

**CROSS-CULTURAL MANAGEMENT
(IBU5011)**

**EXPOSE
'L'OREAL MASTERS MULTICULTURALISM'**

Expose - L'Oréal Masters Multiculturalism

Introduction

In our globalized world, more and more companies are trying to reach out to new foreign markets with the goal of gaining new customers and increasing sales. These figures alone, however, are not the only success measures when wanting to sustain growth in a new territory. It is crucial for companies to understand cultural aspects. While many companies have managed to expand and internationalize, only a few have succeeded in globalizing their organizations successfully by identifying and understanding the key multicultural differences.

One of the few companies that is able to master multiculturalism and universalize their brand is L'Oréal. Being the leader of the cosmetics industry worldwide with revenues of 22.53 billion euros in sales as of 2014, the company has a presence of 130 countries and 32 global brands. L'Oréal employs close to 80,000 people of 156 nationalities.

Geographically, their top market regions include Western Europe, North America and Asia Pacific. Nevertheless, this doesn't hinder them from investing heavily into markets outside the above-mentioned, in order to gain a deep understanding of the cultures and society. These markets include Latin America, Eastern Europe and Africa/Middle East. They actively pursue their goal of sharing beauty with all, regardless of financial means and ethnic backgrounds. It's important to note that L'Oréal does so by ensuring that their quality and values are not compromised. Due to all of these reasons, we decided to take a closer look at L'Oréal's success story and analyze how the company has managed to become more and more successful by mastering multiculturalism.

Key Success Factors

As we were researching the company, it was very interesting to see that the main, although not all, success factors were mostly tied to multicultural strategies. For instance, the approximate 3.5% investment into Research & Development is heavily geared towards emerging markets like India, Africa and Brazil. One would think that a brand of this nature would invest where

return is already guaranteed and high like the North American, European and Chinese market, however, L'Oréal is pro-active and sees a vision and true potential in emerging markets that other cosmetic brands fail to realize. While other beauty and cosmetic brands may have tapped into one of these markets, there is still potential and several niches that are being ignored, yet identified and understood by L'Oréal.

The mission of wanting to share beauty with everyone worldwide is tied to such actions. It leads to major product adaptations in all markets and regions as needed. In India, for example, a high value is placed on using oil for hair. Successful product adaptations like this also make its way back into other global markets. With L'Oréal's intensive research and cultural understanding, hair care products were adapted to include oil to cater successfully to Indian women. While some products consist of the same formula, the marketing message is adapted based on the region the product is made available in. A product may target ten issues, but communicate only the main 5 issues that are relevant to the market it's being offered in such as L'Oréal's Revital Shampoo. Along with this, a high impact visibility is implemented by offering appropriately tailored advertisements and commercials in those regions that match the product and culture. This is accomplished by having endorsers that are highly known and popular in these markets as consumers can resonate with the brand through this.

L'Oréal also manages to be successful due to building multicultural teams internally. While the management team still remains close to its cultural french roots, L'Oréal began to focus on creating new-product-development teams made up of multi-cultures, which proved to be a success with entering emerging markets. The key was to integrate globally but also show local responsiveness by internationalizing the teams. Hiring and tailoring of teams were both based on individual managers who were already in place and who were able to adapt to different cultures.

Aside from being successful due to being multicultural, our research brought us closer to the fact that L'Oréal is a brand that learned success by acquiring global industry players as well as local ones. To our surprise, there was a lot of information and details available on L'Oréal's website highlighting every acquisition supported by the benefits of specific

acquisitions. It was astonishing to learn that out of 32 brands that are owned by L'Oréal, only three were created by the brand itself. Maximizing profits and ensuring high return on its investment are the aims of any acquisition, but L'Oréal does this very carefully. Some acquired brands stay local and are mentioned to have no global vocation according to the company's website. Although local, this helps L'Oréal connect with this region and understand local consumer behavior, which, as a result, allows for potential expansion if desired. Others, however, become global brands. It shows that L'Oréal is very firm on making sure that every acquisition aligns with the product quality and brand essence that are not to be sacrificed in any way.

Conclusion

With its continued investment in research and true cultural diverse understanding, L'Oréal is set to continue its success. It is our recommendation though that L'Oréal could enhance its success by focusing on the following:

1. More approachable and relatable campaigns with less idealized beauty images
2. Greater participation in the organic/natural product category since currently there are 20% of product innovations annually
3. Continue to invest in understanding foreign cultures and becoming a part of them

By doing this, the L'Oréal will continue to share beauty with everyone in the business of cultural diversity while commercializing it globally.