



THE **BEAUTY**  
ECONOMY

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# THE BUSINESS OF BEAUTY

**INTRODUCTION** Despite the economic downturn the beauty industry has continued to thrive, with sales up and private equity firms keen to build up brands in order to sell them to a global conglomerate. And the trend shows no signs of slowing down soon, writes **Beatrice Aidin**

Cosmetics continue to attract customers even when they find themselves less well-off

■ Call it the lipstick monitor, the foundation factor, the scent of escapism or the worry of wrinkles, but one thing is for sure – the recession has made the beauty industry a Teflon business.

In 2009, the latest year for which there are sales figures, the UK beauty business was worth £13.26 billion, says market research firm Mintel. Sales of clothes and footwear rose just 9 per cent in the UK from 2004-2009, but beauty product sales rose 30 per cent.

And this is a global story. Carrie Lennard, beauty and personal care industry analyst at market research company Euromonitor International, expects worldwide growth of 6 per cent this year.

LVMH, the owner of Benefit, Parfums, Christian Dior, Guerlain, Givenchy and the beauty retailer Sephora, recorded a sales increase of 11 per cent in perfumes and cosmetics in the first quarter of 2011, compared to 2010. Estée Lauder, the group owners of the namesake brand, Clinique, Bobbi Brown, Origins, MAC, Bumble and Bum-

ble, Jo Malone, Aveda and others that collectively make 1.2 billion beauty items a year recorded a sales increase of 11 per cent to \$2.5 billion. Procter & Gamble recently announced that sales of beauty products were up 5 per cent year-on-year, and grooming products up 8 per cent.

L'Oréal, the owners of Lancôme, Maybelline New York, Vichy, Kerastase and Giorgio Armani Beauty as well as L'Oréal Paris saw sales up 9.4 per cent in the first quarter of 2011. Kao Corporation, the Japanese parent company of John Frieda, Molton Brown and Biore reported profits up 15.4 per cent, despite the earthquake and tsunami.

Why has beauty proved so resilient? "The perceived value of a product is now much more than when money was being thrown around," says Sam Sohaili, creative director and co-founder of DMA, a New York branding, communication and advertising agency. "A lot of sales are based on anti-ageing and that pushes a button with women and that trumps all the issues in a house-

hold, it surpasses all logical sense." But pennywise shoppers have also changed their habits, benefitting newer brands. "We launched in the UK in 2008 and the rest of Europe in 2009, and it was the height of the recession but we were fun, engaging and priced well," says Ido Leffler, co-founder of San Francisco-based Yes to Carrots – who has since also launched Yes to Cucumbers, Tomatoes and Blueberries. Leffler now sells nearly 70 products – up from six originally – and has grown from 16 US stores to 28,000 globally.

**The perceived value of a product is much more now than when money was being thrown around**

Products which offer an added benefit have also done well. Aromatherapy Associates, the UK based skincare brand, has had a 35 per cent

growth during the recession globally. And then there are the cheap and cheerful alternatives. According to Vicki Franks, marketing director at Kao Brands Europe, which owns John Frieda Hair Care, the home hair-colouring sector grew 13 per cent in the past year. Some have seen hardship as an opportunity. Last year Burberry and Top Shop moved into colour cosmetics, with great success.

The industry has also seen consolidation. Liz Earle Naturally Botanical Skincare was sold to Avon. Frederic Fekkai sold his eponymous hair-care line to Procter & Gamble. Nail polish sales have boomed, resulting in the sale of OPI to Coty and Essie to L'Oréal; LA-based Smashbox Make-Up was bought by Estée Lauder; and Danish-born, LA-based botanical skincare brand Ole Henriksen was snapped up by LVMH, as was 70 per cent of Nude Skincare, co-founded by Bono's wife Ali Hewson.

Beauty has started attracting Wall Street too. Private equity firms are increasingly investing money in

smaller brands, with the aim of building them up and making them attractive to the beauty conglomerates. For example TSG Consumer Partners is working with Pevonia skin care, e.l.f. cosmetics, Sexy Hair and Kenra prestige hair care. Prior beauty investments include Smashbox Cosmetics, acquired by Estée Lauder in 2010, and Pureology hair care, acquired by L'Oréal in 2006. Beauty, says Hadley Mullin, managing director of TSG, "is a category with very high profit margins."

The trend is only going to increase. In March 2011, Bank of America Merrill Lynch released a report called "long-on-women" recommending investment in "makers of cosmetics and beauty products" and "containers serving the fragrance/cosmetic market." It argued that "in the next ten years women between the ages 30 and 39 are expected to be among the fastest growing demographic groups in the US and consumers in that group are near their peak earning and spending years."

It is time to look at lipstick at more than face value. ●

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€5bn  
VALUE OF THE EUROPEAN  
MEN'S BEAUTY MARKET

MEN SPEND  
20%  
LESS THAN WOMEN ON A  
COMPARABLE PRODUCT

£75  
COST OF A POT OF  
LANCÔME'S NEW  
EXFOLIATOR FOR MEN

# GROOMING IS BOOMING

**MEN** Once the preserve of preening boy-bands and David Beckham, men's grooming has come of age and a whole host of manly products and sober grooming palaces are available for chaps who want to look their best. It's a sign of men finding their self-confidence, writes **Lucie Greene**

Step in to Harrods' swanky new Gentleman's Lounge and the hustle and bustle immediately fades away. Luxury fragrances are gathered for spritzing and trialling. A selection of chic boutique brand moisturisers, lotions and potions sit on shelves as male visitors peruse the badger brushes and traditional shaving foams. There's a small cocktail bar should customers fancy a quick martini. Meanwhile, next door in The Refinery spa, leather retro seats are polished and ready for executing facials, manicures and traditional shaves.

Things have changed a lot in the world of men's grooming. Forget the routine of previous years, which ran to shower gel, a quick shave and a spray of Lynx. Research group Mintel says the men's beauty market is worth over €5bn in Europe and is overtaking the women's sector on the growth front, despite the recession. By 2014 Mintel expects the UK market to rise to £1.137 billion.

"Our sales have easily doubled in the past year," says Ed Burstell, managing director at Liberty, where the space for men's grooming has also doubled and now has its own dedicated area. The store is doing a bustling trade in luxury grooming products from hip brands Kyoku, Kiehls and Espa, alongside Murdock, its retro men's barber where profes-

sional barbers will do anything from a traditional wet shave (£45) moustache trims (£10) to full on luxury packages including shave, shampoo, haircut, head massage and shoe shine (£90). "We've had to add extra chairs because it's so busy," says Burstell.

Call it the Don Draper effect. Grooming and men's beauty, once synonymous with boy bands and David Beckham, has moved out of preening metrosexuality in to new masculine terrain where a clean shave, or well-manicured beard seem distinguished and grown-up rather than overdone.

## POLISHED AND DAPPER

"There's definitely a new appeal to appearing polished and dapper again," says Karen Grant, senior global beauty analyst at NPD Market research. "Baby boomers rebelled against that look, but now younger men in their 20s and 30s are realising there's something cool about being groomed."

Cosmetics brands like Clinique, Biotherm, Nivea and Lancôme are expanding their flagship products to men's ranges. A plethora of hot new dedicated men's brands are emerging, from Jack Black (hand cream and skincare, beloved of Robert De Niro and Bruce Willis), to Czech & Speake, sleek Arizona-founded skincare and fragrance company

Alford & Hoff, Kyoku, Otis Batterbee (tweed eyemasks and travel cases) and Creed.

## DOUBLE-DIGIT

Retailers including Cult Beauty, Space NK, Liberty and Harrods – known for their women's luxe beauty lines – have been steadily building up their men's offer. "We've experienced double digit growth since launching," Annalise Quest, general merchandise manager for beauty at Harrods, adding: "There's been a rise in the amount that they are now willing to spend which directly reflects a new awareness in the product offering and growth in the market. Male magazines have helped to educate the customer and drive an awareness of niche brands too."

One area of huge expansion is men's shaving and spa services. On both sides of the Atlantic cool retro "boys club"-style barbershops have opened, offering men traditional shaves in a relaxed social setting with beers on hand and music. F.S.C. Barber in New York is packed to the rafters with Manhattan men seeking clean shaves. Baxter has opened in LA, offering a West Coast twist.

In London, Murdock has expanded from its original shop in Shoreditch to four London locations. The Barbershop at Dunhill's swanky private member's club Bourdon House is

doing a roaring trade. Even high street brand Ted Baker has introduced two barbershops. "They've created this great sense of community, which I think is interesting," says Burstell. "Men just come and hang out."

Men's skincare is also rapidly expanding, with products offering both moisturising and anti-ageing properties and men increasing upping budget to get better products. The base rate men are prepared to spend on moisturiser and pre-shave products has more than doubled in

**Call it the Don Draper effect. Grooming and men's beauty now seem grown-up and mature, not overdone**

the past few years, according to Mintel's 2009 report. Lancôme has introduced Généfic HD Youth Activating Concentrate, a new high priced product that supposedly stimulates gene productivity and silk proteins for exfoliation, priced at a budget-busting £75. Men's grooming brand Nickel has also recently launched a new luxe skincare brand Maxymum offering time-fighting concentrates

Men are no longer satisfied with a quick shave and a spray of deodorant

for upwards of £40 and eye concentrates for £30 plus. Meanwhile, retailers say men are also crossing in to women's skincare. "Amongst our top sellers are luxury skincare creams such as La Prairie, which don't have a men's line and don't traditionally target men," says Quest.

"If it's a great serum, they want it, they don't care if it's women's," agrees Burstell. "Men aren't afraid any more to just come in and get what they want."

Cosmetic surgery has traditionally been dominated by female consumers, but according to the American Society of Plastic Surgeons' 2010 report, the number of men seeking procedures is up 48 percent in the past 10 years. "There's been a 14 percent increase in male facelifts in the US alone," says Stephen Baker, associate professor and program director of plastic surgery at Georgetown University Hospital, USA. "It's gone up disproportionately to women and men are also getting them at a younger age. It used to be just celebrities and VIPs but now opened up considerably. Five or six years ago no men came for botox either, now 25 percent of botox patients are men."

Baker noted that in contrast to women, men's cosmetic surgery treatments were more measured: "Women want surgery to look as young as they possibly can, but men just want to look rested. If anything, they underdo facelifts. They still want to look like themselves."

There are other distinctions between the men's and women's grooming markets, too. When it comes to men's skincare products, for example, men have still yet to fall for the promises of age reversal.

"They won't buy in to any of those outrageous claims of 80 per cent reduction in wrinkles. It's much more down-to-earth," says Burstell. "Products are problem and solution oriented. You got bags? Try this. You got razor burn? We do this."

Men are also more price resistant. Where women will happily splash upwards of £50 on skincare, men's products are priced typically at 20 per cent less.

So why the shift? "Young men have more disposable income now, and stay single for far longer, so it's natural that they take increased care in their appearance," says Quest. But, says Burstell, it's a different dynamic to the days of metrosexual hair gel and fake tan. "That was quite self-conscious. Men are not putting on a show, or looking overdone. They want to look good, but still want to look natural." He concludes: "This is about self-confidence. Men are simply more confident about taking care of themselves." ●