



L'Oreal USA: Do Looks Really Matter in the Cosmetic Industry?

TEACHING NOTE

Purpose of the Case

- Introduce students to the principles of appearance discrimination in the work place.
- Help students recognize the importance of strong communications skills while addressing work place discrimination.
- Help students recognize the benefits of dealing with workplace discrimination.

This case study lends itself best to classroom discussion and is useful in highlighting the issues involved in dealing with appearance discrimination. Suggested writing assignments are outlined at the end of this chapter.

Identifying the Business Problem

Former employee, Elysa Yanowitz, is suing L'Oreal on the basis of appearance discrimination. Yanowitz claims she was terminated because of her refusal to fire a fragrance sales associate who was deemed by Elysa Yanowitz's superior, John Wiswall, as unattractive. As a result of her refusal to fire the employee, Yanowitz argues she became the subject of harsh criticism and was forced to take a stress-induced medical leave of absence. She did not return, as L'Oreal replaced her several months later.

This case was prepared by Research Assistants Allison A. Petty, Cynthia G. Reimer, and Ross R. Swanes under the direction of James S. O'Rourke, Concurrent Professor of Management, as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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With the upcoming trial date and the media heavily covering the case, Rebecca Caruso, Executive VP of Corporate Communication, L'Oreal, must determine how to retain L'Oreal's strong brand identity and reputation. L'Oreal must also address its hiring and employee policies to ensure that the company is acting in accordance with its corporate diversity values.

Forecast the Most Desirable Outcome

The most desirable outcome in this situation is for L'Oreal and Yanowitz to settle the issue out of court. This settlement should also coincide with L'Oreal releasing new policies about the hiring and termination of employees. This case has kept a relatively low profile since the initial lawsuits were filed and a drawn out legal battle would raise the odds of negative media coverage for L'Oreal. On the other hand, L'Oreal might have a case as the defense can raise the issue that Yanowitz was fired for not obeying an order from her superior and for mistakes in her performance. Also, the employee Wiswall deemed "unattractive" was never fired which introduces the question, "did discrimination ever even occur?" However, the potential for a courtroom battle over discrimination is too great a risk for L'Oreal to take at this time.

Identify the Critical Issues

These are the main issues involved in the case:

- **Fall of 1997.** European Designer Fragrance and Polo Ralph Lauren Fragrance merge. Yanowitz is retained amidst layoffs and given more responsibilities to manage Polo RL line. Yanowitz and Jack Wiswall make routine visit to Macy's. Wiswall tells Yanowitz to terminate sales associate he deems unattractive. Yanowitz takes no action to fire the sales associate and does not file a complaint with Human Resources; nor does she tell Wiswall his order was discriminatory.
- **March 1998.** Wiswall discovers the associate has not been fired. L'Oreal management begins soliciting negative information about Yanowitz.
- **July 24, 1998.** Yanowitz takes disability leave citing stress as the cause. About three months later L'Oreal replaces Yanowitz.
- **Late 1999.** Yanowitz files a lawsuit against L'Oreal which is dismissed without a trial.
- **March 7, 2003.** San Francisco California Court of Appeal reinstates Yanowitz's case. The panel wrote: "An explicit order to fire a female employee for failing to meet a male executive's personal standards for sexual desirability is sex discrimination." It also said, "A lower-level manager's refusal to carry out that order is protected activity, and an employer may not retaliate against her for that refusal."

- **June 11, 2003.** California Supreme Court votes 6-1 to review the appellate court's ruling.

Stakeholders

- L'Oreal Paris, S.A.
- L'Oreal Employees
- Polo Ralph Lauren
- Macy's Department Stores and other Department Store Properties
- Other Cosmetic Companies
- L'Oreal Shareholders

Identify and Discuss Possible Solutions to the Problem

L'Oreal is in a position that allows the corporate communications staff to review its employment policies and suggest corrective action to the legal department before any further damage can be inflicted on the L'Oreal brand. With the court ruling pending, L'Oreal is limited by the actions that it can make publicly. However, internally, L'Oreal should be developing or re-addressing its policies on hiring/firing and diversity. L'Oreal should approach Ms. Yanowitz about settling this case out of court to minimize the negative publicity the case will bring forth.

Teaching the Case

At the Beginning of Class:

Have the students read the case prior to discussion. Ask them to evaluate the following issues:

- What should Ms. Caruso's first steps entail? Who needs to be involved? What are the potential ramifications?
- How should L'Oreal handle the negative press surrounding this lawsuit?
- What should the message be and how should it be delivered?
- What actions should L'Oreal take to protect itself in the future?
- How relevant is this issue to the entire cosmetic industry?

- Should L’Oreal involve Polo Ralph Lauren in this matter?

For the Remainder of the Class

For the first 10 minutes of class review the facts of the case. Have the students discuss the issues listed above.

Ask students to identify the stakeholders in the case as well as their issues and concerns.

- **L’Oreal Paris, S.A.:** As the parent company for L’Oreal USA, L’Oreal Paris, S.A. must protect its brand by isolating this incident and addressing its overall corporate policies on hiring/firing to prevent this from happening again in the future.
- **L’Oreal Employees:** L’Oreal’s employees must feel that they are in a workplace that is accepting of all diverse backgrounds and that their jobs are based on their performance, not their physical appearance.
- **Polo Ralph Lauren:** As a partner with L’Oreal, Polo Ralph Lauren must be sure that L’Oreal is acting responsibly toward employees working for the Polo Ralph Lauren fragrance line. Any bad press surrounding L’Oreal’s mishandling of the Polo line could negatively affect Polo Ralph Lauren as well.
- **Macy’s Department Stores and other Department Store Properties:** As the distributor for many of L’Oreal’s products, Macy’s also must be sure L’Oreal is acting responsibly toward employees working in their stores. To the common shopper, an employee behind a cosmetic counter at Macy’s appears to be a Macy’s employee, not a L’Oreal employee.
- **Other Cosmetic Companies:** Other companies in the industry are concerned with also being labeled as companies that only hire based on appearance. It is no secret that appearance is important in the cosmetic industry, but these companies want to protect their image as fair and equal opportunity employers.
- **L’Oreal Shareholders:** Shareholders are concerned about the impact any negative press surrounding this lawsuit will have on the stock price. They are also concerned about any long-term ramifications to the L’Oreal brand.

Last 10 minutes of Class

Show the video and conclude the discussion.

Writing Assignments

Here are some suggested writing assignments for this case:

- Develop a corporate communications plan for dealing with the media as a precautionary act.
- Work with human resources to develop a plan that documents how to deal with apparent acts of discrimination that occur in the workplace.
- Construct a company policy that entails how to avoid discrimination in hiring and firing practices and every day activities at L'Oreal.