

## EconoMag

The Show that demystifies Economics

French Business – part 2

**L'Oréal** ©

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L'Oréal is a French industrial cosmetic retailer that was founded in 1909 by Eugène Schueller. The business was originally based on hair dye and eventually developed and expanded further into the entire cosmetics sector.

Nowadays, this international group is the leader in its domain, with a capitalization, as of March this year, of €93.3 billion. Its revenue was €23 billion which accounted for a net profit of about 3 billion in 2013. The current CEO, Jean Paul Agon, was appointed in 2006 having been employed within the group since 1978. But the main figure of L'Oréal is Liliane Bettencourt, the daughter and only child of the founder, Eugène Schueller. She is the principal shareholder with 33.31%, making her the most important decision maker of the company. She is also the 10th richest person in the world and the wealthiest in France with a fortune estimated at more than \$40 billion.

As for the company, when Eugene Schueller was a young chemist he created a hair dye composed of harmless ingredients, which he called l'Aureale. He then established his own company; and expanded it in 1928 by buying the Société Des Savons Français, which he held until it was sold to Unilever in 2011. Over time the brand expanded internationally, and in 1957, when her father passed away, Liliane became the unique shareholder and François Dalle was named CEO.

In the 1970's, the company's acquisitions furthered its expansion as it bought up Garnier, Biotherm and Synthélabo, and L'Oréal's products diversified to include all sectors of the vast cosmetics market. In 1976, the director of the group and Liliane Bettencourt built a research center in Clichy, with the goal of regrouping under a single roof all the technical divisions, which at the time were located in different areas of Paris.

Today, L'Oréal has 4 main operational divisions: Mass Market products, Luxury products, The Body Shop, and Active cosmetics. L'Oréal also owns shares in many chemical, health and finance groups. The company also has a large research and development division concentrating on human skin and hair, with laboratories in France, United States, Japan, Brazil and China. Crediting these research facilities, the business is also a leader in innovation, and in 2013 it was named, for the third time, the "Best Innovating Company in the World" by Thomson Reuters.

But behind all this glory there has also been a dark side of the business, revolving around Eugene Schueller and the fact that he was one of the financial sponsors of "La Cagoule", a far right wing organization of the 1930s. He was also one of the leaders of the MSR, the Mouvement Social Révolutionnaire, a fascist political party in 1940. Worst than that, however, many people from "La Cagoule" were employed by L'Oréal in different parts of the world, such as Jacques Correze, who was CEO of the US branch of L'Oréal, and Jean Filliol, who tortured members of the Resistance and was partly responsible for the 1944 massacre in Oradour-sur-Glane, also worked for L'Oréal in Spain.

Tomorrow, we will look at the world leader in the production of cement, construction aggregates and concrete: the French building materials company, Lafarge!