

The ever-popular trends presentations consisted of a full three day programme at this year's In-Cosmetics show in Barcelona (4-6 April), with 1490 people attending, up 6% on last year's Berlin show.

Global overview

Latest Euromonitor data for 2005 puts the value of the global C&T market at \$253.6bn, up 8.2% on 2004. Claire Briney (Euromonitor), explained that this apparent growth is due mainly to the weakness of the US dollar and strength of other currencies, such as the euro. However, industry players are rising to the challenge of a tough marketplace by looking for new approaches to add value to their offer. "Retailers seem to be reconnecting with customers with specially focused in-store zones, nail bars and fragrance bars for example," commented Briney. She pointed out that across the various product sectors there appears to have been a new take on innovation and creativity with, for example, consumers' holistic and well-being needs being listened to and met with offerings from non-niche players.

Briney gave a breakdown of growth categories by region, with a special mention for Brazil, one of the world's three emerging markets. Growth here has been fuelled by the hugely young demographic, with 60% of Brazil's population aged 30 or under. Elsewhere, the largest region remains Western Europe, taking 30% of global sales and up to 2.6% year on year, followed by Asia Pacific, worth \$63bn and up 5%. Japan accounts for over 50% of Asia Pacific's turnover, but growth is slightly less at 2.9%.

Worldwide, hair care is the largest category, worth \$51bn, with the largest sector of shampoo accounting for 29% of the total. Salon hair care has been growing in importance. It is now worth 9% of global hair care and is particularly strong in the US where 30% of sales come from professional hair care brands. Growth factors in global hair care include increased segmentation addressing new consumer needs, a trend for upscale mass brands and ethnic hair care.

Age potential

The over 50s are a growing, yet largely ignored demographic group by beauty companies, despite the fact that anti-ageing skin care is driving innovation. Bob Wilmott, director of UK marketing consultancy Diametric, maintained that age



A new direction

Targeting the over 50s, the growing importance of natural and organic ingredients and innovation as the main driver in today's C&T markets were the key themes at this year's In-Cosmetics trends presentations. Imogen Matthews reports

should not be a factor when targeting the over 50s as three out of four say they feel 75-80% of their chronological age. "People are drawn in by an age-based approach, but if you market by age you fall down quickly," he said. "The most successful brands are those addressing specific needs and developing micro niches," he pointed out, stating that understanding specific consumer segments is the key to success.

High disposable income amongst this age group has led to many opting for cosmetic surgery, with opportunities for Botox-style skin care, anti-tiredness treatments and smoke protection formulas. Wilmott also stressed the importance of keeping communication simple if the over 50s are to understand new segments. Brands are in danger of stretching their credibility with this age group as they bow to pressure to prove they are effective. His advice was for brands to avoid generalisations and also to "keep it real" if they are to impress this demographic group.

The tendency is for brands to regard the over 50s as one homogeneous group, yet over the age of 60, women have quite different skin care

needs. Marie-Alix Leroy, of Yin Group, explained: "At 50, women are still trying to turn back the clock. At 60 they are wanting to preserve what they have," she said, stressing that the industry is still focused on change rather than maintenance. Skin dryness and skin sensitivity is a big issue for women over 60, including xerosis and itching, "crepe paper" wrinkles and yellowing skin tone. These older consumers prefer to use pharmacy or low profile brands which do as they say and contain ingredients they can understand.

Leroy had several suggestions for brand concepts aimed at this older demographic. The first was the idea of a brand with an ingredient that can be memorised and tells a true story. Linking skin care to food and drink addresses a common need as the skin needs to feed and drink. A beauty bar where consumers can eat and drink as well as discover the new "Drink and Eat" range for the skin was Leroy's suggestion. Another is for a brand to be transparent by showing the laboratory setting in which products are made to allow consumers to see the manufacturing process. She drew on the example of Japanese restaurants where the food is prepared in front of



you. "The over 60s want to know everything," observed Leroy. "Friendly science will explain the products so they don't need a dictionary to understand."

Marketing to teenagers requires a completely different set of skills, as pointed out by Beiersdorf's Nicola Perl in her presentation. Research carried out by Beiersdorf for the development of teenage skin care range Nivea Young showed that teenagers are difficult to target as they are not one homogenous group and change rapidly. Initially, they are concerned with getting rid of spots but as they mature they perfect their face care routine, wanting to avoid skin problems and achieve healthy looking skin. A key change is when they start buying for themselves and start to build a relationship with brands. "The brand relationship happens mainly between 12 and 17," she maintained. "At this age 80% of teenagers have found the right brands and tend to stick to them." She observed that if teenagers have a positive experience with brands then they will show strong loyalty.

Innovation is key

The growing number of product launches in skin care and colour cosmetics is testament to companies' investment in new innovative technologies. According to Mintel's global new products database (GNPD), there were 43,758 new launches in cosmetics and 31,836 in skin care worldwide between 2004 and 2006; anything that is new in a particular country is counted, even if it launches elsewhere.

Speakers David Jago and Lynn Dornblaser highlighted trends for cosmetics and skin care, including ingredients which are the focus of scientific formulations and those of a natural origin. Examples include:

It was standing room only at many sessions

- Functional ingredients for cellulite reduction: Nivea's Goodbye Cellulite Patch containing L-Carnitine.
- New anti-ageing ingredient: Siberian plant used in Origins Youthtopia, known for its ability to retain moisture.
- Source specific ingredients: cactus flower in Avon Planet Spa Arizona Hot Sands.
- Royal Jelly in cosmetics: Helena Rubinstein's Wanted Rouge Lipstick, claiming to enhance colour pigments and nourish for up to six hours.

Mintel's trends to note are:

- Brands offering a salon experience at home: Salon Bronze airbrush tanning and L'Oréal Body Expertise PerfectSlim Pro Electric Cosmetic Kit for cellulite reduction.
- Brands offering dual benefits: Biotherm's White Detox C+, a whitening and exfoliating skin care product.
- Portable products in smaller formats: Cargo's Daily Gloss Color Cards wallet sized eyeshadows on cards in a tin.
- New forms to enhance functionality: Avon's Daring Definition Mousse Mascara.
- Customised functionality: the Mademoiselle Bigondi range of facial creams to which the user can add different liquids, such as an anti-smoke formulation.

Many new brands were big on claims and new benefits, reinventing existing claims or making them more mainstream. Mintel gave many examples of new products that represent growth areas, such as hair care products for relaxed hair in Afro/American women and L'Oréal Glam Shine Lip Plumping Lipstick.

The real demand for innovation has led to the emergence of high-end markets for skin care and hair care, according to Gillian Morris, industry manager for management consultancy Kline & Company. "Over the last five years there has been a blurring of mass and prestige.

We are seeing innovative raw materials in mass channels," she confirmed, highlighting three product categories which have enabled personal care to improve. Firstly, silicones have allowed new product classes to develop, such as new generation anti-perpirants and sticks that are transparent and leave no residue. Secondly, delivery systems have brought huge innovations to anti-ageing skin care. For example, vitamin C derivatives can now be stabilised and more effective active delivery means improved or enhanced penetration and longer shelflife. Thirdly, speciality actives are an important trend in anti-ageing skin

Some products are more innovative than they're given credit for

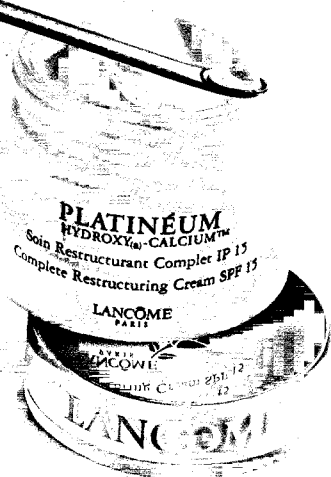
care (peptides) and anti-cellulite body products, with many different actives derived from the Amazon region.

According to Morris, the average consumer does not realise the level of innovation that goes into some products. For example, Lancôme Platinéum Hydroxy Acid Complex has a complex delivery system and multiple actives. This is why the product retails at \$108 for 1.7oz. Similarly, Estée Lauder's Perfectionist Power Correcting Patches cost £80 for eight pairs because they contain a controlled release peptide in patch technology with pharmaceutical applications. Morris also gave examples of innovative products, including Strivectin Wrinkle and Stretch Mark cream, Listerine Pocketpaks breath freshener strips and Borba outside and inside beauty products.

Naturals & organics

Euroonitor's Claire Briney discussed the growth in importance of products containing naturally derived ingredients, which has a strong link with the food market, where consumers are choosing natural and organic. According to Briney, consumers are now transferring health and wellness trends from food into cosmetics. Examples of food ingredients in beauty products include soy, aloe vera, milk, rice, fruits and green tea.

"Key growth sectors for natural cosmetics and toiletries include baby products, bath and shower products and hair care, where consumers worry about the absorption of potentially harmful chemicals into their skin and hair," stated Briney. Sectors where there have been high profile product health scares because of synthetic ingredients are expected to offer considerable opportunities for organic cosmetics. Oral hygiene, deodorants, liquid soaps and skin care are expected to be key for organic product

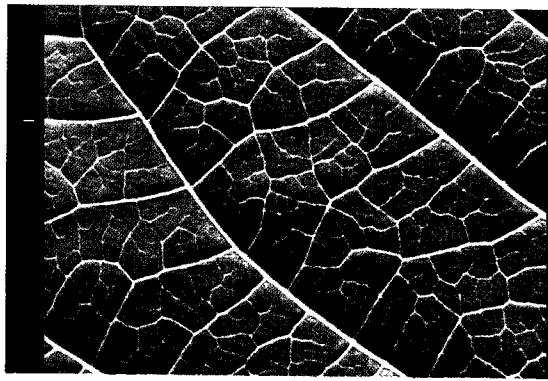


manufacturers if they are able to capitalise on consumer perception that organic equals safer and healthier.

Briney warned that the use of the term natural is largely unregulated with manufacturers taking advantage of consumer ignorance. "This demand has prompted many manufacturers to jump on the bandwagon, using the terms organic and natural in their brand names, marketing and promotional material, which has resulted in a remarkable number of new products in developed markets."

At present, individual countries have their own associations concerned with the certification of organic and natural ingredients, but are jointly working towards European harmonisation. This issue was discussed by a panel consisting of Ricardo Anouchinsky (AIAB), Harald Dittmar (BdiH), Valerie Lemaire (Ecocert) and Helen Taylor (The Soil Association). Each organisation provided an update on the level of trade and consumer interest in natural and organic products, with each country experiencing significant growth. A common concern is to fight against misleading information and for each organisation to create a market intelligence network. Lemaire talked of the need to have a common logo and common standards: "Each country has additional requirements to the minimum standards set." It is likely that this will result in two labels, one for natural and one for organic products. Eventually, it is expected that standards will be extended to non-European countries.

African botanical ingredients was the theme of Dr Joerg Gruenwald's presentation outlining the work of Phytotrade Africa, a non-profit organisation representing products in South Africa, whose goal is to develop income opportunities from



The use of the term natural in cosmetics is largely unregulated

natural products for low income rural people. Gruenwald highlighted several ingredients from indigenous plant resources, including Ubuntu Natural, a new range of African natural lipids which are GMO-free and produced in accordance with clear social and environmental guidelines. "Cosmetics is among the fastest growing segments in cosmetics," stated Gruenwald. "Traditional African plant species and ingredients offer a wide range of opportunities for new formulations and clinically tested products."

Purchasing behaviour

The conflict between outer and inner beauty was the theme of Mike Branson from UK marketing consultancy Pearlfisher. He explained this in the context of consumers wanting to have it all yet showing that they care about other things, such as ethical values when purchasing beauty products. "In our lives we have a whole series of needs which all fight for space and satisfaction," commented Branson. The four needs consist of:

- Exchange - with other people, information.
- Expression - our individuality, the way we dress and think.
- Acceptance - about belonging to the community, accepting other people and being accepted.
- Community - feeling connected, urban living.

A further dynamic is that of inner and outer direction, or doing things to develop or express ourselves versus doing things to impress others.

Branson came up with solutions for beauty brands on how to resolve this conflict, such as defining your own kind of "good". Estée Lauder Companies, for example, supports Breast Cancer Awareness. Another way is to stick to the truth, such as Dove has done by using real models in its Campaign for Real Beauty. Creating desire can also help brands with a worthy organic or ethical positioning move mainstream, such as

Green & Black's did by launching the first organic chocolate bar.

Consumer purchasing behaviour was scrutinised further by Daniel Bone, analyst for Datamonitor. He referred to the crossover between the health and beauty markets, with 77% of European and US consumers thinking that good grooming and hygiene are as important as diet, nutrition and exercise. "From a marketing perspective it is easier to make the link with health and well-being and is a way of gaining acceptance of organic and natural," he said. Bone talked of the need for personalised solutions (IMX cosmetics using cutting edge technology for custom-made cosmetics), on-the-go convenience (the need to develop products for the workplace and gym) and the sensory trend. "Most brands focus on just two senses, but you could make the experience more emotional and exotic by focusing on five," he said.

Russian style

In the final presentation, Anna Dycheva-Smirnoff discussed trends in the Russian cosmetics and perfumery market, which is one of the fastest growing worldwide. According to information from Staraya Krepost, there has been double digit growth in cosmetics and perfumery sales in Russia over the past five to six years, and the market is currently worth US\$7.9bn in 2006. Hair care is the largest category at US\$1.2m, followed by colour cosmetics. "Russian women use twice as much make-up as consumers in western markets," affirmed Dycheva-Smirnoff.

Foreign brands have made strong inroads into the Russian market and account for 60% of total sales. However, since 1995 multinational brands have declined in importance, with Russian brands featuring prominently in baby care, skin care, oral care and shampoo. "Historically, Russian women consider local brands to be more natural than western brands," she said, noting that they tend to read ingredients on packaging and compare brands. Foreign companies are trying to reduce import costs in order to compete. Dycheva-Smirnoff believes that there is a future opportunity for private label from Russian companies, 30% of whom already offer contract manufacturing. Russian drugstore chain 36,6 is the first company to launch private label cosmetics, while Arbat Prestige, Ramstore and Perekrestok are also looking for opportunities in this area.

Reaching particular target markets requires very specific skill sets

