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Practice exam questions

TikTok and the product lifecycle

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Check your answer to the question on pp. 30–31 of the magazine. This question relates to the Edexcel specification.

Sample answer

One advantage of L'Oréal investing more in new product development (NPD) is that it reinforces its brand image as an industry leader. The article shows that L'Oréal is already spending a huge amount on R&D – over €1.3 billion in 2024 – and filing hundreds of patents (Figure 1). By creating brand-new, technologically advanced products, it can maintain its 'prestige presence' and justify charging premium prices. This creates a huge competitive advantage because smaller, newer brands simply cannot compete with this level of scientific research. It helps L'Oréal to stand out as a high-quality, innovative company in a market that is becoming flooded with cheap, copycat products. This strong brand perception is vital for long-term profit.

However, the major drawback of this option is the risk and cost in a market where trends change overnight. The article makes it clear that TikTok has created 'much shorter life cycles' for beauty products. L'Oréal could spend millions on developing a new product, only for it to be considered 'out of date' within a few months because a new viral trend has taken over. For a company that needs a 'reasonably long life cycle' to get a return on its investment, this is a massive gamble. The fast-paced, 'hit-and-run' nature of the competition means that a slow, expensive NPD process might not be able to keep up, potentially leading to huge financial losses if a new product launch flops.

On the other hand, focusing on extension strategies for its current products could be a much safer bet for maximising profit. This strategy, according to Ansoff, would involve things like finding new markets for existing products or creating new promotional campaigns, such as using celebrity endorsements like Sir Elton John with Specsavers. For L'Oréal, this would be far less risky and costly than just concentrating on new product development. The company could use its existing, well-known products and simply find new ways to market them to different segments, thus using the brand loyalty it has already built. This may be a more predictable way of generating revenue without the massive upfront costs of R&D.

However, this may be a problem as it completely ignores the fact that the market has changed. The article says that in a 'TikTok world with much shorter life cycles' the whole idea of an extension strategy might no longer be relevant. Relying on extending the life of old products when customers are constantly looking for the next new thing on social media seems like a recipe for becoming irrelevant. Nearly 90% of TikTok users say they discover new trends on the app. If L'Oréal is not part of that conversation by offering new products, it risks being seen as an old, out-of-touch brand, which would seriously harm its ability to maximise profits from younger generations in the long run.

After looking at both sides, I would recommend that L'Oréal should primarily focus on investing more in the development of new products, but it must adapt how it does this. The reason for this recommendation is that the market has shifted towards novelty and speed. As the article states, TikTok has become the 'front door for beauty', and trying to extend the life of old products is like trying to sell last year's fashion in a fast-fashion world – it just won't work for maximising future profit.

However, L'Oréal cannot continue with its old, slow R&D model. To make this strategy successful, it must create a new, more agile NPD process. This could involve creating a separate, fast-moving part of its organisation dedicated to launching cheaper, trend-led products quickly to compete with the 'hit-and-run' brands. This would allow L'Oréal to tap into viral trends without damaging the prestige of its main brands. By adapting its approach to NPD, L'Oréal can continue to build its reputation for innovation while also staying relevant in the fast-paced, 'democratised' market. This is the only sustainable way for it to maximise its profits in the global cosmetic market going forward. Simply trying to extend the life of existing products is a strategy that belongs to the past.

Sample examiner comment

Mark: 20/20 (level 4 – an excellent response, fully focused on the question)

A depth and range of knowledge and understanding are shown of the importance of new product development and extension strategies for L'Oréal in seeking to maximise its profits. Application is applied effectively throughout the answer and analysis is well developed throughout, considering a balanced range of issues appropriate to answering the question.

The answer makes a recommendation as to which approach is the most likely to maximise profits with relevant unique context and the use of MOPs to justify the decision. The answer shows a balance of competing arguments and a clear focus on answering the question throughout.

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