L'Oréal:
False Promotion in Double Eleven Shopping Festival

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EXECUTIVE SUMMARY

L'Oréal has been one of the most popular cosmetic brands in China in recent years with all its series of brands and product lines from professional skincare to mass cosmetics. On November 18, 2021, L'Oréal was accused of false promotion because of sales price discrepancies between Double Eleven Festival's promised prices and other sales channel prices. L'Oréal did not respond promptly to its customer service at first. Later on, L'Oréal handled this controversy by deleting its Weibo advertisement and releasing sales coupons to customers, which ignited dissatisfaction and heated public outcry for its poor customer service.

BRAND BACKGROUND

Overall Summary

L'Oréal is one of the leading skincare and cosmetic groups worldwide with 36 brands and more than 88,000 employees. Originating from Paris, L'Oréal gradually expands the brand to all cultural origins for different skin types customers from one continent to another. L'Oréal owns 21 research laboratories worldwide and 497 patents registered in 2019, it is rooted in science to deliver each woman innovative beauty products. Up till now, L'Oréal has created a large beauty empire with a multi-cultural brand collection and a wide range of prices, across full categories including skincare, haircare, hair dye, fragrances, make-up, and others. The product is sold in over 150 countries[1] (*Welcome to L'Oréal*, n.d.).

The founder of L'Oréal is Eugène Schueller, and he produced the very first hair dye in 1909. With an entrepreneurial spirit, the formulated hair dye was promoted to local hairdressers and the very first business model was set up. After 5 decades of development, the Chairman of L'Oréal, François Dalle, decided to expand the group internationally. The grand L'Oréal organization was formed with several

strategic brand acquisitions. From 1984 to 1987, L'Oréal devotes itself to innovation by investing in research and development for beauty science[2] (*L'Oréal's history: The adventure of beauty,* 2020). And then in the 1990s, the L'Oréal group completely changed in scope to become a beauty giant with the worldwide presence of different brands and strategic acquisitions. Now L'Oréal group enters the 21st century by embracing a diversification strategy to cover heterogeneous market segments.

L'Oréal embraces high corporate social responsibility and commits to a more sustainable business model. Striving for a new phase of the sustainability journey, L'Oréal shares the motto "L'Oréal for the Future" in three different ways[3] (*L'Oréal's commitments and responsibilities,* 2020). One pillar of the strategy is transforming L'Oréal and respecting biodiversity and planetary boundaries. The second pillar is empowering the business ecosystem by promoting environmental awareness to their customers, suppliers, and communities. The last one is to solve challenges such as supporting vulnerable women or creating the L'Oréal Fund for Nature Regeneration.

Apart from the CSR aspects, L'Oréal is one of the global Fortune 500 companies. It remains on the global Fortune 500 list for several years. On May 13, 2021, L'Oréal ranked 15th on the 2020-2021 Forbes Global list, with a market capital of 225.7 billion USD[4] (Forbes, 2020). According to their financial report for 2021, sales of the L'Oréal group reached 32.28 billion euros, an increase of 15.3% compared to the Year 2020 sales based on reported figures[5] (*L'Oréal finance,* 2022). Operating profitability is at 19.1% of sales and the profit is up to 6.16 billion euros. This is a historic year for the whole L'Oréal group, with the influence of the Covid pandemic. L'Oréal still achieves an excellent financial result with recorded growth, twice the worldwide beauty market.

Business and Product Lines

L'Oréal adopted the so-called "Universalization Strategy", which means the group is strategically concentrated yet operationally decentralized[6] (*L'Oréal Group: Strategy & model*, 2020). Local teams are empowered to ensure that in every country the products are relevant to the consumers, and could satisfy their demands. Meanwhile, L'Oréal has built up a worldwide network of Research & Innovation, and marketing hubs, one for each of their strategic markets. This enables the formulations to be perfectly adapted to the needs of target consumers as well as the fast speed of innovative delivery. There are 4 divisions in L'Oréal Group: Professional Products Division, Consumer Products Division, L'Oréal Luxe, and the Active Cosmetics Division[7] (*L'Oréal group: Our global brands portfolio,* 2020). These 4 divisions offer a wide series of products to cover all aspects of beauty at every price.

The Professional Products division manufactures products that are used and sold in hair salons. L'Oréal leads the digital transformation of the industry through a customer-centric approach, providing hairdressers with open education online and offline. There are 250 training studios worldwide and 1.5 million partner hairdressers to provide professional and personalized care.

The Consumer Products division offers beauty and skincare products that are accessible to men and women in the mass retail market. There are four renowned brands: L'Oréal Paris, Maybelline New York, Garnier as well as NYX Professional Make-Up.

The L'Oréal Luxe division markets high-end skincare and beauty products in selective retail outlets such as department stores, perfumeries, and free-standing stores. With unique and outstanding customer service, a tailor-made experience was built between customers and certain high-end brands. The segment is in the composition of 26 brands, such as Lancôme, Yves Saint Laurent, and Giorgio Armani.

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