

# A Study on Organizational Change Models at the Strategic Decision-Making Level of Enterprises in the Post COVID-19 Era-- Taking L'Oreal as an Example

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**Abstract.** The impact of COVID-19 on the global economy has been significant and far-reaching, with extensive recognition and thorough analysis both academically and globally. In the post-COVID-19 era, it is crucial for businesses to make strategic decisions and adjust their management models based on their unique strengths and the domestic and international environments to achieve rapid recovery of profitability. As a global leader in the beauty industry, L'Oréal has quickly regained its market share through precise strategic adjustments and optimization of its management model. Despite the adversity, L'Oréal has not only expanded its market presence but also significantly enhanced its brand rating and popularity. This paper delves into the strategies employed by the L'Oréal Group in making decisive business choices and modifying its management strategies in the aftermath of the pandemic. It does so by leveraging the company's unique characteristics and adeptly navigating both internal and external environmental factors. The ultimate objective of this research is to offer practical methodologies and recommendations that can serve as a guide for other enterprises facing similar challenges.

**Keywords:** Organizational Change; Leadership Strategy; Marketing Strategy.

## 1. Introduction

### 1.1. Background of the Study

The global economy was significantly impacted by the 2020 outbreak of COVID-19, with countries implementing trade restrictions, traffic controls, and other measures to contain the virus's spread. The L'Oréal Group, a leading entity in the cosmetics industry, was similarly affected. In February 2020, at the onset of the pandemic, L'Oréal's share price dropped by 7.5% within a week, reverting to early 2019 levels. The Chinese market, in particular, faced severe economic disruption due to stringent lockdown policies, leading to a sharp decline in market share for many companies.

To maintain its market position and brand advantage, the L'Oréal Group undertook scientific organizational changes based on its own and market conditions. For instance, L'Oréal established R&D departments in major global markets to tailor research and development to local consumer needs. The company also adapted its brand strategy and organizational structure to align with domestic and international conditions. These measures aimed to better meet consumer demands, maintain existing market share, enhance brand awareness, expand market presence, and swiftly recover from the losses incurred due to COVID-19.

### 1.2. Purpose of the Study

This paper uses L'Oréal as a case study to explore organizational change patterns at the strategic decision-making level through literature analysis. Examining L'Oréal Group's organizational change model in the post-COVID-19 era enhances understanding of how multinational corporations plan



their development paths by aligning their strategies with the objective market environment and their internal conditions. The findings aim to provide insights and suggestions for other corporations seeking to navigate the post-COVID-19 era through organizational change.

## **2. L'Oréal's Corporate Management Style and Innovative Strategy**

The strategy model at the group level includes horizontal integration, vertical integration, and strategic alliances to strengthen its presence in various regional markets. This chapter discusses the importance of market analysis across all business areas, corporate strategy, marketing challenges in globalization, the necessity of understanding the customer, rational use of resources and skills, product alignment, and corporate strategy to ensure L'Oréal's continued success and sustainability.

### **2.1. L'Oréal's Vertical Brand Expansion Strategy**

L'Oréal attracts consumers from different income groups with its wide range of beauty products, aiming to make its products available worldwide for personal lifestyle and beauty needs [1]. L'Oréal has organized its brands into five business units, each developing specific beauty products through general consumer and distribution channels.

The first business unit is L'Oréal Luxe, which offers a unique world of beauty. As an international brand, L'Oréal Luxe emphasizes feminine elegance in three main areas: skincare, makeup, and fragrance. Its products are sold in department stores, cosmetic stores, travel agencies, private label boutiques, and online stores. The second unit, L'Oréal Consumer Products, provides practical and innovative cosmetic products through wholesalers to a diverse global customer base, using various distribution channels and advertising forms. The third unit, L'Oréal Professional Products, includes skincare, color cosmetics, hair care, hair color, perfumes, cosmeceuticals, and beauty tools, sold worldwide. The fourth unit, L'Oréal Active Cosmetics, is a highly complementary beauty care brand supported by specialized healthcare partners and distributed through global healthcare channels, including pharmacies and drugstores. The fifth unit focuses on body care products, utilizing the world's finest natural ingredients to produce high-quality products sustainably and ethically.

The Consumer Goods division posted the highest sales compared to the other brand divisions, consolidating its leadership position in the dynamic skincare cosmetics market. L'Oréal Luxe also experienced growth through innovative products. The Professional Products Division sustained growth in the professional beauty care market with new product developments. Additionally, the Active Cosmetics division maintained strong momentum, expanding its reach in the global healthcare market.

To address increasingly diverse markets, L'Oréal tailors its products, services, and business models to meet the different needs of consumers across various cultures. This approach is evident in L'Oréal's presence in countries such as France (L'Oréal Paris, Garnier, Lancôme), the United States (Maybelline, Kiehl's, SoftSheen-Carson), the United Kingdom (The Body Shop), Italy (Giorgio Armani), and Japan (Shu Uemura). L'Oréal is committed to multicultural beauty, reflected in its Consumer Products Division.

All L'Oréal products are inspired by global beauty rituals and cultures, contributing to the brand's success both domestically and internationally [2]. By embracing a global perspective, L'Oréal has transformed traditional beauty concepts. Beauty is transient and manifests in various forms, reflecting deep and bold personalities beyond mere aesthetics. L'Oréal selects celebrities with unique charisma to inspire women worldwide with their distinctive styles. The extraordinary careers and charismatic personalities of L'Oréal Ambassadors epitomize the slogan "Because we're worth it," a powerful message that has empowered beauty for over 40 years. Moreover, the increasing number of intercultural couples introduces new dynamics in skin tone, hair color, and demeanor, enriching the multicultural beauty market.

## **2.2. From an Offensive to a Defensive Management Model**

### **2.2.1. The Respective Roles of L'Oréal's Offensive and Defensive Management Models**

This section explores L'Oréal's specific actions and their impact on the company by analyzing offensive and defensive management models.

Firstly, L'Oréal's offensive management actions have enabled it to maintain a strong competitive position and growth momentum in the global beauty market. The L'Oréal Group has taken offensive management actions in the following five main areas:

First is acquisition policy. L'Oréal pursues an aggressive acquisition policy to further expand its market share through mergers and acquisitions and the introduction of new brands. For example, L'Oréal has acquired several brands such as The Body Shop, NYX, and Urban Decay to expand its product range and market coverage [3].

Secondly, L'Oréal invests heavily in research and development (R&D) to develop new products and technologies to maintain its leading position in the cosmetics industry. The company allocates substantial resources to R&D and innovation annually to ensure the uniqueness and competitiveness of its products [4].

The third one is advertising and marketing. L'Oréal runs a strong global advertising and marketing campaign that utilizes various advertising channels and platforms to attract more consumers [5].

The fourth one is distribution network. L'Oréal has established an extensive distribution network worldwide and develops products and marketing strategies according to the needs of local markets to remain competitive in each market [6].

The last one is digital transformation. L'Oréal is actively engaged in digital transformation, using new technologies such as big data and artificial intelligence to optimize supply chain management, marketing strategies, and customer experience, thereby improving the company's overall efficiency and competitiveness [7].

L'Oréal's defensive business strategy is essential for maintaining stability amid competition, mitigating potential risks, and ensuring long-term growth. The company places significant emphasis on protecting its brand image and intellectual property rights, actively safeguarding its reputation through legal measures to combat counterfeit and substandard products. Risk management is a priority, particularly in supply chain management and market volatility, achieved by diversifying suppliers and enforcing strict quality control. Additionally, L'Oréal adopts a prudent financial policy to remain stable during economic fluctuations, focusing on cost control, resource optimization, and maintaining a healthy cash flow and balance sheet. The company is also dedicated to reducing the environmental impact of its operations and enhancing its profile in environmental protection, social responsibility, and corporate governance (ESG) for sustainable development. Furthermore, L'Oréal has developed a comprehensive crisis management system to respond swiftly to market changes and emergencies, ensuring corporate continuity and stability through regular risk assessments and drills. Employee training and development are also prioritized, with various programs and career development paths designed to enhance skills and loyalty, contributing to the company's stability and sustainable growth.

### **2.2.2. Causes and consequences of the shift from active to defensive management**

Facing market saturation in key regions, growing competition from emerging brands, and economic uncertainty, L'Oréal is rethinking its strategy and adopting a more defensive management approach. The COVID-19 pandemic further underscored the need for a cautious strategy that prioritizes sustainability and risk management over aggressive expansion. Consequently, L'Oréal has adopted a defensive management approach to reduce costs, mitigate risks, strengthen its market position, and focus on its core competencies [8].

L'Oréal has made adjustments in the following areas as it shifts from an offensive to a defensive management approach:

L'Oréal has adjusted its market strategy by reducing its reliance on aggressive expansion and focusing on steady growth. The company has abandoned plans to acquire new brands, instead prioritizing the optimization and integration of existing brands to enhance market share and brand loyalty.

In terms of resource management, L'Oréal has reallocated resources and increased investment in risk management and financial health. The company now balances its investments between R&D and marketing, continuously innovating to bolster its risk resistance.

To improve brand protection, L'Oréal has implemented stricter legal measures and intensified actions against counterfeit and infringing goods. These steps are aimed at safeguarding its brand image and intellectual property rights, thereby preserving its market share.

Furthermore, L'Oréal has reinforced and optimized its supply chain management to ensure flexibility and reliability. By diversifying suppliers and enforcing strict quality control, the company has mitigated supply chain risks and ensured the security and quality of its product supply.

To promote sustainable development, L'Oréal has increased its investment in environmental protection, social responsibility, and corporate governance (ESG). The company has introduced stricter environmental and social standards to enhance corporate sustainability and bolster consumer and investor confidence.

Additionally, L'Oréal has strengthened its crisis management capabilities to swiftly address market changes and emergencies. Regular risk assessments and drills are conducted to enhance the company's response capability and speed.

The company has also focused on improving employee training to heighten risk awareness and response capabilities. By fostering a corporate culture that prioritizes sound development and risk management, L'Oréal ensures that all employees are aligned with the company's goals.

Finally, L'Oréal has optimized its financial policies to maintain stability amidst economic volatility. The company has reduced risky investments, increased reserves, and worked to sustain a healthy cash flow and balance sheet.

These measures have facilitated L'Oréal's transition from a proactive to a defensive management model, thereby enhancing its risk tolerance and ensuring stable and sustainable development amid long-term market competition.

### **2.2.3. Impact of L'Oréal's Management Model Change on Its Performance**

L'Oréal's shift from aggressive expansion and acquisition activities to a more cautious approach has led to several notable impacts on its performance. The company's reduced pace in entering new markets and acquiring brands has resulted in slower sales growth and lower short-term growth rates. Despite this, L'Oréal's operating margins have significantly improved due to better resource allocation and cost control. The company's focus on optimizing and integrating its existing brands has enhanced operational efficiency and profitability.

On one hand, this strategic shift has strengthened L'Oréal's risk management and financial stability. The company's financial position has been bolstered through increased reserves and reduced risky investments, leading to healthier cash flows and improved balance sheets. This financial prudence has enhanced L'Oréal's risk tolerance and long-term stability.

On the other hand, the emphasis on brand protection and sustainability has elevated L'Oréal's brand value and market reputation. Enhanced brand protection measures and sustainability initiatives have strengthened consumer confidence and increased brand loyalty, potentially generating a premium. Although the company's expansion has decelerated in the short term, its strategic focus on optimizing existing markets and improving product and service quality positions L'Oréal to maintain or even expand its market share, ensuring long-term competitiveness.

#### **2.2.4. Challenges Posed by L'Oréal's Changing Management Style**

L'Oréal's shift from aggressive expansion and mergers and acquisitions (M&A) to a more defensive management style presents several challenges. The reduction in aggressive expansion and M&A activities may lead to slower sales growth in the short term. This deceleration could raise concerns among investors, potentially affecting share prices and market confidence. Additionally, employees accustomed to a high-growth, high-risk environment may find it challenging to adapt to the new management approach, which emphasizes stability over rapid expansion.

Another challenge is the need for alignment among management regarding the balance between offensive and defensive strategies. Achieving consensus on this balance will require careful adjustment. Reduced business expansion could increase market pressure as competitors might capitalize on the opportunity to capture market share. Furthermore, during the transition, weakened marketing efforts may impact the brand's positioning in consumers' minds. Maintaining brand equity is crucial, as the brand's market positioning and image could be jeopardized during this period.

The decreased focus on active investment may also affect L'Oréal's capacity for innovation. In the rapidly evolving beauty industry, staying at the forefront of technology and product development is essential. Therefore, finding a balance between maintaining sufficient investment in research and development while controlling costs poses a significant challenge.

To navigate these challenges, L'Oréal must balance short-term and long-term interests and secure the support of all stakeholders. Effective communication and management are vital to facilitate this strategic shift and mitigate potential negative impacts.

### **3. Actively Adjust the Marketing Strategy According to Internal and External Needs**

#### **3.1. Consumer Actions and Needs**

In the Chinese market, consumer behavior and demand exhibit notable complexity and diversity, heavily influenced by regional cultural characteristics. With rising consumption levels and the growing prevalence of the Internet, young consumers who prioritize cost-effectiveness, personalization, and innovation have emerged as a significant demographic. There is also a growing demand for skincare and color cosmetics, particularly those featuring natural ingredients and produced locally. Chinese consumers display strong brand loyalty, which can be significantly influenced by social media and key opinion leaders (KOLs).

#### **3.2. L'Oréal's 4P Marketing Strategy in the Chinese Market**

##### **3.2.1. Product Strategy**

L'Oréal employs a diversified and differentiated product strategy in China to cater to the varied needs of its consumer base. The company's portfolio includes a broad spectrum of brands, ranging from luxury to mass-market segments, such as Lancôme, Maybelline, and Hélène. Each brand is strategically positioned with distinct product characteristics tailored to specific market segments. For instance, L'Oréal's skincare line features herbal ingredients designed specifically for Asian women. This approach not only addresses local consumer preferences but also enhances competitiveness through ongoing product innovation. As a result, L'Oréal effectively boosts brand awareness and fosters greater consumer loyalty in the Chinese market [9].

##### **3.2.2. Pricing Strategy**

L'Oréal implements a multi-tiered pricing strategy to address the diverse needs of various consumer segments across different market levels. Its high-end brands, such as Lancôme, are positioned in the luxury segment with premium pricing that emphasizes quality and brand prestige. In contrast, L'Oréal's mid-tier brands, such as L'Oréal Paris, offer cost-effective options for a broader consumer base, focusing on value and accessibility. For budget-conscious consumers, particularly younger

audiences and students, L'Oréal's lower-priced brands like Maybelline provide affordability without compromising on quality.

The company adjusts its pricing strategies according to market conditions and consumer purchasing power. In first-tier cities and developed regions, higher prices reinforce the brand's premium status. Conversely, in second- and third-tier cities, L'Oréal may lower prices to attract a larger consumer base. This flexible pricing approach allows L'Oréal to align with market demand while expanding its market share.

### **3.2.3. Channel Strategy**

To maximize market coverage and enhance brand visibility in China, L'Oréal employs a comprehensive channel strategy that integrates both online and offline approaches. Offline, L'Oréal distributes its products through a variety of traditional retail channels, including brick-and-mortar stores, department stores, and collaborations with beauty salons and fitness clubs, which enrich the consumer experience through personalized service [10].

Online, L'Oréal has significantly expanded its presence by investing in e-commerce platforms. The company drives online sales through strategic promotions and events during major holidays, and operates official flagship stores on prominent platforms such as Taobao, Tmall, and Jingdong. Additionally, L'Oréal is working to integrate its digital channels with physical retail experiences, enhancing both the digital presence and overall brand experience. This dual-channel strategy not only broadens distribution but also strengthens L'Oréal's digital image and consumer engagement.

### **3.2.4. Promotional Strategies**

L'Oréal's marketing strategy in the Chinese market is marked by its innovation and diversity. The company employs a mix of traditional promotional tactics and modern digital marketing techniques. Conventional methods such as discounts and giveaways are complemented by cutting-edge digital strategies. L'Oréal leverages social media platforms and Key Opinion Leaders (KOLs) to promote its products, engaging audiences through Weibo, WeChat, and other popular channels.

Additionally, L'Oréal enhances brand visibility and customer engagement through interactive advertising campaigns and collaborations with renowned intellectual properties (IPs). For instance, the "Rabbit Dye" hair color, developed in partnership with Bubble Mart, has successfully attracted a young consumer demographic. The brand continuously seeks fresh promotional approaches, using limited edition product launches and live streaming platforms to generate excitement and drive consumer participation. This strategy not only amplifies the brand's appeal but also stimulates consumer interest and engagement.

## **3.3. Research and Analysis of L'Oréal's Marketing Strategy**

### **3.3.1. Case 1: Double 11 E-Commerce Promotion**

Every year, L'Oréal implements large-scale promotions on major e-commerce platforms during the Double 11 shopping festival. These promotions feature strategically crafted offers and attractive giveaways designed to capture consumer attention. In 2019, L'Oréal experienced a significant boost in sales on Tmall, with a 52.4% increase year-on-year, leading to record-high operating profits. This success illustrates L'Oréal's effective use of e-commerce platforms and promotional activities to enhance brand visibility and expand market share. The case underscores the company's comprehensive and multi-faceted approach to bolstering its market presence and brand awareness.

### **3.3.2. Co-Branding with Famous IPs to Launch Limited Edition Products**

L'Oréal has strategically collaborated with well-known intellectual properties (IPs) to design and launch limited edition products, leveraging the popularity and influence of these IPs to boost product appeal and market visibility. A notable example is the partnership with Bubble Mart to introduce the "Bunny Dye" coloring product. This co-branding initiative has successfully enhanced L'Oréal's brand image by capturing the interest of younger consumers and increasing the brand's trendiness. Such

collaborations not only reinforce brand loyalty but also contribute to a more favorable consumer perception [11].

### **3.3.3. Successful Digital Marketing**

L'Oréal has effectively leveraged digital marketing strategies, capitalizing on the power of social media and e-commerce platforms. By implementing big data analytics and precision marketing techniques, the company has been able to tailor its recommendations to individual customer preferences, significantly enhancing performance and consumer engagement. L'Oréal's active presence on major online content platforms, where it publishes interactive content and advertisements, further amplifies brand visibility and fosters stronger consumer connections. This approach has not only increased brand awareness but also deepened consumer engagement.

## **4. Challenges and Future Prospects**

### **4.1. Challenges**

L'Oréal faces several challenges in the Chinese market, primarily concerning brand image and online marketing innovation. While its cost-effective brand image has successfully attracted consumers, it has also limited growth in the high-end segment. Additionally, the reliance on large-scale online promotions has proven to be inefficient in attracting new consumers, necessitating further innovation and optimization in online marketing strategies. Competing in a rapidly evolving market with numerous emerging brands adds to the challenge, requiring L'Oréal to continuously adjust and refine its marketing strategies to stay ahead of shifting market demands and consumer preferences [12].

### **4.2. Future Prospects**

To address the current challenges and enhance its market position, L'Oréal will need to focus on several strategic areas. Improving its brand image will be essential, requiring a shift from its existing brand stereotypes towards promoting high-quality and premium products. This rebranding effort will help reposition L'Oréal in the high-end market segment.

In terms of digital marketing, L'Oréal will prioritize enhancing the consumer experience through personalized recommendations and targeted marketing. Leveraging big data and artificial intelligence technologies will be crucial in creating more tailored and effective marketing strategies.

Strengthening partnerships with local brands and organizations will also play a key role in L'Oréal's strategy. Collaborating with Chinese research institutions to develop products that meet local needs and working with local media and platforms to promote brand culture will help in building a stronger localized presence. These efforts will not only address current market challenges but also open up new avenues for L'Oréal's brand development and growth in the region [13].

## **5. Conclusion**

This research provides a clear understanding of how L'Oréal Group adapts its corporate strategy and organizational structure in response to domestic and international economic conditions, especially in the post-COVID-19 era. By realigning its strategies, L'Oréal aims to better cater to the Chinese market, maintain and expand its market share, and enhance its brand recognition and positioning in China.

The insights gained from L'Oréal's strategic adjustments offer valuable lessons for other companies. Understanding how L'Oréal navigates its post-pandemic challenges can guide other businesses in formulating effective strategies for their own development and organizational changes. This research highlights how adapting to both internal and external conditions can provide updated strategies for companies seeking to expand their market presence in the evolving global landscape.

## Authors Contribution

All the authors contributed equally and their names were listed in alphabetical order.

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