



BUSINESS RESOURCE FEATURES

In-Cosmetics: post-recession strategies

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The global slowdown has hurt the cosmetics and toiletries industry recently, but there is optimism in the sector. At the recent In-Cosmetics exhibition, a number of key strategies for future growth were discussed.



In-Cosmetics

Key themes

- ▶ Emerging markets are key growth areas
- ▶ The BRICs are still powerhouses, but Russia is suffering
- ▶ Companies need to be aware of recession-induced changes in consumer behaviour
- ▶ Budget beauty is no longer a taboo
- ▶ Innovation can stimulate growth - key areas include nutracosmetics, home skincare devices and natural personal care
- ▶ Consumers are looking for new anti-ageing solutions

The cosmetics and toiletries (C&T) industry has, like many others, felt the effects of the recent recession. But, with a recovery in sight, several industry insiders spoke of new ways forward at the In-Cosmetics exhibition in Paris last month. WGSN picks out the key themes.

Future growth and the emerging markets

Many industries are talking up the potential of the emerging markets to help balance a slowdown in more traditional regions, and for the C&T industry it is no different, according to Irina Barbalova, Euromonitor's industry manager, C&T.

"2009 was one of the toughest years for the industry over the past decade, but I believe the bottom has been reached," she said. "Emerging markets are set to pull us out."

Her reasons are based on the latest Euromonitor data showing that the fastest-growing markets in 2009 were Latin America, the Middle East and Indonesia, which she said were being dubbed "the next BRIC".

The BRICs (Brazil, Russia, India and China) remain growth powerhouses although Russia is suffering a blip, along with the rest of Eastern Europe, due to its dependence on the commodities market, which has been hit hard by the recession, Barbalova said. Latin America, Taiwan and South Korea are also markets to watch.

The industry in the recession

Although the industry has suffered from the effects of the global financial crisis, on a rolling average basis since 2004, the industry has grown 4.6% to be worth \$300bn in 2009, according to Kline.

Some regions are performing better than others, however, with Europe and Japan losing share to emerging markets, such as Asia and the BRICs, which have recorded double-digit growth.

Globally, skincare is the largest and most resilient category, accounting for almost a third of sector retail sales, with average growth of 5.6% between 2004 and 2009. Fragrances have been the biggest losers in the latest recession, falling by over 2%.

Skincare is the only category to show growth in the US personal care market in any of the last five recessions.

About the event

In-Cosmetics, which took place April 13-15, is a leading international exhibition for personal-care ingredients. Visitor numbers rose 26% on the 2007 record to reach 7,839 across the three-day event.

"By 2014, Asia will catch up with Western Europe and even overtake it as the largest regional force," Barbalova added.

Consumer behaviour has changed

The recession has led to some crucial shifts in consumer spending habits. According to Barbalova, the changes the C&T industry needs to be aware of include consumers being more thrifty, being greener and spending more time at home and online.

"Manufacturers are faced with a change in the consumer mindset," she said. "Consumers no longer live to shop, they shop to live."

The changes have seen budget beauty no longer being taboo as discount retailers launch cheap lines, while mass-market brands are fighting back by focusing on value, added benefits and promotional giveaways.

There has also been a move to smaller packaging and brands are streamlining their portfolios, an example being P&G dropping the Max Factor brand in the US.

Innovation can stimulate recovery

One way of boosting sales is through innovation, with Anna Ibbotson, industry manager at research company Kline, saying that the introduction of affordable and high-performance skincare in mass-markets resulted in the growth of the entire sector in the 1990s.

The following decade product innovations such as pore strips, antibacterial hand sanitisers (in response to the swine flu scare) and battery-operated toothbrushes were all winners while successful retail innovations included online sales, home shopping TV channels and vertically integrated speciality stores.

Looking further ahead, Ibbotson highlighted three potential growth platforms for the future:

- **Nutracosmetics:** "beauty from within" has had limited success to date and needs a winning value proposition for consumers to embrace.
- **Home skincare devices:** a totally new product category with the potential to grow the business. At-home skin maintenance improvement, laser, light and more. "We must wait and see whether it's a game-changer," said Ibbotson.
- **Natural personal care:** already a \$2.1bn business, with growth of 18.9% in 2008. "We believe it may represent the next growth platform for the personal-care industry as more consumers actively seek out naturals."

New anti-ageing approaches

Women in the 40-55 age group are looking for new alternatives to traditional anti-ageing procedures and cosmetics, according to a study by French consulting agency BEING. Two of the major alternatives are aesthetic medicine and anti-ageing soft medicines, both of which are moving towards a natural focus and a holistic philosophy.

Aesthetic medicine is experiencing a real boom, with consumers as young as 30 prepared to use Botox for prevention. Its success is down to a shorter recovery time than surgery, more natural results and more affordable techniques.

"However, consumers want the same long-lasting results as you get with surgery," said Marie Alix Leroy, beauty consultant at BEING.

Soft medicines, meanwhile, sit alongside more traditional skincare and include anti-ageing relaxation techniques such as massages, facial yoga and sleep; skincare ranges sold with acupuncture massages; ayurvedic cosmetics; and cosmetics brands working with nutritionists.

"Consumers have tested these alternative methods after having unsuccessfully tried other anti-ageing remedies," said Leroy. "They like them because they are 100% natural, non-aggressive and can be used long-term. But they require patience and regular application to obtain convincing results."

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