

# CSR Report On L'Oréal

**TABLE OF CONTENTS**

EXECUTIVE  
SUMMARY.....3

INDUSTRY  
ANALYSIS.....3

COMPANY  
OVERVIEW.....6

KEY STAKEHOLDERS AND THEIR STAKES.....	8
KEY SOCIAL RESPONSIBILITY ACTIVITIES AND PROGRAMS.....	11
BUSINESS ETHICS.....	17
GLOBALIZATION AND SUSTAINABILITY.....	20
CONCLUSION.....	22
REFERENCES.....	23

## **EXECUTIVE SUMMARY**

Founded in 1909, L'Oréal Group is a multinational corporation that operates within the hyper-competitive cosmetics industry. (L'Oréal, 2015) Despite its numerous competitors, L'Oréal Group has established a reigning global presence within the cosmetics sector and places fifth worldwide within the beauty and personal care market in terms of revenue. (L'Oréal Competitors, 2015) The company strives to fulfill the diversity of beauty desires responsibly and ethically for both men and women worldwide. This report will provide an in-depth assessment of the corporation's industry, key stakeholders and their stakes, key social responsibility activities and programs, business ethics, and globalization and sustainability efforts. It will also analyze the company's corporate social responsibility (CSR) commitments to innovation, production, development and consumer awareness about living sustainably. (2014 Progress Report, 2015) Combined, these elements will provide a detailed review of the company's performance and its effectiveness in today's market.

## **INDUSTRY ANALYSIS**

Cosmetics have long been a staple in the commercial world, with recent years proving to be extremely lucrative for the beauty and personal care sector. In 2012, the global cosmetics industry generated a total revenue of \$245 billion USD, which mirrors the annual growth compound rate of 4.5% the industry registered for 2013-2018. (Revenue of the global cosmetics industry 2012, 2015; Research and Markets: Global Beauty Care Market 2014-2018, 2014) Over the last ten years, the average annual growth rate has averaged out to a steady 4%; however, this rate declined to 3.6% in 2014. Despite that, the beauty and personal care market quickly recovered, and is forecasting the industry's total earnings to attain \$461 billion USD by 2018. (Research and Markets: Global Beauty Care Market 2014-2018, 2014) This is an effective representation of the massive demand for beauty products in today's global market. Within the beauty and personal care sector, the three leading product categories are currently skincare, haircare, and makeup, with their sales contributing 35.3%, 23.3%, and 16.6% to the industry's total global revenue, respectively. (Breakdown of the cosmetic market worldwide 2014 by product category, 2015) Among its competitors, L'Oréal Group places fifth worldwide in terms of revenue; nonetheless, investors must keep in perspective that L'Oréal has a very narrow market focus, concentrating only on cosmetics, unlike the current global leader Procter & Gamble Co., which has developed a broader product base. (L'Oréal Competitors, 2015)

Given the industry's success, particularly in recent years, some setbacks have inevitably been incurred, thereby challenging the sector's advancement. For instance, sales in 2013 were greatly diminished when compared to previous years; as Paul Wood, a partner at Ernst & Young, described: "2013 has been a challenging year for the luxury industry, perhaps the most

challenging since the recession of 2009, and we see this on the impact on the overall industry growth rate.” (Challenging growth in the luxury and cosmetics sector, 2014) By the same token, China’s beauty and personal care market has seen exponential growth, particularly in the last decade. However, due to its recent increase in luxury sales tax and the new president’s proclamation against gift giving, the Chinese market’s expansion has slowed down notably, touching single-digit growth rates. (Challenging growth in the luxury and cosmetics sector, 2014) In retaliation, the industry competitors will have to establish clearer marketing and international development strategies to overcome this present hurdle. Nonetheless, China did still account for 29% of all luxury sales in 2013, with this number expected to reach 40% by 2020. (Challenging growth in the luxury and cosmetics sector, 2014) This embodies the fact that China’s market will undoubtedly remain a global leader in luxury sales and a major target for multinational corporations, especially since only 10% of beauty and personal care products sold in China are manufactured by domestic companies. (China's cosmetics industry: Opportunities and challenges for foreign investment, 2015) On that note, a final complication facing the cosmetics industry at this time is that the success of mass-market products in the US and in Asia has significantly reduced in the last few years; as these are the two leading markets worldwide for the cosmetics industry, this is an important indicator of shifting market trends. Realizing this, companies are instead placing a much larger focus on creating premium luxury products to fill the current industry void. (Challenging growth in the luxury and cosmetics sector, 2014)

In regard to the beauty and personal care sector’s global value chain, the products it manufactures process smoothly from their sourcing to their distribution centres. However, for the merchandise to transfer from these distribution centres to store outlets remains a tedious

operation; for this reason, many multinational corporations utilize transportation management systems (TMS). (Brown, 2014) These facilitate the overall synchronicity between a corporation's order management system and its warehouse management system, acting as a central logistics administration unit. It unifies shippers, transporters, and consumers through a shared network that optimizes shipping routes and costs. (What is transportation management system (TMS)?, n.d.)

The case for corporate social responsibility in the beauty industry is one that has received much attention; some companies have taken this in stride, whereas others have not performed as well in this department. The Body Shop, Yves Rocher, and Lush are all positive change leaders in the cosmetics sector, by refusing to test their products on animals, ensuring fair trade, and advocating green business practices. (Roddick, 2012) Lush stands out among competitors, encouraging "naked" packaging, using biodegradable paper and fillers, and only using raw materials. (Our green policy, 2015) One company that is under intense scrutiny for its CSR malpractice is Estée Lauder, as it, along with other multinational cosmetics corporations, has resumed animal testing in order to expand into China and other international companies, where law requires some products to be animal-tested. (Lo, 2015) Be that as it may, the increased presence of the media regarding these issues has raised awareness about CSR-related issues, and companies are placing additional focus on alleviating them.

## **COMPANY OVERVIEW**

Based out of France, L'Oréal Group is the world's largest beauty and cosmetics company. Since its founding in 1909, it has ventured into the fields of hair care, skin care, perfumes, makeups, and other assorted cosmetics. (L'Oréal, 2015) The company is active in numerous scientific fields including toxicology, dermatology, tissue engineering, and biopharmaceutical science and is the primary nanotechnology patent-holder in the United States. (L'Oréal, 2015) It registered over 20 billion dollars in revenue in 2014. (2014 Progress Report, 2015) This section will detail a brief overview of L'Oréal Group's business model, goods and services offered, CSR commitments, financial standing, and locations of operation.

The L'Oréal Group's business model has branched off into other fields such as research and other consumer markets, though the cosmetics industry is still its primary focus. It has been successful in this market since its beginnings and has now become the largest cosmetics company in the world. (L'Oréal, 2015) L'Oréal Group's target population has always been women, though it has expanded into men's products. The company has established itself as a provider of luxury, professional, and more conventional products, so as to best meet the needs of its target population. (L'Oréal 2015)

L'Oréal has made its CSR commitments a priority, and has expanded heavily into diverse scientific fields and social projects over the years. Since 1989, the company has not tested its cosmetic products on animals. (L'Oréal 2015) They sponsor many social events and are very involved in the communities in which they operate. They have also recently instituted numerous sustainability initiatives geared at reducing greenhouse gas emissions, increasing the social benefit of sales, and reducing the company's ecological footprint. (L'Oréal 2015) L'Oréal Group has also ventured into different scientific fields. (L'Oréal 2015)



The L'Oréal group is currently in strong financial standing, and is a part of the Euro Stoxx 50. In 2014, their total equity was valued at just over 20 billion dollars, with their total revenue amounting to 22.5 billion dollars. (2014 Progress Report, 2015) The company also reported 19 continuous years of double-digit growth in 2003. (Global 500, 2007)

L'Oréal Group's corporate headquarters are located at 41, rue Maître Paris, in Clichy, France. (L'Oréal, 2015) This was originally its production site but became its head office when Eugène Schueller took over the company from Savons Français. (L'Oréal, 2015) Today, L'Oréal Group is a globally renowned corporation, with its subsidiaries present in 130 countries across 5 continents. (L'Oréal 2015)

## **KEY STAKEHOLDERS AND THEIR STAKES**

Globally, L'Oréal's presence is seen in the form of company headquarters, production sites, research centers, evaluation centers and the thousands of stores that sell L'Oréal cosmetic products. (L'Oréal, 2015) As a result of their size, they have obtained countless stakeholders. Robert W. Sexty outlines 19 different types of stakeholders in his book *Ethics, Responsibilities & Sustainability* 3rd Ed. Of those 19, 6 of L'Oréal's key stakeholders will be discussed: owners, consumers, distributors, competitors, NGOs, educational institutions, and the media. (Sexty, 2014)

First, L'Oréal's main owners' shares in the company are divided as follows: 33.31% by the Bettencourt family, 23.29% owned by Nestlé, 21.8% owned by international institutional

investors, 9.3% by French institutional investors, 5.7% owned by individual shareholders, 1.9% treasury stock and 0.7% by employees. (Report Financier Annuel, 2013) Lilliane Bettencourt, heiress of the L'Oréal Group, is currently the world's richest woman, with a net worth of \$40.1 billion recorded in the *World's Billionaires List 2015*. (Forbes 2015) As the company's inheritor, she is certainly highly influential among the board of directors, ensuring the board continues to look out for the company's shareholders' best interests.

L'Oréal Group reported over 22.5 billion dollars revenue in 2014, and with such a high level of revenue comes a massive consumer base. (2014 Progress Report, 2015) With that in mind, the consumers are understandably major company stakeholders. L'Oréal structures itself so as to appeal to as many consumers as possible, which is why the company offers so many different brands. (L'Oréal, 2015) Also, L'Oréal is a leader in meeting the needs of “ethical consumers”, as L'Oréal is a strong proponent of corporate sustainability and the ethical creation of good and services, a primary example is the do not test their products on animals. (L'Oréal 2015) Companies like this are regarded at a higher standard than others, and are favored by many consumers. (Sexty, 2014)

In order for L'Oréal group's consumer mass to have access to its goods, L'Oréal distributes its cosmetic goods to dealers, and distributors such as department stores, cosmetic stores, pharmacies, etc. These companies also represent a key stakeholder for L'Oréal as L'Oréal needs them to sell their goods. In some cases, these distributors may have some influence over the company. Such as what goods to focus on, and what percentage income the distributors get to keep. It is important for L'Oréal that these companies continue to want their products in their stores.

If, for some reason, L'Oréal products are not sought after by consumers, or if the distributors are not content with an aspect of how L'Oréal operates, there is a chance that the distributors sell products from competitors, our next key stakeholder. Competitors such as the Estee Lauder Companies Inc., Shiseido Company Ltd., and Revlon Inc. are its top 3 global competitors. (L'Oréal Names of Competitors, 2015) According to a Eurostat 2007 study, the cosmetic industry is a 107 billion dollar industry. These companies compete to advertise their cosmetic products to the industries target consumers. These companies all have stakes in each other. (Sexty, 2014) As a result of this they are always looking to improve their own products, while lowering prices, marketing to consumers and to establish other forms of attraction or distinction to consumers such as ethical production or aesthetics.

In terms of ethics and sustainability, another major stakeholder are NGOs (non-government organizations), as their voice can heavily influence how society and consumers look at a company. They are a group outside the public and private sectors, and have shared attitudes towards a societal issue (i.e. the ethical treatment of animals, poverty). L'Oréal has numerous groups that have major stakes in the company. Though it was only a subsidiary of L'Oréal, The Body Shop was attacked by animal rights groups with regards to the company abandoning L'Oréal's principles of animal testing for its products. (Anita's £652m sell-out, 2008) Though even today the protest group Naturewatch continues to claim that L'Oréal tests on animals. (Naturewatch Compassionate Shopping - L'Oréal fact file, 2015)

L'Oréal continues to create a better image for itself, and has numerous partnerships with educational institutions that conduct research on cosmetic products as well as other scientific fields that L'Oréal is interested in. (L'Oréal, 2015) The Burgas Prof. Assen Zlatarov University,

Laboratory of Mathematical Chemistry, the Institute for In Vitro Sciences, Laval University Hospital Research Center, and Ohio State University are a few examples. (L'Oréal 2015) L'Oréal is in partnership with these institutes in order to research safer product testing methods, to test advancements, and to make scientific discoveries. L'Oréal also hires graduates of these institutes into their own research and development team. (L'Oréal 2015)

The final key stakeholder is the media. L'Oréal uses the media to create the aesthetic behind their company, and to promote its products. However the media is a constant danger. One report of controversy arose when it was revealed that L'Oréal's German headquarters of 30 years was located on land stolen from a Jewish family during World War II. (Gentlemen, 2004) After the war, the Allies put in place Jewish restitution legislation which says that deals with Nazis, even if appearing to be with the owner's consent, could be considered legally invalid. (Gentlemen, 2004) As the land was sold then sold, and later bought out in 1961 by L'Oréal, the company claims that it is not responsible for anything that happened before they purchased the land. (Gentlemen, 2004) In the end there was restitution paid to the Jewish Restitution Successor Organization. (Gentlemen, 2004) The media is extremely important to L'Oréal, as media outlets are extremely influential to consumers, and even too many other stakeholders.

## **KEY SOCIAL RESPONSIBILITY ACTIVITIES AND PROGRAMS**

The view of businesses as profit-maximizing economic entities has seen less prevalence in recent years, as corporations have begun adopting public socio-economic views, which, in

turn, has influenced their ethical decision-making. An outcome of these changes in societal values is Corporate Social Responsibility (CSR). Robert W. Sexty defines CSR as “the way a corporation achieves a balance among its economic, social, and environmental responsibilities in its operations so as to address shareholder and other stakeholder expectations”. (Sexty, 2014, p. 141) This means that although a corporation is working towards economic profits for shareholders, it adheres to the environmental and social impacts desired by stakeholders. Jean-Paul Agon, Chairman and CEO of L'Oréal Group, is a firm believer in this way of business. “Growth is a matter of financial performance. The future is a matter of behaving responsibly”, Agon was quoted in a video presentation of the corporation's new sustainable development program, called ‘Sharing Beauty with All’, launched in 2013. (Our Vision, 2015) L'Oréal Group has had a long history of sustainable development initiatives, but has recently emerged as an industry leader in terms of corporate social responsibility practices with the launch of this new program. This section will describe some of L'Oréal's CSR programs and their effectiveness, and provide an analysis of the corporation's measurement, reporting, and communication tools implemented for these initiatives.

L'Oréal's CSR activities are attributed to their ‘Sharing Beauty with All’ sustainable development program. The plan focuses in four key areas; innovating sustainably, producing sustainably, living sustainably, and developing sustainably. (L'Oréal announces its new sustainability commitment for 2020, 2013)

Their commitment to innovating sustainably ensures that by 2020, 100% of their products will have environmental and social benefits. (L'Oréal announces its new sustainability commitment for 2020, 2013) For producing sustainably, L'Oréal has committed that by 2020,

they will reduce their environmental footprint by 60% whilst bringing beauty to one billion new consumers. (L'Oréal announces its new sustainability commitment for 2020, 2013) In the area of living sustainably, L'Oréal pledged that, by 2020, they will empower every L'Oréal consumer to make sustainable consumption choices while enhancing the beauty of the planet. (L'Oréal announces its new sustainability commitment for 2020, 2013) The developing sustainably portion of 'Sharing Beauty with All' has three sub-foci on employees, suppliers, and communities. L'Oréal intends to provide access to the best health care coverage, social protection and training for their employees in the countries, which they live. (L'Oréal announces its new sustainability commitment for 2020, 2013) For suppliers, they pledged that by 2020, 100% of their strategic suppliers will be participating in their supplier sustainability program; a program created to ensure each supplier will be evaluated and selected based on their social and environmental performance and that each will have completed a self-assessment of their sustainability policy, while being supplied with training tools to assist developing their these policies. (L'Oréal announces its new sustainability commitment for 2020, 2013) For communities, L'Oréal has committed to enabling more than 100,000 people from underprivileged communities access to work, which will double their global workforce. (L'Oréal announces its new sustainability commitment for 2020, 2013)

L'Oréal Group has also been highly regarded for their corporate philanthropy. In light of the 2015 Syrian Refugee crisis, L'Oréal Paris has pledged to partner with Red Cross' humanitarian effort and provide personal care products to refugees entering France. (Weil, J, 2015) L'Oréal Foundation hosts an awards program to recognize women researchers called 'For Women in Science'. (The For Women In Science Program, n.d.) L'Oréal is committed to helping

women scientists succeed in their careers. Chairman and CEO, Jean-Paul Agon, has stated: “We are convinced that science and women bring hope and foster discovery, innovation and excellence.” (The For Women In Science Program, n.d.) L’Oréal Group and subsidiaries are also committed to their local communities. The Group has a Volunteer Day, which originated in the USA in 2006 before becoming a global event in 2009. (L’Oréal's USA's Commitment to Giving Back, n.d.) Employees donate hours of community service to their local communities. Chairs of Change is another philanthropic program that empowers, inspires and rewards hairstylists who are making an impact in their own lives, their communities, and in the world. (L’Oréal's USA's Commitment to Giving Back, n.d.) The L’Oréal Foundation also sponsors an advocacy program, called ‘Hairdressers Against AIDS’, which empowers salon professionals worldwide to become a resource to interact, educate, and help prevent the spread of HIV. (L’Oréal's USA's Commitment to Giving Back, n.d.) L’Oréal Group is involved in a multitude of philanthropic activities, which further supports their emerging status as a leader in corporate social responsibility.

When L’Oréal Group implemented their ‘Sharing Beauty with All’ sustainable development plan in 2013, they committed to providing regular updates on the progress of this ambitious plan. (2014 Progress Report, 2015, p. 5) The first update was their 2014 report that was released in 2015. Their efforts to sustainable innovation have fostered new formulas using renewable raw materials sustainably sourced or raw materials derived from green chemistry for 46% of new or renovated products. (2014 Progress Report, 2015, p. 7) They have also reduced the environmental footprint of 54% of new or renovated products by creating new formulas. (2014 Progress Report, 2015, p. 7) Since the launch of ‘Sharing Beauty with All’ they have

successfully improved the social profile of 17% of new and renovated products. (2014 Progress Report, 2015, p. 7) Given that the ‘Sharing Beauty with All’ plan was only launched in 2013, these milestones are impressive achievements of sustainable innovation for the L’Oréal Group.

L’Oréal has also made incredible progress with their sustainable production initiatives that were outlined in ‘Sharing Beauty with All’. Within 18 months from the beginning of their sustainability plan, assessed with a 2005 base year, L’Oréal Group has effectively reduced CO2 emissions by 50.2%, reduced water consumption by 36%, and reduced waste generation by 23.1%. (2014 Progress Report, 2015, p. 7) The report also revealed that, “only 3.8% of waste was sent to landfill,” (2014 Progress Report, 2015, p. 7) which sets L’Oréal well on track to meeting their goal of sending zero waste to landfills by 2020.

L’Oréal’s living sustainably commitment involved the use of a Product Assessment Tool to evaluate the environmental and social profile of 100% of new products with a goal of informing consumers to make sustainable life choices. (2014 Progress Report, 2015, p. 8) Their 2014 report revealed that “22% of brands have evaluated their environmental or social impact” and “25.4% of brands conducted a consumer awareness initiative.” (2014 Progress Report, 2015, p. 8) L’Oréal’s ‘Share and Care’ Programme has helped the company provide “85.3% of the Group’s permanent employees have healthcare coverage reflecting best practices in their country of residence.” (2014 Progress Report, 2015, p. 8) which is nearing their 2015 target. They also committed to providing financial protection in the event of personal injury and as stated in the 2014 report, they have provided this protection to 70.1% of the Group’s permanent employees. (2014 Progress Report, 2015, p. 8) By 2015, they have committed to providing at least one training session per year to all of their employees; the 2014 report revealed “81.7% of the



Group's employees attended at least one training session in 2014." (2014 Progress Report, 2015, p. 8). The Group has made great progress towards the 2020 target for evaluating all of their strategic suppliers for their environmental and social performance with a total 43% of the Group's strategic suppliers already being assessed. (2014 Progress Report, 2015, p. 9) They also supported 50% of these suppliers through self-assessments of their sustainability policies and 4% these suppliers are also involved in the Solidarity Sourcing Program. (2014 Progress Report, 2015, p. 9) 'Sharing Beauty with All' has even reached communities around the world by providing more than 54,000 people with access to work. (2014 Progress Report, 2015, p. 9) This is more than halfway to meeting their goal of increasing their task force by 100,000 by 2020. 'Sharing Beauty with All' is a blueprint for L'Oréal's Corporate Social Responsibility activities and programs and has effectively produced considerable positive change within the first year of implementation. L'Oréal is on track to meeting the ambitious goals set out before them by 2020.

L'Oréal Group committed to providing regular progress reports throughout the duration of the 'Sharing Beauty with All' sustainable development plan. (The "panel of critical friends": An external assisting body, n.d.). L'Oréal has involved their stakeholders by forming an external panel of international experts to critique the corporation's progress with its sustainability initiatives. (The "panel of critical friends": An external assisting body, n.d.). The Group uses a four-step materiality analysis to identify the key issues of particular importance with Stakeholders as well as the corporation. (Report Parameters, n.d.) The annual report is a product of social/societal and environmental indicators that is populated with data, that has been sourced from across the entire corporation, in the areas of social/society, environment, and health and safety. (Report Parameters, n.d.) L'Oréal Group has enabled stakeholders to have a voice on the

corporation's CSR activities through numerous panels, forums, and press communications, which warrants their value of transparency in reporting and communication with all stakeholders.

(Report Parameters, n.d.)

## **BUSINESS ETHICS**

Ethics are, at their essence, moral judgment about what is right and what is wrong. In a business sense, these ethics are determined upon and formed by each company and underpin the decisions that anyone in the business makes. In today's society, business ethics have become crucial as it is becoming more and more compelling, as well as more complex.

L'Oréal's believes that comparing to its economic performance or its products quality, a company's behavior is just as important. In this respect, L'Oréal's ambition is to become a role model as an exemplary company worldwide and integrate ethics into the very heart of its business practices. (L'Oréal's acting ethically, 2015) With this belief, L'Oréal's has created an ethics program that is voluntary, proactive and evolves with growth of the group. The program is based on three main levers: A steering and monitoring system, awareness-raising and engagement, promoting a culture of dialog and transparency: the "Open Talk" policy.(L'Oréal's ethics program, 2015) For the steering and monitoring system, it includes tools for ethical risk analysis and assessment, a country reporting system and regular audits. And for awareness-raising and engagement, it is meant to promote the involvement of employees at all levels of the group on ethics. Finally the "open talk" policy, which is available in many languages, it encourages employees to air their views, express their opinions and report unacceptable demands and behavior. Exceptionally, if it was not possible for a concern to be handled at a local level,

employees can contact the Chief Ethics Officer, namely via a secure internet site. (L'Oréal's ethics program, 2015)

With the commitment for their ethic program, L'Oréal has won a number of prizes and awards for its performance. With respect to corporate and financial communication, L'Oréal was awarded the 2013 investor Awards communication prize, and received the Long-Term Performance Prize in 2014. (L'Oréal, 2014) For management evaluation, according to the Universum survey, Europe's businesses have ranked L'Oréal as their number two ideal employer in Universum's "Europe's Most attractive Employers Ranking" in 2014. (L'Oréal, 2014) As for ethics sustainable development and diversity, L'Oréal was recognized as one of the "World's Most Ethical Companies" in 2013, who's chosen as one of an example of a leading multinational company based around principles such as best practices in business ethics, governance, anti-corruption and sustainability. (L'Oréal, 2013-2015)

In terms of the relations, L'Oréal company also approaches to business-NGO and civil society relations. L'Oréal supports the United Nations Global compact since 2003. As stated by UN Global compact, *"At the UN Global Compact, we believe it's possible to create a sustainable and inclusive global economy that delivers lasting benefits to people, communities and markets. That's our vision."* (L'Oréal supports the United Global compact, 2015) This major United Nations initiative encourages the integration of social, environmental and governance principles in business activities. (L'Oréal supports the United Global compact, 2015)

In the framework of the United Nations global compact, L'Oréal is committed to supporting and implementing, the ten fundamental principles relating to human rights, labour standards, environment and the fight against corruption. (L'Oréal supports the United Global compact, 2015) For human rights, L'Oréal supports the United Nations' human rights declaration. In particular, the group wants to help end the exploitation of children in the workforce. For this, L'Oréal has chose to set the minimum age of 16 for all its employees. And for labour, L'Oréal ensures that workers' rights are respected and any forms of discrimination are eliminated. For issuing corruption, L'Oréal supports the fight against corruption and publicly states a zero-tolerance policy on corruption. The anti-corruption policy set out in L'Oréal code of business ethics applied to all employees, officers and directors and members of the Group Executive Committee and its subsidiaries worldwide. Finally for the environment, L'Oréal has long been involved in promoting the preservation of the environment and protection of biodiversity. It is committed to significantly reducing its environmental footprint. (L'Oréal supports the United Global compact, 2015)

Other than building relations with the society, L'Oréal also maintains strong business-government relations. Although L'Oréal's principles are to stay neutral and not contribute to political parties, politicians or related institutions, L'Oréal, as a leader in the cosmetics industry, believes it is its duty to be proactive and take part in the public decision-making process in the countries in which it operates. Therefore, L'Oréal respects its employees' right to participate as individuals in the political process-- so long as they make sure that, in doing so, they do not represent the company. (L'Oréal, 2015)

## **GLOBALIZATION AND SUSTAINABILITY**

As society and economics are changing, the focus on company sustainability is becoming an increasing highlight. In light of this, L'Oréal is planning to not only continue to globally expand but also become a more sustainable company. The main sustainability issues that the company is currently facing are innovation, production and development. (2014 Progress Report, 2015) Each goal the company has set out for themselves is set to be achieved by the year 2020. (2014 Progress Report, 2015)

Innovation is key for any company to maintain a competitive advantage in the adaptive, fast-paced market. L'Oréal intends to create each of their products in such a way that there will be a positive social benefit or environmental benefit from each one. As of 2014, L'Oréal is on track to reach their goal with 67% of new products shown to have an improved externality profile. (2014 Progress report, 2015)

Each product has some form of waste that is attached to it whether it be during the production process or with the use of the product. L'Oréal is planning to send no waste to landfills by 2020. (2014 Progress Report, 2015) Moreover, they will reduce their CO<sub>2</sub> emissions from their plants, distribution centers and transportation and reduce their water consumption per product unit by 60%. (2014 Progress Report, 2015) As of 2014, L'Oréal has decreased their emissions by 50% and they have put in new projects in order to accelerate their progress. (2014 Progress report, 2015)

Development within L'Oréal involves employees and suppliers. Their employees will be covered for health, financially and will be trained yearly on new products and new practices that the company may implement. L'Oréal's suppliers will also be held to a higher standard. They are selected by their environmental and social impact. As well, the suppliers are given the opportunity to take part in L'Oréal's training in order to improve their own sustainability practices.

What differentiates L'Oréal from the rest of their top competitors such as Estee Lauder Companies Inc., Shiseido Company Limited and Revlon Inc. is that not only do they have a short-term plan to increase their sustainability, but they also have a long term sustainability goals of becoming, "one of the leading companies in sustainability, and one to spearhead a new economic development model, which is more ecologically, responsible and inclusive." (2014 Progress report, 2015) In addition to this, they have specifically laid out targets for their company to reach with regular checks to ensure that they are on the correct path.

L'Oréal, with a global presence so large, has incurred many challenges that come with being a global business. Integrating into other cultures to capture the market, understanding various consumer preferences and maintaining a focus on expansion are all key in order for L'Oréal to reach their 2025 objective of increasing their consumer base by 100%. (Euromonitor International, 2012)

Cultures around the world have different values and practices that are socially accepted. L'Oréal has 16 evaluation centers located in various countries. (L'Oréal, 2015) Their job is to observe local consumers to understand that specific market. In addition to this, they have 50

departments that help to ensure that L'Oréal follows local regulations with their products. (L'Oréal, 2015)

With L'Oréal having consumers from around the world, their preferences and their purchasing ability differs greatly. Each of their branches target specific markets which range from drugstore to high end products. Using the differentiation strategy, L'Oréal opens itself up to a broader range of potential customers. L'Oréal has 19 research centers situated throughout the world which helps the company decide how to specify their global strategy properly to adapt to different markets. (L'Oréal, 2015) In addition to this, the company adapts certain business practices of theirs in order to comply with local markets.

Maintaining a focus on expansion gives L'Oréal a competitive advantage. They have been targeting emerging markets, which is effectively working in their favor. One emerging market that was targeted was the Chinese market with its cosmetics market being the third largest market globally. (Forbes, 2014) This expansion, although profitably successful came at a cost. The Chinese government requires any new product entering their market to be tested on animals. (China Animal Testing Complicates L'Oréal's Expansion, 2013) Because of this L'Oréal was forced to comply in order to expand into the Chinese market but once they obtained a strong enough consumer base, L'Oréal denied animal testing in order to become a more sustainable business and was granted the right to stay in China.

## **CONCLUSION**

L'Oréal Group is a multinational corporation that has been in operation for over 100 years. Our analysis concludes that L'Oréal Group is both sustainable and responsible in its business efforts. With 32 international brands, L'Oréal Group focuses on diversifying each of its branches in order to meet consumer and local market needs. (L'Oréal, 2015) L'Oréal Group has a comparatively small range of products which not only allows them to focus on their consumer demand but also on the science behind each of their products, rendering them more sustainable. Their focus and dedication to their consumers and sustainable products, by putting the communities, environment and employees ahead of themselves, has resulted in the L'Oréal Group becoming the most successful cosmetic corporations worldwide. L'Oréal Group will continue to capture consumers and pioneer efforts within the global beauty and personal care market, through their innovation, production, development, and sustainable living initiatives, all the while addressing shareholders' economic expectations.