

# L'Oréal's Market Strategy: How Business Activities Shape Brand Performance

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## Abstract:

This paper examines the market strategy of L'Oréal, one of the world's leading cosmetics groups, and the impact of its business activities on brand performance. The research focuses on the multifaceted approach of L'Oréal in leveraging its global presence and diverse brand portfolio to enhance market performance. By analyzing L'Oréal's strategic initiatives, including product innovation, digital marketing, sustainability efforts, and regional market adaptation, the study explores how these activities contribute to the company's competitive advantage and financial success. The paper draws upon a comprehensive analysis of L'Oréal's business activities review to understand the correlation between strategic and brand performance. It also considers the role of L'Oréal's marketing mix and the application of SWOT analysis to evaluate the strengths, weaknesses, opportunities, and threats faced by the company. The findings contribute to the existing body of knowledge on corporate strategy and brand management, offering valuable insights for both academicians and practitioners in the field of marketing and business management. The study concludes with recommendations for L'Oréal to sustain its market leadership and further enhance brand performance through strategic business activities.

**Keywords:** Market strategy; brand performance; business activities; digital marketing; global Brand management.

## 1. Introduction

In today's globalized business environment, competition in the cosmetics industry has become increasingly fierce. As one of the world's leading cosmetics groups, L'Oréal is not only known for its extensive product lines and innovation capabilities, but also has achieved significant success worldwide with its excellent market strategies and brand management. As consumer demands continue to change and emerging markets continue to emerge, companies need to deeply understand and practice how to optimize brand performance through customized business strategies.

In July 2019, Fabrice Faber became the fourth Chief Executive Officer (CEO) of L'Oréal China. In the first half of 2020, despite the impact of the COVID-19 pandemic, L'Oréal Group's business showed resilience, with total sales reaching 13.07 billion euros. In mainland China, L'Oréal achieved a growth of 17.5%, with e-commerce business growing by 64.6%. The group's operating profit margin reached 18%, with earnings per share of 33.82 euros. L'Oréal Group's digitalization and e-commerce business played a key role during the pandemic, helping

the group maintain stable revenue [1].

Although China's beauty market has been developing well, it suffered a collective setback in 2022. According to Qichacha data, there are more than 15.8 million beauty-related companies in China, with an average of one beauty-related company for every 88 people. In 2022, 3.682 million new beauty-related companies were added, a year-on-year decrease of 16.5% [2]. As the density of beauty companies continues to expand and the competition and elimination rates gradually increase, L'Oréal's corporate performance has continued to grow except for a slightly insufficient market performance in 2020. L'Oréal Group's first quarter 2022 financial report shows that L'Oréal Group's sales in the first quarter were 9.06 billion euros, a year-on-year increase of 19% during the reporting period. Among them, physical store sales achieved strong growth, North America had strong momentum, and the Chinese mainland market achieved double-digit growth [2].

At the same time, as a concept-oriented company, L'Oréal's brand concept is updated every year. Its latest theme in 2023 is to respond to the "BANI" era, which means brittle, anxious, nonlinear, and incompleteness [2]. In this environment, it is very difficult to maintain

corporate advantages and steadily increase performance. However, L'Oréal's unique business activities and operating methods have kept it at the top of the industry. It can be said that in the beauty industry, which is full of strong competitors, L'Oréal, as the world's largest beauty group, has built a flexible and huge rolling stone with 36 brands to meet the challenges of the environment in the "BANI" era. To achieve high growth in an uncertain environment, L'Oréal must maintain its scale advantage while remaining light and flexible. This difficulty is like letting the tip of a needle (product) stand on a rolling stone. It must always maintain the breakthrough ability of the product to penetrate every newly emerging market segment, thereby continuously consolidating the size of this boulder [2]. Therefore, the purpose of this article is to explore the differences between L'Oréal and other beauty companies by analyzing L'Oréal's market strategy, marketing mix, and SWOT analysis, to provide suggestions for developing companies to achieve higher performance.

## 2. Analysis of L'Oréal's Market Strategy

### 2.1 L'Oréal's Strategic Innovation

Recently, L'Oréal Group released its financial report for the first half of 2023. The report shows that in the first half of 2023, L'Oréal Group achieved sales of 20.57 billion euros, a year-on-year increase of 13.3% and a consolidated increase of 12.0%, continuing to exceed the average level of the global beauty market. In terms of innovation, the L'Oréal Group adopts a strategy of popularization. It is to perceive, understand, and respect differences on a global basis. Differences in expectations, needs and traditions. To provide customized beauty and meet the expectations of consumers around the world. This worldview provides a continuous driving force for the L'Oréal Group. For the L'Oréal Group, popularization does not mean uniformity, but expanding business to all parts of the world. Local teams enjoy a certain degree of autonomy. They ensure that consumers in each country are closely connected to the L'Oréal Group. This means that the group needs to adjust formulas according to the specific needs of consumers around the world and create and produce localized products. To this end, L'Oréal has established Research and Development (R&D), innovation and marketing hubs for the six major strategic markets of the United States, Japan, Brazil, China, India and South Africa, forming a global network. This project also fits the globalization in the strategy.

To cooperate with the work of the R&D department, the L'Oréal Group has also established global production bases around the world to quickly and efficiently bring innovative results to market. For example, the personalized

skin care service of SkinCeuticals CUSTOM D.O.S.E. Essence will be launched during the "May 5 Shopping Festival", becoming the first product of L'Oréal to achieve a breakthrough under the Shanghai cosmetics policy, opening a precedent for personalized services in China [3]. L'Oréal's product updates have always been at the forefront of the times. In April last year, L'Oréal Group signed an agreement with Brazilian beauty giant Natura&Co Group to acquire the Aesop brand for US\$2.525 billion (approximately RMB 17.3 billion). As a "full-category" beauty brand covering cleansing, skincare, fragrance, and home series, Aesop's cleansing product line has always been a high-profile product and is also the first choice for many consumers [3].

### 2.2 L'Oréal's Sustainable Development Strategy

In terms of diversity and inclusion, L'Oréal China's Active Cosmetics Division has officially changed its name to the Dermatology and Beauty Division, which is committed to better meeting consumers' diverse needs in skin health and professional beauty. The Dermatology and Beauty Division has signed many contracts with the China Association of Non-Public Medical Institutions, Ping An Health, Novartis Group, etc., and will cooperate in three aspects: beauty and health concepts, beauty and health ecology, and beauty and health life, to help L'Oréal China's "Beauty and Health" plan [4].

During this year's shopping festival, L'Oréal will participate with more than 20 brands including L'Oréal PRO, SkinCeuticals, Helena Rubinstein, Shu Uemura, Kérastase Paris, Urban Decay, etc., and launch the "12345 Action for Beautiful Consumption" - 1 global first store, 2 new consumption scenarios, 3 major beauty technologies, 4 high-end services and the "5-color palette of product environmental impact" North Asia debut, etc., so that "beautiful consumption" can truly reach more consumers.

In terms of sustainable development, while achieving performance growth, L'Oréal released the "L'Oréal China Sustainable Development Report 2022", which implements L'Oréal's specific sustainable development goals and progress in China.

## 3. Analysis of L'Oréal's Marketing Mix (4Ps)

### 3.1 Product

L'Oréal consists of 36 brands and four major business units (premium cosmetics, mass cosmetics, dermatology and professional hair products). As Ma Xiaoyu, deputy CEO of L'Oréal China, said, "For a mature brand like ours, new products are not enough to support the entire business. The most important thing is the hit product."

Based on the above strategy, when L'Oréal China entered the blue ocean market of men's beauty, it did not launch a new brand but transformed the existing mature brand Biotherm. At the same time, L'Oréal is also wary of brand aging. "If the product is good, but there is no modern image to match it, sometimes the more emphasis is placed on the product, the more consumers will think the brand is a bit serious and old-fashioned. Today, we must use vivid language to manage the brand without losing the authenticity of the brand, and let consumers hear what we want to convey. Sometimes this is more difficult than product innovation. Today's Chinese market is not that simple and requires comprehensive consideration.

In short, product innovation is important, but brand innovation is also very important." Ma Xiaoyu said [5]. Based on the above strategy, when L'Oréal China entered the blue ocean market of men's beauty, it did not launch a new brand but transformed the existing mature brand Biotherm. At the same time, the company continues to strengthen the product strength of existing mature brands. Shu Uemura has taken the ingenuity of Japanese culture to the extreme, Lancôme still occupies the position of "big brother", Yves Saint Laurent Beauty, Helena Rubinstein and Kiehl's rank among the top ten high-end cosmetics brands. In 2022, L'Oréal not only launched PRADA perfume and beauty in China, but also launched the industry's highest-end brand CARITA [5].

### 3.2 Price

Whether in China or France, L'Oréal Group's pricing strategy adopts classified pricing. Pricing is based on different brand positioning. High-end brands such as Helena Rubinstein and Armani adopt skimming pricing to obtain higher profits, while mid-range brands such as L'Oréal Paris adopt appropriate pricing. In general, different pricing methods are adopted for different brand positioning. From this perspective, L'Oréal Group's pricing is standardized. In particular, the Chinese local brands Little Nurse and Magic, which were acquired by L'Oréal Group, are at the bottom of the multi-brand pyramid structure of L'Oréal Group and are only sold in the Chinese market. Unlike the international brands listed above, the pricing method for these two categories uses market penetration pricing. In general, the cost-effectiveness is extremely high, and they quickly occupy a large market share with lower prices and higher cost-effectiveness.

### 3.3 Place

The products of L'Oréal Group are mainly divided into four categories: mass products, professional products, luxury products, and active beauty products. According to different product positioning, L'Oréal Group's distribution channels are also different. For example, professional

products will be directly supplied to professional hair salons or professionals, institutions, etc. The main channel for luxury goods is to open counters or specialty stores in large shopping malls, etc., and additional services can also be provided to customers. The main channel for active beauty products is professional skin care institutions such as pharmacies or beauty salons, where dermatologists or beauticians provide usage advice.

### 3.4 Promotion

In the localization of the Chinese market, L'Oréal Group caters to the current live broadcast craze of Internet celebrities in my country, cooperates with major anchors such as Li Jiaqi and Wei Ya, introduces its products into the live broadcast room, and puts its advertisements on various online platforms, hoping to seize the market of young people [6]. At the same time, L'Oréal China may promote sales through bundling, that is, when you buy a certain product, you can get another product or service at a preferential price. L'Oréal China owns multiple brands, and each brand may also have its unique promotions. For example, the promotion of the Lancôme brand in the perfume field, as well as new brands entering the Chinese market such as Prada perfume and beauty, may have special promotions and promotions. L'Oréal's anniversary activities are also carefully designed. In 2022, L'Oréal China celebrated its 25th anniversary, during which a series of activities were held, including theme exhibitions, micro-documentary releases, etc., to celebrate this milestone.

## 4. SWOT Analysis

### 4.1 Strength

First, L'Oréal's advantage is its rich product portfolio. Its product portfolio includes iconic brands such as Maybelline, Lancôme, and Garnier, each with its own personality and style. This ensures that no matter the customer's age, gender or personal taste, there is always a brand in L'Oréal's product range that resonates with the customer [7].

Second, L'Oréal is committed to sustainable development and has set ambitious environmental and social goals. This focus on sustainability can attract environmentally conscious consumers and enhance the company's reputation.

Third, L'Oréal has a strong financial performance and has maintained high revenue and profitability for many years. This provides the company with resources to invest in innovation, expand its product portfolio, and make strategic acquisitions.

### 4.2 Weakness

First, it is highly dependent on mature markets such as

Europe and North America. Although these regions have brought the company high profits over the years, they also bring certain challenges. The market is saturated and various beauty products are emerging in an endless stream, making it difficult for L'Oréal to achieve significant growth. To compete with well-known brands in these markets, it must continue to innovate and differentiate to stand out from the crowd.

Second, L'Oréal has made many mergers and acquisitions and faces the task of integrating different brands into a cohesive strategy. Each brand may have its own established image, consumer group, and market segment. The balance between maintaining brand assets and leveraging synergies across the entire product portfolio is very delicate. L'Oréal must carefully evaluate how each brand contributes to its overall growth and ensure that its respective strengths are effectively utilized within a unified strategic framework.

### 4.3 Opportunity

L'Oréal can further its commitment to ethical sourcing by ensuring that all ingredients are derived from sustainable and fair trade practices. This not only supports local communities but also aligns with consumer demands for transparency and ethical production. By implementing and promoting green initiatives, such as reducing carbon footprints, conserving water, and utilizing renewable energy in manufacturing processes, L'Oréal can position itself as an environmentally conscious leader in the beauty industry.

Consumer preferences for natural and organic beauty products have changed significantly in recent years, and L'Oréal can capitalize on this trend by expanding its product range in this segment. By acquiring or partnering with well-known natural beauty brands, L'Oréal can capitalize on the growing market demand for environmentally conscious consumers. The move not only strengthens its product portfolio but also aligns with its commitment to sustainability and responsible sourcing.

### 4.4 Threat

Rapid technological changes can render existing products and processes obsolete. Therefore, L'Oréal also needs to be wary of brand aging. The cosmetics industry is highly competitive and faces many established competitors. L'Oréal faces intense competition from competitors that offer similar products at lower prices or with greater brand recognition. Consumer preferences in the cosmetics industry can be highly unpredictable, and changes in trends or customer demands can quickly disrupt sales and revenues [8].

## 5. Conclusion

This study provides an in-depth analysis of L'Oréal's mar-

keting strategies and their impact on brand performance. By comprehensively examining its business activities, including product innovation and sustainable development efforts, we find that these strategic initiatives have played a key role in L'Oréal's competitive advantage and financial success. This study provides a basis for understanding how L'Oréal shapes brand performance through strategic activities, and provides suggestions on corporate strategy and brand management through SWOT analysis.

At the same time, this study summarizes some suggestions for improvement through the analysis of L'Oréal's business practices. In terms of strengthening product innovation and localization, due to the growing demand for personalized and customized products, L'Oréal should continue to promote product innovation while strengthening localization strategies to meet the specific needs of consumers in different regions. L'Oréal should further strengthen its sustainable development strategy, enhance its brand image through measures such as environmentally friendly packaging and green supply chain, and attract more environmentally conscious consumers. Digital marketing is one of the key factors for L'Oréal's success. The company should continue to use digital channels such as social media and live broadcasts by influencers to strengthen its connection with young consumers and increase the visibility and appeal of the brand in the digital age. Faced with the challenge of brand integration, L'Oréal needs to carefully manage its brand portfolio to ensure that each brand contributes to the company's overall growth while maintaining its uniqueness.

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