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Comment

A trio of trends



Recent trading statements from some of the big manufacturers reveal three main trends: a tough business in developed countries, high growth in emerging markets and the negative impact of rising commodity prices on margins. Western Europe is causing particular concern. The cosmetics market saw a slight increase of 0.2% in the first quarter in the region, according to L'Oréal, while the mass sector was flat and prestige sales climbed a meager 1% there. Although markets like France, the UK and Germany are improving, southern Europe, mainly Portugal and Greece are still suffering.

As for the effect of higher commodity costs, some major groups, such as P&G have already informed retailers in the US that they will put up prices of some of their basic consumer goods. However, rising prices are unlikely to help demand—companies may be feeling the pinch from higher costs, but so too are consumers.

The upside is that growth in emerging markets continues, with a string of companies reporting double-digit increases, especially in Brazil and China. Also in China, companies are somewhat relieved that the product registration process has opened up a bit from the block on new launches last year (although the process is still not as easy as it was in the past). More welcome news comes from the US, where the market is finally showing positive signs. NPD reported that prestige beauty sales were up by 5% to \$1.98bn from January to March compared with the same period last year. L'Oréal also says that the market is rebounding, and that although growth in mass is still weak in the US at 1.4% (versus +1.2% in the same period last year), at least sales are positive.

Based on the performance of the first few months of the year and barring any unforeseen events, it seems the market is on track to deliver growth of 3-4% for 2011.

Oonagh Phillips

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News roundup



▲ Puig chairman & ceo Marc Puig and Manuel Puig, president of Nina Ricci & Jean Paul Gaultier with the designer

Spanish group **Puig** has taken a majority stake in the Jean Paul Gaultier fashion company after acquiring Hermès' 45% stake and shares held by the designer. Hermès had begun discussions with suitors interested in buying the brand in April. The deal could see Puig take over the lucrative Gaultier fragrance business. The fragrance license is currently held by Beauté Prestige International, a division of Shiseido, and will expire in 2016. Reports said that Shiseido had teamed

up with Chinese group Fung Capital in a bid to buy the Gaultier brand to protect its fragrance license. BPI issued a statement saying that Puig's acquisition of the stake in Gaultier does not "re-question the existing fragrance license contract between the Jean Paul Gaultier House and BPI", and that development plans for the Gaultier fragrance brand will proceed as planned with the launch of a new men's fragrance this fall. BPI added that it will continue "to develop and enlarge its brand portfolio," which also includes the Issey Miyake, Narciso Rodriguez and Elie Saab brands.

In other news, Puig has transformed its joint venture with Italian fashion group Prada into a licensing agreement and extended its tenure. Puig will launch a major new fragrance for the brand this year.

German group **Beiersdorf** (BDF) is expecting flat sales for its consumer business in 2011 and says that EBIT margin will not match 2010 levels due to restructuring measures, which began last year. BDF's consumer division saw an EBIT margin of 11.3% in 2010 and a sales increase of 1.6% to €599m. Chairman of the executive board Thomas Quaas said that 2011 will be "another transitional year" for the consumer business, which includes the Nivea, La Prairie and Eucerin brands. The company will continue to streamline its portfolio and invest "substantial sums in strong brands". Last year BDF sold its Juvena skincare line and Marlies Möller haircare brand and announced it would exit the make-up category in Germany. The group also just announced that it will discontinue manufacturing cosmetics at its factory in Baden-Baden.

As part of its focus on skincare and bodycare, BDF has earmarked a high double-digit million euro amount for a new communication campaign for Nivea.

Shiseido reported a 62% drop in net income to ¥12.8bn (\$157.43m) in its fiscal year ending March due to a loss in investments and the impact of the Japan earthquake. Net sales for the year were up by 4.1% to ¥670.7bn (\$8.25bn). The group saw a 20.9% sales increase in overseas markets, which now represent 57.1% of total business, due to recovery in North America and Europe, continued growth in China and the addition of the Bare Escentuals brand to the portfolio. The domestic business however, continued to suffer, with cosmetics sales down by 6.6% to ¥358.4bn (\$4.4bn). The group said the Japanese beauty market is faced with a string of difficulties, such as weak consumer spending, a polarization of the market into low and high-end price points, reduction in retailer inventories, increased competition and the effects of the recent earthquake. "Business conditions surrounding the Shiseido Group remain very challenging due to various factors. These include damage to stores caused by the Great East Japan Earthquake and the subsequent issue of radiation fallout from nuclear power plants, as well as the impact of such events on the supply chain and languishing consumer sentiment," the group said.

US-based beauty group **Revlon** revealed that it paid \$39m for the Sinful Colors cosmetics brand it acquired in March. Sinful Colors is mainly present in the nailcare segment in the US market. As part of the deal, Revlon also picked up two smaller brands, Wild and Crazy Cosmetics and FreshMinerals.

Prestige beauty sales in the US were up 2% in March 2011 versus March 2010. Fragrance saw the highest gain in dollars, with a 6% increase, while both make-up and skincare had growth of 1%. Year-to-date (January to March 2011) sales of prestige beauty in the US reached \$1.98bn, an increase of 5% from a year ago. By category, fragrance was up 6% for January to March from the same period last year, make-up grew by 5% and skincare increased by 6%.

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News roundup

Rising commodity costs continue to weigh on consumer-goods groups and are resulting in increased prices on a range of basic goods. **P&G** reported that gross margin declined 140 basis points in its third quarter (January to March), partly due to higher commodity costs. Company cfo Jon Moeller explained that since the beginning of its fiscal year, the year-on-year impact from higher costs has more than tripled.

Anglo-Dutch group **Unilever**, which reported its first-quarter sales, said that due to continued rise in crude oil prices, it expects the impact of commodity cost inflation to be around 500-550bps of sales in 2011, leading to further pressure on prices. Unilever also reported that as prices increased, market volume growth slowed in its first quarter and was particularly weak in developed markets. In addition, both Unilever and P&G are seeing sluggish growth in mature markets. P&G reported that volume sales in its beauty division was flat in those regions, while Unilever said that underlying sales growth in all product categories was negative in Western Europe.

On the upside, P&G reported that organic sales in its beauty division rose by 4% for its third quarter, although net earnings were down 3% to \$547m. The beauty business saw a double-digit volume growth in developing regions, while the Prestige Products division reported growth in the mid-teens buoyed by the success of Gucci Guilty, Boss Bottled Night and Lacoste. Unilever, meanwhile, said personal-care sales rose 2.5% to €3.53bn. The company says that Dove Nutrium Moisture and Dove Men +Care have performed well. In haircare, the group saw strong progress in China and said that its Dove Nourishing Oil brand is showing positive signs in the US.

In a move to strengthen its social media and e-commerce strategy, US mass retailer **Walmart** has acquired technology company Kosmix. The California-based company is the creator of the Social Genome, a technology platform that searches and analyzes social media connections in real time to offer users customized information. "The next generation [of e-commerce] will be about building integrated experiences that leverage the store, the web, and mobile, with social identity being the glue that binds the experience," said Kosmix co-founder Anand Rajaraman. The founders of Kosmix will become part of the newly formed @WalmartLabs division.

UK department-store retailer **Debenhams** has launched an iPhone app called Beauty Club. It features advice, incentives and tips, including a Skincare Consultation feature, Fragrance Finder tool and Paint your Nails option, which lets users match their skin tone to the perfect shade of nail polish. Users can also watch Debenhams TV via the app and buy items as they are being broadcast. The tool sells fragrance, make-up, skincare and bath and body items with free UK delivery to loyalty card members.

P&G's vice chairman of beauty and grooming Ed Shirley is to leave the company in 2012. He will be replaced by Dimitri Panayotopoulos, vice chairman global household care, who will assume responsibility for both beauty and grooming and the household care businesses. Shirley came to P&G from Gillette and oversaw the integration of the shaving company, following its acquisition by P&G in 2005. He will take on a special assignment role to oversee the transition until January.

Guerlain has signed a license with management company Trilogy Spa Ventures to manage its US spas and to develop 20 new spa locations in hotels, resorts and residential properties in the next five years. Guerlain now operates seven spas worldwide.



The European forum for high-end hotel and spa industry leaders

The debate

Authenticity and Spas

When: June 23, 2011
 Where: Hotel Ritz, Paris
 Information: Millenium Organisation
 21 rue Saint-Yves - 75014 Paris - France
 Tel: +33 (0)1 43 21 05 69
 contact@forumhotspa.com - www.forumhotspa.com



Wellness focus

US consultancy Global Spa & Wellness business advisor Camille Hobeb



How can the industry better communicate to consumers?

CH: With the push towards wellness on the heels of medical spas, there is a responsibility to accurately portray services and products. There are loose or false advertising claims and unsubstantiated statements on what the service or product will do. The spa industry uses its own language, which doesn't resonate in the business world. They should adopt terms that speak to employer groups and insurance companies, such as "lifestyle management providers, health promotion and quality of life". If they did, consumers would be more likely to use those services.

The movement towards results-based treatments is a first step, but we need to go far beyond that. If the industry is truly going into wellness, training and quality indicators will be essential.

What do you see as the barriers to growth for the industry?

CH: The main issue is what defines a spa? It has gone in so many different directions that consumers don't really know what to expect. The US health department rates restaurants, and it would be good to also have a rating system for spas.

The industry is missing a great opportunity in terms of healthcare. The main issue in most businesses is stress reduction and there is an increased interest in workplace wellness programs and spas could position themselves in this area. There are also opportunities with employer groups to create a culture of health and wellness. If the spa industry took these little steps and repositioned themselves as lifestyle management providers they would foster support from the medical community. There is still a substantial gap between medical, healthcare, wellness and spas. The spa industry should also be more proactive in terms stigmatized conditions, such as depression and post-traumatic stress disorder.

How do you see the industry evolving?

CH: Many industry leaders don't want spa and wellness to fall under a medical definition, because then it will be highly regulated. But if it falls outside medical, spas will have to work harder to garner support. The most important point is to have quality training and education and to develop credibility.

beautyworld

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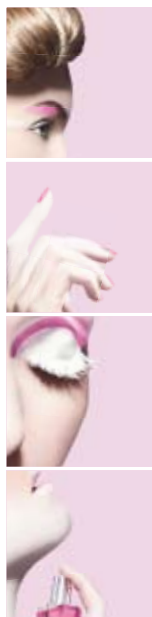
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Beauty blogger review

The products they're talking about

Inglot Custom Brow Kit. This blogger likes that the Inglot brand allows consumers to custom pick the shades of the powders they want and gives them the option to include waxes, brushes or concealer in their brow kit. The kit the blogger compiled contained three brow powders, two waxes and an angled brush, for a total price of \$37. While this could be considered expensive, she says the Inglot kit contains a lot more product than kits from competing brands, which usually offer only two or three powders.

[From: <http://legothique.com/>]

Vasseur Skincare Reveal 10. This US-based brand claims to deliver hand-made products that combine natural ingredients with skincare results. The blogger tried Reveal 10, which is a dual anti-wrinkle and anti-blemish product and was surprised by the results. She said her skin looked "glowy and awake" and that she didn't have a reaction, which is usually the case when she tries a new product. At \$20 she also says the product is good value-for-money.

[From: <http://beautyinreallife.blogspot.com>]



Ultraflesh Highlighter Collection. This blogger praises the Ultraflesh brand, which is sold at Sephora, for coming out with unique products. The Highlight & Shimmer Collection (which has not yet been launched) piqued her interest as it includes a compact that can be used on eyes, lips and cheeks and contains five different highlighters. She's also interested in trying out the high-shine lip gloss as it comes in an airtight container that is said to dispense the exact dose for one use.

[From: <http://www.product-girl.com/>]



Beautisol. This US-based self-tanning brand claims to work with consumers' skin type, include anti-oxidants and anti-aging ingredients, be paraben-free and incorporate a pure scent technology that eliminates the processing smell by up to 80%. This blogger likes the Face Faux tanner as it helps her dry skin.

[From: <http://gouldyloxreviews.blogspot.com>]

Their comments & conversations

- The subject of **botox** and its new uses was a talking point on this blog. The conversation follows recent articles in the press that claim botox can be used as a treatment for thinning hair and hair loss (this is in addition to its other uses for wrinkles, twitching eyelids and excessive sweating). Press reports say that an LA-based cosmetic surgeon is currently using a cocktail of botox and vitamins to help stimulate hair re-growth.

[From: <http://www.beautyandgroomingtips.com/>]

- The safety of **Japanese cosmetics** in light of the disaster at the Fukushima Daiichi nuclear power plant was the topic of conversation on this blog. Some readers have asked questions about the possibility of products from Japan being radioactive and harmful. In response, the blogger posted a statement from the Japanese Cosmetics Association, which confirms the safety of Japanese cosmetics based on availability of data and explains some details on the manufacturing processes. This statement has also been posted on official websites of some Japanese beauty brands.

[From: <http://www.atouchofblusher.com>]



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www.beyondbeautyparis.com
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Nuance Watson Singapore md Ken Tse

The Singapore draw

Changi airport has almost two dozen stores dedicated to beauty run by retailer Nuance-Watson Singapore. The joint venture's managing director Ken Tse talks about how the category is evolving as the passenger profile changes



How has beauty been performing?

It's important to remember that in the downturn of 2009, when conditions were discouraging, our sales grew in solid single-digits. Then, in 2010, the market showed a clear rebound and we closed the year with double-digit sales growth. This was helped by strong PRC (People's Republic of China) sales, improved Singaporean spending, and a lift from key nationalities such as Indonesians, Australians, Indians and Malaysians. Relative to the 2008 pre-downturn period, sales in 2010 showed robust double-digit growth, and we have projected growth in the high single-digits for 2011.

Skincare is big in Asia, but how is the fragrance segment faring and what factors are driving purchasing?

So far this year perfume sales have shown high single-digit growth, while [sales growth of] women's fragrances has been in double-digits; however perfume's share of the beauty mix has dropped [perfumes registered a drop of three points compared with 2009 and the trend is expected to continue in 2011]. [Growth in perfume] is below the rate of skincare's development, but in line with the performance of the make-up category. We have done well with the fragrance side of the business, even during the recession, thanks to close cooperation with Changi airport in implementing more targeted marketing initiatives, as well as our own storewide campaigns, which have helped push up average transaction values. Fragrance sales remain reliant on new launches and product innovation, promotions during the launch phases, and strong ad campaigns as these all work together to create impulse purchases among passengers.

What is your outlook for the other segments in the next 12 months?

Cosmetics grew by strong double digits, especially skincare. We expect perfume will be outperformed by skincare and this is largely down to the robust increase in PRC travelers. From a brand point-of-view, the fragrance sales drivers are still the same few classic brands, while for skincare/cosmetics, brands such as Dior, Estée Lauder, Guerlain, La Mer, Lancôme, La Prairie, Shiseido, Sisley and SK-II are enjoying double-digit growth. And we see great potential for luxury fragrance brands, even though their contribution remains a tiny fraction of the mix for the time being. Serge Lutens was the latest brand to join our established range of Rancé, Annick Goutal and Amouage.

What strategies are you implementing to outperform competitors?

A key to our success has been our policy to be the first airport beauty launch pad in the Asia-Pacific region. Among our most recent regional exclusive launches ■■■

“ The number of PRC travelers to Singapore, although growing, is still relatively small compared with other regions. Yet we have managed to capture strong Chinese spend and it makes up more than 20% of our business

”

Snapshot

- **N° of stores:** 22 perfumes & cosmetics stores (May 2011)
- **Beauty sales 2010:** More than S\$300m (US\$245m)
- **Beauty sales 2010 by category:** Cosmetics: 58%
Fragrance: 42%

Nuance Watson Singapore md Ken Tse

■ ■ ■ were Estée Lauder’s Adventurous fragrance, plus Kate Spade in January through to the end of February during the busy Lunar Chinese New Year holiday. We have high hopes for the new Lancôme travel-retail exclusive fragrance and also from Fendi (LVMH), which is a new brand for us; we will be the first in Asia-Pacific to introduce them to the Singapore market. In niche women’s fragrances, we have exclusives with new brands, such as Jimmy Choo, Elie Saab and Bottega Veneta. Given the strong beauty growth we’ve registered, and based on discussions with vendors, we’re expecting bigger scale promotions and more aggressive strategies to capture sales.

How important are PRC travelers, and how are you growing their basket?

Based on 2010 traffic data, China is the fifth largest country market by passenger traffic at Changi. Traffic between Singapore and China (encompassing all nationalities and not limited to Chinese travelers) reached 3.4 million passenger movements in 2010, up 16% from 2009, so you can see how significant that segment has become. That said, the number of PRC travelers to Singapore—although growing—is still relatively small compared with other regions. Yet, we have managed to capture strong Chinese spending and it makes up more than 20% of our business.

For years we have monitored PRC travelers to develop business opportunities and have sought out skincare brands and skus that are attractive to them. We work with popular PRC brands (especially in cosmetics), but also add brands that are not in China, but have strong PRC awareness. We also use signage that is geared towards Chinese passengers including product descriptions in Chinese and we show price savings compared with the Chinese local market. We have a team of dedicated PRC beauty advisors (from China) and our front-line beauty advisors all undergo basic Chinese language training. Our native PRC sales staff members are important in encouraging consumer confidence. Passengers from the PRC are more skincare/cosmetics driven, but our initiatives have helped us achieve tremendous penetration. For example, an area of focus is women’s fragrances; this has resulted in sales growth from the PRC significantly above the level of the growth in tourist numbers.

Will Chinese travelers define duty free in the next few years?

Definitely—probably for another five years or more. We believe the hype is justified because the airport operator at Changi is optimistic about growing Singapore-China traffic further in 2011, and it is working with both Singapore-based and Chinese carriers to expand capacity on existing routes, as well as establishing new links to secondary cities in China, which can only boost our retail sales. At our stores, other Asian nationalities like Indonesians and Vietnamese are also growing rapidly. ■

“ We see great potential for luxury fragrance brands, even though their contribution remains a tiny fraction of the mix for the time being ”



▲ Nuance Watson sees its stores in Changi as an airport beauty launch pad for Asia Pacific

Germany

Europe's bright spot?

The German market is looking up, with consumers spending again and prestige retailers embarking on new initiatives to win back shoppers from mass. *BW Confidential* investigates the market's performance and potential



credit: stockxchng

Despite slightly negative sales in 2010, players in the German cosmetics industry are in a positive frame of mind, and are expecting growth in 2011. Lower levels of unemployment and increasing disposable income mean that German consumers are spending again after a tough few years. According to the German Cosmetic, Toiletry Perfumery and Detergent Association IKW, personal-care sales fell 0.3% to €12.79bn in 2010. The IKW is predicting growth of between 0.5% and 1.5% for 2011. "The feeling in Germany is very good across the whole industry," comments Martin Ruppmann, managing director of VKE, the German National Association of Perfumery Retailers. "The unemployment rate is decreasing steadily, so there is a lot of money to spend."

Beyond this general sentiment, varying results were seen last year for specific market sectors. While haircare, Germany's largest segment, saw a sales decrease of 2.6% to €2.97bn, sales in make-up and women's fragrance both grew, by 2% and 2.2% respectively. Private label still accounted for 21% of German cosmetics sales in 2010, and continues to represent a challenge to brand manufacturers.

By distribution channel, growth was seen everywhere except in discounters and department stores, according to market-research firm SymphonyIRI Group. Indeed, Germany's department stores, which saw cosmetics sales down 5% to €448.9m last year, are suffering across the board.

Selective players fight drugstores for share

Drugstores are still by far the leading channel for German beauty, representing sales of €5.33bn in 2010 and growth of 1.8%, according to SymphonyIRI. The leading players in the sector are Muller and DM. But selective players are fighting back.

"There is a lot of pressure from mass. Some categories in selective have built a frontier against mass and are re-gaining some space for their products," VKE's Ruppmann explains. "[They are doing this] via a good relationship between price and product value. The middle market is rising again." For example, market leader Douglas, with 445 stores, added Cosnova's low-priced brands Essence and Catrice to its offer last year. The company sells its full line in 100 Douglas doors and a selection of products in others. "The successful listing of our brands Essence and Catrice at Douglas has opened up [the] prestige channel [for us] with a bang," Cosnova's sales manager for Germany Andreas Schimanietz comments. A spokesperson for Douglas said: "We offer a huge variety of brands that are available only at Douglas. We try to provide that extra treat you do not find in your drugstore, and there are certain entry-level products that might lead a drugstore customer into one of our perfumeries." ■■■

“ Consumers are starting to educate themselves about fragrance. Consumer sentiment has really changed and they are looking for fragrances that have a story; the age of bling is over ”

Albrecht & Dill marketing director Dominik Wahl

Germany

■■■ ArtDeco, for example, has carved out its niche as a German mid-priced make-up brand in the selective channel. "Our positioning is right for the current situation," the company's vice president of marketing Anna Blasco-Salvat notes. The brand claims a market share of 18% in the selective channel, and is present in 2,600 doors.

But VKE's Ruppmann bemoans a lack of innovation in the selective channel. "Too many retailers only focus on price, and price can't be the one and only reason to buy luxury products," he explains. "Too many perfumeries don't give a good shopping experience and are doing business as usual; they just buy products from the industry, put them on shelves, and wait for customers. That isn't the way to be successful."

"The reason to go to a perfumery has to be re-launched. The consumer has to be convinced by the look and feel of the shops to go there again." Ruppmann also said that around 100 of Germany's independent perfumeries—the country still has one of the world's biggest concentrations of small, family-owned establishments—had closed over the past year, mainly because of the economic situation. This month the association will begin a category management survey in partnership with its brands and retailers to help stores improve their organization and thereby increase consumer recognition. The results of the survey will be analyzed and measures put in place in time for the holiday season, according to Ruppmann.

Department stores in the doldrums

Although they control a less significant share of the market than in other European countries, Germany's department stores are still an important channel. Nevertheless, the leading operators, Karstadt and Kaufhof, are reportedly struggling. The bankruptcy, and subsequent takeover of Karstadt last year signalled the beginning of restructuring for the retailer, now owned by entrepreneur Nicolas Berggruen and fashion

mogul Max Azria. The new owners have said they do not plan to close any of the chain's 86 doors, which include premium stores KaDeWe in Berlin, Alsterhaus in Hamburg and Oberpollinger in Munich. A spokesperson declined to comment on the company's cosmetics strategy. "In Karstadt's premium stores, we are seeing very good performance, a quality demographic and good footfall, both as a wholesaler and through our shop-in-shops," says Dominik Wahl, marketing director of niche fragrance distributor and retailer Albrecht & Dill. "This business is developing very well. As to the rest of the group, it is very difficult, but they have found their position as a mid-market department store, and this is an important step. With Muller, Kaufhof is an important part of the [cosmetics] business, representing around 30% of sales. If we lose department stores, we leave a particular target group behind."

Growth in fragrance sales over the past year has been a boon for Germany's selective players, as consumers splashed out on small ■■■

“
Some categories in selective have built a frontier against mass and are re-gaining space for their products. [They are doing this] via a good relationship between price and product value. The middle market is rising again

”

VKE managing director
Martin Ruppmann

Germany personal-care market 2010 €m*

Category	Sales 2010 €m	% change 10/09
Haircare	2,967	-2.6
Skincare	2,941	-1.1
Decorative cosmetics	1,467	+2.0
Oral hygiene	1,332	+0.2
Women's fragrance	1,007	+2.2
Men's grooming	896	+1.2
Bath & shower products	830	-2.2
Deodorant	711	+3.2
Soap	216	-1.8
Other **	425	+3.0
Total	12,792	-0.3

Source: IKW

*Retail sales price

**Baby care, foot care, intimate hygiene, powder, depilatories

Germany

■■■ luxuries. Despite not being a traditional market for prestige scents, Germany's selective fragrance market is also doing well. Women's fragrance sales grew 2% for the VKE's member companies last year.

The VKE announced sales growth of 3.5% in 2010 for its member companies, to €1.75bn. The association is predicting further growth of around 3% this year, largely fuelled by fragrance and make-up.

Albrecht & Dill, which represents premium and niche brands, has seen its fragrance sales increase 10% this year so far this year, Wahl said. "Consumers are starting to educate themselves about fragrance." He cites the brands Amouage, Annick Goutal, Lalique and Penhaligon's, all of which have been in its portfolio for several years, as well as newcomer Francis Kurkdjian, as doing particularly well. "Consumer sentiment has changed. They're looking for fragrances that have a story; the age of bling is over," he comments.

Dynamism in color

The dynamism in make-up can be seen throughout the market, as witnessed by the 2% growth in color cosmetics registered by IKW (see table). "Color cosmetics are booming, especially nail polish, triggered by new brands [to Germany] like OPI and Essie," a Douglas spokesperson reveals. "The nail polish craze in the second half [of 2010] crucially contributed to the 3.5% increase in make-up sales," in the selective market, the VKE corroborated.

Beiersdorf's decision in December to withdraw Nivea from the category in Germany to focus on its core skin-care activity has opened up space for other brands. Nivea make-up's demise was certainly timely for Cosnova. The company, which only launched in 2001, now claims a 9.7% value share of the German make-up market and increased its sales by 46% to €133.3m (\$177m) last year. It is present in 7,000 German doors. The company completed the relaunch of its Catrice make-up brand, including new pos furniture, in April. "Due to Nivea's withdrawal from make-up and Catrice's successful relaunch, Catrice was able to increase distribution and market share," says Schimanietz. Other players seemed less affected by Nivea's withdrawal. "One important brand is out of the market, but many new brands are entering it," ArtDeco's Blasco-Salvat said.

Despite the generally buoyant feeling in the market, VKE's Ruppman urges beauty players to be vigilant. "German consumers tend to put their money in the bank if they sense trouble to save money for bad times. They are nervous, and that is our biggest challenge."

So while German consumers are spending their money on beauty, and splashing out on luxury for now, this trend could be short-term. ■

Prestige retailers at a glance

Douglas

No of doors: 445

Recent initiatives: Douglas is focusing on multi-channel activities, combining its bricks-and-mortar, online and mobile businesses. For example, the retailer is adding in-store terminals so shoppers can order out-of-stock products to be delivered to their home, and it launched a smartphone app.

Upcoming initiatives: Douglas will refurbish many of its stores this year, adding new technology and lighting as well as new and exclusive brands to its mix.

Karstadt

No of doors: 83 department stores and three premium flagships (KaDeWe in Berlin, Alsterhaus in Hamburg and Oberpollinger in Munich)

Recent initiatives: Karstadt was acquired last September by entrepreneur Nicolas Berggruen and fashion mogul Max Azria, following the retailer's bankruptcy. Berggruen has reportedly promised to keep all stores open, but details on the regeneration plans for Karstadt were not available.

Sahling Dufte

No of doors: 10 standalones plus 10 shop-in-shops

Recent initiatives: Niche brand distributor Albrecht & Dill launched its own perfumeries under the Sahling Dufte name in 2006 to showcase its brands and test new marketing concepts.

Upcoming initiatives: In Munich, the company is in talks with a major retailer for a potential tie-up to expand the concept in the region.



Perfume experience

Dior's Maison de Parfums at Selfridges puts the accent on service and education

VMH-owned Parfums Christian Dior is out to make fragrance shopping a sensory experience with its first international Maison de Parfums concept at Selfridges' London flagship store. The 60m² (646ft²) space offers Dior's entire fragrance range, including La Collection Privée line of 10 scents, which is sold exclusively at the store in the UK. The décor was fashioned to mirror Dior's store on the avenue Montaigne in Paris: its trademark pale gray and cane design adorn the walls. The consultation area features a floor-to-ceiling plasma screen depicting a garden in bloom.

The concept was conceived as a place to learn about perfumery. It is staffed by a team of five "Dior Fragrance Specialists" who have each been trained by the company's head perfumer, François Demachy in Paris. "The focus of the Maison de Parfums is to encourage our clients to discover and embrace the art of perfumery. We want to do much more than sell perfume, we want people to immerse themselves in the beauty of the art of fragrance," explains a Dior spokesperson.

The Maison has a menu of seven complimentary "Discovery" services, which teach customers about fragrance, from individual raw materials to blended ingredients, as well as a tool to help them find a personal scent or a gift. The Perfect Dior Fragrance Gift Discovery is a 30-minute one-on-one session with a Fragrance Specialist to find the ideal perfume for gift-giving. There is also a 45-minute consultation allowing customers to test up to 40 unbranded scents and raw materials via a perfume organ. This service allows customers to select a scent without being influenced by marketing campaigns or bottle design, says the spokesperson.

The Maison de Parfums will also host events featuring appearances from "experts in the world of perfumery, fashion and the arts," according to the brand. ■

Dior Maison de Parfums Snapshot

- **Located:** Selfridges, London, UK
- **Size:** 60m² (646ft²)
- **On offer:** Dior's full fragrance range including La Collection Privée (UK exclusive)
- **Special features:** Complimentary bespoke services, events featuring experts from the world of perfumery, fashion and the arts



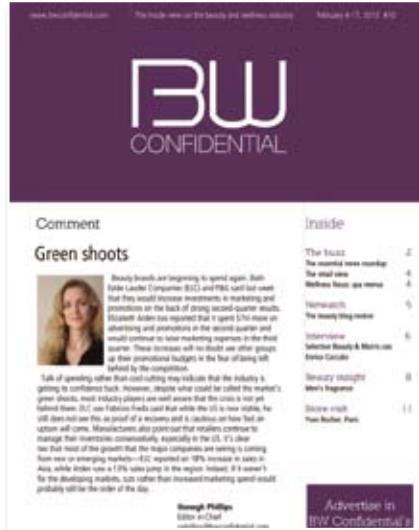
▲ The Maison de Parfums offers the entire range of Dior fragrances and seven “Fragrance Discovery” services



▲ La Collection Privée fragrances are sold exclusively at the Maison in the UK. Bespoke services take place in a seated consultation area (pictured right)

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