

**Beauty and the Beast:**  
**The Acquisition of *The Body Shop* by L'Oréal**

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**MANAGEMENT DECISION**

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The authors prepared this case solely as a basis for class discussion and not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. Although based on real events and despite occasional references to actual companies, this case is fictitious and any resemblance to actual persons or entities is coincidental.

## Reactions and Decisions

### Keeping the Independence of *The Body Shop*

In the early phase after the acquisition it has been decided to keep *The Body Shop* as a stand-alone business unit within the *L'Oréal Group*. Without removing the current Executive Board, the decision power remained within *The Body Shop*, reporting exclusively to *L'Oréal's* CEO, Jean-Paul Agon. *The Body Shop* continued to be based and run from the head office in the UK. This decision has been made with regards to the objective to preserve the values of *The Body Shop* and consequently its unique identity, which differed significantly to the values of *L'Oréal* in 2006.

### *The Body Shop* as a Trojan Horse: Adjusting *L'Oréal's* Mission and Core Values

Due to *L'Oréal* being partly owned by *Nestlé*, one of the most criticized companies globally, their reputation has been frequently under critique. The usage of animal testing as well as racial discrimination charges due to the exclusion of non-white women for their product promotions have further weakened their corporate image.

Furthermore, the company has realized that an increasing amount of consumer are becoming aware of environmental issues, unsustainable ingredients and animal testing regarding cosmetic products. What started out as a niche market has been identified to develop into second mainstream and therefore a new business opportunity for *L'Oréal*.

Facing the criticism regarding the acquisition, former CEO of *The Body Shop* Anita Roddick stated in an interview:

*"I'm not an apologist for L'Oréal. I'm just excited that I can be like a Trojan horse and go into that huge business [...]"<sup>1</sup>*

With this, Roddick has referred to *The Body Shop's* position in the *L'Oréal Group*, recognizing the opportunity to influence the practices and values of the cosmetics giant from the inside. A few years after the acquisition, *L'Oréal* has decided to actively adjust their mission as well as their core values. Earlier, their values have revolved around 'safety', 'quality', 'sincerity' and 'efficacy' with the mission statement to give customer the 'right to be beautiful every day'. The aforementioned values have been changed to 'passion', 'innovation', 'entrepreneurial spirit', 'open-mindedness', 'quest for excellence' and 'responsibility'. The mission statement is now targeting the goal to offer 'beauty for all' (see Table 1). Bringing their new value 'responsibility' into action, they introduced a Solidary Sourcing Program, substituted chemical products with natural and plant-based products and donated to the US Environmental Protection

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<sup>1</sup> The Guardian (2006). I believe they are honourable and the work they do is honourable. Available Online: <https://www.theguardian.com/business/2006/nov/03/ethicalliving.environment> [Accessed Online: 15 February 2018]

Agency. L'Oréal describes *The Body Shop* as a driving force behind the implementation of the fair-trade program. These increasing sustainable and ethical practices have not gone by unnoticed. Since the acquisition, L'Oréal has won numerous awards in regard to their ethical and sustainable efforts. In the years to come the company has been named as one of the most ethical companies in the world.

	L'Oréal Identity Pre-Acquisition	L'Oréal Identity Post-Acquisition
Values	<ul style="list-style-type: none"> <li>• safety</li> <li>• quality</li> <li>• efficacy</li> <li>• sincerity</li> </ul>	<ul style="list-style-type: none"> <li>• passion</li> <li>• innovation</li> <li>• entrepreneurial spirit</li> <li>• open-mindedness</li> <li>• quest for excellence</li> <li>• responsibility</li> </ul>
Mission Statement	"the right to be beautiful everyday"	"beauty for all"

Table 1: Development of L'Oréal's Identity: Core Values and Mission Statement

### The 'Best' of Both Worlds: Aligning *The Body Shop's* Marketing Communication with L'Oréal's

Even though L'Oréal maintains a variety of brands from mass market to high class and health-related brands, the look and feel of their marketing communication is similar among all brand categories. Advertisements strongly revolve around perfection, depicting beautiful models with slim body types and a flawless appearance. Moreover, due to being a multi-brand corporation, the focus lies on advertising products rather than the corporate brand and corporate values. Anita Roddick, former CEO and founder of *The Body Shop*, has openly criticized this kind of communication:

*"I hate the beauty business. It's a monster industry selling unattainable dreams. It lies. It cheats. It exploits women."*<sup>2</sup>

Before being acquired by the French cosmetics giant, *The Body Shop's* marketing communication focused on their distinctive corporate values rather than product advertisements. Ideals of beauty and their way of thinking has not been depicted through models but through natural beauty and realistic visual appearance. Consequently, marketing focused on addressing the prevailing issues in the cosmetics industry and rebelled against its lies, delusions and thus unattainable beauty ideals which the big players conveyed to women.

<sup>2</sup> The Guardian (2006). I believe they are honourable and the work they do is honourable. Available Online: <https://www.theguardian.com/business/2006/nov/03/ethicaliving.environment> [Accessed Online: 15 February 2018]

Nevertheless, it is observable that after the acquisition in 2006, *The Body Shop* has changed its marketing communication and has begun to look more like typical cosmetics brands. By 2008, customers can clearly see the unveiling of *The Body Shop's* new look: instead of depicting realistic body shapes or addressing obsessive dieting, they feature celebrities and models for their campaigns. Furthermore, *The Body Shop* started to adjust their color palette, using colors generally associated with the female gender, such as pink and red, rather than green which is associated with nature and sustainability (see **Exhibit 1 & 2**).

Potential reasons for this development are several issues *The Body Shop* has been facing. The company experienced a drop in sales and profit losses, as well as increasing competition from other companies with an ethical business approach. With the new marketing communication strategy, *The Body Shop* has aimed to attract a younger target audience. Using L'Oréal's large marketing budget, *The Body Shop* has planned to raise awareness and 'educate' this generation to consume more consciously and improve sales figures simultaneously.

### Moving On: Selling *The Body Shop* to *Natura Cosméticos*

In 2017, L'Oréal initiated an extensive review of *The Body Shop's* future due to sales drops and declining profits. Facing increasing competition from other sustainable companies entering the market, *The Body Shop* sales fell by approximately 5% in 2016 and its operating profit declined by 38% in the same year. Simultaneously, the core business of the L'Oréal Group continued to grow. The decreasing performance consequently has led L'Oréal to sell *The Body Shop* to the Brazilian based company *Natura Cosméticos* in September 2017 for 1 billion euros. In a press release regarding the sale, L'Oréal characterized the company as the best new owner to foster the *The Body Shop's* values and mission regarding natural and ethical cosmetics. According to the press release<sup>3</sup>, the CEO Jean-Paul Agon believes that the decision to let go *The Body Shop* would create a positive resonance of all internal and external stakeholders.

To visually demonstrate the management decision which has been taken regarding L'Oréal's acquisition of *The Body Shop*, we created a timeline (see **Figure 1**).

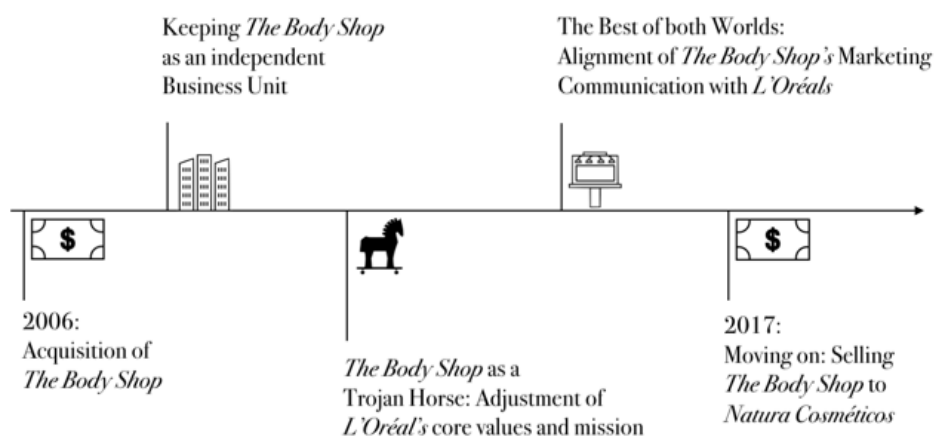


Figure 1: Timeline

<sup>3</sup> L'Oréal Group (2017) L'Oréal and Natura enter into exclusive discussions regarding The Body Shop. Available Online: <http://www.loreal-finance.com/eng/news/loreal-and-natura-enter-into-exclusive-discussions-regarding-the-body-shop-1193.htm> [Accessed Online 15 February 2018]

**Exhibit 1** Example of *The Body Shop's* Marketing Communication after the Acquisition



**Exhibit 2** Development of *The Body Shop's* Marketing Communication

