

FRAGRANCE AND PERSONAL CARE

US cosmetics giant Estee Lauder Cos. imposes pay cuts on top brass, trims advertising and promo spending

April 15, 2020



Paid employee volunteers at Estee Lauder Companies' Melville, NY-based manufacturing facility producing hand sanitizer for high-need groups and populations, including frontline medical staff. Image credit: Estee Lauder Companies

By LUXURY DAILY NEWS SERVICE

Estee Lauder Companies, owner of such cosmetics brands as Estee Lauder, La Mer, Aveda, Clinique and Jo Malone, is taking additional steps to protect itself financially, chief among them cuts in compensation to top executives and trimming expenses in marketing spending.

Subscribe to **Luxury Daily**
Plus: Just released
State of Luxury 2019 **Save \$246 ▶**

The New York-based company said the salary reductions are effective May 1 through Oct. 31 for several executives. The move comes as Estee Lauder has been generous in its donations and outreach to local and international organizations battling the COVID-19 virus.

"We are also taking actions to optimize our cost structure, in light of ongoing temporary store closures in many regions, and to enhance our liquidity during this unprecedented time," said Fabrizio Freda, president/CEO of Estee Lauder Companies, in a statement.

Estee Lauder Companies is one of the leading fragrance, skincare and personal care manufacturers worldwide, competing with L'Oreal, Swiss marketers such as La Prairie and brands within the LVMH and Kering portfolios.

Slashing payroll

Executive Chairman William P. Lauder and Mr. Freda have taken a 50 percent cut, the executive leadership team 30 percent, and other management between 10 percent and 20 percent.

The company board of directors will forgo its cash retainers through November.

Also, chairman emeritus Leonard A. Lauder and Ronald S. Lauder, chairman of Clinique Laboratories LLC, will take a nearly 100 percent pay cut effective May 1 through Oct. 31.

Point-of-sale and field employees in locations where retail operations are closed or experiencing slow recovery will face unpaid temporary leaves of absence to let them maintain healthcare benefits and access COVID-19

support, where permissible.

In other cost-control measures, Este Lauder is "optimizing advertising and promotion spending, delaying certain capital investments, restricting business travel, and ceasing non-essential hires and certain professional services," the company said.

To shore up its balance sheet, the company recently issued \$700 million aggregate principal amount of 2.6 percent Senior Unsecured Notes due 2030. These debts are paid ahead of others, albeit with a lower interest rate than other loans from the market ([see story](#)).

The company has also borrowed the full amount under its \$1.5 billion revolving credit facility, temporarily suspended share repurchases of its Class A Common Stock and is suspending the next quarterly cash dividend on its Class A and Class B Common Stock that would have been paid in June.



Este Lauder Companies' Aveda brand so far has donated 123,300 bottles of shampoo, lotion and other products to organizations and nonprofits helping those on the frontlines during the COVID-19 crisis. Image credit: Este Lauder Companies

Manufacturing continuing amid retail shutdown

Most of the company's retail operations and its wholesalers' stores have been shuttered over the lockdowns imposed to curb the spread of the COVID-19 coronavirus.

"As a result of COVID-19 directives, most retail stores in the Americas and Europe, the Middle East and Africa, whether operated by the company or its customers, have been closed since mid-March, and air travel continues to be largely curtailed, primarily impacting the company's travel retail business," the company said.

"However in recent weeks, many retail stores have been reopening in Asia Pacific, and sales growth of the company's products online has accelerated globally.

"The company will continue to assess, in accordance with the guidance of governments and healthcare authorities, when its stores in the Americas and Europe, the Middle East and Africa can reopen.

"Furthermore, as the company has done in Asia Pacific, it stands ready to support its retailers when they reopen their stores.

"At this time, a majority of the company's facilities continue to manufacture and distribute products globally, albeit in a reduced capacity in light of the challenging environment."

The company is optimistic that it will quickly respond to recovery efforts once the lockdowns are over.

"I am confident that the actions we are taking will enable us to effectively navigate through this challenging environment with agility and position us well for the recovery, much as we are starting to see in our Asia-Pacific region as stores reopen," Mr. Freda said in a statement.



*Estee Lauder Companies is donating 2 million surgical masks for those on the front lines in New York as part of its efforts toward COVID-19 relief.
Image credit: Estee Lauder Companies*

Donations and in-kind support

Estee Lauder Cos. and its brands and foundations have chipped in toward COVID-19 relief efforts, namely:

- A \$2 million grant was awarded to Doctors Without Borders/Mdecins Sans Frontires (MSF) to support its continued life-saving response to COVID-19 in under-resourced and highly impacted countries.
- In New York, a grant was given to support the establishment of The NYC COVID-19 Response & Impact Fund, administered by the New York Community Trust. The new \$75 million fund, jointly formed through contributions from multiple philanthropic partners, will provide critical support for New York's vital social services and cultural community organizations.
- In China, more than \$800,000 was awarded to relief efforts. Funds will support the Red Cross Society of China, Shanghai Charity Foundation and Give2Asia. In addition, \$1.4 million worth of in-kind donations were provided to the China Women's Development Foundation to support front line medical staff.
- The Estee Lauder brand is donating 2 million surgical masks for front-line workers in New York as part of its continued effort towards COVID-19 relief.
- Clinique is donating 50,000 skincare products as a thank-you to the doctors and nurses in New York's hospitals.
- MAC Cosmetics' VIVA GLAM Fund will be allocating \$10 million to 250 local organizations worldwide that are providing essential needs and services to people at higher risk during the COVID-19 pandemic.

Estee Lauder Cos. is also contributing to the broader COVID-19 relief efforts by producing hand sanitizers in its United States, United Kingdom and Belgium manufacturing facilities for high-need groups and populations, including frontline medical staff.

"As COVID-19 has expanded globally in recent weeks, we remain first and foremost focused on the health and well-being of our employees, beauty advisors and consumers," Mr. Freda said.

"As a company, we are continuing to find meaningful ways to lend our support as the world fights this health crisis," he said.

[View this post on Instagram](#)

Behind-the-scenes at our Melville, New York manufacturing facility, where compensated employee volunteers are working on the production of hand sanitizer for high-need groups, including front-line medical staff. In addition to Melville, our UK-based manufacturing facility is also producing hand sanitizer at this time. Learn about ELC's global COVID-19 relief efforts on our website at the [#linkinbio](#) [#ELCfamily](#)

A post shared by The Este Lauder Companies (@esteelaudercompanies) on Apr 7, 2020 at 10:27am PDT

© 2020 Napean LLC. All rights reserved.

Luxury Daily is published each business day. Thank you for reading us. Your **feedback** is welcome.