

Sharing Beauty with All

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L'ORÉAL



Images courtesy of L'Oréal

L'Oréal is the world's largest cosmetics company, headquartered in Clichy, France. It sells hair dyes, skin care and sun protection products, as well as make-up and perfumes.

The company has been increasingly focused on sustainability over the past decade, and topped Newsweek's Green Ranking in 2017 as the best performing global brand in terms of sustainability.

Since 2013, it has been working on its Sharing Beauty with All (SBWA) global sustainability programme, and has set a range of objectives for 2020. These objectives involve reducing its environmental footprint and increasing positive social impact, as well as achieving a transformation of its operations and manufacturing.

Objectives and targets of Sharing Beauty with All

In 2013, L'Oréal began a re-evaluation of its whole value chain, with the aim of transitioning to a more sustainable business model.

According to Chairman and CEO Jean-Paul Agon: "With Sharing Beauty With All, our aim was to collectively reinvent the way in which we run our business – with an ambitious strategy and goals spanning the entire value chain. Product sustainability is now just as fundamental a criterion as quality and profitability. [...] We remain faithful to this ambition – L'Oréal strives to be and must be exemplary. We must always do better, and more rapidly, given the tremendous pace of the current global turmoil. L'Oréal's sustainable revolution marks the dawn of a new era."

L'Oréal's sustainability drive has gone hand in hand with its digital transformation, it's adoption of ecommerce being a prime example of this. The company's income from online channels grew by more than 40% in 2018, and now accounts for 11% of the group's total income.





It's Sharing Beauty With All initiative is an ambitious plan, launched in 2013, with targets aiming to contribute to 15 of the 17 UN Sustainable Development Goals.

The targets, set to be achieved by 2020, are split into four main areas, Innovating sustainably, Producing sustainably, Living sustainably and Developing sustainably.

Innovating sustainably

The main goal of the first, Innovating sustainably, is that all L'Oréal products will have an improved environmental or social profile.

L'Oréal has pledged that each new or revamped product will fit one of the following criteria:

- It reduces the product's environmental footprint.
- The new formula uses renewable raw materials that are sustainably sourced.
- The product has a positive social impact.
- The new packaging is more environmentally friendly.

Producing sustainably

- L'Oréal aims to reduce CO2 emissions from plants and distribution centres by 60%, compared to 2005.
- To cut CO2 emissions caused by transport of its products by 20% ,compared to 2011.
- Lower water consumption by 60% per finished product, compared to 2005.
- Reduce waste generation by 60%.
- To send no industrial waste to landfill sites.

Living sustainably

- L'Oréal will use an assessment tool to evaluate the environmental and social profile of its products, and make this information publicly available.
- All L'Oréal brands are to measure their social and environmental impact and make commitments to improve it.
- Each brand will report on its sustainability progress and increase consumer awareness of its commitments.
- A consumer advisory committee will allow customers to comment on and influence L'Oréal's sustainability efforts.

Developing sustainably

- By 2020, L'Oréal aims to help more than 100,000 people from underprivileged communities to find employment through three programmes:
 - Solidarity Sourcing programme.
 - Vocational training in the beauty sector.
 - Equal opportunities for people with disabilities.
- The company will assess and select strategic suppliers based on environmental and social performance.
- To support suppliers to assess their own sustainability policies.
- To provide suppliers with access to L'Oréal training tools to improve their sustainability policies.
- 20% of strategic suppliers will support the Solidarity Sourcing programme.
- Employee health cover will be based on best practice in their country of residence.
- Financial protection for employees in the event of a life-changing accident.
- At least one training session per year for every employee around the world.

Organisational and value chain challenges

L'Oréal recognised that, in order to become a more sustainable company, significant changes were going to be needed throughout its value chain.

It has required a transformation of the way the company operates with its suppliers, partners, and employees, and has been accompanied by digital transformation, with a drive to become a digital first company.

This was overseen by Alexandra Palt, Chief Corporate Responsibility Officer, Executive Vice President of the L'Oréal Foundation, who was appointed to the role in 2012.

Radical change at such a large organisation isn't straightforward, and requires the cooperation of all stakeholders and employees.

One step L'Oréal took to achieve this was to link performance bonuses to environmental targets.

The performance of L'Oréal's brand managers has been rated against the company's three main SBWA targets - increasing the number of environmentally friendly products, integrating sustainability into customer interactions, and improving the contribution of the brand to its environmental and social goals.

For country managers, bonuses are evaluated based on how well the company has shared growth with communities and employees in each country.

It's a simple concept - changes that are measured and incentivized are more likely to happen. Employees see not only the wider benefits of the company's sustainability initiatives, but also directly benefit themselves.

L'Oréal also faced a challenge passing on the message to all employees, through regular training and workshops, so that they understand the contribution they can make to the sustainability drive, a process that is achieved not just by big initiatives, but by lots of slow, incremental steps.



The importance of digital transformation

In the company's drive towards a more sustainable business model, digital transformation has played a key part. This can happen in a number of ways. For example, digital products and channels can be vital in helping L'Oréal achieve its goals - using digital channels to convey its message to its customers for example - but also by making the company's business model more sustainable.

In a world where customers are moving online at a rapid pace, the long term health of L'Oréal's business depends on using digital effectively - after all, sustainable goals can only be met if the business as a whole is sustainable.

Lubomira Rochet has been Chief Digital Officer at L'Oréal since 2014, and has overseen the company's drive to become a 'digital-first' company. According to Rochet:

“The strategy is really to pivot towards being a digital-first business. There are different pillars around that, and the first big thing for us has been about embracing ecommerce. As a business we have one obsession which is to be consumer-centric, we want to really understand where consumers are shopping, their shopping behaviour and be where they are.”

One important strand of this digital transformation is the company's adoption of technology such as AR, AI and the Internet of Things to increase engagement with consumers wherever they are, whether this is on L'Oréal's own websites, its partners' sites or social platforms.

For example, L'Oréal acquired beauty tech startup Modiface. In 2018, an app which allows users to test beauty products virtually using their smartphone cameras. This can be used on platforms like Facebook or can be embedded into websites or apps.

Rochet [told the Drum](#) that L'Oréal is seeing some excellent engagement with the app, as well as seven times the revenue from sites where this tech has been deployed.

Other tech introduced by L'Oréal includes the Kérastase Hair Coach, a smart hairbrush which can measure and track the health of the customer's hair via a connected app.

L'Oréal's My Skin Track pH is another great example - a wearable skin sensor with a connected app, which allows customers to measure their own skin pH levels.

As with L'Oréal's other beauty tech initiatives, it helps to solve customers' problems, as well as driving the use of the company's products. So in this case, it creates a customized product regime to provide better skin care for customers and reduce skin irritation.

These beauty tech products also allow L'Oréal to access valuable customer data, learning more about their beauty habits and routines. Crucially though, there's a value exchange and the customer is willing to share data as it directly benefits them. In a post-GDPR age, this value exchange is key to building relationships with customers.

It also marks L'Oréal's transformation from being simply a brand selling beauty products to more of an all-round personal wellness brand. It's this that drives engagement with customers on digital channels and makes the business more sustainable.

Another key aspect of this transformation has been changing the way the company worked, and decentralising. [Rochet:](#)

“The deepest part of the digital transformation is de-siloing the organisation and having people come together as a team in a project mode versus a very sequential, ‘this is the innovation, this is the marketing plan, this is the go-to-market strategy and this is the operation and execution plan’. This becomes a very holistic approach to consumer experience versus doing just a product strategy.”

Recent events have accelerated the company's shift to digital, with Covid-19 rapidly shifting customer behavior, with even older demographics moving online.

According to [Lubomira Rochet](#), the crisis has ‘profoundly accelerated the digital transformation of the beauty sector’.

While this shift to online was forced by the closure of physical stores, it's likely that this change in customer behaviour will be permanent.

Impact and results

L'Oréal has been producing regular updates on its progress towards sustainability through its annual progress reports. Based on the 2019 report, this is where the company is in relation to its Sharing Beauty with All programme.

Innovating sustainably

- 85% of all new or revamped products have an improved environmental or social profile.
- 46% of all new or revamped products have a smaller environmental footprint.
- 59% of products now use a new formula which incorporates renewable raw materials.
- 40% of products have an improved social profile using materials from Solidarity Sourcing Programmes.
- 67% now use packaging with a lower environmental footprint.

Producing sustainably

- 70% reduction in CO2 emissions from plants and distribution centres since 2005.
- 12% reduction in CO2 related to the transport of products.
- 51% reduction in use of water from plants and distribution centres.
- 35% reduction in waste from plants and distribution centres.
- L'Oréal has sent zero waste to landfill sites since 2018.

Living sustainably

- 100% of new or revamped products in 2019 were assessed for environmental and social impact.
- 89% of L'Oréal brands have assessed their products.
- 57% of brands have carried our consumer awareness initiative.

Developing sustainably

- 90,635 people from underprivileged communities gained access to employment.
- 70,912 people gained work through the Solidarity Sourcing programme.
- 18,443 people from highly disadvantaged backgrounds took part in free vocational training in the beauty sector.
- 1,280 people with disabilities work for L'Oréal.

- 87% of strategic suppliers have been assessed and selected based on environmental and social performance.
- 94% of the Group's permanent employees benefit from health cover that reflects best practice in their country of residence.
- In terms of L'Oréal's digital transformation, it has made great strides in terms of generating income and growing its presence online.
- 13.5% of the group's income now comes from online sales, with growth of more than 45% from 2018 to 2019.
- L'Oréal has 1.2bn visits per year to its website, and more than 280m followers on social platforms.
- It has now moved 43% of its total media spend into digital.
- In 2019, L'Oréal reported sales of €29.87bn and operating profits of €5.54bn.
- It achieved its highest growth for a decade (8%) and a record operating margin (18.6%).
- Ecommerce has accounted for a higher percentage of total sales over the last six years, reaching 20% in Q1 2020.

Key Takeaways

- Sustainability is a long-term investment. The current Sharing Beauty with All programme started six years ago, and was preceded by other sustainability initiatives. Transformation on this scale requires a long-term commitment.
- Digital transformation is key to long-term sustainability. For L'Oréal, the drive towards sustainability also included a commitment to become a digital-first brand. In an online world, it's important to be where your customers are, and to use digital channels and tech effectively.
- Stakeholders and employees need to be involved. For an effective move to a sustainable model, and for wide-ranging digital transformation, key stakeholders and employees need to be on board.
- Effective leadership. Digital transformation requires consistent leadership and commitment from the very top, from CEO Jean-Paul Agon to Chief Corporate Responsibility Officers and Chief Digital Officers.
- Sustainability and long-term growth go hand in hand. A more efficient and sustainable value chain which reduces waste can help to make cost savings, and this can underpin long-term growth. For example, a move towards being a digital first company reduces L'Oréal's physical footprint, and helps them to grow sales online.



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