Marketing Trends

A great success! Helping attendees stay ahead of industry trends and proving a valuable opportunity to spark new marketing ideas, each session was full. Imogen Matthews, consultant to in-cosmetics, reviews the presentations.

Tuesday 29 March

Sparked by Innovation, Fueled by Consumption - Emerging Ingredient Trends

Anna Ibbotson, Industry Manager, Kline

Kline values the global personal care market at $300bn in 2010, which has held up well within the economy as a whole. Skincare has been the best performer over the past five years, up from its number five position to take the lead with a 30% share of the total market. "Anti-ageing is driving growth in skincare with one in two UK consumers concerned with how they are perceived in and outside the workplace. It provides a great opportunity for ingredient manufacturers," stated Ibbotson, noting that consumers are prepared to pay a premium in the hope of looking younger and better. She identified other growth opportunities in naturals, home devices, beauty from within and men's grooming.

In terms of personal care ingredient trends, Kline showed that volume consumption was approximately 575,000 tonnes in 2009, based on eight categories. "Europe was the largest region for personal care ingredients post-recession and China is gaining share from Europe and the US and is now ahead of Japan," stated Ibbotson. China has been gaining share from Europe and the US and is now ahead of Japan. Surfactants account for 34% of sales in the US, Europe, Japan China and India, followed by conditioning polymers. "Emollients are strong drivers in China and India and part of the global natural trend," affirmed Ibbotson, who predicted significant opportunities in these two regions for personal care ingredient growth.

Digital World of Beauty

Sean Singleton, Group Managing Partner, Skive Group

In the space of a few short years, consumers have transformed the way they use the internet. Sean Singleton, group managing director of Skive Group, one of the fastest growing UK digital media agencies, described how media used to be consumed passively but as the internet grew it became more about participation and consumption. Tools, such as Facebook, Twitter and YouTube enable consumers to share and have conversations. "Brands are used to controlling their brand message, but must accept a loss of control," explained Singleton. "However, there is a big opportunity for deeper conversations with these new tools." Singleton believes that beauty brands have been slow to adapt to the web, but believes we have reached a tipping point, due to the billions of consumers having conversations every day. Recent statistics show there are 200m blogs and 95,000 beauty blogs, with 35-49 year old women proving to be the fastest growing group in the blogosphere. Many bloggers are providing integrated brand experiences online, such as videos on YouTube, Facebook pages and Twitter. "The future lies in online meeting offline with ‘augmented reality’ becoming a big trend in the next decade," he said. "Stores will enhance the shopping experience using digital innovation."

Sustainable Sourcing of Ingredients

Amarjit Sahota, Director, Organic Monitor and Maria Oliva, Senior Advisor, UEBT

According to Organic Monitor, more companies are moving from petrochemicals to natural ingredients, such as soyabased materials, with more sustainable production methods being used. In his presentation, Amarjit Sahota, Director of Organic Monitor, gave reasons for the rise in sustainable sourcing which stem from drivers such as rising ethical consumerism, supply chain pressure, the media and NGOs, laws and regulations, CSR and sustainability reporting. Sahota also talked about the social aspects of sustainability and their impact on society.

“Aveda is really ahead in terms of sustainability, having made a pledge at the 1992 Earth Summit to source sustainable raw materials," stated Sahota. As a result, Aveda are the largest user of organic essential oils in the beauty industry and their products have a low environmental impact. They are also the first beauty company to manufacture using 100% wind power and have undertaken social investment projects in the Amazon and Africa. Sahota gave other examples of brands involved in sustainability projects, including Dr Bronner’s Magic Soaps, the largest organic and fair trade beauty firm with social investments in Palestine and Sri Lanka and Weleda, described as a pioneer in sustainable development with a strong corporate ethos and the largest producer of natural medicines. Others include Florame, who recently won an award for ethically sourced ingredients from Madagascar, Chanel, for their reforestation projects in Latin America, Boots’ use of organic and fair trade ingredients and L’Oréal’s sustainable sourcing pledge. Sahota also mentioned Beraca, which ethically sources ingredients from the Amazon, Givaudan, for their Innovative Naturals programme and DuPont Tate & Lyle who has produced a novel range of sugar-based ingredients.

Maria Julia Oliva discussed the sharing of benefits of biodiversity for commercial and economic activities, a concept that arose from the 1992 Earth Summit. The recent Nagoya Protocol, set up in 2010, has been instrumental for the implementation of the fair and equitable sharing of benefits. “Ensure the way your work is portrayed with developing countries shows an understanding of benefit sharing,” she advised.

in-focus Round Table Discussion: Life Cycle Analysis: Choosing the Right Indicators

Olivier Jan, Executive Director, BIO Intelligence Service; Dr Jérôme Payet, Director of Consulting Company, Cycleco; Gillian Briggs, Section Head, Colour Cosmetics Formulation Design, P&G; Mary-Noëlle Dana, Journalist, writer and early adopter of green issues

Moderator: Jacques Sebag, Director, Re-Source!

Jacques Sebag introduced the panel and the topic with the comment: “Sustainability is a brand new concept for many companies, although it has been in use for around five years and is already..."
often an overworked word.” He maintains that sustainability needs to be defined more clearly. Oliver Jan spoke of his involvement with a number of landmark environmental projects in France and Europe. “Lifestyle assessment is about the environmental performance of a product or service that should be assessed by using a ‘cradle to grave’ approach, from the extraction of raw materials to the disposal of waste,” he stated.

Dr. Jerome Payet, explained how a footprint tells consumers about what they buy. “The concept has been developed over 20 years, supported by the EU. To quantify a footprint, you have to agree to a limited number of indicators, such as energy, water, ecotoxicity etc.”

P&G section head, colour cosmetics formulation design, Gillian Briggs, explained P&G’s involvement in lifecycle analysis which began three years ago in beauty and grooming. “We will always demand a 10% improvement in indicators but without a decline in other indicators. It’s a trade-off, so if there’s a change to the formula, it cannot impact on something else,” she explained. For example, a reduction in pack weight can mean a big decline in footprint. “In shampoos, we looked at renewable ingredients in the packaging for Pantene.”

Oliver Jan discussed the importance of labeling. “In 1998, only the carbon footprint was stated on packaging for food products. More recently, Orange has implemented an environmental label for its mobile phones featuring recyclability, carbon footprint, energy efficiency and use of natural resources. When asked how consumers can learn about these initiatives, Jan said: “They understand very little and it will take some years to perfect understanding and comparability.”

Olioso chose the name Forest Secrets, because it can be compared to the skin. “It’s alive, breathes and changes with the seasons,” she explained. Her brand is sold mainly online and, from May 2011, will be stocked in Urban Retreat, Harrods.

**Wednesday 30 March**

**Anti-Ageing: Innovation from Around the Globe**

**Vivienne Rudd, Senior European Beauty Analyst, Mintel Beauty Innovation**

Despite economic pressures, Mintel has recorded growth for facial skincare in 2010, with anti-ageing skincare proving to be the most dynamic sector. Europe is the biggest market for anti-ageing skincare at €2.4bn, with the US not far behind due to a recovery in premium products. Vivienne Rudd explained how demographic changes have fueled this growth. “Traditionally, brands have targeted the 35-44 age group, but this group is falling in many of the world’s developed skincare markets. The key rites will be among the 55-64s and over 65s,” she suggested, warning that this will be a challenge for the anti-ageing skincare industry as these age groups are less likely to use facial skincare products than their younger counterparts. Positive growth factors include a combination of improved diet and healthcare with increased lifespan and more years in unemployment means that people want to look good for their age as long as possible. Mintel’s research shows that fine lines and wrinkles are the top concerns amongst two thirds of women.

In terms of product launches, Mintel has seen anti-ageing launches increase significantly in China and Japan. Key claims include: airbrush, fullerenes, SOD, human oligopeptide-1 (EGF), NGF (Nerve Growth Factor), animal derived placenta/collagen, stem cells, neuro skin theory and anti-aging devices used in skincare and for home laser technology. Rudd highlighted finished product examples for each of these categories. “The growth trajectory for EGF is steep, with double the number of launches from 2008 to 2010,” she stated. “Asia leads the trend for EGF-derived products, but Europe and North America are also picking up on the claim.” She also referred to fullerenes, which several years ago fell out of favour due to consumer concerns with nanotechnology. “They are now back with Europe taking the lead and we are anticipating many more.” Similarly, Europe is ahead when it comes to stem cells, coming mostly from apples, but there are other plants yielding their secrets, including raspberry and Alpine rose.

Rudd predicted: “In the future there will be more biotechnology and more sophisticated anti-aging products. We will see more protection [e.g. from harmful UV rays] and botanical/marine extracts as physical barriers.”

Global Beauty and Personal Care - The Year in Review & Winning Strategies for the Future

**Irina Barbalova, Head of Global Beauty and Personal Care Research, Euromonitor International**

According to Euromonitor’s data for 2010, the global cosmetics and toiletries markets are gradually returning to growth, but the recovery is slow and uneven. Western Europe has been the slowest to recover and many countries are still seeing high levels of unemployment. “Consumer needs are more diverse post-recession, as they become value-seeking, demanding of services and experiences and being digitally connected,” commented Barbalova.

In terms of product categories, Euromonitor records skincare and colour cosmetics as being weak, whilst functional ones, such as oral care and shower products, have picked up. Haircare has struggled in 2010, but premium shampoo double their growth in Russia, helping to pull up haircare sales overall. Babycare and men’s products also achieved strong results. Barbalova highlighted private label as an area of growth due to an increased pace of innovation. “Private label growth has been higher in non-traditional sectors such as skincare and men’s toiletries. Their portfolio with sophisticated formulations resonates with consumers,” she said, observing that private label taps into both budget and high end lines with a focus on product efficacy and ingredients, many of which are “green”, and a trend towards diversifying existing lines.

Barbalova also discussed beauty as an experience with the internet, non-store retailing and direct selling all playing a big role. “Beauty continues to adapt in a more experiential way,” she explained, highlighting how social media is at the forefront of companies’ strategy, making messages easier to spread. She cited how many of the major players are now online, including P&G, Estée Lauder and L’Oréal. “MAC is the most successful with over 1.5m fans on Facebook,” she pointed out, saying that social commerce is still limited. She also discussed the growing importance of smartphone apps, virtual connectivity using barcodes and the increase in in-store services, such as spas.

**Anti-ageing Skincare & Aesthetic Medicine**

**Emmanuelle Bassmann, Managing Director, In-Trend Ltd and Bérengere Boucly, Marketing Manager, Fiborga**

Emmanuelle Bassmann set the scene for the aesthetic medicine market by providing statistics on the growing numbers of women opting for cosmetic procedures. Women aged 25-70+ are the largest demographic group. “Baby boomers will keep doing it once they start, even when they are 70,” maintained Bassmann. “The average is women in their 40s/50s, but many are younger.” US consumers are most inclined to have cosmetic treatments, although few choose to do so. Almost three out of four Americans have not had any and only 5-10% say they have.

The landscape for aesthetic medicine is growing outside doctors’ offices, with medical spas and spas offering a range of treatments, including microdermabrasion, laser skin treatments and peels. “Previously there used to be a focus on wrinkles, but nowadays it’s about improving skin texture.” Botox and fillers are the most popular procedures, but Bassmann has seen a trend for most dermatologists and plastic surgeons to put their patients on skincare maintenance programs.
Physician-dispensed brands in the UK and the US include brands such as Filorga, pH Advantage, Skinceuticals, Neutrogena Clinical, GoodSkin Labs and La Roche-Posay. Maintenance procedures include PLT, an enrichment light source treatment said to reverse type one photoaging and stimulate collagen production. Peels and microdermabrasion are also top maintenance procedures. “One of the growing trends is for low energy lasers with fewer side effects and less downtime, but they require more than one session,” stated Blassmann.

Berengère Boudy, Marketing Manager, Filorga, gave a case study of how the company has used its expertise in mesotherapy to launch a range of anti-ageing dermo-cosmetics. Filorga dermo-cosmetics came onto the market in 2007. The products mimic mesotherapy carried out in the doctor’s office (administered all over the skin using fine needles) and uses the same formula based on hyaluronic acid, vitamins, amino acids, co-enzymes, minerals and anti-oxidants. The objective is to rejuvenate the skin using a revitalizing solution. Talking about the future of mesotherapy, Boudy sees a time that products will target and inject stem cells using time-release active ingredients and new devices to replace injections.

Eco-Design: Achieving a Positive Environmental Impact

Michel Philippe, Green and Sustainable Chemistry Manager, L’Oreal; Pascal Bordat, VP Aveda R&D/EL Botanical Technology, Estée Lauder
Moderator: Mary-Noelle Dana, Journalist, writer and early adopter of green issues

Transparency along the supply chain was discussed as a key issue for manufacturers. Bordat talked about the challenges in getting access to the knowledge of indigenous communities about plants which have been used for centuries and preserving them. “We must make sure we have constructive dialogue with both suppliers and communities,” he said, stressing that traceability is hard to achieve. “The sourcing of work with communities is based on the work of three organisations: the Convention of Biological Diversity set up in 1992, the UN Declaration of Rights of Communities and the Nagoya Protocol, signed on November 10th last year.” All of these originated from the Earth Summit in Rio de Janeiro in 1992. 40 countries have now signed to the Nagoya Protocol which has laid down rules on how to access the biodiversity.

Michel Philippe described how L’Oreal has been involved in green chemistry for many years. “New technologies are at stake that can make an impact,” he maintained. “Sustainable processes are very important when developing new ingredients. Green chemistry covers economic, environmental and social issues and L’Oreal has 32 assessment criteria when working with suppliers.”

Mary-Noelle Dana commented: “Chemistry and biology teams are working together in new ways that we would not have been able to anticipate. The key issue is learning to participate.” Philippe added: “We have to anticipate the consequences when using new technologies and prepare new ingredients with lower impact in the future. We have to improve existing ingredients as well.”

Innovation in Personal Care: Perspectives from Consumers and Innovators

Gillian Morris, Director in the Chemicals & Materials Consulting Practice, Kline

Morris continued with a history of product innovation, citing major success stories in personal care since the 1990s. They included 2-in-1 shampoos, bodywashes with sponges, unisex fragrances, AHAs, hand sanitisers, pore strips, long lasting lipstick and one coat nail polish. From 2000, there was long lasting high shine lip gloss, flash breath strips, cleansing cloths, microdermabrasion, peptide technology and acne treatment systems, amongst others. A lot of actives have come from drug development, wound care, biopolymers, extraction techniques (botanicals), delivery systems and food.

In 2010, Kline held discussions with R&D intensive companies in B2B and B2C industry sectors to find out the role of innovation within the organisation. The results threw up a number of challenges such as a disconnect between R&D and the rest of the business, too much bureaucracy and that projects take too long to complete. “R&D can be seen as downtrodden with low staff morale,” observed Morris, who believes companies must not reinforce the idea that R&D are in an ivory tower.

Thursday 31 March

How Retailing Changes are Affecting the Distribution of Beauty and Personal Care Goods

John Wright, Head of Global Retailing Research, Euromonitor International

According to Wright the retail environment is changing as consumers look to save, look for convenience, grocers grow their presence and internet retailing encroaches. However, contrary to the wide-held belief that supermarkets have been cleaning up in cosmetics and toiletries, the long-term trends suggest more gradual growth for the grocery sector. Euromonitor data suggests that grocery retailers have only gained 1% in global share terms over 15 years. The changes that have occurred have come from other retail channels, including beauty specialists, such as Sephora, parapharmacies and drugstores, including Superdrug and internet retailing. “Consumers look for convenience but want assurance over quality which comes from the authority of the channel and the sales staff,” explained Wright, giving examples of retailers who have been going that extra mile to reach out to consumers.

Department stores have been the worst affected by these changes, declining year on year from 2000 to 2010 on a global basis. “Many thought department stores were not the shop of the future and shopped elsewhere. They are perceived as expensive, as the shop where one’s parents shop and there is a stigma perception that the product always looks the same, unlike fashion retailers such as H&M and Zara, where the stock turn is much quicker,” stated Wright. However, some have fought back, such as JC Penny which has taken on board the idea of slow stock turn and steadiness but introduced third party providers, including Sephora. US department stores retailer Macy’s has introduced My Macy’s into 50 stores which includes...
a whole new range of products consumers would not have thought of finding in the store. Meanwhile, UK based John Lewis is launching an in-store beauty spa concept for mid-earning consumers and super premium stores, such as Hamrods and Harvey Nichols have remained strong.

Wright also highlighted the growing importance of beauty specialists such as Sephora, The Body Shop, SaSa and Bath & Bodyworks, which as a group have gained sales. Parapharmacies and drugstores have also gained share, including Walgreens, CVS, Boots, Superdrug, Schlecker and Rossmann. Commenting on Superdrug Wright said: “They have innovated with a store within a store concept, with improved signage and more vitality in the cosmetics area. In the last 12 months, Superdrug has widened its range of products and services.”

Wright described how the internet enables brand owners and retailers to speak directly to consumers. “It’s an exciting channel which is changing as more retailers launch e-stores,” he said. For example, Sears last year launched an e-store for Spain enabling customers to shop for all products sold in the US.

A Global View of What Consumers Want in Personal Care and How Manufacturers Have Responded

Luckshie Haran, Principal Consultant, Datamonitor

Datamonitor has conducted a survey across 20 countries which showed that 58% of consumers stick with tried and tested brands. “They like routine, familiarity and benefits they know will work,” stated Luckshie Haran. “So the challenge is to innovate so that they try new products. Consumers are looking for new ways to meet their needs but if the products don’t deliver benefits they won’t try them again.”

Haran identified key trends driven by consumer needs and manufacturer willingness to innovate. First is anti-ageing, driven by consumers demanding to stay younger longer. According to Datamonitor, 37% pay high attention to wrinkles. “Internally, people don’t feel old and buy products that maintain the outside and how they feel inside,” said Haran. However, 34% say anti-ageing claims are not credible. “They want to believe, but want science and clinical trials.”

Other important trends include the growing sophistication of men’s brands and the tween segment with new brands such as Scarlett & Crimson and Good For You Girls. Products addressing different cultures are also emerging, such as halal make-up.

Haran discussed sustainability in the context of Fairtrade. “Environmental concerns are growing globally. In the UK, 69% of consumers said the environment should take priority even if that means slower economic growth,” she said. “Almost half of consumers have ethical concerns. Manufacturers’ response has been to create sustainable packaging, ethically, natural/organic formulations and meaningful messaging.” Other purchase motivators include a desire for value for money, buying favourite brands and sensory benefits. “Ethics should be secondary; the product must work,” she stressed.

Turning to convenient PC solutions, Haran commented: “Consumers are looking at ways to save time but there is a pressure to look good.” She predicts that mobile commerce is set to overtake desktop websites by 2015. Examples of mobile commerce include Sephora to Go, providing reviews, lists, scans and bar codes and Coppertone My UV Alert, which gives UV index forecasts to engage with consumers.

How to Develop and Market Cosmetic Products in Southern Africa - A Consumer Survey with Southern African Women

Dr Sybille Buchwald-Werner, Managing Director and Co-founder, Vital Solutions

Little data exists for Southern Africa, an emerging market. According to Euromonitor, the beauty market in South Africa grew by double digit growth in 2009, while Mintel says that South Africa accounts for the majority of launches in the region (67%). Dr Sybille Buchwald-Werner, managing director of Vital Solutions, spotted the potential of this market and has conducted a consumer study to get answers on needs and expectations as well as which ingredients people look for when purchasing cosmetics and toiletries. Key drivers included price, natural ingredients, active ingredients and performance.

The study revealed a strong preference for local ingredients such as aloe vera, devil’s claw extract, rooibos extract, marula oil and baobab oil, as well as for the widely known almond oil and shea butter. The most commonly recognised actives were the vitamins A, C and E.

In terms of expectations for haircare products, the survey showed some significant differences between blacks and whites. Black consumers were more concerned with preventing hair breakage (35%) and anti-dandruff (24%), while white consumers are more likely to seek out products with conditioning benefits (37%) and that support shine/styling (13%)

Buchwald-Werner summarised by emphasising the growth of the middle class and increased spending power across many socio-economic groups in Southern Africa. “They look for reliable quality skincare and haircare that meets expectations,” she said. “There are opportunities for smarter, flexible brands to enter the market with concepts that are tailored for ethnic groups and distributed in supermarkets and drugstores.”

However, she warned that a market for high performance skincare ingredients and claims is not yet developed. Instead, niche products for specific ethnic groups demonstrate market potential.