

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

TEACHING NOTES

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.

Introduction

The aim of the teaching notes is to provide the instructor with valuable information in how to present the case in order to reach its full potential. Using the teaching notes, the case instructor can provide the audience with an optimal learning experience. This document includes a summary of the most important issues of the case. It outlines the learning objectives for the audience, provides an overview of key learnings and presents a list of questions aimed to drive a fruitful discussion. Additionally, it provides teaching suggestions including a board as well as time plan to further assist in structuring the case presentation. Lastly, we present our reflections with regards to conceptualizing and writing the case.

Case Synopsis

In 2006, *L'Oréal* has acquired *The Body Shop* for \$1.2 billion. After the announcement, *The Body Shop* has received plenty of negative media attention and public criticism due to the conflicting corporate identities, philosophies and core values of the two companies. Hence, the reputation of *The Body Shop* is at stake and *L'Oréal* has to take action.

In order to maintain the strong corporate reputation of *The Body Shop*, *L'Oréal* firstly has decided to keep *The Body Shop* as an independent business unit within the *L'Oréal* Group. Thereafter, *L'Oréal* has adjusted their core values and mission, evidently responding to the increasing trend of conscious consumption in the cosmetics industry. Furthermore, the marketing communication of *The Body Shop* has been aligned to the cosmetics industry standards. However, after decreasing sales of *The Body Shop*, *L'Oréal* ultimately has decided to sell it to the Brazilian based company *Natura Cosméticos*, which represents an interesting final twist in this case study.

Learning Objectives

By presenting this case of the acquisition of *The Body Shop* from *L'Oréal* and discussing the strategies to maintain the corporate reputation of *The Body Shop*, we aim to teach the case audience several key learnings. The following section will thus present the learning objectives of the described case in connection to the relevant literature.

The Building Blocks of Corporate Reputation

Our goal is to present a both comprehensible and comprehensive case study with the main focus on corporate reputation. Therefore, the learning objectives of this case refer to the different building blocks of corporate reputation. This will allow the case audience to gain insights in the topic of corporate brand identity, corporate image and corporate communication which consequently results in the corporate reputation. We

are aware that other factors are also contributing to corporate reputation, however in the scope of this case study we recommend to focus on the following building blocks:

Corporate (Brand) Identity

According to Urde and Greyser (2016), corporate identity comprises the key attributes of any organization. It refers to the way an organization presents itself to its internal and external stakeholders and foremost how it wants to be perceived (Roper & Fill, 2012). Furthermore, Urde and Greyer (2016) illustrate that corporate brand identity is based on the broader concept of corporate identity. These aspects provide the opportunity to teach the case audience the difference between corporate identity and corporate brand identity. The former is described as “distilled into corporate brand identities which in turn, when communicated and perceived by others, result in a corporate brand” (Urde & Greyser, 2012, p. 95). According to Balmer (2010), corporate identities provide the foundation on which corporate brands are formed. Furthermore, the author describes that corporate brands are born out of corporate identities and live in the minds of individuals and groups.

The first solution we present in this case study refers to keeping *The Body Shop* as a separate business unit. According to *L'Oréal*, this decision has been based on the goal to preserve the unique identity and values, hence the corporate brand identity, of *The Body Shop*. Moreover, the second solution presented in this case study refers to the adjustment of *L'Oréal's* mission and core values. *L'Oréal* adjusted its mission and core values after the acquisition. The new mission and core values evidently respond to the shift towards the increasing trend of conscious consumption in the cosmetics industry.

The Corporate Brand Identity Matrix (CBIM) and its nine elements, conceptualized by Urde (2013), present a visual aid to illustrate the strategies and consequently the actions which have been carried out by *L'Oréal*. According to Urde (2013), the CBIM defines the totality of a corporate brand's reputation, incorporating a three-by-three matrix with a core consisting of a brand promise and core values, which defines the heart of corporate brand identity (see **Exhibit 1**). Within the first solution, the CBIM can be utilized to define the corporate brand identity and its elements of *The Body Shop*. With this, we believe the audience will understand the totality of the corporate brand identity of *The Body Shop*. Furthermore, in order to visualize the point of departure of this case study, the criticism due to the clashing identities of *L'Oréal* and *The Body Shop*, the CBIM of *L'Oréal* and *The Body Shop* can be presented next to each other.

Regarding the second case strategy and action, the CBIM can visualize the full effect of the adjustment of *L'Oréal's* mission and core values. Furthermore, since all elements of the matrix are interrelated and the content of one element 'echoes' the other, the discussion can potentially be carried on further (Urde, 2013). Moreover, it can be discussed if the described changes also influence the other elements of the CBIM of *L'Oréal*.

Corporate Image

While corporate identity refers to the way an organization presents itself to all stakeholders and how it wants to be perceived, the corporate image refers to how it actually is being perceived (Roper & Fill, 2012). As the Roper & Fill (2012) describe, the image does not exist in the organization but in those that perceive the organization. In regard to the main question of the case, the goal is to minimize the gap between the two messages of internal identity and external image in order to create a favorable reputation. Being now associated with a cosmetics giant, *The Body Shop* is facing the risk of increasing the gap between its identity and image. As this could create lasting damage to the brand, it is an important aspect for the case audience to consider.

Corporate Communication

The core responsibility of corporate communication is to manage the way in which stakeholders perceive the organization (Roper & Fill, 2012). According to Roper & Fill (2012), it can be separated into three categories: management communication, organizational communication and marketing communication. The third presented case strategy refers to the marketing communication. This category is audience-centered with the aim to engage the customer emotionally and ultimately to communicate the corporate brand identity (Roper & Fill, 2012).

After the takeover, it was noticeable that *The Body Shop* has changed its marketing communication strategy. The message has remained the same, stressing their corporate values, however the way the message has been visually portrayed has been adapted to the industry standard. The concept of corporate communication is important to consider, as it acts as a linkage between the aforementioned illustrated building blocks and consequently contributes to the development of corporate reputation (Roper & Fill, 2012).

Corporate Reputation

Together, the previously described building blocks constitute the corporate reputation. According to Fombrun, Gardberg & Sever (2000), reputation derives from firms' past actions and their ability to deliver value to multiple stakeholders. Managing the corporate brand reputation implies adopting an outside-in perspective, reflecting on questions such as 'How do others perceive us?' and 'How are we ideally to be perceived' (Urde & Greyser, 2016). Drawing back to the CBIM, Urde and Greyser (2016) extend the matrix with the additional dimension of reputation in the new managerial framework of the Corporate Brand Identity and Reputation Matrix (CBIRM) (see **Exhibit 2**). Regarding the case, the matrix can be used as a tool to outline what elements of reputation of *The Body Shop* have been affected. For instance, the 'Willingness-to-support' declined as a result of criticism following the acquisition.

In conclusion, we believe these presented building blocks of corporate reputation will equip the audience with the theoretical basis to evaluate the three different case strategies.

Overview of Key Learnings

With the written case, we aim to create awareness for the problem of dealing with reputational issues in the course of a takeover by a company defined through fundamentally different brand identity. The case is designed in a way that students or the case audience act as *L'Oréal's* Executive Board. Evaluating the opportunities and challenges of several strategies can thus be identified as one of the key learnings of the case. Learning objectives can concentrate on 'remembering', 'understanding', 'applying', 'evaluating' as well as 'creating'. We believe that key learnings should concentrate on a few of these qualities in more depth, rather than covering all superficially. In regard to the case, the key learnings refer to 'evaluating', 'applying' and lastly, 'understanding'.

Key Learning Objectives: we aim for students to improve their skills in ...		
... evaluating	Evaluation of the advantages and disadvantages of the three strategies which are presented during the case presentation	<ul style="list-style-type: none"> • <i>The Body Shop</i> and an independent business unit within <i>L'Oréal</i> • Adjustment of <i>L'Oréal's</i> mission and core value • Alignment of <i>The Body Shop's</i> marketing communication with <i>L'Oréal's</i>
... applying	Application of theory provided by the course literature	<ul style="list-style-type: none"> • CBIM (Urde, 2013) • CBIRM (Urde & Greyser, 2016)
... understanding	<ul style="list-style-type: none"> • Importance of brand identity during strategic events • Creation of an understanding for the theory • Understanding the building blocks of corporate reputation 	<ul style="list-style-type: none"> • Corporate Identity during strategic events • Corporate Image • Marketing Communication • Corporate Reputation

Questions for Discussion

In order to reach the learning objectives and invite the audience to be part of the solution process, a discussion is an essential part of the case study presentation. To stimulate a fruitful discussion and guide the audience, we recommend to incorporate the following questions in the presentation of the case:

Main Question

How would you evaluate the three presented strategies in order to maintain the strong corporate reputation of *The Body Shop*?

Assisting Questions

Question 1:

What are the opportunities and challenges of each strategy?

Question 2:

What building blocks have to be considered when evaluating corporate reputation?

Question 3:

How would you take corporate brand identity into consideration when evaluating the three strategies presented?

Teaching Suggestions

This section aims to provide suggestions and recommendations regarding how the case can be presented. We advise the case lecturer to divide the case into two parts: a lecture part and an interactive part. The former begins with presenting the background of the case, meaning the acquisition of *The Body Shop* by *L'Oréal* as well as an overview over the company backgrounds. Consequently, the problem is presented as a managerial dilemma of handling two clashing brand identities, affecting the reputation of *The Body Shop* negatively. The latter is initiated by presenting the case question and three possible strategies on how to solve the case. In order to create a fruitful discussion, we recommend to present all three strategies in an equally appealing and plausible way. The audience is asked to discuss opportunities and challenges for each strategy and consequently vote for the strategy they prefer. Our case differs from previous cases in a way that there is no single solution to be

identified. As explained in the management decisions, *L'Oréal* followed each of the strategies in order to preserve and leverage *The Body Shop's* reputation.

When presenting the case, several tools can be of assistance in order to create a dynamic group interaction. PowerPoint is a helpful tool to present the case. Visuals can help the audience to better follow and understand the case. Furthermore, working with whiteboards can support to collect and structure comments and opinions from the discussion regarding the opportunities and challenges of each case strategy.

Time Plan

In the following, we have designed a time plan for the case lecturer. The suggestion provides support for presenting the case in a structured manner, making sure that all relevant topics are included and providing enough time for discussion and reflection.

The time frame for this case is 45 minutes. The individual building blocks indicate how much time should be spent on each section. Depending on the actual time that is available for the presentation, the CBIM to elaborate each company's brand identity can be left out.

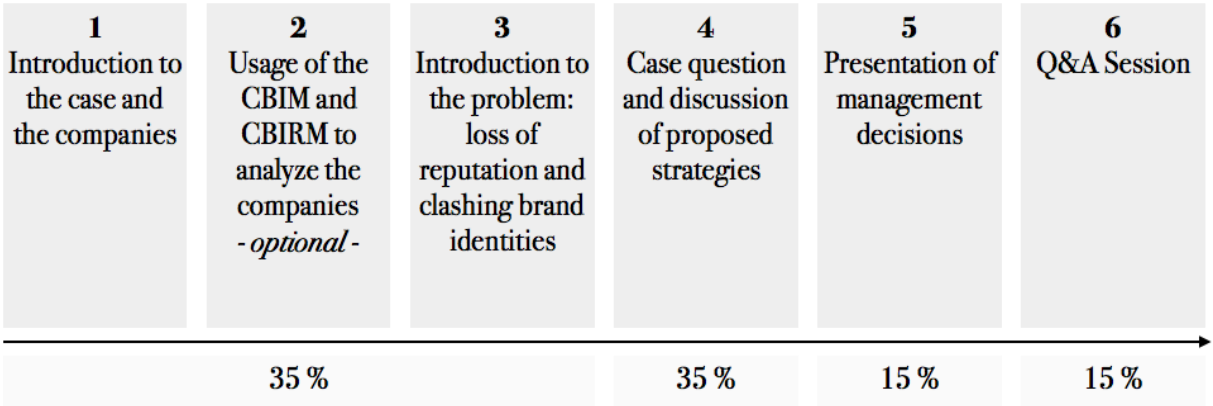


Figure 1: Time Plan

Board Plan

As suggested before, the whiteboard can be used efficiently as a tool to manage and structure the audience's discussion. Ideally, a table presenting each strategy is prepared before the beginning of the case. A suggestion for the layout can be found in table 1. Moreover, the table provides bullet points for each strategy and the corresponding opportunities and challenges. It is pivotal for the case lecturer to keep in mind the overall structure and remain open-minded to all different opinions.

Strategy 1 <i>The Body Shop</i> as an individual business unit		Strategy 2 <i>The Body Shop</i> as a Trojan Horse		Strategy 3 Alignment of <i>The Body Shop's</i> marketing communication with <i>L'Oréal's</i>	
Opportunities	Challenges	Opportunities	Challenges	Opportunities	Challenges
Ensure corporate personality remains unchanged	<p>How to facilitate an entrance in the organic cosmetics market when the brand remains independent?</p> <p>Lack of control</p>	<p>Communicate that <i>L'Oréal</i> is not rigid but adapting to change by formulating new corporate values</p> <p>Enhancing the attractiveness for a growing niche market</p>	<p>Gap between corporate identity and corporate image? will stakeholders believe in the change?</p> <p>Perception as green-washing</p>	<p><i>The Body Shop</i> can reach a broader customer group</p> <p>"Educating" the younger generation of customers</p> <p>Providing an example that conscious consumption can be "attractive"</p>	<p><i>The Body Shop</i> would give up a part of their rebellion against beauty ideals</p> <p>Potential loss of customers who engage in anti-brand movement and purchase at <i>The Body Shop</i> for this reason</p>

Table 1: Board Plan and Suggestions for potential Comments from the Case Audience

Reflection

The written case, together with the separate documents 'Management Decisions' as well as 'Teaching Notes', have been written as part of the master course *BUSN35 Corporate Brand Management and Reputation*. The assignment has been to select a real life case with an interesting managerial decision that would provide an opportunity for an enriching class discussion.

The study group consists of three students. The first challenge has been to pick a case. This included research on the internet for current and relatively new events within several industries. We found three interesting cases that all happened to revolve around the challenge of dealing with different corporate identities after a merger or acquisition. The three cases were presented to professor Mats Urde and Axel Welinder during a supervision. Consequently, a decision was made in favor of *L'Oréal's* acquisition of *The Body Shop* in 2006, particularly in regard to the recent sale of *The Body Shop* to Brazilian *Natura Cosméticos*.

What has been a particular challenge was framing and defining three different case strategies. First, our goal was to define them as equally appealing to the audience. In reference to the Blue Liquid case presented in class, our goal was to avoid one overly attractive solution in order to create a vivid class discussion. Second, as mentioned before, *L'Oréal* introduced a variety of different brand management strategies to uplift *The Body Shop's* reputation. Consequently, we discussed the possibility of introducing a 'surprise' element for the audience by explaining that all three case strategies have been carried out by *L'Oréal*. Since this approach differs from the cases we have studied in class, we talked to Professor Mats Urde. Ultimately, testing the case by presenting it to other study groups has provided us with feedback to make small adjustments that has helped the case to reach its full potential.

References

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Exhibit 1 Corporate Brand Identity Matrix (Urde, 2013)

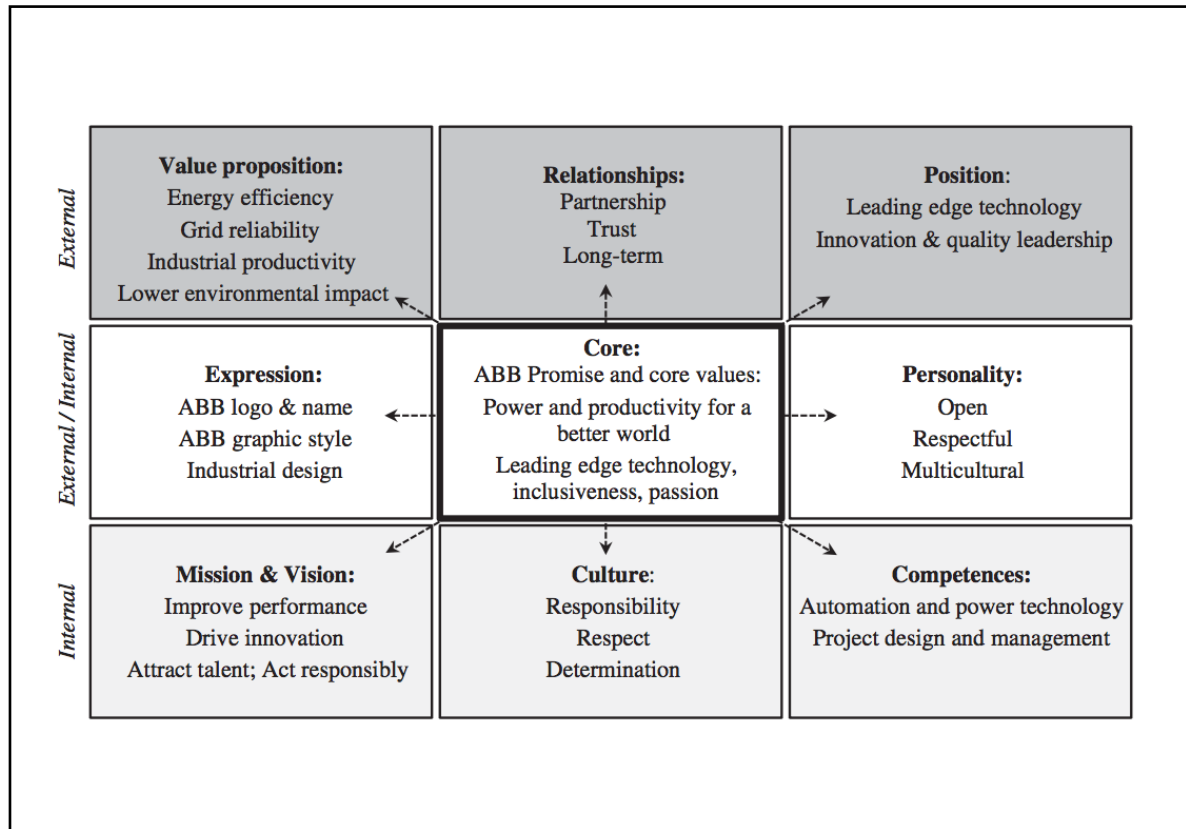


Exhibit 2 Corporate Brand Identity & Reputation Matrix (Urde & Greyser, 2017)

