

The beauty industry

Main worldwide players in sales⁽¹⁾ (in billions of USD)



(1) Source: WWD, Beauty's Top 100, May 2020, based on 2019 sales. (2) Source: L'Oréal estimates for the global cosmetics market in 2020 based on manufacturers' net prices. Excluding soap, toothpastes, razors and blades. Excluding currency effects. (3) Excluding Argentina. (4) Estimated cosmetics sales according to WWD.

L'Oreal: some figures



1st

cosmetics Group
worldwide⁽¹⁾

500

patents registered
in 2020

85,400

employees

27.99

billion euros of sales
in 2020⁽²⁾

35

brands

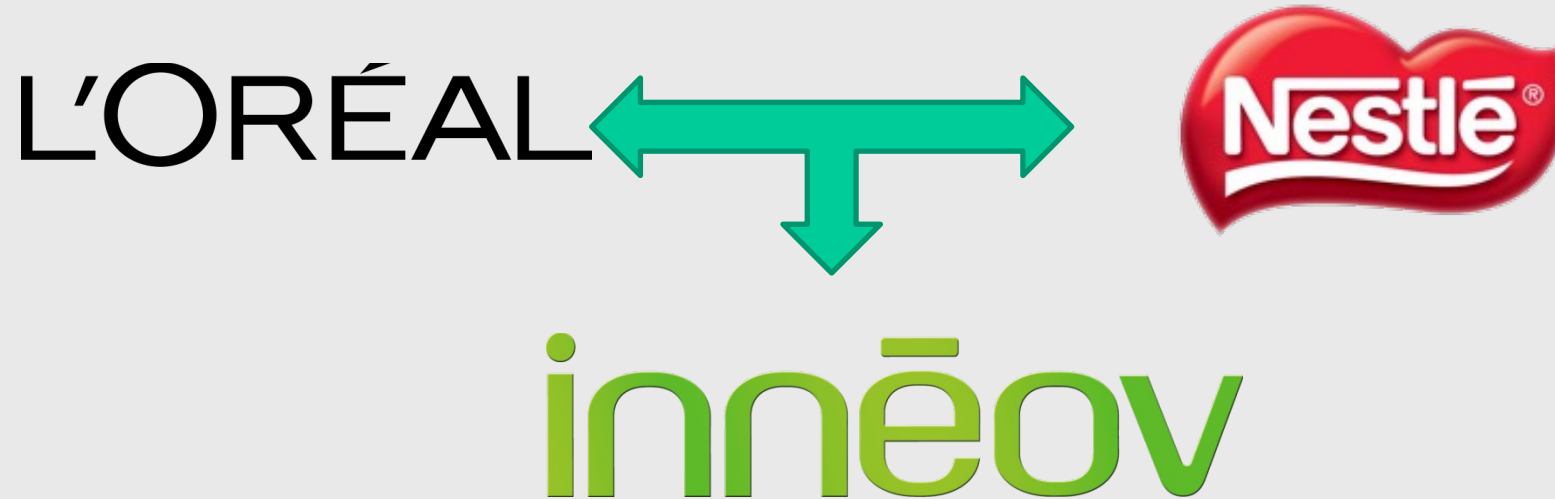
5.20

billion euros
in operating profit

150

countries

L'Oréal and Nestlé: blu ocean strategy through joint venture

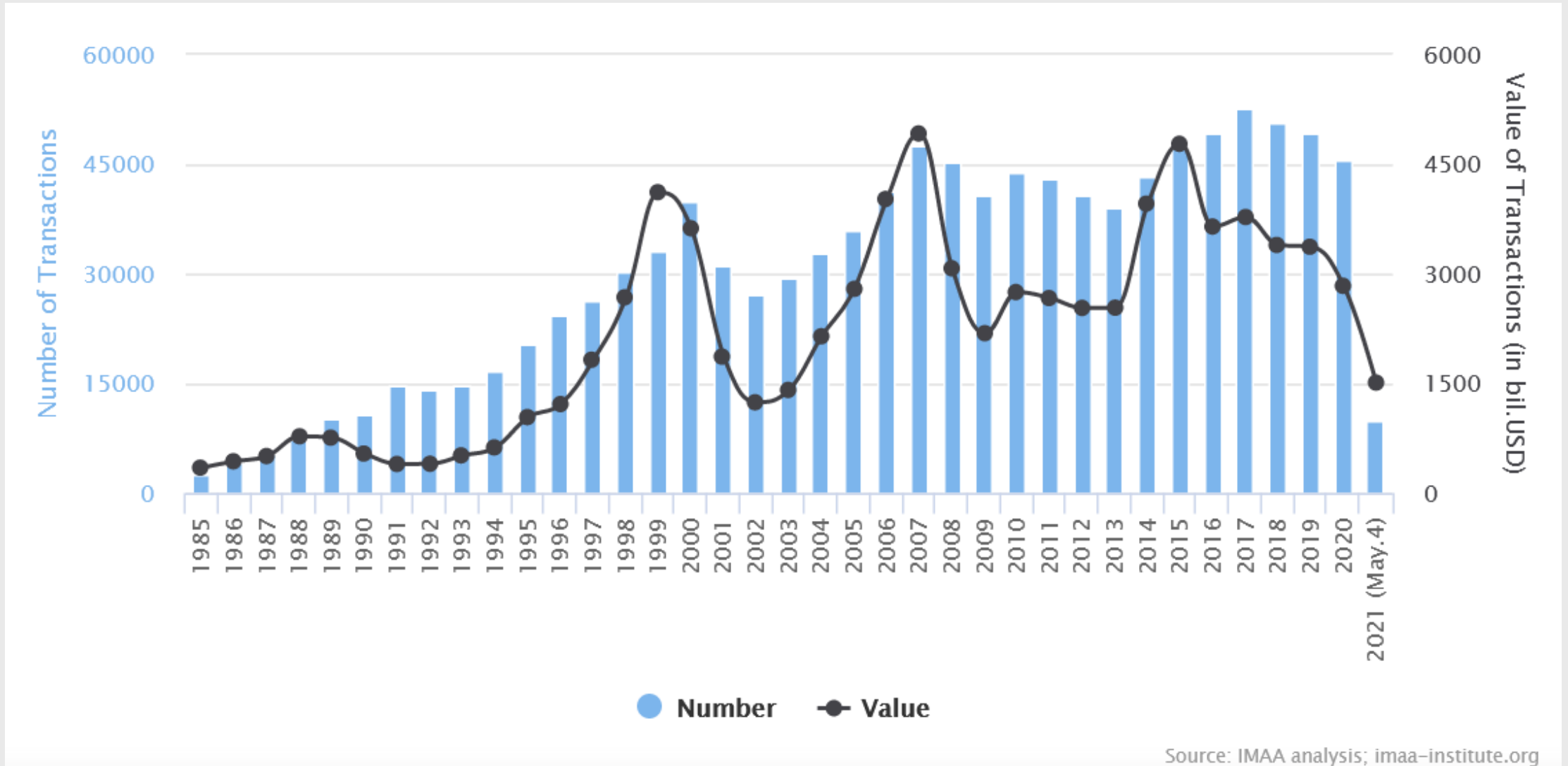


Inneov combines the expertise in nutrition and food security of Nestlé R&D and dermatological knowledge of L'Oréal R&D.

Nestlé & Inneov: Nestlé R&D provides to Inneov Laboratories its unique expertise to select components, to optimize their absorption and verify the quality of safety and conservation.

L'Oréal & Inneov: L'Oréal R&D provides to Inneove labs its knowledge of the physiology of cutis and its experience in monitoring the effects of the components on the skin.

M&A worldwide



Source: IMAA analysis; imaa-institute.org

M&A e open innovation - 1

In una prospettiva di open innovation, vi aspettate che le operazioni di M&A impattino positivamente sull'output innovativo? (1 minuto)



WEB

1

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2

You can participate

M&A e open innovation - 2

In che direzione si muoveranno gli sforzi tecnologici post M&A? (es. stessa traiettoria tecnologica, esplorazione nuovi spazi tecnologici...) (5 minuti)



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The technological acquisitions paradox in the beauty industry

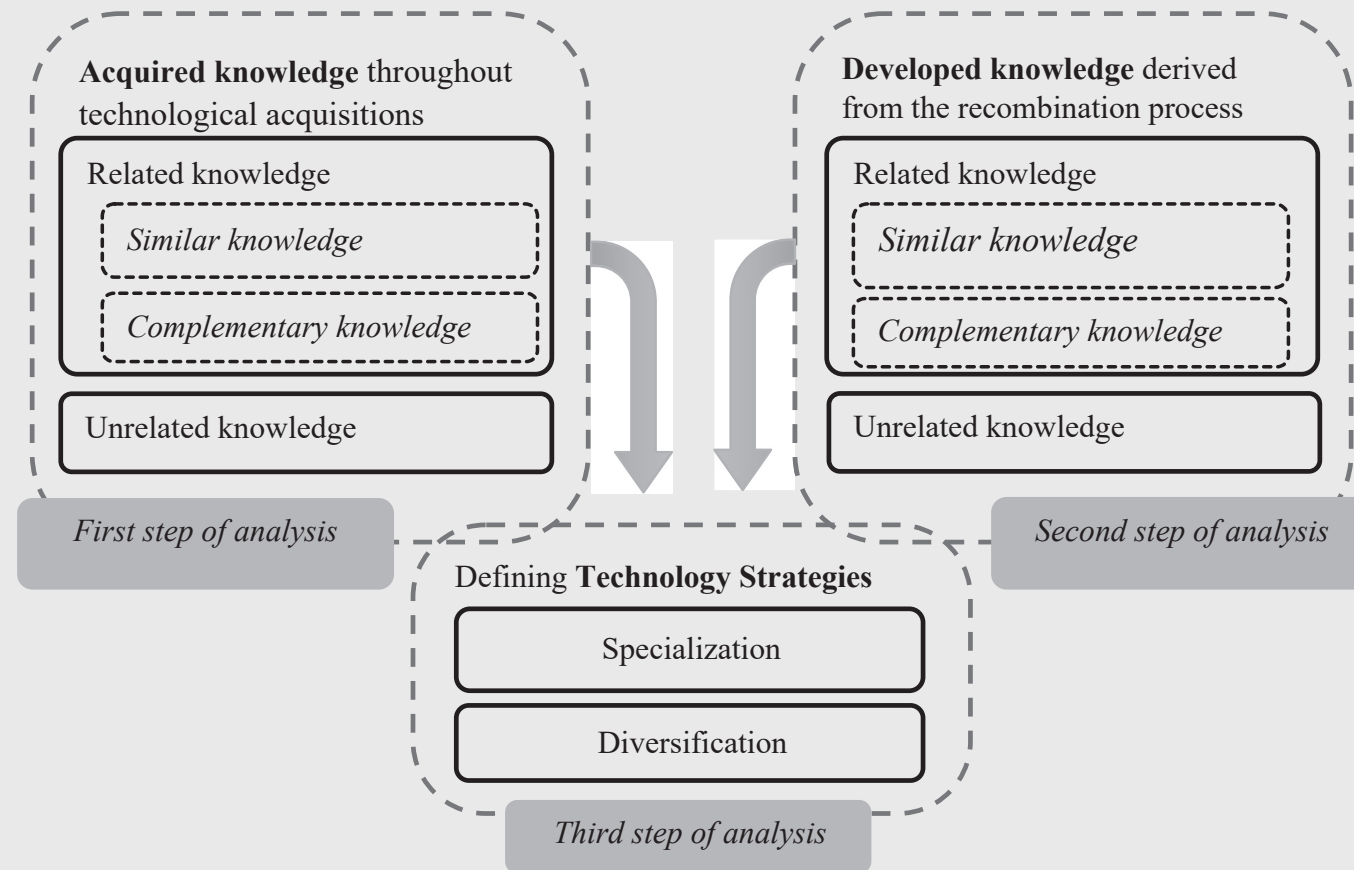


Figure 1. Analytical framework matching acquired and developed knowledge to define the technological trajectory after acquisition: A three-step empirical strategy

Sedita, S. R., Belussi, F., De Noni, I., & Apa, R. (2022). The technological acquisitions paradox in the beauty industry. *European Journal of Innovation Management*, Vol. 25 No. 6, pp. 393-412. <https://doi.org/10.1108/EJIM-05-2021-0235> .

Acquired knowledge

Target	Year of acquisition	Targets' patents		Acquired knowledge		
		# Cited patents	# Tech. classes	Similar	Complementary	Unrelated
BIOThERM	1970	2	9	6	1	2
SANOFI/ SYNTHÉLABO	1973	23	75	32	36	7
HELENA RUBINSTEIN	1984	2	7	7	0	0
MENNEN	1988	19	21	17	3	1
ROCHE POSAY	1988	4	22	22	0	0
DELALANDE	1991	2	20	16	4	0
MAYBELLINE	1996	18	23	22	1	0
SOFT SHEEN	1998	6	2	2	0	0
CARSON PRODUCT	1998	5	7	7	0	0
UEMURA	2000	2	5	5	0	0
SKINCEUTICAL	2005	1	6	6	0	0
The BODY SHOP	2006	3	5	5	0	0
YSL BEAUTE	2008	1	11	11	0	0
COLORIGHT	2014	3	13	12	0	1
TOTAL		91	137	94	43	11

Note(s): The sum of technological classes covered by the patents of the acquired firms (at the seven-digit level) is larger than 137, since a patent can refer to different technologies and the same technology might be included in different patents. Moreover, the same acquired technologies, which are unrelated in a given acquisition, might be classified as similar or related in successive acquisitions when they are effectively used to expand the breadth of L'Oréal's technological portfolio. This explains why the sum of similar, complementary and unrelated technologies is not equal to the total

Table 1.
Characteristics of the
acquired knowledge

Developed knowledge

Target	Year of acquisition	L'Oréal citing patents		Developed knowledge			Technological acquisitions paradox
		# Citing patents	# Tech. classes	Similar	Complementary	Unrelated	
BIOThERM	1970	6	14	14	0	0	<hr/>
SANOFI/ SYNTHÉLABO	1973	39	69	65	3	1	
HELENA RUBINSTEIN	1984	3	7	7	0	0	
MENNEN	1988	222	82	75	4	3	
ROCHE POSAY	1988	10	25	23	2	0	
DELALANDE	1991	3	11	11	0	0	
MAYBELLINE	1996	149	63	60	3	0	
SOFT SHEEN	1998	29	14	13	1	0	
CARSON PRODUCT	1998	34	7	7	0	0	
UEMURA	2000	2	6	6	0	0	
SKINCEUTICAL	2005	1	6	6	0	0	
The BODY SHOP	2006	3	4	4	0	0	
YSL BEAUTE	2008	1	2	2	0	0	
COLORIGHT	2014	2	3	3	0	0	
TOTAL		466	170	153	13	4	

Note(s): The sum of technological classes covered by citing patents (at the seven-digit level) is larger than 170 since in multiple cases patents refer to the same technological class

Table 2. Characteristics of the developed knowledge

Comparing acquired vs. developed knowledge

Acquired knowledge		Developed knowledge			
		Similar	Related Complementary	Unrelated	
Related	Similar	82.13% (82.70%; 99.41%)	0.33% (73.21%; 0.40%)	0.16% (68.56%; 0.19%)	Table 3. Cross-tabulation table comparing acquired and developed knowledge
	Complementary	14.77% (14.88%; 98.67%)	0.12% (26.94%; 0.79%)	0.08% (31.44%; 0.56%)	
Unrelated		2.40% (2.42%; 100%)	0% (0%; 0%)	0% (0%; 0%)	

Note(s): Values in brackets represent column and row conditional percentages respectively

The analysis reveals that L'Oreal mainly used the external knowledge it acquired from technological acquisitions to intensify the specialization of its own knowledge base.

Table 3 shows that the knowledge recombination process involved mainly acquired knowledge that was similar to the company's existing knowledge and was used to develop knowledge that was also similar (82.13% of cases)

Lessons learned

Proposition 1. Technological acquisitions enable companies to increase their technological specialization through a recombination process that exploits similar or complementary knowledge from the target.

Proposition 2. Even if technological acquisitions enable companies to adopt a technological diversification trajectory through a recombination process that exploits complementary or unrelated knowledge from the target, the acquirer tends to use the acquired knowledge for reinforcing its specialization.

Proposition 3. Radical innovations can derive from the close knowledge recombination, paradox and not necessarily coming from the exploration of distant knowledge through acquisitions.

A proposed taxonomy

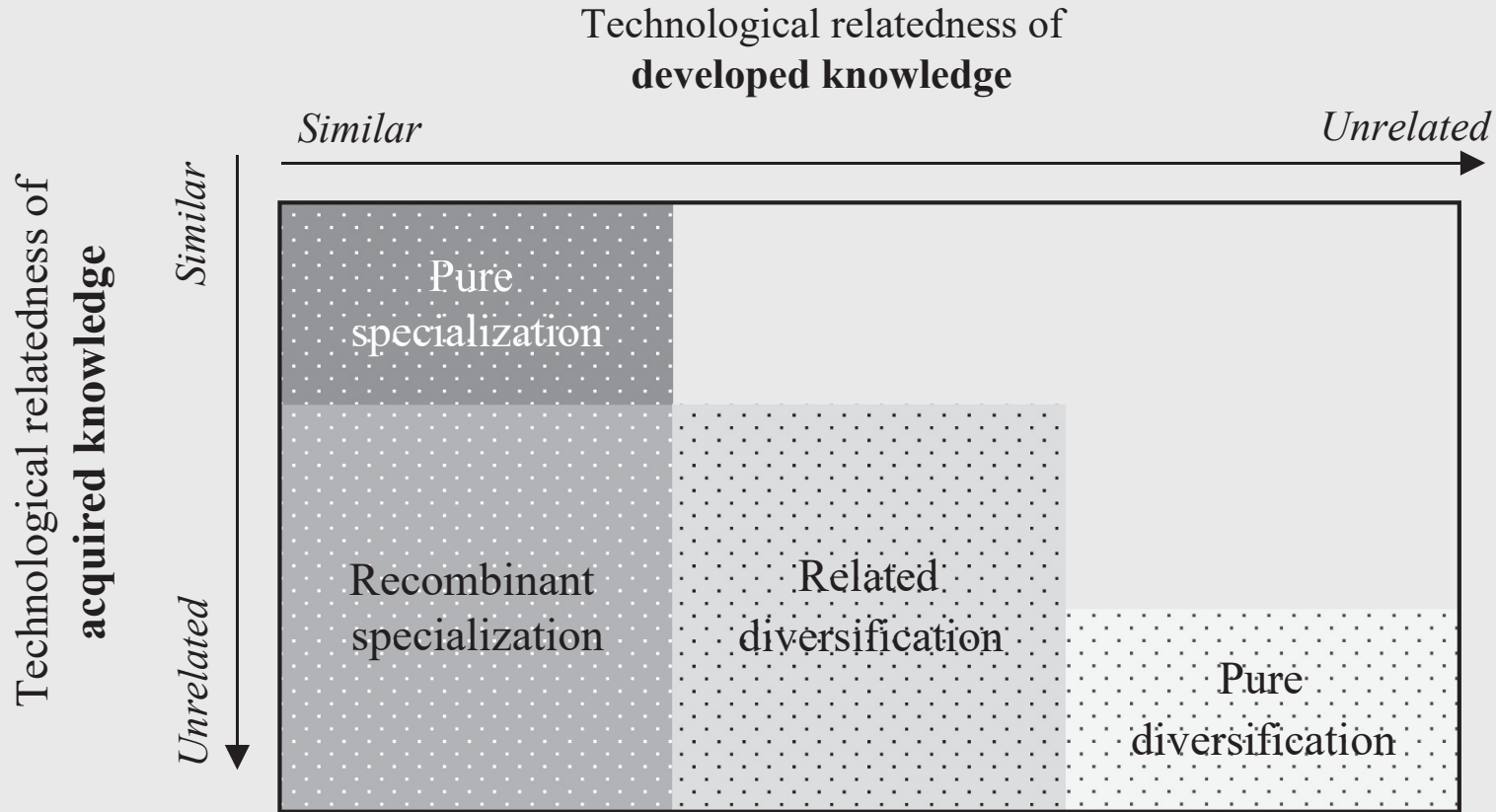


Figure 3.
A proposed taxonomy
of knowledge
recombination through
technological
acquisitions