosmetics and personal care industry is an essential industry for the improvement of the quality of life, owing high responsibility to customers' health and wellbeing, and to the environment (www.cosmeticseurope.eu). Kumar, Massie and Dumonceaux (2006) presented a qualitative study on cosmetic industry, focusing on four market leaders - Estee Lauder, Revlon, Max Factor and Avon. It summarized the activity of the firm represented by regional sales, main products, and eventually analyzed each company using SWOT analysis. This study offered useful information in understanding comparative advantages of different companies. But it failed to apply the uniform standards to analyze their competitiveness. As a consequence, the conclusion proposed to collect and apply the best strategies of each, but objectivity in the context of competition was missing.

Rugman and Oh (2006) analyzed the asymmetry of up and downstream firm specific advantages (FSAs) as well as the regional characteristics of multinationals. Their study concluded that cosmetics multinationals run their business more actively in their home region both in the geographical scope of upstream FSAs and of downstream FSAs. Regardless of region of origin, well-known multinational companies in the industry actively exploit downstream FSAs in the Asian region. Rugman and Oh stated that multinational companies have to balance up and downstream FSAs in any case, and for that Asian countries need to consider to improve the environment for foreign direct investment. The study delved into the characteristics of cosmetics multinational companies' strategic behavior, but it could not provide comprehensive understanding at firm level. Thus we need to find another framework that offers more comprehensive and systematic analysis method.

2.2.2. Porter's Diamond Model

Michael Porter analyzed competitive advantage of nations using Diamond model. His study started from a fundamental question, "Why do some nations succeed and others fail in international competition?" He states that, "difference in national values, culture, economic structures, institutions, and histories, all contribute to competitive success." Ultimately, nations succeed in particular industries because their home environment is the most forward-looking, dynamic, and challenging." (Porter, 1990). He presents factor conditions, demand conditions, related and supporting industries, and firm strategy, structure, and rivalry as the determinants of national competitiveness, as Figure 1 demonstrates. He argues that nations are most likely to succeed in industries or industry segments where the national 'diamond' is the most favorable (Moon, Rugman and Verbeke, 1998).

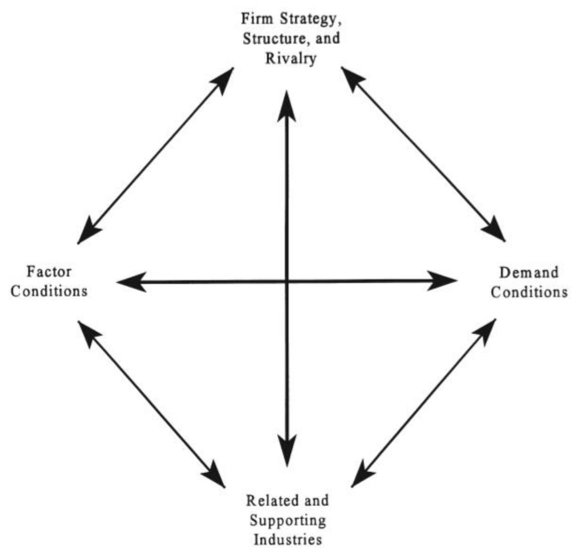
Characteristics of the four determinants of diamond are as follows.

1) Factor conditions: Porter divides factors into basic and advanced: basic factors such as skilled labor or infrastructure, and advanced factors such as products of investment by an individual, enterprise, or government that plays more important role for competitiveness.

2) Demand conditions: Industry's product or service tends to focus and tune into home-market demands which in turn helps the home industry develop further competitiveness in those products and services, more so when the buyers are sophisticated and demanding, at the same time with a purchase power.

3) Related and Supporting Industries: This determinant refers to the presence of related and supporting industries that are internationally competitive. Successful domestic industries benefit from close working relationships, forming cluster where knowledge sharing and technical interchange take place and speed the rate of innovation and upgrading.

Figure 1. The Diamond Model



Source: Porter 1995, 1998

4) Firm Strategy, Structure and Rivalry: The foundation of a firm, the management, and even goals of the companies vary from country to country according to its economic situation, and capital market characteristics. The presence of strong local rivals motivates to create and maintain superior advantage. Strong domestic rivalry puts pressure on constant upgrading of sources of competitive advantage and keep each other honest in obtaining government support.

To analyze competitiveness of an industry, Porter's Diamond Model is widely adopted. The model seems to be powerful to analyze an industry, especially for that with close link to a nation's strategic competency. The fact that Porter developed this model to analyze the competitiveness of a nation can explain it. Yet the method itself is truly comprehensive and systematic by integrating various dimensions into the scope.

For example, competitiveness analysis of coal industry in China (Wu, Xiao and Song, 2017) gave a thorough understanding of coal industry in China and provided useful insights to all related parties. When encountered with downturn of the industry, they diagnosed the competitiveness of current Chinese coal industry and found the possible way-out for the future. Also Kim, Choi, Jung and Kim (2014) used Diamond model to study the competitiveness of Defense industry in South Korea. Different from previous studies on the industry, it quantified competitiveness of the industry with Porter's Diamond and suggested following steps with SWOT analysis. Like the study of Chinese Coal industry, this paper also used the result of analysis for future policy promotion.

Finally Jinachai, Anantachoti and Winit-Watjana (2016) analyzed competitiveness of Thailand's cosmetic industry with the model. This is the only paper that used Diamond model for the analysis of cosmetics industry. Interestingly, the authors selected a group of informants who have in-depth understanding on the industry and interviewed on the five dimensions of Diamond model including the government factor. It diagnosed Thailand's cosmetic industry and concluded that its demand conditions, related and supporting industries, and the government conditions are positive while the other two needs to be improved. This paper is meaningful to give a bird-eye view for Thailand cosmetic industry but it fails to incorporate multinational activities though the industry is already widely internationalized beyond the domestic boundary.

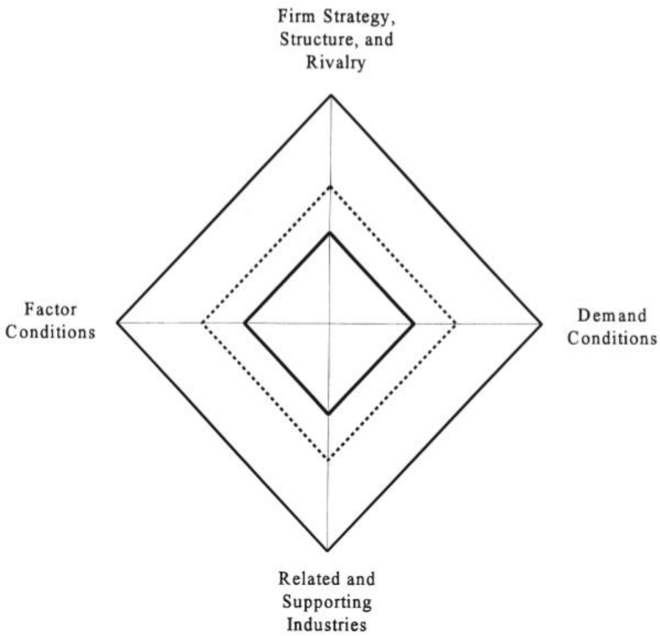
Among some researchers who pointed out limitations of Porter's home-base Diamond Model, Rugman and D'Cruz (1993) argued that the model could not be applied to countries other than the U.S. and introduced Double Diamond Model (1993) in order to incorporate multinational activities and government into the model as endogenous variables. The Double Diamond model fitted well with Canada and New Zealand but it could not explain other cases of smaller countries with open economy. Sardy and Fetscherin (2009) compared automotive industry in China, India and South Korea, revealing that China was as competitive as South Korea in the industry while India still lagged behind the two.

2.2.3. The Generalized Double Diamond Model

Extending from Double Diamond Model (Rugman and D'Cruz, 1993), Moon, Rugman and Verbeke (1998) developed the model further into the Generalized Double Diamond Model to better fit small economies such as South Korea and Singapore. Figure 2 demonstrate the model where the outside diamond is global diamond and the inside one a domestic. While the domestic diamond varies according to the country size and its competitiveness, the global one does not change within certain periods of time. Between these two diamonds, the dotted line denotes international diamond, determined by both domestic and international parameters.

The generalized double diamond model has proven to be more effective as far as global activities are concerned, first, because it incorporated multinational activities. Second, the model enables visualization of competitiveness paradigm, showing different size and shape of international and domestic diamond according to its strategic differences. Third, it also treats government as a critical variable, not as an exogenous variable, which influences the four determinants of the Diamond Model (Son, 2014).

Figure 2. The Generalized Double Diamond Model



Source: Moon, Rugman and Verbeke 1998

The model is adopted by many scholars to compare several countries or industries, or simply give a strategic contributes to a certain industry. Jin and

Moon (2006) attempted to capture the competitive advantage of Korean Apparel industry in global stage using both Diamond and Generalized Double Diamond Model – they suggested solutions for the current difficulties that Korea apparel industry had by prioritizing internationalization. The paper was meaningful as the first attempt to apply the generalized double diamond model to analyze Korean apparel industry.

Son (2014) made a comparative study of Fashion industries in China, Japan, and Korea with the approach of the model. This study selected 31 sub-variables for eight determinants (four each for domestic and international determinants respectively). Although it was for industry comparison analysis for three countries, the methodology was effective to verify global competitiveness of each country. It successfully showed the competitiveness of each country with diamonds, resulting that Japan and China had comparative competitiveness in different areas compared to Korea. Inspired by all these studies, we now just need a right model to analyze the competitiveness at the firm level.

2.2.4. Model Application at Firm Level

In the literature of competitiveness, to the extent that Porter's model brings together firm-specific linkages between the determinants, his model is useful and potentially predictive for firm level as well as industrial and national level studies (Bark and Moon, 2002). Likewise, its extended models which have determinants related to international environments and human factors can be used to explain individual firm's competitiveness more comprehensively. As briefly mentioned earlier in this paper, Moon and Lee (2004) compared Samsung (SEC) and Sony within the framework of the Generalized Double Diamond Model suggesting that it would do better job than Porter's single diamond. Provided that SEC and Sony are multinational companies that operate across borders, the Generalized Double Diamond Model will measure more appropriately their competitiveness embedding international variables. The study showed different result from what people had been speculating during that time, concluded that Sony still had stronger global competitiveness than SEC. From the domestic diamond, SEC and Sony did not show a big difference except demand factor. However when it comes to international diamond, Sony proved more balance competitiveness. The company overcome domestic limitations by internationalizing its factors that fall short. It is exactly the same activity that we could draw as suggestion from the study of Korean Apparel industry.

Coming back to the starting point of our study, the Generalized Double Diamond Model will be the right framework that can bring together international activities of multinational company into the scope, and the most balanced way of analysis without bias toward only one factor.

3. METHODOLOGY

3.1. Research Proposition

This study is designed to analyze the competitiveness of French multinational cosmetic company L'Oréal and Korean leading cosmetics company, Amore Pacific, within the analytical framework of the Generalized Double Diamond at firm-level. Although the analysis remains at firm level, some data will be at national level, following the previous case study of Samsung and Sony (Moon and Lee, 2004). As number one company in cosmetic industry in each country, both company has representativeness for the country in a way.

Research proposition 1. Compare the domestic and international parameters of L'Oréal and Amore Pacific in terms of four determinants of the model (Factor conditions, Demand conditions, Related and supporting industries conditions, and Firm strategy, structure, and rivalry). Research proposition 2. Compare the domestic and international diamond of L'Oréal and Amore Pacific.

The data was collected mainly from annual reports of each company, and macro-economic data from the World Bank, UN data page, and government statistics websites, stated under the data summary table.

3.2. Diamond Variables and Descriptive data

In this paper, we selected variables for the determinants of the generalized double diamond model to identify competitiveness of L'Oréal. The four determinants are factor conditions, demand conditions, related and supporting industries conditions, and firm strategy, structure, and rivalry. Each determinant has domestic and international variable. In total 30 proxy variables were selected based on previous studies (Moon and Lee, 2004; Son et al., 2006; Son, 2014) to measure the 4 determinants both in domestic and international level.

3.2.1. Factor Conditions

Porter distinguishes factor conditions into basic and advanced factor conditions. Basic factor conditions include labor, land, climate, natural resources, capital and infrastructure. Advanced factor conditions, which is highly specialized to an industry's particular needs, include modern communications infrastructure, educated personnel such as engineers and scientists. He emphasized that it is advanced factors that support competitive advantage (Porter, 1990).

3.2.1.1.Domestic Factor Conditions

Following the previous study, we selected firm size and productivity for the basic domestic factor conditions. Firm size is represented by the number of employees, total assets, and total sales of the fiscal year 2016. Productivity is represented by profitability, which includes both return on equity (ROE) and return on investment (ROI).

For the advanced domestic factor, we selected R&D investment, represented by three-year average R&D expenses over total sales (2014-2016), and R&D facility represented by number of research center within the territory of each country.

3.2.1.2.International Factor Conditions

For the international basic factor conditions, we chose international sales. International sales are represented by three-year average of international sales (2014-2016), and the ratio of international sales in total sales in the same period. For international advanced factor conditions, we chose patent and research facility. The proxy for patent is three-year sum of patents (2014-2016) regardless of the country of patent, and for research facility is number of overseas research centers. We summarized the descriptive data for factor conditions in the table 4.

Table 4. Descriptive Data for Factor Conditions

Factor conditions	Variable		Proxy	L'Oréal	Amore Pacific
Domestic	Basic	Firm Size	Number of Employees	89331	6267
			Total Assets (US$, mil)	42,749	4,847
			Total Sales (US$, mil)	31,003	5,281
		Productivity	Profitability (ROE, %)	15.4	15.2
			Profitability (ROI, %)	8.7	11.0
	Advanced	R&D Investment	Three-year average of R&D expenses over total sales (%)	3.2	2.3
		Research facility	Number of research centers	20	6
International	Basic	International Sales	Three-year average of international sales	19,953	1,067
			Three-year average international sales ratio	0.68	0.32
	Advanced	Patent	Three-year sum of patents	1,471	12
		Research facility	Number of overseas research centers	12	5

*Source: Annual Report L'Oréal 2014~2016

Annual Report Amore Pacific 2014~2016

3.2.2. Demand Conditions

According to Porter (1990), the size of home-demand affects the competitive advantage, though the level of sophistication of demand has bigger impact. The larger home-demand is, the quicker a nation adopts new technologies, with less fear that such technologies would make existing investment redundant, and to build larger and more efficient facilities with the confidence that they will be utilized. Companies gain competitive advantage if domestic buyers are the world's most sophisticated and demanding buyers for the product or service. They pressure them to meet high standards, they prod them to improve, innovate and to upgrade into more advanced segments (Porter, 1990).

3.2.2.1.Domestic Demand Conditions

For domestic demand conditions, we chose market size and consumer sophistication as basic and advanced variables respectively. As market size proxies, each country's population, GDP average for the period from 2014 to 2016, and average of real GDP growth for the same period were chosen. For consumer sophistication, education index and GDP per capita for the same period as above were included as previous studies.

3.2.2.2. International Demand Conditions

For international demand conditions, 3 variables are included in the list. Market size is represented by two proxies. First, the number of main areas of each firm multiplied by the number of countries were the products are sold. L'Oréal categorized main areas by five, which are Eastern Europe, America, Asia-Pacific and Eastern Europe together with middle east. The other regions are categorized as others. Thus the number of main area is four. Whereas Amore

Pacific enter aggressively in Asia, including ASEAN, and North America, the others are Western Europe and Middle East though they cannot be counted as 'main', thus only two main areas are taken. Second for international market size, oversea market share in the fiscal year of 2016. For customer satisfaction, we included solely the brand value of the firm in 2016 as proxy. Given that two firms are at different stages in global market, we could not include any published rankings, such as 'World's most respected companies by Forbes' as the proxy. And number of countries of sales represents the diversification of markets. The descriptive data for demand conditions are summarized in the table 5.

Table 5. Descriptive Data for Demand Conditions

Demand conditions	Variable	Proxy	L'Oréal	Amore Pacific
Domestic	Market Size	Population of the age group of 15-64	41,810,068	37,358,120
		Three-year average of GDP (US$, bil)	2,918	1,402
		Four-year average of real GDP growth rate	1.1	3.0
	Consumer sophistication	Education index	0.776	0.645
		Three-year average of GDP per capita (US$)	40,197	27,484
International	Market Size	Number of main areas of each firm multiplied by the number of countries where the products are sold	560	26
		Oversea market share (%), 2016	11.6	2.3
	Customer satisfaction	Brand value of firm (US$, bil., 2017)	10.7	2.3
	Diversification of markets	Number of countries of sales	140	13

*Source: World Bank

Annual Report 2016

Interbrand Brand Value (Interbrand website)

3.2.3. Related and Supporting Industries

In “Competitive Advantage of Nations” (1990), Porter explained related and supporting industries as the third determinant. Internationally competitive home-based suppliers create advantages in downstream industries in terms of cost-efficiency, not to mention close working relationship that bring along idea exchanges, innovations afterwards. Cosmetic industry is well-known for its complex distribution channels, related industries both in upstream and downstream.

3.2.3.1.Domestic Related and Supporting Industries

For domestic related and supporting industries, we took variables that were generally taken in previous studies. There are three variables that are infrastructure, competitiveness of academy, and related industry. The first variable, infrastructure, includes two proxies, of which the first is fixed broadband internet subscribers per 100 people. Cosmetic industry is heavily affected by digital channels, advertisement and beauty bloggers activities today, that makes this proxy relevant to the study. The second proxy for infrastructure is ICT development index (Information and Communication technology), that is a complex index that combines 11 indicators into one benchmark measure.

Meanwhile the second variable for domestic related and supporting industries, we chose competitiveness of academy, measured by number of schools in the 'world's 500 best science and technology universities' list'. From 2016 list, data is selected for each country. The third variable is related industry and I chose gross output of cosmetics in year 2016. As mentioned earlier, cosmetic industry is highly complex in its structure, a cosmetic product is a fruit of all related industry's co-work, from the packaging to the formulas of the product.

3.2.3.2.International Related and Supporting Industries

Bark and Moon (2002) argued that the activity of multinational firms to coordinate and share in the value chain within a geographic vicinity such as Silicon Valley in the U.S. and Bangalore in India bring in new technologies, eventually benefitting from acquiring related and supporting technologies. Thus it is important for multinational firms to keep sound credit status for itself and the country where the firm mainly operates.

Likewise we selected two international variables: credit and related industry. Each variable is represented by Moody's credit ranking for the country in 2016 and by the amount of cosmetics exports respectively. The Moody's credit for company was available for L'Oéal only, thus left out from the proxy. The descriptive data for related and supporting industries are summarized in the table 6.

Table 6. Descriptive Data for Related and Supporting Industries

Related & Supporting Industries	Variable	Proxy	L'Oréal	Amore Pacific
Domestic	Infrastructure	Fixed broadband Internet Subscribers (per 100 people), 2016	40.2	38.8
		ICT Development Index	8.05	8.8
	Competitiveness of Academy	Number of schools in 'the World Best Science and Technology universities' list within 500	20	11
	Related Industry	Gross output of cosmetics, (US$, Mil., 2016)	13,000	1,267
International	Credit	Moody's Credit Ranking of Country (2016)	Aa2	Aa2
	Related Industry	Amount of Cosmetics exports (US$, Bil, 2016)	12.3	4.1

*Source: World Bank

Annual Report 2016

ICT Development Index (www.itu.int)

Moody's homepage

UN data (http://data.un.org/)

3.2.4. Firm Strategy, Structure, and Rivalry

National circumstances and context create strong tendencies in how companies are created, organized, and managed, as well as what the nature of domestic rivalry will be. Competitiveness in a specific industry results from convergence of the management practices and organizational modes favored in the country and the sources of competitive advantage in the industry. Also the company goals reflect the characteristics of national capital markets and the compensation practices for managers. Furthermore, the presence of strong rivals is a final, and powerful stimulus to the creation and persistence of competitive advantage (Porter, 1990).

3.2.4.1.Domestic Firm Strategy, Structure, and Rivalry

According to Porter (1990), no one managerial system is universally appropriate, when the nature of the industry and the managerial system fits well, the company can maximize its competitiveness. For domestic firm strategy, structure, and rivalry, there are two variables: to show management efficiency, innovative capacity index ranking is chosen as the proxy. And to see market competition, number of cosmetic manufacturer in each country is selected. Although the quality of competition cannot be easily judged, it certainly shows how fierce the competition will be in this specific industry domestically.

3.2.4.2.International Firm Strategy, Structure, and Rivalry

Different from Porter's (1990) argument that domestic rivalry is the most important motivation for companies to constantly upgrade and innovate, Cho and Moon (2000) denotes that successful firms in smaller economies such as South Korea and Singapore are more concerned about international rivalry than about domestic rivalry. The environment for multinational firms like L'Oréal, international activities are destined to be concerned in every step of its operation. Already the international sales volume exceeds that of domestic.

In order to evaluate global business structure, the proxy is set as ranking of world's best performing CEO in 2017 as it can gauge the leadership of CEO in global business. We made an exception to include the ranking 2017, because, first, we really wanted to include it as the proxy and only 2017 rankings included both company in the top 100 and second, the ranking 2017 was selected based on the result in 2016. For international market competition, we summarized the main competitors in the table 7. Other descriptive data for firm strategy, structure, and rivalry are demonstrated in table 8.

Table 7. Main International Competitors of L'Oréal and Amore Pacific

Firm	Category	International Competitors
L'Oréal	Mass	Unilever, Beiersdorf, P&G, Rexona, Colgate Pamolive, Johnson & Johnsons
	Luxury	LVMH, Clarins, Estee Lauder, Shiseido, Kao, Coty
	Active cosmetics	Avene, Uriage, Lierac, Melvita, Bioderma, Nuxe, Physiogel
	Haircare	Eugene Perma, Wella, Rene Furterer, Klorane, Unilever, P&G, Schwarzkopf, Tony & Guy
Amore Pacific	Mass	LG H&H, Aekyung, CJ, GSK, Unilever, Beiersdorf, P&G, Rexona, Colgate Pamolive, Johnson & Johnsons
	Luxury	LG H&H, Shinsegae, LVMH, Clarins, Estee Lauder, Shiseido, Kao, Coty,
	Active cosmetics	LG H&H, isoi, Avene, Uriage, Lierac, Melvita, Bioderma, Nuxe, Physiogel
	Haircare	LG H&H, Aekyung, Daengi Hair, L'Oréal, Wella, Rene Furterer, Klorane, Unilever, P&G, Schwarzkopf, Tony &

		Guy, Shiseido

Table 8. Descriptive Data for Firm Strategy, Structure, and Rivalry

Firm strategy, Structure & Rivalry	Variable	Proxy	L'Oréal	Amore Pacific
Domestic	Management efficiency	Innovative capacity index	54.04	57.15
	Market competition	Number of cosmetic manufacturers	800	1,500
International	Global business	Ranking of world's best performing CEO 2017	87	20
	Market competition	Number of main competitors	26	33

*Source: www.wipo.int

FEBEA (Fédération des Entreprises de la Beauté)

Kostat.go.kr

4. EMPIRICAL FINDINGS

4.1. Calculation method

To calculate the index for each variable, the standard value of 100 is given to the company that has higher value, and a relative ratio in percentage is given to the other with lower value. If a variable has several proxies to measure, impartial weights are given to each proxy according to the number of proxies.

For instance, L'Oréal has 89311 employees while Amore Pacific has 6267. To calculate the score for each company, L'Oréal gets 100 because it has higher value, and Amore Pacific gets partial value of 7, that is the value 6267 divided by 89311 and multiplied by 100. After calculating score for each proxy, domestic and international variables can be calculated as the sum of score multiplied by the weight for variable. For example, international factor condition for L'Oréal equals to 100 as it is calculated as follows: 100*0.25+100*0.25+100*0.25+ 100*0.25. As per Moody's Credit Ranking, the proxy for international variable in the determinant of related and supporting industries, each company gets 100 as the credit rating is the same for both countries. There is one exceptional case that applies opposite way of calculation; for the ranking of world's best performing CEO, we gave 100 to lower number as it means higher ranking. And to calculate the score, we applied proportionate calculation as follows: 20/87*100 = 23. Table 9 is the summary of proxy values for 4 determinants of the diamond model.

Table 9. Proxy value for 4 Determinants of the Diamond

Determinants		Variable		Proxy	L'Oréal	Amore Pacific
Factor Conditions	Domestic	Basic	Firm Size	Number of Employees	100	7.0
				Total Assets (US$, mil)	100	11
				Total Sales (US$, mil)	100	17
			Productivity	Profitability (ROE, %)	100	99
				Profitability (ROI, %)	79	100
		Advanced	R&D Investment	Three-year average of R&D expenses over total sales (%)	100	73
			Research facility	Number of research centers	100	30
	International	Basic	International Sales	Three-year average of international sales	100	5
				Three-year average international sales ratio	100	47
		Advanced	Patent	Three-year sum of patents	100	1
			Research facility	Number of overseas research centers	100	42
Demand Conditions	Domestic	Basic	Market Size	Population of the age group of 15-64	100	89
				Three-year average of GDP (US$, bil)	100	48

				Four-year average of real GDP growth rate	36	100
		Advanced	Consumer sophistication	Education index	100	83
				Three-year average of GDP per capita (US$)	100	68
	International	Basic	Market Size	Number of main areas of each firm multiplied by the number of countries where the products are sold	100	5
				Oversea market share (%), 2016	100	20
		Advanced	Customer satisfaction	Brand value of firm (US$, bil., 2017)	100	21
			Diversification of markets	Number of countries of sales	100	9
Related & Supporting Industries	Domestic		Infrastructure	Fixed broadband Internet Subscribers (per 100 people), 2016	100	97
				ICT Development Index	91	100
			Competitiveness of Academy	Number of schools in 'the World Best Science and Technology universities' list within 500	100	55
			Related Industry	Gross output of cosmetics, (US$, Mil., 2016)	100	10
	International		Credit	Moody's Credit Ranking of Country (2016)	100	100
			Related Industry	Amount of Cosmetics exports (US$, Bil, 2016)	100	33

Firm strategy, Structure & Rivalry	Domestic	Management efficiency	Innovative capacity index, 2016	95	100
		Market competition	Number of cosmetic manufacturers	53	100
	International	Global business	Ranking of world's best performing CEO 2017	23	100
		Market competition	Number of main competitors	79	100

4.2. The Diamond Construction

Based on the proxy values, we will construct Diamond for domestic and international markets for both companies and compare their global competitiveness.

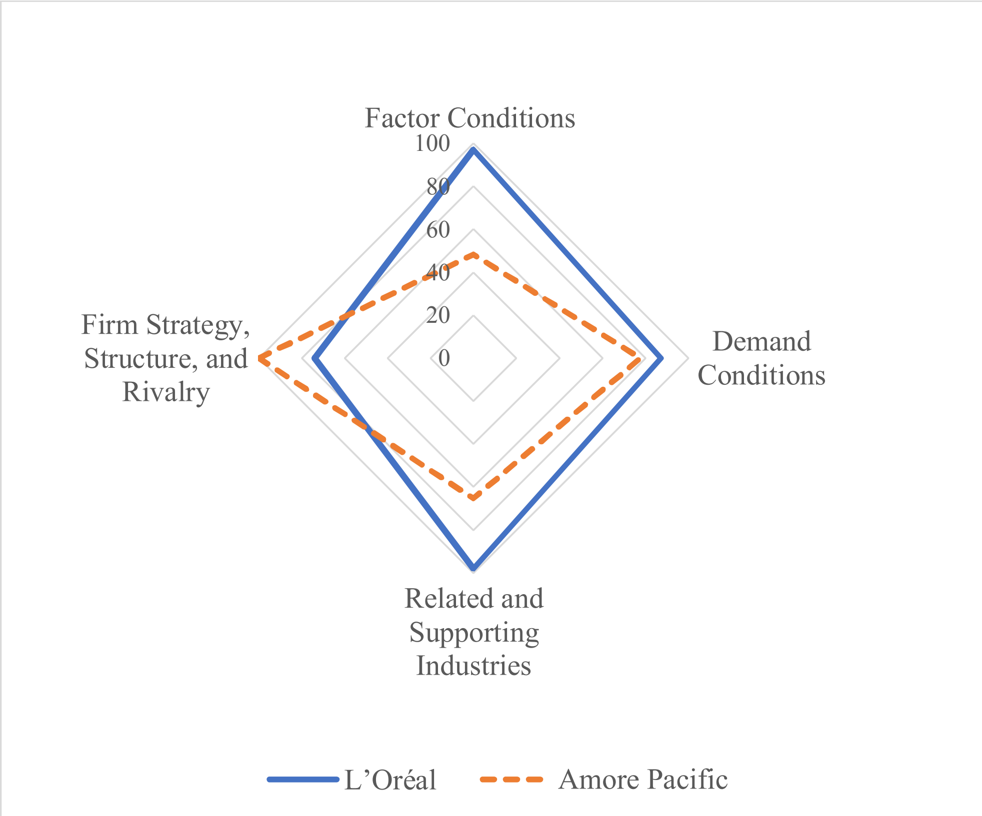
4.2.1. The Domestic Diamond

The table 10 summarized the scores for the domestic diamond.

Table 10. Domestic Double Diamond Variable Scores

Diamond Variables	L'Oréal	Amore Pacific
Factor Conditions	97	48
Demand Conditions	87	78
Related and Supporting Industries	98	65
Firm Strategy, Structure, and Rivalry	74	100

Figure 3. Domestic Diamond Construction



4.2.2. The International Diamond

The table 11 is the summary of the scores for 4 determinants of international diamond. L’Oréal has almost perfect shape of diamond for international variable scoring a hundred for all determinants except Firm Strategy, Structure, and Rivalry. Meanwhile Amore Pacific lags behind in both basic and advanced variables, though it has competitive advantage in Related and Supporting industries and Firm Strategy, Structure and Rivalry.

Table 11. International Double Diamond Variable Scores

Diamond Variables	L'Oréal	Amore Pacific
Factor Conditions	100	24
Demand Conditions	100	14
Related and Supporting Industries	100	67
Firm Strategy, Structure, and Rivalry	51	100

Figure 4. International Diamond Construction

4.3. Exogenous Variables

4.3.1. Government

Porter (1990) emphasizes that government policies that succeed are those that create an environment in which companies can gain competitive advantage rather than those that involve government directly in the process, except in nations early in the development process. Governments frequently pursue interventionist trade and industrial strategies (Rugman and Verbeke, 1990). First of all, all cosmetic companies abide by national regulations. As Cosmetic products have direct contact with consumers, the quality control is one of the most important factors to keep domestic and international competitiveness. French government (Direction Générale de la concurrence, de la consommation et de la répression des fraudes) has all products comply with European Regulation effective since 13 Jul 2013. Such law may make small companies in the sector suffer in the short-term as it pushes them to improve quality, but it will prove to be beneficial in the long-term with stronger quality and more innovation. Strict government regulation can promote competitive advantage by stimulating and upgrading domestic demand (Porter, 1990). L'Oréal and Amore Pacific not only comply with national regulation but also apply the strictest regulation among all firms in the country. Second, governments pushing for

Free Trade Agreement (FTAs) help to enhance its demand to international level with lower trade costs. Government trade policy should pursue open market access in every foreign nation. When the government finds a trade barrier in another nation, it should concentrate its remedies on dismantling barriers (Porter, 1990). In fact, Korean government failed to dismantle such barrier in China since late 2016 due to its diplomatic friction around the issue of THAAD (Terminal High Altitude Area Defense) deployment. The diplomatic instability eventually harmed the industry as Chinese government blocked cosmetics trade by various non-trade barriers. Keeping a stable political and diplomatic environment is one of the most critical roles of governments to help companies to establish its competitiveness.

4.3.2. Chances

Chances have little to do with circumstances in a nation and cannot be influenced by firms or government policies according to Porter (1990). On this unpredictable and uncontrollable nature of events, Moon, Rugman, and Verbeke (1995) denoted that it should only be considered as exogenous variable, not included in the Diamond Paradigm. However, chances can significantly influence the competitiveness of an industry or a country. For example, K-wave (*Hallyu*) boosted opportunities for Korean cosmetics companies to grow faster than in other industries, thanks to positive image delivered by media contents such as movies, music dramas, and TV programs including TV shows and dramas. Companies that were ready to grab the opportunity has record growth since early 2000. L'Oréal also benefited from this phenomenon in 2013. For instance, L'Oréal Korea, to be specific Yves Saint Laurent (YSL, henceforth) seeded products to a make-up artist Son Daesik - the key make-up artist for star actress Jun Jihyun - before his interview with media to explain how he made up Miss Jun's look. After the news article was published, YSL had legendary 'sold-out' for 2 products world-wide. It was indeed phenomenal success sweeping all markets in Asia as well as European travel retail and the U.S. market. Thanks to this event, YSL Korea kept its image as trend-setter and has enjoyed sharp growth in the region ever since. The spillover effect within the region lasted at least over twelve months since then.

We can say that France enjoys historical privilege in cosmetic industry with the image of the country. In other words, the positive image of France was already formulated in people's mind and it was easy to make people covet cosmetic products from France. The chances played a role in the growth of French cosmetic industry with embedded notion of people.

4.4. Assessment

It is interesting to visualize how two companies are different in competitiveness. We'd like to highlight three main points out of several interesting findings from the Generalized Double Diamond model.

Above all, L'Oréal proves to be number one company in cosmetics industry based on visualized balance in the Diamonds: both domestic and international diamonds are well developed. But the most important point is that L'Oréal is inarguably an international company scoring a hundred in all determinants except in Firm Strategy, Structure, and Rivalry. Starting from international factor conditions, it makes sense because already 68% of total sales is generated outside of France. No single continent is free from L'Oréal product; they are sold in 140 countries world-wide. L'Oréal makes efforts to adapt their products to local consumers' needs and optimize them. In international demand factors, consumers often choose product from L'Oréal believing in its brand value and the quality which they expect is at internationally proven. As for Related and Supporting Industries, it has accumulated long history of relationships with various industries which is a huge asset at international level. Firm Strategy, Structure, and Rivalry is relatively more conservative for L'Oréal as the system is already fixed to screen all the procedures. Amore Pacific had superior ranking in ‘world’s best performing CEO’, exceeding L’Oréal as the company had sharper growth in global markets even though its markets were limited to mostly Asian markets and the growth slowed down since late 2016 due to THAAD issue. With increasing popularity of Korean cosmetics in recent years, there are so many newly registered cosmetics manufacturers in the region who want to leverage the K-wave, that created number of competitors inferior to Amore Pacific.

Second, both companies are domestically competitive. Looking only at domestic diamond, Amore Pacific is also as balanced as L’Oréal. Factor conditions and Related and Supporting industries need to be improved, however, Demand factors are well-developed, and Firm strategy, Structure, and Rivalry surpasses the competitiveness of L’Oréal. In Factor conditions, the size of the company has to grow to catch up world number one company. In other words, the key to its further success is to expand in more geographical regions. When it comes to the ‘global’ playing field, we cannot apply the concept to Amore Pacific for now because it only has 2 international regions of activities, Asia and North America. Aftermath of THAAD forced the company to turn around its strategy in 2017, thus future study may be able to prove if the company improved its factor conditions. Also, it has to endeavor to invest more in advanced factors such as research and development. The number of R&D

facilities are way behind of that of L'Oréal and this weakness further affects Related and Supporting industries as more R&D facilities and investment will bring in more competition and, at the same time, clusters for cooperation for technology advancement and innovation. Amore Pacific barely kept its score by establishing R&D centers in major cities in the world, but its fruit is not mature enough. The number of Patent registration proves it, far behind the number of L'Oréal's. Interestingly if Amore Pacific improves its domestic and international Factor Conditions, Related and Supporting industries can naturally improve accordingly. Although Oh and Rugman (2006) claimed that cosmetics companies work at regional basis, L'Oréal succeeded to be a 'global' company after several evolutionary steps. Amore Pacific can achieve it as well, evolving from domestic/regional company to global company, if it continues to focus on brand management with innovative products.

Lastly L'Oréal has strong brand identity across all segments and divisions, and it marks almost perfect score for Demand Conditions while Amore Pacific has poor score for this determinant especially at international level. We already mentioned that Amore Pacific has to expand to other regions more aggressively, but it has to come with strong brand identity which is part of Demand Conditions. L'Oréal could achieve the level because it owns over 41 brands that are globally well-known. The stronger the brand identity is, the more chances to succeed in the global market. Among all brands that Amore Pacific possesses, Sulwhasoo and Innisfree retain strong brand heritage, the brand story is present in product packaging, retail element and product formula itself. The other brands such as Laneige and HERA have room to strengthen brand images in more sustainable ways. All in all, these factors are all interrelated. Amore Pacific has to establish its strategy for longer period of time, so that each determinant helps to boost one another.

5. CONCLUSION

5.1. Implications

This study applied the Generalized Double Diamond Model to compare the competitiveness of cosmetic companies, L'Oréal and Amore Pacific. L'Oréal was chosen as a global leading company and Amore Pacific as a rising performer in the industry. For the analysis, 30 sub-variables have been extracted to measure eight determinants of the domestic and international diamonds. Porter's Diamond Model provides comprehensive methodology to analyze a firm's competitiveness, while the Generalized Double Diamond Model by Moon, Rugman and Verbeke provides more adequate framework for this study as it incorporates multinational activities of firms in the global market. Thanks to this theoretical framework, we could visualize the competitiveness of each firm at domestic and international level and compare them.

From the analysis, it is evident that L'Oréal is more advanced and balanced than Amore Pacific in international competitiveness. Amore Pacific has competitive advantage at domestic level, still a lot to improve at international level. Short-comings of Amore Pacific lied mostly on Factor and Demand conditions. Amore Pacific has to improve its Factor

Conditions by internationalizing its market which in turn increase international sales while favorable chances like K-wave are still alive, not to mention to invest more in R&D for more patent registration. We believe this will induce improvement for Related and Supporting industries accordingly as clusters can be formed and more innovations can be generated as well. Moreover, Demand conditions are critical as it includes brand value as proxy. L'Oréal could achieve such high Demand conditions status owing to its brand value while Amore Pacific still needs to enhance its brand awareness at international level. Building up brands will take time in the long run, but we have to remember that L'Oréal has invested long time and energy to build its brands and also changed strategy to purchase certain brands entirely from time to time as necessary to enter a new market or to expand its segments. We believe that this study contributes to draw the wholistic picture of the competitiveness of both companies, and help establish clear vision and future strategy.

5.2. Limitations of the study

The purpose of this study is to analyze competitiveness of world's number one company, L'Oréal, and the second mover, Amore Pacific. While the methodology is comprehensive by including various proxies under domestic and international variables, it can be further diversified and improved. Also, it seems worthwhile for future studies to find a way to include the exogenous variables such as government and chances into the scope as they play important roles in the real business. Benchmarking from the previous studies of Moon and Lee (2004), Son (2014), the study is adequate for a relative comparison only.

It would be interesting to include another Asian multinational company such as Shiseido, which can insert regional perspective in the study. If the study is designed to compare certain periods of time in the past for each company, for example early 1990s, 2000s, it can provide an interesting insight into how competitiveness of these companies evolves with the time.

References

Choi, J., (2007). Globalization of Amore Pacific Corp.: Dynamic capability building approach. 덕성여자대학교 사회과학연구소, 사회과학연구 제 13권, pp. 113-119.

Hunt, K., Fate, J., & Dodds, B. (2011). Cultural and social influences on the perception of beauty: a case analysis of the cosmetics industry. Journal of business case studies – January/February 2011, Vol.7, number 1.

Jin, B., Moon, H., (2006). The diamond approach to the competitiveness of Korea's apparel industry. Journal of Fashion Marketing and Management Vol.10 No. 2, 2006 pp. 195-208.

Jinachai, N., Anantachoti, P., & Winit-Watjana, W. (2016). Exploring competitiveness of Thailand's cosmetic industry using Porter's diamond model. Thai Journal of Pharmaceutical Sciences.

Kim, H., Choi, Y., Jung, H., & Kim, D. (2014). South Korean competitiveness in the defense industry using the diamond model, The Korean journal of security affairs, 19-1 (June 2014) pp. 90-111.

Kumar, S., Massie, C., & Dumonceaux, M.D. (2006). Comparative innovative business strategies of major players in cosmetic industry. Industrial management & data systems (Emerald insight), Vol 106 No.3. 2006, pp. 285-306.

Lee, J., (2017). A study on the structural features and competitiveness of the cosmetic industry in Korea, China, and Japan. 韓日經商論集 제 74호.

Lee, K., & Kim, M. (2010). Case study on improving the company image with cultural marketing in the beauty industry. Journal of Korean society of Cosmetics, Vol. 16, No. 1 (2010). P.234-243.

Lopaciuk, A., Loboda, M. (2013). Global beauty industry trends in the 21st century. Management, Knowledge and learning, international conference 2013.

Moon, H., Lee, D. (2004). The competitiveness of multinational firms: A case study of Samsung Electronics and Sony, Journal of international and area studies, volume 11, number 1, 2004, pp.1-21.

Moon, H., Rugman, A., & Verbeke, A. (1998). The generalized double diamond approach to the global competitiveness of Korea and Singapore, International Business Review, 7, 135-150.

Oh, C., Rugman, A., (2006). Regional sales of multinationals in the world cosmetics industry. European management journal Vol. 24, Nos.2-3, pp. 163-173, 2006.

Porter, M. E. (1990). The competitive advantage of nations, New York: Free Press

Sardy, M., & Fetscherin, M. (2009). A double diamond comparison of the automotive industry of China, India, and South Korea. Competition Forum, 7(1), 6-16.

Son, M. (2014). A comparative analysis on the competitiveness of the Korean, Chinese and Japanese Fashion industries: the generalized double diamond model approach, Journal of Fashion Business. Vol 18, No. 6:67-85, Dec. 2014

Wu, Y., Xiao, X., & Song, Z. (2017). Competitiveness analysis of coal industry in China: A diamond model study. Resources policy 52 (2017) 39-53.

Amore Pacific Annual Report 2016.
http://www.apgroup.com/int/ko/investors/amorepacific-corporation/ir-reports/audit-reports.html

Cosmetics Europe. Data for the industry 2016.

https://www.cosmeticseurope.eu/cosmetics-industry/

Euromonitor International 2016.

https://blog.euromonitor.com/2017/05/reimagining-growth-in-the-global-beauty-industry.html

https://blog.euromonitor.com/2017/05/reimagining-growth-in-the-global-beauty-

FEBEA (Fédération des entreprises de la beauté). http://www.febea.fr/fr/le-secteur-cosmetique/le-secteur-chiffres

Forbes. World's most reputable companies 2016. https://www.forbes.com/forbes/welcome/?toURL=https://www.forbes.com/sites/karstenstrauss/2016/03/22/the-worlds-most-reputable-companies-2016/&refURL=&referrer=#6ca3252f2338

http://www.forbes.com/innovative-companies/#73fb5929f172

Gouvernment https://www.economie.gouv.fr/dgccrf/controle-des-produits-cosmetiques-2016#_ftn1

Harvard Business Review https://hbr.org/2017/11/the-best-performing-ceos-in-the-world-2017

Interbrand. http://interbrand.com/best-brands/best-global-brands/2017/ranking/#?filter=France%2CSouth%20Korea&sortBy=rank&sortAscending=true&listFormat=ls

International Monetary Fund (IMF), 2016 World Economic Outlook Database: www.imf.org.

L'Oreal Annual Report 2016. http://www.loreal-finance.com/fr/rapport-annuel

WWD http://wwd.com/beauty-industry-news/beauty-features/loreal-gets-top-spot-on-wwd-beauty-inc-s-2016-top-10866993/

industry.html

국문초록

전통적으로 프랑스는 화장품 산업의 강국이다. 그러나 최근 몇 년 사이 아시아와 아시아를 넘어선 지역에서의 한류 열풍과 더불어 한국 화장품 회사의 약진이 두드러졌다. 우먼스웨어데일리 잡지에 따르면 2016 년도 세계 100 대 뷰티 기업 중 로레알이 1 등을 차지했고, 한국의 대표기업인 아모레퍼시픽이 7 위를 기록하며 최초로 10 위권 안에 진입했다. 과연 이러한 지표만으로 아모레퍼시픽이 글로벌 다국적 기업인 로레알 정도의 경쟁력을 갖추었다고 이야기할 수 있을까?

본 논문은 세계적인 화장품 기업 로레알의 경쟁력을 한국의 대표 기업인 아모레퍼시픽의 경쟁력과 비교하기 위해 고안되었다. 회사 단계의 기업 경쟁력 연구를 위해서는 포터의 다이아몬드 모델에 다국적 활동들을 효과적으로 포함시켜 더욱 포괄적이고 균형 잡혀 있다 평가되는 "일반화된 더블 다이아몬드 모델"을 차용했다. 이 논문은 각 회사의 경쟁력을 시각화 하여 로레알이 진정 국제적으로 경쟁력을 갖춘 기업이고, 아모레퍼시픽은 현재까지는 국내에서만 경쟁력을 갖춘 기업이라는 것을 확인 시켜준다. 본 논문은

결론적으로 아모레퍼시픽이 앞으로 아시아를 넘어 해외 시장에 보다 적극적으로 진출해야 하고 R&D 에도 추가 투자하여 약점으로 여겨지는 관련 및 지원산업 조건을 동시에 강화 시킬 수 있다고 제시한다. 또한 수요조건 강화의 한 측면으로 브랜드 인지도를 높여야 한다고 피력한다. 본 논문은 각 회사의 경쟁력을 포괄적으로 살펴봄으로 화장품 기업들의 추후 전략을 방안을 설정에 도움을 줄 것이라 기대된다.

주제어: 경쟁력, 일반화된 더블 다이아몬드 모델, 회사단계, 화장품 산업, 로레알, 아모레퍼시픽

학번: 2008-23454