

L'ORÉAL

Conquering A Billion New Consumers: L'Oréal Unveils Its Research & Innovation Strategy

During a press conference held at the Group's headquarters, Laurent Attal, Executive Vice-President Research & Innovation, presented new development axes for L'Oréal Research. While the global cosmetics market undergoes significant changes - with emerging markets already accounting for 53% of the market - L'Oréal aims to conquer one billion new consumers.

Conquering new consumers

Tomorrow's beauty will be global and universal and will respect the unique nature of each region. L'Oréal Research's mission will hence be to understand and adapt to all women and men in order to offer the best of cosmetics in terms of quality, efficacy and safety.

The ability to innovate for new markets must therefore rely on in-depth knowledge of the culture, needs and preferences of Chinese, Indian and Brazilian consumers. By placing the consumer at the heart of Research & Innovation, L'Oréal has decided to create **the "Consumer Insights" International division as well as regional R&I hubs** (in Asia for example).

Innovation must take place where consumers are based. The concept of "design to value" looks at consumer habits in a given location to develop an innovation.

Kohl for example, an emblematic product in India, originally used for eyes, illustrates this phenomenon. It is being used as a source of inspiration for the development of products that will meet not only the beauty expectations of Indian women, but also those of consumers from other regions. This example shows how innovation stems from an association of market intelligence (observing beauty rituals, emblematic products, cultural habits) and in-depth knowledge of skin and hair's biology and physiology.

Enriching our innovation capabilities

L'Oréal group's commitment to innovation has always been to launch formulas that enhance the consumer's product experience. To fulfil this commitment and benefit consumers from emerging markets by determining strategic choices, *"be both driven by consumers and invest in technology that will generate even greater innovation"*, said Laurent Attal, Executive Vice-President Research & Innovation.

The genomics boom, progress in stem cells, biphonotics and reconstructed skin ... numerous

technological and scientific advances have allowed the Group to further its knowledge, identify new cellular targets and better decode skin (and hair's) ageing mechanisms in order to predict even earlier and more effectively.

Anti-perspirants and oily skin products are strategic for emerging markets. In most of these countries, sweat and oily skin are seen as one and the same, and are intimately linked to climate, diet and physiology.

Perceived efficacy and predictive evaluation

Tomorrow's beauty will also be active, and innovation will be increasingly based on the efficacy perceived by the consumer and demonstrated by scientific and clinical proof.

The notion and perception of performance is in continuous progression. For example, the quality of a shampoo or shower gel's lather is not appreciated in the same way by all cultures. In order to respond to these diverse expectations, instrumental evaluation methods that assess clinical efficacy are combined with objective evaluation of the product's emotional and sensorial performance (brain imaging, "eye tracking" or sensorial mapping...).

Earlier and more efficient predictions are key and should be built on the knowledge of cultural contexts, beauty rituals, diet and climate... and the in-depth knowledge of skin's structure and understanding of its mechanisms.

KEY FIGURES

Worldwide presence Investments Patents

18 Research centres

13 Evaluation centres **2009** : 609 million Euros

2008 : 588 million Euros

2007 : 571 million Euros **2009** : 674

2008 : 628

2007 : 576

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About L'Oréal

L'Oréal has devoted itself to beauty for over 100 years. With its unique international portfolio of 34 diverse and complementary brands, the Group generated sales amounting to 25.8 billion euros in 2016 and employs 89,300 people worldwide. As the world's leading beauty company, L'Oréal is present across all distribution networks: mass market, department stores, pharmacies and drugstores, hair salons, travel retail, branded retail and e-commerce.

Research and innovation, and a dedicated research team of 3,870 people, are at the core of L'Oréal's strategy, working to meet beauty aspirations all over the world. L'Oréal's sustainability commitment for 2020 "Sharing Beauty With All" sets out ambitious sustainable development objectives across the Group's value chain. www.loreal.com

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