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Color challenge

A look at how the make-up category is faring in light of the slow economy *by Imogen Matthews*

As the storm clouds continue to gather over the global economy, many are speculating on the impact the climate will have on normally safe categories, such as make-up. Although it is probably too early to say, there is a bullishness amongst retailers and suppliers that suggests that make-up sales will hold firm. "Even high-priced make-up items are not particularly expensive, making them affordable to most people," argues US research group Kline & Company director consumer products research, Carrie Mellage.

Others, including Ian Marshall, managing director of Benefit Europe, believe that make-up is a good place to be during a tough trading period. "History tells us that cosmetic products are some of the last things to be cut from a girl's shopping list." And there are many aspiring teens who are unlikely to cut back their expenditure on items they see as essential.

However, there are signs that consumers are becoming more price conscious as they realize that high prices do not always equate with better quality. Investment by multinationals L'Oréal, Procter & Gamble and Coty into research and development has led to a strong masstige sector. As a result, premium brands such as Lancôme are potentially more vulnerable to masstige ones, which are seen to offer better value for money. Research company Euromonitor expects to see an upsurge in promotional activities with manufacturers offering discounts, limited editions and gift packs, as competition intensifies between these two groups. "It will become increasingly hard for players who do not have such deep pockets," comments Mellage. "Smaller brands may have more success in specialty stores."

Make-up builds BRICs

Globally, sales of make-up are buoyant, reaching \$40.4bn in 2007, according to Kline, and increasing by 20.6% over the past five

years. Latin America recorded the fastest growth in 2007, up 14.9% on 2006, which is indicative of the strength of the Brazilian market. "BRIC [Brazil, Russia, India and China] markets offer good opportunities," points out Euromonitor cosmetics and toiletries analyst Oru Mohiuddin. "Women in these markets have greater disposable income and are increasingly taking to color cosmetics, including face make-up." Euromonitor figures predict annual growth in make-up in China at 11%, Brazil at 7%, Russia 5.3% and India 22% between 2007 and 2012. Foundation and concealer have been driving growth in the face (complexion) make-up category, adding almost \$2.5bn globally, reports Euromonitor. Globally, growth has been driven by emerging markets as well as product innovation and fashion trends. In particular,

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Benefit Europe md Ian Marshall

younger women with higher disposable income are responsible for growth. "These are working women who are greatly influenced by western fashion trends and increasingly making use of foundations and concealer," says Mohiuddin.

Another key trend in face make-up is for mineral based make-up (see p. 28), which addresses concerns over synthetic ingredients. The trend is led by Bare Escentuals, which started out small and is now the largest foundation brand in the US, according to Kline. "A lot of mainstream brands are trying to mimic their level of success," maintains Kline's Mellage, citing Maybelline, Revlon and L'Oréal Paris as making an impact. Currently, Kline sees eye make-up as the fastest-growing segment. "We see different cycles in [the category], so 2007

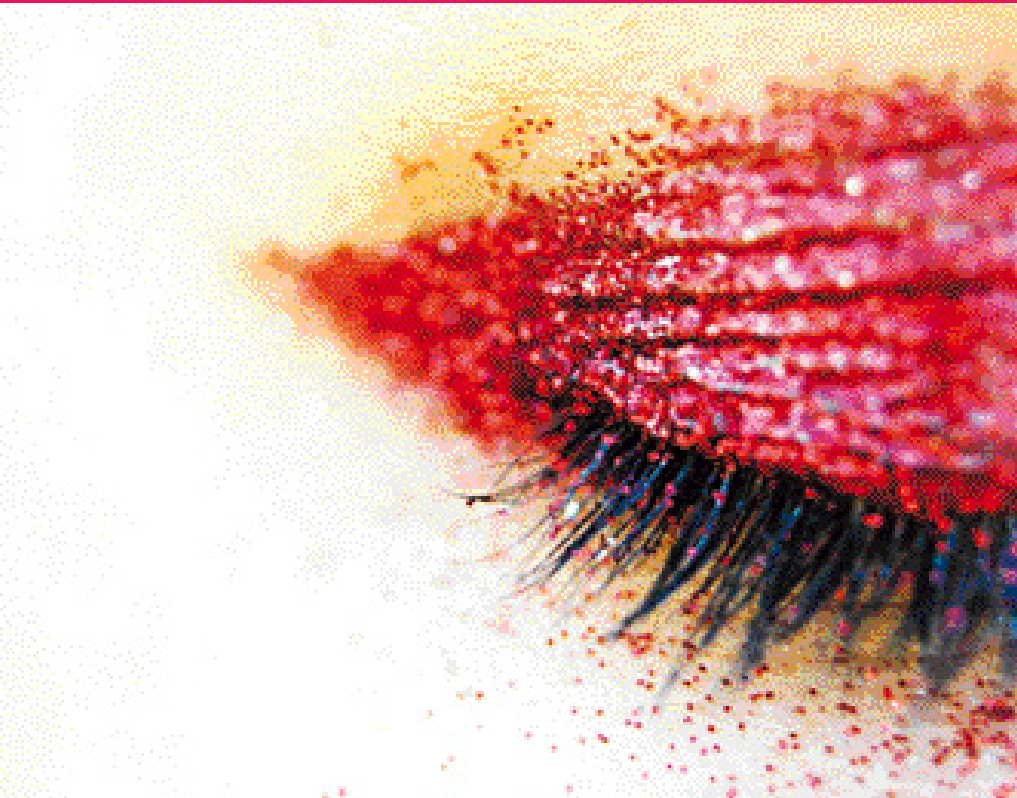
has been the year of heavy eye make-up. In 2008 we expect to see lips as the main driver," predicts Mellage.

In with the new?

The make-up market is driven by innovation, although it is generally a variation on old themes, rather than true newness. Foundations with anti-aging formulas have been around for a while, but more brands are launching in this sector in order to tap into the lucrative older demographic. "Manufacturers are trying to compete on the basis of something novel," says Euromonitor's Mohiuddin. "[They] have to provide products that either have a natural positioning or offer crossover benefits such as anti-aging. A combination of both is an ideal solution."

Mascara has seen a lot of innovation, with new products promising volume and lash-lengthening properties. One of the more interesting new products is Estée Lauder's battery-powered vibrating mascara, which borrows from electric toothbrush technology. Only time will tell if the consumer sees it as a gimmick or a true innovation in mascara technology. UK retail design company Sheridan & Co managing director Michael Sheridan thinks it likely that the make-up market will see more of this kind of development. "Formulas may not be enough," he claims. "There is a need to be more innovative with ways of application that differentiate." Sheridan also sees companies looking for more cost-effective ways to produce products, such as water-based lipsticks that need less pigment.

Men's color is also getting some attention, with new brand activity in both the mass and premium sectors. Yves St Laurent has reworked its iconic Touche Eclat concealer, originally launched in 1992, in a men's version. Jean Paul Gaultier has also redone its men's grooming and color line, referring to the new Monsieur range as "aesthetic enhancement" products in a neat



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avoidance of the term make-up. Meanwhile, UK brand Taxi London has branched out into men's cosmetics with the launch of its Guyliner and Manscara, which have gone into UK Superdrug stores. But the jury is still out on whether the average man will ever be tempted into uncharted female territory.

Men's make-up may be a step too far for most retailers, but the pressure is on to find the next big brand. "Retailers need to find ways to bring in new brands, but the cost of entry is quite high, which puts off young brands entering the mainstream market," says Sheridan. "Retailers should be thinking about changing the entry levels to give young brands a chance."

The retail focus

Selfridges Living Beauty is meant to be an incubator for new brands, but few are able to make that next step to compete with the big players. Sheridan cites US department store Barney's beauty area as a retail space that is doing it right, with its emphasis on customer personalization. "Engagement is a key word at the moment. Everyone is looking for value, price and an experience," he affirms. Kline's Mellage is concerned that beauty retailers are focusing more on skincare at the expense of make-up as price points tend to be higher. "Make-up is a headache to maintain as there are so many shades and skus," she points out. "They can do more to help boost sales for make-up, which is an impulse item." US discounter Target, for example, sells Maybelline's top-selling mascara in the check-out line. Mellage suggests that

retailers should run more in-store events aimed at helping and educating the consumer. For example, the four-step process to apply mineral make-up correctly lends itself to demonstration. "Demos help to drive sales, especially with mass brands," maintains Mellage.

Euromonitor's Mohiuddin agrees that more promotional activities are needed to sell make-up, stressing that the relationship between manufacturers and retailers is symbiotic. "Both parties have a stake in promoting product," she affirms. "Retailers can help with price and counter-shelf positions, while manufacturers can invest in product development and advertising." She believes that retailers should reduce their margins to boost sales and allocate a more strategic floor space to increase the products' visibility. Global make-up sales look secure in the short-to-medium term, with growth of 5.4% predicted by Kline over the next five years. However, this can only be achieved as long as the industry maintains its focus on newness and promotional activity. "It's important not to cut back on marketing spend, as this could damage overall sales," warns Mellage.

Should make-up sales take a turn for the worse in western markets, there is hope for strong growth within the BRICs, and in India and China in particular, where Euromonitor predicts the segment will grow by 21.5% and 11% respectively by 2012. Mellage points out the importance of the burgeoning youth market in India and China: "These younger consumers are into colors, shimmer and sparkle, and are only just developing their usage patterns." ■

Global make-up sales* by region \$bn 2007

Region	Sales \$bn	% change 07/06
Europe	13.1	+6.2
Asia	11.9	+4.5
North America	10.4	+4.1
Latin America	3.4	+14.9
Other	1.6	+5.9

*Retail sales price
Source: Kline & Company

Global make-up sales* by category \$bn 2007

Category	Sales \$bn	% change 07/06
Face	15.5	+4.8
Eyes	11.2	+7.5
Lips	10.4	+5.9
Nails	3.3	+4.0

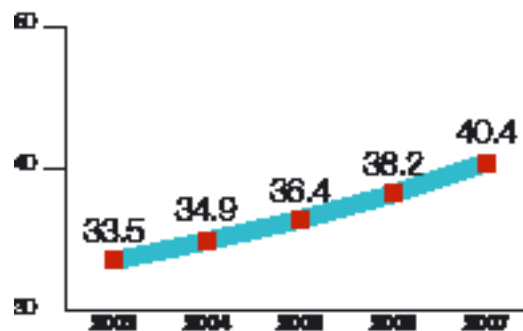
*Retail sales price
Source: Kline & Company

Global top-10 make-up brands 2007 by % market share

Brand	% share
Avon	6.1
Maybelline	5.7
L'Oréal Paris	4.8
Cover Girl	2.5
Mary Kay	2.5
Lancôme	2.5
Clinique	2.3
Revlon	2.2
Max Factor	1.9
Estée Lauder	1.6

Source: Kline & Company.

Global make-up sales* 2003-2007



Source: Kline & Company

*Retail sales price