

## Global beauty

# Key growth-driving trends

The growth pillars supporting the accelerating performance of global beauty include skin care product developments inspired by Asian Pacific beauty concepts and a rising demand for customisation. Niche categories and exclusive product ranges also continue to generate growth.

Global beauty maintained its growth at over 5% in 2014 despite the slight deceleration in two of the largest emerging markets, China and Brazil. Latin America, Middle East and Africa maintained double-digit growth rates while Western Europe and North America both showed stable recoveries and accelerating growth. A diversity of trends has been unfolding and fostered the rising demand for customisation, particularly in skin care, hair care, and colour cosmetics. Skin care product developments inspired by Asian Pacific beauty concepts, formats and textures ('Asianification', so called) are expected to boost sales further. In developed markets niche categories and exclusive product ranges continue to generate growth, and the acquisition of strongly performing labels is a strategic priority for leading beauty players. The global beauty industry is rapidly accommodating digital developments across all categories, and companies are increasingly investing in a strong online pres-

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*Product developments inspired by Asian beauty concepts are expected to boost sales further*

brands. In addition to regional customisation, individual concerns and values are being addressed, which includes the growing segmentation of portfolios and more targeted marketing activities.

ence and brand image, analysing consumer habits, driving innovation and striving to offer a competitive pricing platform. Digital strategies serve all aspects of beauty operations and have to be aligned to all trends.

### The evolving trend of customisation

Although customisation is not a surprisingly new trend in global beauty, it has been fast evolving and constantly raising the bar for marketers. Consumers' demand for tailored solutions varies across regions and categories and is developing (with powerful encouragement from digital technology) into individualisation. While for example natural, skin-friendly ingredients, anti-pollution and scented beauty products are seeing heightened demand in Asia, Europe and North America, consumers are growing more focused on cross-category alignments, multiple benefits and exclusive

### Asianification – Asian beauty concepts

The Asianification trend is expected to grow stronger and deliver more product concepts from the region into international markets. These include innovations based on product formats, textures and benefits.

One of the most recent examples of a concept brought in from Asia Pacific is **Neutrogena Hydro Boost**, consisting of skin care ranges aiming to lock in moisture and draw water into the skin.

Asianification is also being seen in categories beyond skin care. As an example, air cushion foundation formats combine lightweight texture with make-up coverage and have been growing in popularity in the region since **AmorePacific's** launch of **IOPE Air Cushion** back in 2012. The recent launch of **Lancôme Miracle Cushion**, which has adopted the air cushion technology, is expected to repeat the



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*The popularity of face masks is also rapidly expanding beyond Asia*

global impact of the spread of BB/CC creams from South Korea.

Face masks are also rapidly growing in popularity beyond Asia. Although in 2014 some 80% of the global face masks market value was generated in Asia Pacific, growth in the category in North America and the Middle East and Africa is expected to see 6% and 5% CAGRs, respectively, over the 2014–2019 forecast period. The growing prospects of the Asianification trend are demonstrated in the recent acquisitions in face masks of **Magic Holdings** and **Glamglow** by **L'Oréal** and **Estée Lauder** respectively. The Magic Holdings brands are marketed in China, but, through the acquisition, L'Oréal is now able to transfer the technology to the west, while Glamglow is a North American brand enabling Estée Lauder to develop a stronger presence in the category.

#### Niche categories and exclusive brands

Acquisition activities are intensifying for niche brands in beauty. **Estée Lauder**, **Coty**, **Puig** and **Unilever** have all purchased 'one-of-a-kind' brands, such as **Le Labo**, **Penhaligon's** or **REN**, to scale up their portfolios and target growth in niche categories and exclusive brands.

Although growth was picking up in developed beauty markets in 2014, it was still modest at 1% and 2% in Western Europe and North America respectively, and characterised by a mature, fragmented environment. Through the acquisition of niche brands, compa-



*Exclusive product ranges continue to generate growth*

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nies aim to stand out and differentiate their offerings, as well as benefiting from a more premium image.

The brands that were identified as acquisition targets have achieved notable growth through developing a unique positioning and positively identifying the target consumer group.

#### Digital technology forms part of all operations

Beauty brands and companies have long been online, and use the platform as an efficient marketing tool. However, this situation is rapidly changing and digital strategies are being incorporated over and above marketing in research, innovation, distribution and finance. Consumer involvement, beauty trend analysis and price platform

segmentation are other areas relying on digital technology.

#### Cautiously optimistic outlook in global beauty

Looking forward, the global beauty outlook is cautiously optimistic, with a near 3% CAGR for 2014–2019. Given the cooling growth in emerging markets, multinationals' expansion activities are expected to be less intense, and at the same time strongly performing regional players with unique concepts are expected to appear on the global stage.

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