

# *L'Oréal's Acquisition History and Marketing Strategies*

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**Abstract:** L'Oréal Group is a preeminent global leader in the beauty and cosmetics industry, and since its inception in 1909, L'Oréal has undergone substantial growth, marked by strategic acquisitions and innovative marketing approaches. This paper delves into the development, acquisition history, and marketing strategies of L'Oréal, examines the company's evolution from a niche hair dye producer to a diversified beauty conglomerate through an in-depth analysis of its acquisition strategy, significantly expanding its brand portfolio and global presence. Additionally, the paper explores L'Oréal's marketing strategies, including its pioneering use of digital marketing, emphasis on consumer engagement, and commitment to sustainability and inclusivity. Tracing these developments, the paper aims to provide a comprehensive understanding of how L'Oréal's strategic acquisitions and marketing innovations have contributed to its enduring success and leadership in the competitive beauty market. Through a study of L'Oréal's century-long development, it is clear that its success was not accidental, but the result of precise strategic planning, keen market insight, and effective marketing strategies working together. From the initial innovation of hair dye to its current position as a global leader in cosmetics, L'Oréal has always been at the forefront of the industry, maintaining its core technology advantage while continuously expanding its influence in various niche markets through acquisitions.

**Keywords:** L'Oréal, marketing, beauty and cosmetic market, business economic.

## 1. Introduction

In the rapidly evolving global beauty and cosmetics industry, L'Oréal Group stands out as a beacon of success and innovation. Established in 1909, L'Oréal has grown from a modest hair dye manufacturer into a global leader in beauty and personal care. This transformation has been marked by strategic acquisitions and pioneering marketing strategies that have shaped the company's trajectory.

L'Oréal's approach to growth through acquisitions has been instrumental in expanding its brand portfolio and solidifying its position in diverse markets. By strategically acquiring a range of brands, L'Oréal has not only broadened its product offerings but also enhanced its global reach. Concurrently, the company's marketing strategies, which embrace cutting-edge digital techniques and a commitment to sustainability, have reinforced its market leadership and resonated with many consumers.

This paper aims to provide a comprehensive analysis of L'Oréal's development journey, focusing on its acquisition strategy and marketing approaches. By examining these aspects, the study seeks to uncover the factors behind L'Oréal's enduring success and its ability to adapt to the dynamic beauty

industry landscape. The following sections will delve into the historical evolution of L'Oréal, explore significant acquisitions, and analyze the effectiveness of its marketing strategies.

## **2. Acquisition History**

### **2.1. Beginning**

Eugene Schueller, the founder of L'Oréal, relied on his excellent academic performance to enter one of the best universities in France, "Sorbonne University", worked as an assistant researcher in the chemistry faculty, and helped his teacher research the products about hair care. He also had the chance to meet some barber-keepers, from them, to learn about the current hair care market. In continental Europe at the beginning of the 20th century, perm hairstyles were becoming popular, they could not be widely promoted because most of them were contained with toxic particles at that time. This situation appealed to Schueller's interest, he spent a whole year researching and experimenting and finally succeeded in developing non-toxic hair dye. The product was immediately promoted, and Schueller made his first fortune. With this wealth, in 1909 the predecessor of L'Oréal, "Societe francaise de teintures infrensiives pour cheveux", was officially founded.

### **2.2. François Dalle**

The second CEO of L'Oréal, during his tenure, Dalle drove L'Oréal's international expansion. He realized the huge potential of the global beauty market and gradually expanded the company's business into North America, Asia, and Latin America. Under his leadership, L'Oréal has gradually become a truly global company.

#### **2.2.1. LANCOME**

LANCOME was the first brand acquired by L'Oréal, it marked the beginning of L'Oréal's expansion of its business on a global scale and entered the high-end beauty and skincare market. To be more specific, LANCOME was a high-end luxury brand famous for its skin care products, perfume, and cosmetics. Through acquiring LANCOME, L'Oréal was able to enter the high-end beauty market, expand its portfolio, and make up for its shortcomings in the high-end market. In the 1960s, L'Oréal was at a critical stage of global expansion, and by contrast, LANCOME already had strong brand awareness and a customer base in Europe and Northern America, which helped L'Oréal accelerate its internationalization process.

#### **2.2.2. Biotherm**

Biotherm originally had strong market fundamentals in Europe, especially in France and Western Europe. The acquisition of Biotherm brought a brand with a unique market positioning to L'Oréal, focused on spa skincare and natural ingredients. L'Oréal's research and development ability, combined with Biotherm's special hot spring active ingredient technology, brought the technical synergies and achieved rapid growth in performance. The addition of Biotherm has brought new growth points for L'Oréal and promoted the continuous improvement of L'Oréal's overall performance. One thing worth mentioning is that Biotherm launched skincare products for men in 1985, which could be seen as a label an early attempt to L'Oréal indirectly enter the men's skincare market.

## 2.3. Mininurse

Mininurse is L'Oréal's first important acquisition in the Chinese market, marking L'Oréal's in-depth layout and expansion of the Chinese market. According to the survey statistics of AC Nielsen, the brand awareness of Mininurse is as high as 99%, and the market share of 4.6% in 2003, made it the third largest skincare brand in China, with 96% of young people under the age of 20 knowing the Mininurse brand [1]. Through the acquisition by Mininurse, L'Oréal China's 2009 financial statements show sales revenue of 8.18 billion yuan, up 17.6% from the previous year, giving the company an 11.7% share of the Chinese cosmetic market [2]. L'Oréal's position in the Chinese market jumped from 11th to 2nd, further consolidating its leading position in the Chinese cosmetics market. Mininurse has 177 distributors across the country and 280,000 points of sale across the country, L'Oréal has seen a significant increase in sales of its mass-market cosmetics brands Garnier and Maybelline through the vast network of Mininurse [3].

## 2.4. 3 CONCEPT EYES

With the acquisition of Nanda, the parent company of 3CE, L'Oréal has further strengthened its position in the Asian market, particularly in China. As a Korean beauty brand beloved by Chinese consumers, the addition of 3CE undoubtedly provides strong support for L'Oréal's expansion in the Asian market. Moreover, L'Oréal owns several high-end beauty brands, such as YSL and Armani, while 3CE focuses on the affordable makeup market. With the acquisition of 3CE, L'Oréal further improves its product line, achieving comprehensive coverage from the high-end to the low-end market, and providing consumers with more choices.

## 3. Marketing and Developing Strategies

### 3.1. Eugène Schueller

#### 3.1.1. Votre Beauté Magazine

Since the 1920s and 1930s, with the increase in female employment rate, a new type of women's magazine with the theme of "female beauty" has appeared in France. Before that, the concept of beauty was only related to your birth family and your clothing. The new magazine is pushing the idea that "your beauty can be built" and that you can be transformed by using beauty products. Magazines back then had a similar effect to social media today, with the same kind of diversion and seeding effect. One of those magazines was established by Eugène. He was acutely aware that most of the magazines that influenced the idea of women were offering rich women the cultural content and codes of elegance required by high society. If his products wanted to sell, he must pull ordinary women into the consumer team and take money out of the pockets of ordinary people. Eugène selected topics of the greatest concern to the public in his magazine advertisements, creating an atmosphere that even ordinary people can get beautiful for a small amount of money. For example, during 1923-1928, the public was concerned about white hair, Eugène released a new concept, "the first gray hair is a sign of aging", emphasizing that women who are still young in heart and soul should not be marked with premature aging. The article revolves around a series of anxieties about aging, leading people to turn their attention to hair color products.

In 1953, L'Oréal launched its first sunscreen products. A year later, France introduced 15 days of paid annual leave. At that time, people liked to sunbathe during the long holidays, and L'Oréal combined the need for sun protection with the trend of sunbathing, emphasizing the damage of ultraviolet rays on the skin, and handing the concept and need of sun protection to a whole generation.

There is no need to create demand, beauty needs are created little by little. A classic L'Oréal AD at the time showed a woman's skin examined with a magnifying glass. Guided by advertising slogans, people's skin should be velvety smooth to be healthy. Blackheads, spots, and visible pores must be eliminated. To improve people's pursuit of skin quality. By controlling the media, L 'Oreal clearly tells viewers and readers what the problems they face in their lives are and offers direct solutions. This way of marketing runs through the beauty and makeup industry, and until today people can still find traces in the promotion of various brands.

### 3.1.2. Proportional Salary

In 1938, Eugène Schueller argued that insufficient purchasing power was the source of economic imbalances between production and consumption. It was this belief that led him to the original idea of "proportional salary," in which a percentage of an employee's salary would be properly tied to the company's sales. This is the real start of an employee profit-sharing program that is now available to employees all over the world. Proportional salary is a compensation allocation system that divides an employee's pay into a fixed portion and a variable portion, where the variable portion is adjusted dynamically based on quantifiable indicators such as individual performance, team performance, and company results, according to a predetermined proportion. This system aims to motivate employees to enhance work efficiency and quality, thereby contributing to the overall growth of the company.

### 3.1.3. Other novel Strategies

The first building ads and bus body ads: in 1931, Schueller covered a building in Paris with a cloth promoting the company's shampoo. Later, he put up promotional ads on buses promoting Dop shampoo, a brand owned by L'Oreal.

The first jingle: In 1932, Schueller put the catchy song in the commercial.

The first "sponsorship project": At some artistic performances, Schuler decorated the stage in Dop's colors, and the audience cheered to their favorite singer, "Dop, Dop, Dop, Dop!" One side is to get the product distributed on-site.

## 3.2. Avoid Nationalization

After World War II ended in 1945, France was in shambles, with political forces fighting each other and the economy on the verge of collapse. De Gaulle's government attempted to stabilize the economy through nationalization, structural reforms, and economic planning. Against the backdrop of anti-business sentiment in France, the wave of nationalization is unprecedented. Liliane Bettencourt (Eugene Schueller's daughter) took L'Oréal public to avoid a wave of nationalization, but it still cannot escape public criticism. In 1969, Georges Jean Pompidou, who was elected president of France, visited Mr. Liliane's home and, seeing his friend in despair, showed her a way: international cooperation.

Therefore, to avoid nationalization, L'Oréal targeted Nestle, the world's largest food company with high international visibility and global sales channels. Why was the famous Nestle willing to cooperate with L'Oréal? At the time, Nestle was also struggling in France, where multinationals had a bad reputation, and so was Nestle. It was accused of endangering the health of children in countries around the world and was caught up in a public crisis over tainted milk. On the other hand, Nestle is interested in the cosmetics industry and is preparing to expand in this direction.

In March 1974, L'Oréal and Nestle reached an equity cooperation agreement. Together with Nestle, the Liliane family holds more than half of L'Oréal's shares, 53.7%, through Gesparal, a holding company. The Liliana family dominates Gesparal, with a 51% stake, while Nestle holds 49%. This shareholding structure gives the Liliane family and Nestle indirect control of 27.39% and 26.31% of

L'Oréal's shares, respectively. As part of the deal, the Liliane family also acquired a 4.06% stake in Nestle, making it the largest individual shareholder [4].

### 3.3. Build L'Oréal's Digital System

After the financial crisis in 2008, the growth rate of L'Oreal Group continued to decline. Until 2014, L'Oréal Group's performance was still not optimistic, and it was about to fall off the "average line" of the industry (Figure 1).

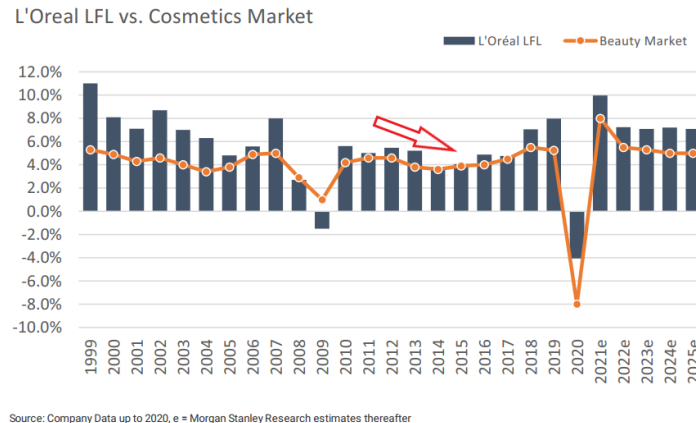


Figure 1: L'Oréal LFL vs. Cosmetics Market [5]

In 2014, L'Oréal Group embarked on a major reform, kicking off its ambitious journey towards digitization [6]. In March, L'Oréal established the position of "Chief Digital Officer" (CDO), with Lubomira Rochet becoming the first to hold this position. At the same time, he made a bold statement at the strategy conference: Becoming the leader in digital beauty [7].

Makeup Genius marked the beginning of L'Oréal deep dive into beauty tech. Just before its release, in March 2014, the company appointed Lubomira Rochet as its first-ever Global Chief Digital Officer. Over the past seven years, she has not only served as Executive Vice President but also played a critical role on the executive committee. Her presence ensured that digital transformation was always a top priority and integrated into the company's highest-level strategies and decisions [8].

### 3.4. Leverage Hot Market Trends for Marketing Conversion

From 2017 to 2019 in China, L'Oréal Paris capitalized on trending moments by officially announcing 13 "Brand Ambassadors" or "Brand Experience Officers" through its official Weibo account. These individuals were all post-90s rising actors or idols who were at the peak of their popularity during the announcement, often coinciding with major events such as the success of their lead roles in dramas, debuting in the spotlight, or attending UN Youth Forums. This timing effectively leveraged their high national attention to bring significant traffic and exposure to the brand. Since celebrities themselves are the topic, through celebrities, marketing costs can be reduced to achieve faster communication speed and improve communication effect [9]. E.g., Dilraba's wonderful performance in the hit drama "Eternal Love" has made her popularity and influence reach a new height. She is young, stylish, and energetic, and works well with L'Oréal's products. Therefore, L'Oréal believes that the addition of Dilraba can further enhance the brand image, attract more young consumers' attention, and jointly promote the sustainable development of the brand in the market [10].



## 4. Conclusion

L'Oréal's century-long journey of growth and innovation is a testament to its strategic foresight and relentless pursuit of market leadership. From Eugene Schueller's initial invention of synthetic hair dyes to the strategic acquisitions of brands like Lancôme in 1964 and Biotherm in 1970, the company has demonstrated an acute awareness of market demands and global trends. These acquisitions not only expanded L'Oréal's product portfolio but also signified its pioneering venture into men's skincare and later, the Asian market with the 2003 acquisition of China's Little Nurse brand. More recently, its acquisition of 3 Concept Eyes reinforced its focus on capturing younger, fashion-conscious consumers in the digital age.

L'Oréal's marketing strategies have been equally pioneering. Early efforts by Schueller, such as launching "Votre Beauté" magazine and integrating modern advertising techniques like building facades and bus advertisements, were instrumental in shaping the company's image. The "Proportional salary" also highlighted Schueller's forward-thinking approach to workforce motivation and corporate growth. In response to external threats, such as the potential nationalization in 1974, L'Oréal forged strategic partnerships, like making Nestlé its second-largest shareholder, ensuring continued autonomy and strategic flexibility.

In more recent years, L'Oréal has adeptly embraced the digital era. Its 2014 commitment to becoming a leader in digital beauty has seen the company invest heavily in e-commerce, augmented reality for virtual product trials, and social media marketing. These efforts have solidified L'Oréal's position as not just a beauty company, but a digitally innovative global powerhouse.

In conclusion, L'Oréal's success can be attributed to a combination of strategic acquisitions, pioneering marketing, and the ability to adapt to changing market conditions. The company's dedication to innovation, whether in product development or marketing strategies, has allowed it to remain at the forefront of the global beauty industry. This multi-faceted approach ensures that L'Oréal continues to thrive in an increasingly competitive and digitalized market.

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