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Comment

Highs and lows



Talk has surfaced once again about the growing divide between high-end luxury products and the middle-to-mass market. Several brands have been making efforts to go more upscale in recent years in a bid to position themselves firmly in the luxury category and differentiate themselves from the glut of other prestige companies—think of the LVMH beauty brands, notably Dior.

The current economic climate may see this trend intensify. The top end of the market continues to do well, and if the luxury-goods groups' recent sales figures are anything to go by, affluent consumers are still spending. This means that many of these brands could probably even get away with charging higher prices without losing consumers.

At the same time, the low-end end of the market is also doing well, as consumers worried about how much they are spending look for value and savings (something that bodes well for private-label and budget lines).

The problem however, is the middle market, which some analysts now even say is in danger of collapsing, as middle-income consumers watch their purchasing power erode. This may see brands in this segment do more to re-package, re-size, reposition or re-price their products. It may also see more multinationals make further efforts to concentrate their offer at the high and low end of the market.

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News roundup

Sales at French group **L'Oréal** grew by 1.8% in the third quarter of 2011 to reach €1.20bn. The Luxury Products division saw the strongest growth at +4.9% on sales of €1.20bn, which the group attributed to its Lancôme, Diesel, Kiehl's and Armani brands. The Active Cosmetics division grew by 3.5%, while sales at the Consumer Products division were flat and the Professional Products division was up by only 0.7%.

By region, sales in Asia-Pacific grew by 10.8%. North America registered a decrease of 2.6%, but the group said that it had made market-share gains in mass in the first nine months of the year. In Western Europe (+1%) the business picked up in France and Germany for the quarter, but slowed in Portugal, Italy, Greece and Spain. Eastern Europe was also negative at -4.9%. Another weak spot was Brazil, where L'Oréal is a contender mainly in haircare, although ceo Jean Paul Agon said that he believed double digit-growth would be sustainable in Latin America. Agon forecasted fourth-quarter sales would be in line with the third quarter, but affirmed that the group would outperform the market for 2011.

For the first nine months, group sales grew by 3.9% to €15.09bn. Skincare and make-up sales increased by 7%, while fragrance was up by 4%. In the BRIMC markets (Brazil, Russia, India, Mexico and China) sales were up by 11% in the period, accounting for more than 17% of L'Oréal's sales and representing one-third of its growth.

Estée Lauder Companies (ELC) reported strong gains for its first quarter ending September 30, with sales up 18% to \$2.48bn and net profit rising 46% to \$278.6m. The company reported double-digit growth in skincare, make-up and haircare, as well as in every region, including the US. It is increasing investment in China, opened 37 counters in the first quarter for its existing brands there and 103 doors for the rollout of Lab Series. It will also launch more websites in the market; it recently opened an e-commerce site for Origins. Sales in China for the group were up by 34% in the quarter.

In terms of the market, ceo Fabrizio Freda noted that the luxury sector remains strong and that the affluent consumer has been more resilient than the lower-income shopper. He added that high-end department stores in the US have shown good growth and have cited beauty as an outperforming category in the quarter. Cfo Rick Kunes expects the holiday season in the US to reflect an improvement in consumer spending at the high end compared to 2010.

P&G's beauty profits were down 12% in its first quarter to \$731m, due to rising commodity costs and increased investment in marketing and R&D. Beauty sales however, were up by 9% to \$5.4bn for the period, driven by strong performances in prestige (Gucci, Hugo Boss, Lacoste and SK-II) and retail haircare. P&G has raised prices on many of its products to overcome rising commodity costs, which group cfo Jon Moeller says is the "biggest challenge" the company is facing. P&G also says it will extend its brands into both higher and lower price points to reach all categories of consumers.

Japanese beauty group **Shiseido** registered sales of ¥336.3bn (\$4.3bn) in the first half, which represents growth of 0.8% over last year. Its domestic business fell by 3% in the period due in large part to the effects of the earthquake. While the company says that Japanese consumers returned to the beauty counter in the second quarter, it is forecasting a similar growth rate for the second half. Shiseido's business in overseas markets rose by 6.4%, with strong growth coming from China. Operating income reached ¥21.5bn (\$275m), a decrease of 1.5% due to investments in China and Japan. Shiseido is forecasting full-year sales of ¥680bn (\$8.70bn), or +1.4% on the previous year.

Puig has created a joint venture for the Brazil market. The new company called Braco, will distribute the Puig brands and other beauty lines in the country, including Clarins, Guerlain and Chanel. The move has been described as a strategic platform to gain further share in the Brazilian beauty market.

Estée Lauder Companies' Aramis Designer Fragrances division has signed a fragrance license with American designer Tory Burch. A first fragrance for the brand will launch in 2013. Tory Burch founded her eponymous brand, which is described as lifestyle clothing at accessible prices, in 2004. The brand is sold at the company's 60 freestanding stores in the US, Europe, Asia and Middle East and in more than 1,000 department and specialty stores worldwide.

LVMH-owned luxury brand **Louis Vuitton** is to enter the fragrance category. Sources say Vuitton will name its own in-house perfumer in the coming weeks.

Coty is to launch pop star Madonna's debut fragrance in April 2012. The scent, called Truth or Dare, will mark the launch of Madonna's lifestyle brand, Truth or Dare by Madonna in partnership with US-based Iconix Brand Group. The fragrance line will include two EdPs, 50ml and 30ml retailing at \$68 and \$55 respectively, a body lotion and shower gel.

News roundup

Avon's share price fell by 17% on October 27, its biggest drop since 1999 following news that US stock market regulator, the Securities and Exchange Commission (SEC), would begin a formal investigation of its foreign operations and would also look into the company's communications with financial analysts. Avon began examining its Chinese operations in 2008 after reports that employees had bribed officials there. This led to the sacking of four executives in May this year and saw the company extend the investigation to other markets.

In addition to the bribery probe, the direct seller also said it had received a subpoena from the SEC seeking information on how it shared information with analysts in 2010 and 2011. The news came as the company reported third-quarter net profit fell by 1% to \$164.2m and that it would not make sales growth forecasts for the year. Analysts say there is a credibility issue with current management and that it is unlikely that Avon will make significant operating improvements in the near future.

Interparfums said that its new fragrance from Burberry, Burberry Body racked up sales of €30m in the third quarter of the year. The entire Burberry franchise reported sales of €65m in the quarter. Interparfums chairman and ceo Philippe Benacin said that the Burberry Body launch has benefited from unprecedented advertising for the company and has been well supported by retailers. The company's marketing and advertising budget is more substantial for all brands this year coming in at €95m for fiscal 2011. The company also noted that Jimmy Choo has seen strong momentum with sales of €21.1m for the first nine months of the year, while Montblanc's new men's launch Legend reported sales of €7.5m for the same period. Overall, the company reported a 29.2% increase in sales for the third quarter to €109.5m—a record quarter for Interparfums. It expects to finish 2011 in the €360m-370m sales range.

US-based department store **Macy's** is to invest \$400m over the next four years in remodeling its flagship store at Herald Square in New York City. The revamp will see the store go more upscale, with the addition of a new hall of luxury brands and two-and three-level shop-in-shops. The store's selling space will be expanded by 100,000ft² (9,290m²) for a total of 1.2m ft² (111,483m²). The company will restore the first floor with what it calls an "all-new presentation" of cosmetics and fragrances. The retailer also intends to infuse technology and new media into the shopping experience by including interactive store directories, live video streams of Macy's events, digital product information and a new mobile app to guide customers as they shop. Work will begin in spring 2012 and the store will remain open during construction. Macy's says the Herald Square location is its most productive store.

US mass nailcare player **Pacific World Corporation** and beauty accessories group **W.E. Bassett** have merged to create what the companies claim is one of the largest mass nailcare companies worldwide. Pacific World, owner of the the Fing'rs and Nailene brands, also owns the license for Revlon's artificial nails and false eyelash ranges. W.E. Bassett's portfolio includes the Trim brand. Pacific World stated that the new group is in a strong position to capitalize on the growing trend in home-use nailcare products. This new deal continues a string of mergers and acquisitions for Pacific World, which began with the purchase of Fing'rs US in 2005, footcare specialist Woodward Labs in 2010 and Fing'rs Europe in February 2011. Pacific World also launched the Geogirl line of natural cosmetics for teens and tweens at Wal-Mart stores earlier this year.

US retailer and distributor of professional beauty supplies **Sally Beauty Holdings** has acquired the Floral Group, the largest professional beauty supply group in the Netherlands. The Floral Group is made up of Kappersservice Floral, Hair Zone and Exphair, has 19 stores and 33 direct sales consultants and had sales of €22m in the last 12 months.

Estée Lauder-owned make-up brand **MAC** has teamed up with Chinese fashion photographer Chen Men to launch a cosmetics collection in 2012. The offer will include a limited-edition version of the brand's Mineralize eyeshadows featuring a ying/yang design. The ad campaign for the collection will be shot by Chen Man and products will launch globally in March 2012.

Global sales of **natural and organic beauty products** are to reach \$9bn this year and now account for 2% of the global beauty industry, according to UK-based market research company Organic Monitor. In more developed markets including the US, Germany and Austria, the category's share is around 10%. Organic Monitor predicts that in 2015, sales of natural and organic products will reach \$14bn. The company notes that growth rates are slowing due to the economy, while competition is increasing, especially from private-label lines.



News roundup



First launched in 1978, **Clarins'** Extra-Firming facial skincare range has been reformulated to offer improved firming and brightening properties. The new five-sku line for women in their forties is said to boost the communication between the skin's fibers and cells to provide a stronger lifting effect. The Extra-Firming range also claims to boost the skin's radiance and prevent the appearance of dark spots through the addition of Lotus Zymbiosome, an ingredient

that helps block the production of melanin pigments. The range will launch in January 2012 and retails at between €65 and €75.

US-based fragrance creation house **IFF** has opened a new flavors and fragrance facility in Dubai, United Arab Emirates. The site includes creative and application facilities as well as sales and marketing offices.

US Fragrance Foundation president Rochelle Bloom is to retire at the end of the year. Bloom has been president of the Foundation for nine years. A replacement has not yet been named.

Italy-based hair- and bodycare brand **Erbario Toscano** is working with Germany-based travel-retail operator Heinemann to develop its presence in Central Europe and Italy this year. The brand will also roll out to duty-free outlets in the Philippines later this year, and announced it will launch in the Brazil domestic market before the end of 2011.

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French designer Karl Lagerfeld has created a limited-edition Christmas make-up and accessories collection for LVMH-owned retailer **Sephora**. The line includes a gift set comprised of nail polish and an eyeshadow palette. A floral EdP with notes of violet, heliotrope and freesia, called Karleidoscope, comes in 30ml for €39 and 60ml for €63. The collection launches mid-November in Europe.

France-based anti-aging facial skincare brand **Visoanska** is launching Source Première, its first cleanser. Source Première was formulated not just to cleanse, according to the company, but to rebalance the skin and activate cellular renewal. The 99% certified organic formula is based on coconut oil, an ingredient which is said to be suitable for even the most sensitive skin types. The cleanser, retailing at €45, also features sea water, floral mint water and pebbles of Baltic amber. "Source Première was a strategic addition to the range as most of our products are priced over €100, and we wanted to add an item that was accessible to more consumers and that also delivers results," explains Visoanska general manager Elisabeth Visoanska.

Visoanska now has 35 doors worldwide, including Harrod's in the UK and By Terry boutiques in France. The brand's star products are its Formule Anti-Age range, which combines a topical cream and nutritional supplements. The company has created spa treatments and is looking to expand in luxury hotel spas worldwide.

Grasse-based fragrance company **Arthès** introduced a new brand based on ingredients from the Provence region in France in September, which will roll out

worldwide early next year. "We want to capitalize on our heritage as we are a company based in Provence and today's consumer wants an alternative offer to what is generally sold in mass," explains marketing director Aude Genesté-Barera. The new offer, Jeanne en Provence features 20 skus—fragrance, toiletries, bodycare and candles. More home fragrance items will follow. The brand will have freestanding wooden merchandising displays in-store. The company is also offering gwps, including 20ml fragrances.





Wellness focus

Hungary-based management consultancy Xellum managing director László Puczkó

How can the industry better communicate to consumers?

LP: First of all the industry needs to decide who the end consumer is. Segmentation in the industry has changed in the past five to 10 years; in the past it was based on demographics, profession, education and life stages, but today consumers are interested in lifestyles and aspirations. In addition, the industry continues to promote services as opposed to benefits. The consumer is not interested in what is going to

happen during the treatment, but rather what will they get out of it.

What do you see as the barriers to growth for the industry?

LP: Unfortunately spas are still associated with luxury and unnecessary services, so they should establish themselves more as lifestyle products, and communicate that treatments and services are good for the consumer, it's not a luxury.

How do you see the industry evolving?

LP: Consumers are becoming more interested in where things come from and what materials are being used and as a result more new brands are taking a local approach through their branding and use of local ingredients. This is a great opportunity for spas to create their own identity because there are so many that still have no identity or personality at all.

The democratization of spas and wellness, which is developing strongly in the US, is another trend. I can also see companies from other industries coming in and applying the budget approach to spas, which I think will come as a big surprise to a lot of industry players.



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Beauty blogger review

The products they're talking about

The product: Rodin Olio Lusso. Face oil has been described as the "latest go-to product among the fashion elite," and the Rodin Olio Lusso product gets high marks from this blogger. She says the product, which looks like olive oil, only takes two minutes to sink into the skin, is hydrating and doesn't leave an oily sheen. Rodin Olio Lusso contains 11 essential oils and also has a jasmine and neroli scent.

[From: <http://15minbeauty.blogspot.com/>]



The product: Jabot Take 2 Conceal + Spotlight.

Jabot is a US-based brand, which claims to come out with beauty products used backstage by Hollywood actresses. The Take 2 Conceal + Spotlight product is a dual wand with a concealer on one end and highlighting illuminator on the other. It is liked by this blogger for its convenience and allowing her to reduce the number of items in her make-up bag.

[From: <http://www.cybelesays.com>]

The product: NIP + FAB. This mass-market skin and bodycare range created by the founder of skincare brand Rodial, is formulated to treat specific areas of the body that have "nip, tuck and slimming needs". For example, products include Frown Fix, a pen-like filler to smooth fine lines and Dry Leg Fix, a balm-like formula to deliver extra moisture to very dry skin. This blogger wonders how the brand can come up with products of department-store quality, but at a fraction of the price.

[From: <http://www.beautifulmakeupsearch.com/>]



The product: Rouge Bunny Rouge eyeshadows. This brand claims to blur the lines between make-up and skincare and provide a "balanced palette of colors for those who choose beauty over brand name or fad". The eyeshadows are liked for their "silky feel" and because the hard powder turns creamy when applied; the quality is deemed as excellent. The subtle color choices are also appreciated.

[From: <http://www.pinksith.com/>]

Their comments & conversations

- The varieties of **false eyelashes**, in terms of color shape and length have been a trend for some time. A new addition to the eyelash trend, which was brought up on the blogs were false lashes made from paper. Inspired by the art of Chinese paper cutting, the false paper eyelash can come in range of designs from butterflies to peacocks.
- **Transfer or stick-on make-up** continues to win over bloggers. There are a number of nail brands offering at-home stick-on versions, especially for designs that would be complicated to paint on from scratch, while transfer eye shadows have been around for some time (there have even been some brands offering lipstick transfers). Bloggers note that this trend can now also be seen in some prestige products, with Dior having come out with a set of eyeliner transfers. They are said to be an alternative for those not steady handed enough to create the winged eye-liner flick. The patches are adjustable and are also re-usable.

P&G president global prestige Joanne Crewes

Brand building

P&G's Joanne Crewes, who was formerly vp global SK-II and female beauty for Asian markets, took on the new role of president global prestige in July. She tells *BW Confidential* about plans for the SK-II skincare brand in Asia and beyond



How are you developing the SK-II skincare brand in Asia?

SK-II is a billion-dollar brand and has become the number-one in skincare in Asia in the past 12 months. This is due to a lot of our propositions that are helping bring new consumers to the category. For example, for our Facial Treatment Essence, which has been around for 30 years, we only have 1.5 million users. There are a lot more people than that in Asia, so the key was to get new users. So we worked with our travel-retail and domestic partners to create a new-user trial kit, which was easy to shop and showed the benefits of the product. Our new-user propositions have helped us grow the number of these consumers by double digits over the past two years.

In terms of markets, we are still strong in Japan, where the brand started 30 years ago; Japan represents about 40-50% of our business. In Japan, we were up 6% last year, despite the category being down by 6%. This is basically because we have been winning with our customers and getting new users. Our Greater China business has also seen dramatic growth: we are now number-one in Hong Kong and Taiwan and grew by 40% last year in Mainland China. In China, however, we still have a long way to go and there is a lot of investment that we need to make to keep driving the brand, especially as we have some very strong competitors there. We are also number-one in Korea, which is now the third largest skincare market—China just overtook Korea as the second largest skincare market. Asia now represents 60% of global skincare sales.

How will you build the SK-II business in China?

We have been building our store universe at about 20% every year in China, and now have 60 doors. What is important is that it is a combination of department stores and increasingly travel-retail. We are also looking at other opportunities where consumers shop, such as online and standalone stores. In Hong Kong and Macau, we have standalone stores, which are doing well. We are looking at a range of approaches to see where the SK-II shopper is going to be and what type of environment she wants to shop in. We also have a very robust program of advertising and support. Tang Wei, a famous up-and-coming talent, is our spokesmodel in China.

You have also just launched a men's line for Korea.

We had a men's product 20 years ago, but we didn't focus on it and we were a little too early with it. The market has evolved since then, as men now focus more on their beauty regime and a lot of competitors have helped drive the category. We discovered we had a lot of secret male usage, so we've brought out a new range, which has all the SK-II elements, but also the features that men look for, such as a cooling sensation. We're launching in Korea, as we feel this is the most developed market for men. ■■■

“

We are setting our sights on how we expand SK-II beyond Asia. Some regions [such as Europe] are big and very entrenched markets so we will look to get into them with respect to our competitors. We need to explore the dynamics of each one

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SK-II

- **Founded:** 1980
- **Acquired by P&G:** 1991
- **Sales:** \$1bn
- **Markets distributed:** 13 (Japan, accounting for 40-50% of sales; US, and Spain and UK in Europe)

P&G president global prestige Joanne Crewes

Will you expand into make-up with SK-II?

We already have foundation and we will soon embark on more make-up, as we are looking to develop scale in that category as well [SK-II has since launched a range of color cosmetics, SK-II Clear Beauty Color Cosmetics in Japan]. We want to be the best global prestige company so we need to get into those big major categories.

What are your plans for travel retail for SK-II?

SK-II is a big focus for us in travel retail. Our travel-retail business is up 40% and there is a lot more opportunity, as we have built an incredible domestic business in Asia. We look at the consumer. The majority of people in travel retail are looking for something new, but there is a second group who look to replenish. For replenishment, we have learned from other categories like wine, liquor and confectionary, in terms of how they help the shopper shop. For example, helping shoppers replenish by having dual packs or a packaging offer from their preferred brand that is easy for them to see and grab.

How are you looking to build SK-II outside Asia?

We are setting sights on how we expand beyond Asia. There are customer requests for SK-II in travel retail and domestic locations. The key is to make sure that the proposition is right for the consumer. Some regions [such as Europe] are big and very entrenched markets so we will get into them with respect to our competitors. Each market is different and we need to explore the dynamics of each one.

There has been a string of personnel changes at P&G, notably the departure of Ed Shirley, vice chairman beauty and grooming. How will this affect the prestige business?

The work Ed Shirley put in place has helped get the business going again and we have had seven quarters of growth in beauty and grooming. In that business those who are at general manager level and above have been around for more than 20 years. There is change, but with continuity. We will continue with what Ed Shirley did, which is to focus on driving the biggest beauty and grooming brands for him and her. We will look to drive harder the elements that are working and if we find areas that are not working as well we will make sure that we don't spend too much money on them, as this is a tough, competitive time. We are looking at the right footprints we need to lay down geographically and channel wise.

You recently shuttered the Zirh business. Will other brands follow?

Based on analysis we thought the right thing was to stop production of Zirh and divert the money into other areas. We have a portfolio of brands and we are going to continue to expand their footprint where the consumer is and where she is shopping. We'll look to be selective about how we play each of the brands out, everything from our billion-dollar brands to our smaller brands to see what is the right geographical and channel footprint. ■

“ SK-II is a billion-dollar brand and has become the number-one in skincare in Asia in the past 12 months due to a lot of propositions that are helping bring new consumers into the category

”



▲ Facial Treatment Essence is one of SK-II's star skincare products. The brand is now moving into new categories: it recently launched a line for men and introduced a make-up range in Japan one month ago

France

Uncertain times

BW Confidential analyzes how brands and retailers in France are reacting to an increasingly challenged market

The French beauty market may be in for another difficult year. According to NPD, the selective market was up by 2% in 2010 over 2009 to reach sales of €2.78bn, while in the first six months of this year, sales saw an increase of 1.2% in value and fell by 0.6% in volume. However, these figures compare to a relatively strong 2010. "The market's results in 2010 helped us return to 2008 levels and made up for the deficit encountered in 2009," explains French selective perfumery association FFPS advisor Bernard Tessier. Yet he notes that his initial forecast for 2011 of 2% growth will be hard to reach. "We will probably finish the year at +1.5%, with a decrease in volume of -1%. We would consider that to be pretty good for what is a tough year," he adds.

Prestige fragrance sales, which account for more than half of the selective market at €1.83bn, were up by 2% in 2010, and grew by 2.7% in the first six months of 2011. Successful women's fragrances this year include Diesel with Loverdose (L'Oréal), a first fragrance from designer Elie Saab (BPI) and continued strong sales from 2010 launches including Lady Million (Paco Rabanne). Classic fragrances, such as Guerlain's Shalimar and Dior's J'Adore, also performed well. Retailers claim the men's market is also faring well thanks to Bleu de Chanel and Paco Rabanne's One Million, which continues to attract new consumers. "While we are seeing some new men's fragrance launches, there are more line extensions—through sport, extreme or eau versions. We would like to have major men's launches—products that are truly original," explains franchise perfumery chain Beauty Success ceo Philippe Georges.

These major launches are coming at a bigger cost, however. Interparfums sales director France Jérôme Thermoz notes that the entry-level marketing budget for a fragrance launch has seen a sharp increase. "The amount needed for a major media campaign three or four years ago now looks like a middle-of-the-road investment," Thermoz explains.

In make-up, meanwhile, sales were up by 4% in 2010 to €404.6m, but by only ■■■



credit: stockxchng

“Year after year it seems that there are more promotions. The competition among retailers is becoming fiercer with a lot of promotions and direct marketing. There is an overdose of this activity, with the consumer telling us that they are saturated

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Decléor France managing director Dominique Le Carou

France prestige beauty sales by category

€m 2010

Category	Sales €m	% change 2010/2009
Fragrance	1,832.0	+2
Skincare	544.8	+1
Make-up	404.6	+4
Total prestige	2,781.4	+2

Source: NPD Group

France

■ ■ ■ 1.3% in the first six months of 2011. Accessibly priced items were the bestsellers, such as nail products, which grew by more than 24% in the period (for the full-year 2010, the category was up by 38%) and lip products, up by 5.8% (+7% in 2010). The nail category, although still a small percentage of the market, was mentioned by all retailers polled as the most dynamic segment this year. At perfumery chain Beauty Success, the retailer's private-label brand rolled out a line of 39 shades at €4.50, which sold out soon after launch. Beauty Success is also testing make-up services, such as quick polish application for €3 in some doors, which will roll out to more stores in 2012.

Skincare in the doldrums

The market's worst performer has been skincare. While the category saw slight growth in 2010—sales of €544.8m increased 1% on 2009—it finished the first six months of this year at -3.1 % in value. Women's skincare sales fell by 3%, while men's products decreased by 4.7%. "Women are still buying products, but they are choosing cheaper items. This is particularly the case for mid-market brands, but entry-level brands are doing well," Decléor France managing director Dominique Le Carou tells *BW Confidential*. Yet luxury skincare brands are holding their own. According to NPD, anti-aging products have been the biggest growth engine due to brand initiatives around pillar lines including Dior's Capture Totale, Shiseido Bio Performance and Estée Lauder's Advanced Night Repair.

Skincare is also facing increased pressure from the pharmacy and parapharmacy channel. Euromonitor estimates that pharmacies accounted for 22.9% of skincare sales in 2010. "More brands are migrating to this channel as they are being marginalized by the selective distribution system," comments one industry watcher. Some of this is due to the development of growing private-label offers and more space allotted to exclusive brands.

Skincare brand Polaar, which until this year was sold exclusively at Marionnaud, launched in 150 pharmacies earlier this year and is counting on being in 350 doors before the end of the year, and in 600 by the end of 2012. "We needed a two-channel distribution and the French pharmacy sector is extremely dynamic. After five years with Marionnaud, we felt it was a good time," explains Polaar president Daniel Kurbiel.

FFPS's Tessier argues that it is up to "traditional" skincare brands, such as Dior, Guerlain, Chanel and Estée Lauder, to retain the skincare consumer. "The more a retailer offers exclusive skincare brands and private-label, the more its sales teams are encouraged to sell those products. It's up to the traditional brands to react to this. If brands launch innovative products but then don't communicate on these products, they'll leave their spot to the competition," he explains.

In reaction to the pharmacy's growing share of the skincare market, some perfumeries are developing their in-store institutes/spas. In December last year, Marionnaud announced it had invested €4m to remodel its 260 in-store institutes and train its BAs to make the institute a central part of the store's offer. ■ ■ ■

Main retail players France

Retailer	N° of doors
Marionnaud	567
Nocibé	450
Sephora	273
Beauty Success	266

Source: Industry sources

“ While we are seeing some new men's fragrances, there are more line extensions—through sport, extreme or eau versions. We'd like to have major men's launches that are truly original ”

Beauty Success ceo
Philippe Georges

France

■■■ Aestheticians are encouraged to be “beauty coaches” to increase post-treatment retail sales. The retailer also introduced new treatments and services that last 30 minutes or less and cost up to €30. Perfumery chain Beauty Success, meanwhile, claims that 95% of its BAs are trained aestheticians and that between 5-6% of the chain’s sales comes from beauty treatments. “Last year we began to put more animations into place for skincare as this product segment is essential if we want to develop our reputation as beauty advisors,” comments Beauty Success’ Georges.

The position of perfumeries

Perfumery chains increased their beauty sales by just 1.7% in the first half of this year and industry sources note that only two out of 10 French consumers buy from perfumeries. Sephora, which has 273 stores in France, is seen as the chain that has some of the most forward-thinking strategies in the market. The retailer continues to develop services, such as lash bars and create a buzz through its niche offer. However, suppliers continue to lament the increasing shelf space given to Sephora’s private-label offer or its parent company LVMH-owned brands.

The situation is a little different at Marionnaud. Brands still bemoan the state of affairs at the retailer. More confusion was caused for brands by the sudden departure of the chain’s managing director for France Miek Vercouteren in September. His role has effectively been taken over by former director of supply chain and systems Christian Autié. Marionnaud has nonetheless declared that it is seeing a turnaround in its business. In January, Marionnaud Group ceo William Koeberle earmarked 2011 as a pivotal year for the group. “In 2009 we worked on the reorganization, in 2010 we started to work again on our points of difference and 2011 will be the year we see the results of this work,” Koeberle told *BW Confidential* earlier this year. He continued: “Last year we did not lose money and we will not lose this year. We saw growth in sales and we were profitable. We have now put the back office in order and we are back in

Mass appeal

Mass retailers such as Carrefour with its Planet store concept, which includes a dedicated beauty area, are putting more efforts into cosmetics. French mass fragrance company Ulric de Varens is developing its shop-in-shops in French hypermarkets and currently has around 20 of these areas, with an aim to have 50 by the end of this year. “Hypermarkets are looking to differentiate themselves and present a more upscale image; they want to be specialists in each category. Fragrance has never been given the environment it needs to stand out. The category needs to be treated differently, and that’s why our shop-in-shop concept is important—we create a whole environment. Fragrance will only flourish in mass if there is a branded approach,” explains ceo Ulric Veillard.

the race with our competitors. What interests us today is the number of stores that we will open and renovate.” The group had laid out plans in the beginning of 2011 to open 25 stores and renovate at least 100 locations in France. It also planned to enhance premium and more accessible brands. Marionnaud is also to unveil its new store concept later this month.

Beauty Success too launched a new look in March 2010, with ■■■

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There is a lack of visibility for brands in terms of what kind of discounts retailers are offering through their loyalty cards or direct marketing operations, which are more discreet, but just as aggressive

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Interparfums sales manager
France Jérôme Thermo

France

■■■ new color codes and design for its stores, a revamped loyalty card and reinforced training initiatives. This year the retailer opened 17 new stores and is rolling out the concept to all of its 266 boutiques in France. "Retailers are clearly showing that they want to mark their territory in terms of the beauty consumer. We are seeing them reinforce their brand image," remarks Interparfums' Thermoiz.

Boosting loyalty

Perfumery chains are looking to hone their loyalty programs. Last year Marionnaud introduced M Prestige, a scheme aimed at the chain's 255,000 customers who spend more than €600 in its stores per year. The card offers invitations to beauty workshops, previews and parties, free gifts from partner brands and free shipping for purchases on its website (which it revamped last summer and now says it is its second door in France), in addition to regular discounts.

However, some brands say there is a need for more clarity when it comes to loyalty cards. "There is a lack of visibility for brands in terms of what kind of discounts retailers are offering through their loyalty cards or direct marketing operations, which are more discreet, but just as aggressive," explains Interparfums' Thermoiz. He continues, "It should not be about simple discounting, but it is up to the brands to work with retailers to offer qualitative items, such as smaller 30ml sizes."

While the FFPS argues that the promotional pressures are unchanged from last year, some brands feel that discounting is becoming more pronounced. "Year after year it seems that there are more promotions. The competition among retailers is becoming fiercer with a lot of promotions and direct marketing. There is an overdose of this activity, with the consumer telling us that they are saturated," notes Decléor's Le Carou.

Return to quality

There is good retail news from the department-store sector. French department store operator Printemps inaugurated its new beauty floor at its Haussmann store, called La Belle Parfumerie, in October. The new concept is centered on luxury fragrance and was created as a tribute to France's perfumery heritage. The store's Scent Room, devoted to niche brands and inaugurated in 2007, has been expanded to accommodate in-store boutiques from brands including Hermès (its first fragrance-only retail concept worldwide), Serge Lutens, Frédéric Malle and Tom Ford. The floor also features a skincare area with a Clarins Skin Spa, a Carita counter and make-up space with newcomers including Bobbi Brown and Nars. The beauty area's main skincare area, on the second floor, is next in line for a renovation. Industry sources say that competitor Galeries Lafayette also has a new beauty concept in the pipeline for its flagship Paris store.

The French market has its fair share of challenges, and analysts also worry about the impact next year's presidential election in the country will have on sales. Historically the effects of elections have been negative. While it is hoped that the end-of-year holiday season will provide a much needed boost, the market in 2012 is forecast to be stable at best. ■

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The more a retailer offers exclusive skin-care brands and private-label, the more its sales teams are encouraged to sell those items. It's up to traditional brands to react to this. If brands launch innovative products but then don't communicate on these products, they'll leave their spot to the competition

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FFPS advisor Bernard Tessier



Luxe Pack Monaco

Innovating outside the box

There was a wealth of innovations on show at the Monaco luxury packaging show, which took place from October 19 -21

This year's Luxe Pack Monaco show was deemed one of the best editions of the event in several years by both exhibitors and visitors. The show saw a record number of visitors, with numbers up by 11% on 2010 to 6,355 (and this in spite of worries by some observers prior to the event that there would be an impact on attendance given that the Tax Free World Exhibition held in Cannes did not run concurrently as in previous years). There was also a wide range of new product introductions and innovations on show. "This year was extremely rich in product newness; some 60% of exhibitors now use Luxe Pack Monaco to present their latest innovations for the first time," said Luxe Pack Monaco show director Nathalie Grosdidier.

Exhibitors were also positive when it came to the outlook for the industry. The view was almost unanimous that the current economic turmoil has not yet impacted business. "There is a lot of media hype about the current crisis. For our industry it is very doubtful that we will re-live the situation in 2008, as companies then suffered because they were over-stocked with product," comments SGD perfumery division marketing director Valérie Jacob. HCP president France Eric Firmin agrees: "This will not have the same impact as 2008, which was really the first time the beauty industry was badly hit by a crisis. Also, many companies are stronger in emerging markets now which could help compensate". Paper manufacturer Stora Enso sales director France Hervé Vue also points to the strength of the luxury business. "There is always a [time lapse] between the economy and what happens in the industry. But at the moment, we are not seeing any impact—clients are ordering and the machines are turning. When you look at the growth of the luxury goods groups, it's hard to imagine that they will be affected. It's also now a global market and emerging markets will likely make up for any slowdown in Europe." ■■■

Key trends from the show

- A growing divide between luxury and mass, especially in fragrance in terms of packs, merchandising and overall presentation.
- A return to flankers and more demand for small sizes of fragrance.
- A focus on travel-sized products.
- More re-fillable fragrance items, either in full-size bottles or in small-sized refill sprays that can be used for travelling.
- Applicators, such as mascara or lip brushes, used as the differentiating feature of the product. There is a trend for dual applicator packs that allow users to customize the product (for example combining a mascara and lipstick). Albéa external communications and brand identity manager Marjorie Vincenti notes that the company is doing more research into how consumers apply product in different regions. While regional tastes have long been taken into consideration for the formula, they are now only beginning to be looked at in terms of packs and applicators.
- Applicators that resemble those used in pharmaceutical products. "Consumers increasingly feel that dispensing systems that look like those seen in the pharma industry are more serious or work better," comments MWV market & consumer insights manager Eva Martin Fernandez.
- Packs that incorporate more electronic or interactive components.
- Packaging that reflects the product formula inside. For example a pack design that represents a make-up formula that changes texture upon application or with the light.

Luxe Pack Monaco

Took place: October 19-21

Exhibitors: 350

New exhibitors: 30

Visitors: 6,355, +11%
vs 2010 (52% of visitors
from outside France)

Luxe Pack Monaco

■■■ Innovations on show

US brush maker **Anisa** presented its Flattop Sponge (pictured). The product, an oversized sponge with a long handle, aims to provide the benefits of a sponge with the control and ease-of-use of a brush. Anisa also showed its Safari Chic collection, which features animal print designs on the brush fiber, and a kabuki collection, with brushes in different shapes inspired by buildings in cities like Shanghai, Dubai and London.



Albéa unveiled two new lipgloss applicator ranges. The Neopro collection is a range of six non-flocked spatulas, which claim to provide more flexibility and precision in application, while delivering the 'perfect dosage' of formula. Each spatula in the range has a different use depending on the formula type. The second range on show was SpinArt (pictured), which is intended to magnify the shiny effect of lipgloss and provide deeper coverage of the formula. The SpinArt range consists of three lipgloss applicators: Volume, a simply shaped flock applicator with various wiper and shaft options; Silhouette, a curvy shaped applicator, which is said to fit the shape of the lips, and Mars, which has a non-flock slanted tip that claims to add definition.



DuPont presented the possibilities of its Surlyn 3D technology, which is overmoulded on plastic bottles to provide a greater volume and a more premium image. In addition, it unveiled the next generation of the Linkx material. Linkx, developed in collaboration with glassmaker Bormioli Luigi and plastics company Pibiplast, is essentially a glass bottle (using Sparkx glass by Bormioli Luigi) with an overmoulded Surlyn shell. The latest example of the Linkx product shows the possibilities in terms of internal and external decoration, shapes and the thickness obtained from using the material.



Aptar Beauty + Home presented a new design technique that allows brands to add an accessory or small object to the dip tube of a fragrance bottle. Called Magic Inside (pictured), this new patented design can be used to personalize and differentiate limited editions, or as a tool to reinforce the brand name from inside the bottle. Magic Inside is compatible with all perfume pumps and Aptar advises on materials that can be used to avoid interaction with the fragrance.

Germany-based brush manufacturer **Geka** showcased its VolumeMagnet mascara. The twisted brush has two application zones: one for the upper lashes and another for the lower lashes. The brush also features 'Hypno cut' grooves, where formula can be deposited to create a volume effect. Also on show was the VolumaticBrush, which is a one-sided applicator that acts like a comb to separate lashes and give a lengthening effect.

Jackel LF Beauty presented a range of electronic beauty devices, which are the fruit of a division the company created six months ago called Instrumental Beauty devoted to the device market. On show was the Skin Warmer Cooler, a device that features temperatures from 5°C to 45°C. The higher temperatures are used to relax the skin, promote blood circulation and discharge toxins, while the cooling system is said to reduce under-eye puffiness and revitalize the skin. Other items included make-up compacts that incorporate a screen that can be used to watch videos (of make-up lessons for example). The company also unveiled its Beauty Bracelet (pictured), a silicon bracelet into which a lipstick or perfume can be inserted in response to the growing trend for portable products. ■■■



Luxe Pack Monaco

■ ■ ■ Sweden-based paper maker **Korsnäs** unveiled its new Artisan board. The board has as a smooth, soft touch surface and is aimed at the premium segment. It is also high-white and made of 100% virgin fiber. The company also presented Korsnäs Wave, a stretchable, tactile kraft paper with a wavy surface texture. Its applications include shopping bags, gift packs and it can also be used as a substitution for plastic.

Glassmaker **SGD** presented decoration techniques for glass bottles and jars (pictured) for skincare and make-up, two product categories that it is putting more focus on. On show were bottles featuring a decorative plate-like effect; bottles decorated with different inks to produce special effects in terms of texture and reflection, and glass with a sparkling lacquering technique, which highlights color, light and texture. "There are now a multitude of decoration possibilities that didn't exist before and we want to show this to clients who are now thinking about coming back to using glass," says SGD perfumery division marketing director Valérie Jacob. "There is a definite return to glass in skincare, as the category goes more premium, and also because glass is reassuring, heavy, bright and recyclable," she continued.



Rexam presented Panache (pictured), a new spray technology that is said to deliver a continuous, airy light and dry spray for fragrance. Rexam claims that the droplet size of Panache is 33% lighter than regular sprays, up to 40% drier and six times longer lasting. "Panache creates a new gesture for fragrance: the sensation is like walking through a gentle, deep and long-lasting cloud of fragrance," comments Rexam personal care division product manager fragrance Samira Chmiti. Panache was used for Chanel's No 19 Poudré fragrance. The spray is also propellant free and can be used as a sustainable alternative to aerosols for deodorants.



Sweden-based **Iggesund Paperboard** boasted its sustainable credentials at the show. Iggesund claims efforts to operate its mills in Sweden and in the UK exclusively on biofuel will mean it will have the lowest fossil carbon emissions in the world of any paperboard manufacturer. The company has invested €361m over the past two years to transform the energy systems at its mills in Iggesund, Sweden and Workington, UK. The move was driven by a need to ensure long-term energy supply and due to an increasing demand from brands for more information about carbon footprint.

Iggesund also revealed that it will present the work of designer Sebastian Onufszak in an event in Hamburg, Germany on November 15 as part of its Black Box Project. The project, which debuted a year ago, asks leading designers to fill a 'black box' with contents that test the performance of Iggesund's Invercote paperboard. Exhibitions have already taken place in Paris, London, Amsterdam and New York.

US-based **MWV** revealed that it has doubled production of its Melodie fragrance pump at its plant in Barcelona, Spain. The expanded capacity, which represents a sizeable investment, will enable the group to improve the efficiency of its supply chain and offer more support to customers. "Our focus on innovation and customer services helped us during the crisis. We have had a record year in fragrance and gained market share and we are now the number-two in Europe," says MWV president beauty & personal care Thomas Jonas. He outlined however, that the market has been challenged by less availability of metal since the crisis in 2008 and high prices of resin at the beginning of this year. ■



Rituals does Brazil

Netherlands-based brand Rituals opens its first store in São Paulo

Dutch wellbeing-based brand Rituals opened its first store in Brazil in September with a focus on service at accessible prices. The 230m² (2,475ft²) store on São Paulo's Oscar Freire street, follows the same general design of the brand's other stores around the world. It offers more than 400 skus for the body and home, all at prices that are very competitive with local players.

A big focus is put on product testing and learning about the product. In the center of the boutique there is a large stone sink, aimed as a focal point for consumers to gather and sample product. Here, beauty advisors are also on hand to explain the products and the rituals associated with each item. There are also small folders placed on shelves around the store to explain the brand's concept and story (each product has its own story based on a traditional ritual). The store also features a VIP lounge. In a bid to further boost the service level, Rituals will open a spa on the upper level of the boutique.

In addition to the boutique, Rituals has opened a kiosk at Shopping Plaza Paulista, also in São Paulo. The company plans to roll out four more stores in 2012. With the launch of the store in Brazil, Rituals now operates in a total of 11 markets worldwide. ■

Rituals

- **Size:** 230m² (2,475ft²)
- **Location:** São Paulo, Brazil
- **Opened:** September
- **Special features:** Focus on explaining and sampling product, VIP lounge; a spa due to open on store's upper level

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