

France has a new market king, and it sells mascara

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Key takeaways

L'Oréal has overtaken LVMH as France's most valuable listed company, reflecting a wider shift in consumer spending.

Beauty benefits from smaller price tags and repeat purchases, while expensive handbags are easier to postpone.

Luxury is not one trade. Brand strength, customer mix and product category increasingly determine who holds up best.

On 15 September, L'Oréal overtook LVMH to become France's most valuable listed company. L'Oréal was worth around 203 billion EUR, versus roughly 201 billion EUR for LVMH.

LVMH owns Louis Vuitton, Dior, Tiffany and dozens of other luxury brands. Only a few years ago, it was Europe's most valuable company. Now a cosmetics group has taken the French crown.

The reason can partly be explained by an old idea with a memorable name: the lipstick effect.

When the handbag can wait

The lipstick effect describes a simple consumer behaviour. When economic confidence weakens, people do not necessarily stop treating themselves. They simply choose smaller treats. A 50 EUR lipstick or 150 EUR perfume is easier to justify than a handbag costing several thousand euros.

This matters because the luxury slowdown is increasingly hitting the industry's aspirational customer. These are relatively wealthy consumers, but not wealthy enough to ignore inflation, higher borrowing costs or falling property values.

China illustrates the shift particularly well. Prestige skincare, makeup and perfume are gaining share of spending, while demand for expensive leather goods remains much softer.

L'Oréal sits in a useful middle ground. It owns mass-market beauty brands, but also premium names including Lancôme and Yves Saint Laurent Beauty. Its Luxe division grew 5.1% in the first half of 2026, with double-digit growth in China. Beauty is still luxury. It just comes in a smaller box.

A Birkin cannot protect a share price

Hermès arguably has one of the strongest luxury brands in the world. Its Birkin bags remain famously difficult to buy and can cost as much as a small car. The shares, however, are now down roughly 50% from their peak.

The businesses themselves are not collapsing. LVMH's organic revenue still grew 2% in the first half, while Fashion and Leather Goods returned to slight growth in the second quarter.

The market is instead questioning how quickly luxury can return to its old growth rates, especially after years of aggressive price increases. That distinction matters. A wonderful brand can remain wonderful while its share price falls because investors previously expected too much.

The customer matters as much as the logo

For investors, the luxury sector increasingly needs to be separated into different customer groups.

Brands serving the very wealthy may prove more resilient because their customers are less sensitive to economic cycles. Jewellery can also behave differently from fashion. Beauty benefits from lower prices and frequent repeat purchases.

The warning signs are straightforward: Chinese consumer confidence, luxury sales growth, price increases and whether aspirational buyers return. A stabilising Chinese property market would help. Continued weakness would keep pressure on companies relying heavily on discretionary middle-class spending.

Beauty has risks too. Consumers can trade down, competition is intense, and L'Oréal's stronger performance is already reflected in investor expectations.

Expensive does not always mean resilient

Luxury investing used to look wonderfully simple: strong brands, wealthy customers, rising prices and attractive margins. The past three years have made that picture messier.

Consumers have not stopped wanting beautiful things. They are becoming more selective about which beautiful things justify the price. A fragrance can survive a nervous household budget more easily than a five-figure handbag.

That is why L'Oréal overtaking LVMH matters beyond bragging rights in Paris. It shows that even within premium consumer spending, affordability and purchase frequency matter. The Birkin may remain difficult to obtain, but in today's luxury market, scarcity alone is no longer enough to keep a share price looking expensive.

Source: <https://www.home.saxo/content/articles/equities/loral-vs-lvmh-18092026>