

BW

CONFIDENTIAL

Comment

Going direct



The majors' move to learn more about online selling and marketing by acquiring savvy digital start-ups was highlighted once again last week with Coty's purchase of a 60% stake in beauty social-selling platform Younique. Coty's investment in Younique follows a string of digital deals including L'Oréal's recent investment in a digital fund for start-ups managed by Partech Ventures.

Coty's investment highlights a key concern among beauty players: getting into new distribution channels. Analysts have described Younique as Avon for the internet age, as its products are sold by online presenters (similar to beauty reps). This furnishes Coty with a direct-to-consumer distribution model, which means more access to consumer data, no retail middle-man and of course better margins.

Brands selling directly to consumers—whether through their own stores or online—has been a strong trend over the past few years, as companies look to bypass traditional retailers at least for part of their business. It is thought that with the number of new online direct-to-consumer brands emerging, there will be more acquisitions in this area. And further acquisitions are likely to fuel these fledgling companies' product lineup and international reach, thereby boosting their awareness and sales. More market disruption is on its way.

Oonagh Phillips

Editor in Chief

ophillips@bwconfidential.com

Inside

The buzz 2
News roundup

Netwatch 7
Social media monitor

Interview 8
Lotte Duty Free manager cosmetics
and perfume merchandising
department Sun-min Noh

Insight 10
The natural beauty market

Store visit 13
Belezanaweb, São Paulo, Brazil

Meet the *BW Confidential*
team at:

- CosmeTokyo, January 23-25
- Cosmopack, Bologna, March 16-19
- Cosmoprof Worldwide, Bologna, March 17-20
- Esxence, Milan, March 23-26
- Duty Free Show of the Americas, Orlando, March 26-29

News roundup

At a glance...

- **L'Oréal to acquire three skincare brands from Valeant**
- **Coty acquires 60% of Younique**
- **L'Occitane sells Le Couvent des Minimes**

Stay informed with our daily news headlines on www.bwconfidential.com

Strategy

L'Oréal is to acquire US-based skincare brands CeraVe, AcneFree and Ambi from pharmaceutical company Valeant for \$1.3bn in cash. The brands, which have combined annualized revenues of around \$168m, will become part of L'Oréal's Active Cosmetics division. L'Oréal USA president Frédéric Rozé said that the acquisition will almost double the revenue of the division in the US. He highlighted growing demand for active skincare at accessible prices. CeraVe was founded in 2005 and has seen average growth of more than 20% over the past two years. The brand's products include cleansers, moisturizers and a baby care line. It is sold at mass and beauty retailers, drugstores and online. L'Oréal said CeraVe has the potential to be developed internationally. Ambi's products target multicultural consumers, while AcneFree offers OTC cleansers and acne treatments in the US. They are sold at mass retailers, drugstores and selected online outlets.



US-based **Coty** is to acquire 60% of peer-to-peer beauty brand and social-commerce website Younique for around \$600m in cash. Younique's founders, siblings Derek Maxfield and Melanie Huscroft, will own the remaining 40% stake. Younique was founded in 2012 and expects to generate revenues of around \$400m in 2016. The company's make-up and skincare is sold through its platform by a community of 200,000 independent presenters. The company has more than 4.1 million consumers in 10 countries. Coty expects to expand Younique's product offer and geographical presence.

L'Occitane has sold its skincare and wellbeing brand Le Couvent des Minimes to France-based fund HLD Group and Didier Tabary, owners of the Filorga skincare company. Le Couvent des Minimes was founded by the L'Occitane group in 2004 and is sold in 15 countries, mainly through pharmacies and perfumeries. L'Occitane stated that the sale is in line with its strategy to focus on its most important brands: L'Occitane en Provence, L'Occitane au Brésil, Melvita and Erborian. However, industry sources say L'Occitane could also be looking to sell its Melvita and Erborian brands.

US-based color cosmetics company **Milk Makeup** has received a minority investment from Main Post Partners, a private equity firm. This represents Milk Makeup's first outside investment. Milk Makeup was introduced in 2015 and is the first product line launched by Milk, a community and cultural hub. Its product range spans skincare, haircare and beauty. It is sold online, as well as in retailers such as Sephora and Urban Outfitters. Main Post Partners previously invested in US brand Too Faced. ■■■

BW Confidential

4 avenue de la Marne
92600 Asnières sur Seine, France
contact@bwconfidential.com

Tel: +33 (0)1 74 63 49 61

Fax: +33 (0)1 53 01 09 79

www.bwconfidential.com

ISSN: 2104-3302

Publisher: Nicolas Grob

Editorial Director: Oonagh Phillips
ophillips@bwconfidential.com

Journalist & Copy Editor: Katie Nichol
knichol@bwconfidential.com

Journalist: Hannah Ikin
hikin@bwconfidential.com

Contributors: Sophie Douez, Alex Wynne, Renata Ashcar, Mayu Saini, Raphaëlle Choël, Corinne Blanché, Naomi Marcoulet

Subscriptions

1 year: electronic publication (20 issues) + magazine (4 issues) + daily news + collector's guide: €549/US\$769
subscribe@bwconfidential.com

Advertising

advertise@bwconfidential.com
BW Confidential is published by Noon Media
513 746 297 RCS Nanterre
Copyright © 2017. All rights reserved.
Reproduction in whole or in part without permission is strictly prohibited.

News roundup

■■■ Spain-based **Puig** has set up a joint venture with Asian prestige beauty retail and distribution company Luxasia. The joint venture, which will start operations on February 1, will cover select South East Asian markets including Singapore and Malaysia.

Revlon has unveiled a new company structure following its acquisition of Elizabeth Arden in September 2016. The company will be organized into four global brand teams: Revlon, Elizabeth Arden, Fragrances and Portfolio Brands. It will also establish a regional structure with five regions: North America; Europe, Middle East & Africa; Asia; Latin America, and Pacific. The company says its new brand-focused structure will better position it for growth across categories, channels and regions. Revlon's acquisition of Elizabeth Arden created a company with \$3bn in sales.

Swiss flavor and fragrance company **Firmenich** will complete what it says is its largest investment in Geneva by expanding its global center for innovation and creation. By 2020, the company will invest more than CHF100m (\$99.2m) to transfer all its R&D and creation and support functions from its La Jonction site in Geneva (sold to the State's Pension Fund) to a new Meyrin-Satigny campus. Firmenich recently invested CHF60m (\$59.53m) in its new perfumery plant in Meyrin.

Korea's **Amorepacific Group** has partnered with Kuwait-based distribution company Alshaya Group to launch its brands in the Middle East. The first step in Amorepacific's Middle East expansion will be the launch of its make-up brand Etude House. The group will open a store for the brand in Dubai in the second half of 2017. There are plans to develop the brand in other GCC countries. Amorepacific claims Etude House is Korea's number-one make-up brand targeting a young consumer base. Amorepacific set up a wholly owned subsidiary in the Dubai Design District free trade zone in May 2016. Citing figures from Euromonitor, Amorepacific said that the Middle East's cosmetics market is forecast to grow at a CAGR of 15% from \$18bn in 2015 to \$36bn in 2020.



Retail

US-based retailer **Macy's** said it will cut more than 10,000 jobs. The announcement comes amid lower sales over the 2016 holiday period, declining store traffic and increased competition from online players. Some 6,200 jobs will be cut in the group's management, while 3,900 positions will be eliminated as a result of store closures. Some 63 stores will close this spring, as part of the 100 store closures announced last August. Some three stores closed last year and two will close in mid 2017. The company intends to shutter around 30 additional stores over the next few years. As a result of the closures, Macy's expects its 2017 sales to be negatively affected by \$575m.

Brazilian brand **Natura** embarked on a soft opening of its first store in New York City in December in a bid to test the US market as it looks to build its international business. The 92m² (990ft²) store located in Manhattan's Nolita district opened for a two-week preview and will re-open to the public in February. Through the store, Natura is aiming to gain insights into American consumer behavior and it will also use the boutique to evaluate the acceptance of its products. ■■■



News roundup

People

Chanel has appointed Barbara Menarguez executive vice president fragrance and beauty of its US arm, Chanel Inc, effective February 1. Menarguez, who was formerly senior vice president and chief financial officer of Chanel Inc, replaces Julien Gommichon.

LVMH has appointed Stefan Dembinski as retail development director perfumes and cosmetics. In this role, he will develop the retail strategy of beauty brands including Givenchy, Guerlain, Kenzo, Acqua di Parma and Make Up For Ever. Dembinski was previously at L'Oréal's travel retail division.

Shiseido has named Kentaro Fujiwara president of Shiseido China. As well as leading Shiseido China, Fujiwara will manage other major business units including Shiseido Liyuan Cosmetics and Shiseido Hong Kong. He will also be charged with strengthening cooperation with Shiseido China Innovation Center in charge of R&D and Shanghai Zotos Citic Cosmetics, a factory for the Chinese market. Fujiwara joined Shiseido in 1991 and has overseen Shiseido's China business since November 2015. For the third quarter of 2016, Shiseido's total sales for its China business grew 16.7% to ¥88.5bn (\$782.6m) on a local currency basis compared to the same period in 2015. China is Shiseido's overseas market with the most potential, according to the group. The company is aiming for its China business to reach sales of ¥200bn (\$1.77bn) by 2020.

Meanwhile, **Shiseido Americas** appointed Alexandra Papazian (pictured) general manager of make-up and skincare brand Laura Mercier, effective March 1. Papazian will report to Jean-Marc Plisson, president of the Beauty Prestige Group. She joins Shiseido after 15 years at L'Oréal.



Data

Chinese travelers are set to return to Europe to celebrate Chinese New Year, after a dip in numbers in 2016, according to travel intelligence company ForwardKeys. Despite security concerns, as of December 30, 2016, bookings to Europe for the start of the Chinese lunar calendar year on January 28 were 68.5% ahead, compared with a 7.4% fall in visitor numbers last year due to concerns over terrorism. Central and Eastern European destinations are the most popular. Spain is the fastest-growing European destination for the Chinese to celebrate Chinese New Year, and is ahead 89%, followed by the UK on 88% and Italy, 59%. France is ahead 49% despite terrorist attacks. ■■■

BW
CONFIDENTIAL

STAY INFORMED WITH OUR
DAILY NEWS SERVICE

News headlines daily on www.bwconfidential.com

@BWCbeautynews



- All major news on the industry published every day on our website
- News headlines complement analysis and interviews in our electronic publication and print magazine
- BW Confidential is the destination for keeping up-to-date with what's going on in the industry and staying ahead of the competition

BW Confidential, the inside view on the international beauty industry

The website - daily news • The electronic publication - every two weeks • The print magazine - four times a year

News roundup

■ ■ ■ Launches

France-based **Interparfums** is to launch its first fragrance for the Rochas brand, which it acquired in 2015. Called *Mademoiselle Rochas*, the women's EdP was created by Anne Flipo of IFF and is designed to reflect the spirit of a young Parisian woman. Swiss actress Noémie Schmidt is the face of the new scent. Launching internationally in March, *Mademoiselle Rochas* retails at €55 (30ml EdP), €75 (50ml EdP) and €105 (90ml EdP).



Shiseido-owned **Nars Cosmetics** has teamed up with French actress and singer Charlotte Gainsbourg to launch a new make-up collection. The collection is composed of 18 limited-edition products for the eyes, lips and cheeks and is set to launch in May 2017.

Beauty on show at CES

BW Confidential highlights beauty innovations at this year's **Consumer Electronics Show (CES)**, which took place from January 5-8 in Las Vegas.

- L'Oréal-owned haircare brand **Kérastase** unveiled what it claims to be the first-ever smart hairbrush, the result of a collaboration between the brand, connected health company Withings and L'Oréal's Research and Innovation Technology Incubator.

The brush is designed to score hair quality, monitor the effects of different haircare routines and reduce the risk of damage linked to forceful brushing. The associated mobile app provides Kérastase product recommendations and personalized tips. The brush will be available in mid-2017 and retails for \$200.

- **HiMirror**, a subsidiary of electronics manufacturing services and design company New Kinpo Group, debuted its HiMirror Plus and HiSkin innovations. HiMirror Plus is an extension of the original HiMirror. Like the original, it proposes custom skincare routines and product recommendations based on its assessment of the skin's condition, and allows users to record and save skin analysis results. The HiMirror Plus' new features include LED make-up lighting with five different environment settings (including brightly lit office and shopping mall).

- South Korean company **Samsung** unveiled two new skincare technology projects. S-Skin is a home skincare and analysis solution comprised of a microneedle patch, a portable device that analyzes and cares for the skin and an accompanying app.

According to Samsung, the device measures skin melanin, redness and hydration to provide personalized skincare using LED light. The microneedle patch, composed of various types of eye patches and spot patches, can penetrate the skin to deliver ingredients and increase absorption. The patch changes color depending on the temperature of the skin so users know if it is correctly applied.

The second project is Lumini, a portable device that Samsung claims can spot skin problems before they happen. The device takes a picture of the face and uses an algorithm to analyze information to identify issues under the skin's surface, such as redness, pimples and increased sebum.

- Consumer electronics company **Element Electronics** and augmented retail specialist FaceCake Marketing Technologies unveiled a vanity mirror that enables consumers to virtually try on cosmetics while receiving personalized recommendations and purchase options. The mirror is expected to hit store shelves this spring. ■



THE ART PERFUMERY'S EVENT

9TH EDITION



THE SCENT OF EXCELLENCE



MARCH 23RD - 26TH 2017
THE MALL - MILANO

WWW.ESXENCE.COM

THE GARDEN OF EDEN

With the ninth edition, Esxence – The Scent of Excellence is back to fascinate with tales, emotions, news and figures from the magic perfume world. This enchanted universe finds a perfect representation in the new theme: the Garden of Eden. Joyful place par excellence, it's the pure dimension of creativity and the expression of fantasy, able to awake our senses: only here they can perceive the most harmonious and refined fragrances. Art Perfumery is the key to access to this perfect world and Esxence is the appointment that every year allows professionals and enthusiasts to get in. International brands, both historical and emerging, strictly selected to be part of the exhibition area, will offer to the public an excellent and interesting parterre for new businesses and perfumed discoveries. Furthermore, the event will see the presence of the third edition of Esxkin – The Excellence of Beauty, the space dedicated to niche skincare, where the most innovative realities of the sector distinguish themselves for the high quality of their raw materials and the effectiveness of their exclusive formulas. Meetings, workshops and round tables, cultural and economic focuses together with special events with some of the most important and respected names of the worldwide perfumery scene will enrich the four days of the Event.

Social media monitor

BW Confidential reports on what's being said about beauty on social networks

Clinique's collaboration with crayon brand Crayola on a line of lipstick pencils has been liked for its creative marketing. The limited-edition **Crayola Chubby Sticks** are inspired by classic Crayola crayon colors.



The launch of a new online beauty subscription service, **Beauty Pie**, has generated varied reviews. Some bloggers say that the service, which claims to offer subscribers high-end products at factory prices, could have limited appeal given that it sells only its own brand. However, others see the option of cheaper products as interesting for those who like high-end beauty, but cannot afford the price, and also laud the company for being transparent about the real costs of the products.

Bespoke beauty has become a huge trend and is set for further growth, according to bloggers. The segment has notably been boosted by innovative launches like skincare boosters, shade-adjusting make-up and single-ingredient products that can be layered.

The idea of **ingestibles** or **beauty drinks** is not new, but it is gaining more attention from bloggers of late. Commentators point in particular to Burt's Bees' launch of a new protein shake line.



The views expressed in this section are those of bloggers and do not represent the opinions of BW Confidential

BW
CONFIDENTIAL

Collector's Guide

Beauty in Travel Retail

more than 100 pages of insight and analysis of the beauty category in travel retail

Everything you need to know about beauty in the travel-retail channel:

- Global shopper habits
- Digital strategies
- Online sales
- Reaching millennials
- Creative retailing strategies
- Pricing
- Performance by beauty segment
- New product trends
- Packaging...

Plus all the latest data, industry predictions and listings on the channel's main players



order your copy by email subscribe@bwconfidential.com

Lotte Duty Free manager cosmetics and perfume merchandising department Sun-min Noh

New horizons

This year has begun with a flourish for Korea-based travel retailer Lotte Duty Free. The Lotte World Tower store re-opened for business this month after Lotte secured a license to operate downtown outlets across Seoul in December (it was forced to close its operations on June 26 after previously losing its license). Other recent domestic gains include the relaunch of the Gimhae airport business last month, which expanded the space for cosmetics by 40%.

However, competition from rivals and a number of business investigations made for a testing year for Lotte in 2016 even though it has made considerable strides with its global expansion. The opening of a downtown outlet at Tokyo Ginza in March 2016 will be followed by four to five stores in other Japanese regions with sales expected to grow to 1 trillion Won (\$850m) within 10 years. They will join its overseas portfolio, including outlets at Jakarta airport and downtown locations, Guam and Kansai airports. *BW Confidential* talks to Lotte's manager cosmetics and perfume merchandising department Sun-min Noh about pricing, passenger targeting and online objectives

How has Lotte Duty Free performed in light of the loss of the downtown Seoul license last year and business investigations? What is the outlook given the new developments, such as gaining a Seoul downtown license, reopening Lotte World Tower and the relaunch of operations in Gimhae?

We tried to be optimistic about retrieving the World Tower store's license since it is the workplace for 1,300 employees and the future for Lotte Duty Free. Fortunately, after the contest, the shared view formed by the industry, media and government was that the result was harmful not just for the duty-free business, but also for the nation's tourism industry. Thus, Korea's Customs Service decided to issue more downtown duty-free licenses and we secured the license again in the tender that followed. Throughout the year between the contests, we focused more on core competencies. As a result we were able to grow the business, attracting more tourists, despite the loss of the World Tower store. Now that we have re-opened the outlet, we are going to exert ourselves to become the global, number-one duty-free operator.

How are you targeting your offer and services to different passenger profiles? Is there a risk of becoming too dependent on the Chinese traveler?

In the cosmetics and perfume category, there is a big difference between the brand preferences of Koreans and Chinese travelers. Koreans mainly prefer imported cosmetics or make-up products, whereas Chinese consumers love Korean skincare, especially brands such as Sulwhasoo, Laneige, Whoo and Sum.

Since 70% of Korea's duty-free business is generated by Chinese customers, attracting brands and constructing floors that reflect the needs of the Chinese is important. For that reason, Lotte Duty Free is zoning Korean brands preferred by Chinese customers to make purchases easy. We are also operating pop-up stores for products that are popular on social networks. ■■■



“ Lotte Duty Free is zoning Korean brands preferred by Chinese customers to make purchases easy. We are also operating temporary pop-up stores for products that are popular on social networks

”

Lotte Duty Free manager cosmetics and perfume merchandising department Sun-min Noh

Lotte Duty Free manager cosmetics and perfume merchandising department Sun-min Noh

■■■ What are you doing to appeal to the millennial traveler?

Chinese millennials are increasingly seeking to travel independently, and acquiring information through social networks is important for them. Since they are very sensitive to trends including famous and unique items on social networks, products in vogue and styles worn by celebrities, we want to attract a variety of brands including low-end Korean cosmetics and functional cosmetics, as well as luxury brands and to secure the stock of unique products. Our online team is also preparing to open the next-generation online duty-free shop, which is designed with a customer-oriented user interface to strengthen digital marketing in order to capture online customers and potential consumers.

What are your objectives in terms of your online business?

It is more difficult to sell alternative products online than with face-to-face sales and the chances of customers dropping out if the brands or products they are looking for are in short supply, are quite high. Therefore, in terms of merchandising, accessing various brands and securing inventories are the most important objectives.

How do you see the impact of price comparison sites?

The duty-free business is becoming a dual-model one; the in-store business, oriented towards customer service, and online, which focuses on price competitiveness and convenience. The customer-focused, in-store business is developing concepts that enhance the user experience with consulting tables, which provide personal services, and expanded tester bars.

Since online customers focus on price comparison, discounts and promotions are important. Duty-free retailers organize sales promotions or events based on each operator's specific characteristics. At Lotte, in addition to price competitiveness, we offer an online environment where customers can enjoy one-stop shopping.

How do you see travel-retail stores evolving? Do you see the development of more beauty standalone stores or more segmented retail formats in the travel-retail channel?

Customers' travel starts with duty-free shopping. The duty-free market will grow and evolve along with the growing number of travelers and the development of the travel industry. Beauty brands will drive growth because they will continuously invest in this market to provide additional value that customers can enjoy only in duty-free.

Brands that focus on their values will invest more in physical areas, whereas labels that want to raise volume will spend their budgets on multi-channel distribution to increase online and offline exposure to customers. Travel-retail will constantly be transformed, not just by the changes in the channel itself but by the efforts to provide online/offline, one-stop shopping to customers with stores featuring a diversity of brands. ■

“

The duty-free business is becoming a dual-model one; the in-store business, oriented towards customer service, and online, which focuses on price competitiveness and convenience

”

Lotte Duty Free manager
cosmetics and perfume
merchandising department
Sun-min Noh



▲ Lotte Duty Free is looking to strengthen online sales and digital marketing, while setting up special in-store areas to appeal to Chinese travelers



The natural beauty market

New-generation natural

New approaches to the natural beauty category could give the market a boost

There have been great expectations around the natural beauty market. But although it is seeing somewhat of a rejuvenation and embracing new concepts, the segment is still small. In mainstream retail, space remains limited and initiatives, including private-label brand launches, come and go. To its detriment, the category has also become a bit of a catch-all concept, and players continue to bemoan widespread greenwashing. But it is a market to watch; industry observers tout the advent of a new-generation of natural brands where Juice Beauty, Tata Harper, Farmacy and The Honest Company are already making waves.

According to industry experts, the natural and organic market is booming, and beauty and personal care is one of its fastest-growing categories. Growth in natural beauty products is outpacing other beauty categories, according to a *Natural Personal Care Global Series* report by Kline Group. "The estimated total beauty and personal-care market growth for the US in 2016 is approximately 4%, while the market for naturally positioned brands has grown at over 9%," confirms Kline Consumer Products project manager Naira Aslanian. The global natural and organic beauty market was valued at \$12.5bn in 2015, almost doubling the \$6.8bn in sales in 2007, according to Organic Monitor. Amarjit Sahota, director of market-research company Organic ■■■

“ Before some of the brands were so staid in the packaging and application. Now we are seeing some very high-quality and luxurious natural brands ”

The Red Tree founder
Stirling Murray

The natural beauty market in figures

- Global natural and organic beauty sales: \$12.5bn*
- US natural and organic beauty sales 2015: \$5.2bn**
- US natural and organic beauty estimated sales growth 2016: +9.2%**
- UK natural and organic beauty sales 2015: \$656m**
- UK natural and organic beauty estimated sales growth 2016: +7.8%**

*Source: Organic Monitor

** Kline Group *Natural Personal Care Global Series* report (manufacturer sales)

The natural beauty market

■■■ Monitor, says in countries like Canada, Germany, Switzerland and Austria the category represents over 5% of the total beauty market. "Europe and North America comprised over 90% of sales; however we are now seeing high growth rates in parts of Asia and Latin America. We are seeing many new products launched by brands in these parts of the world, whereas initially Western brands were making inroads in other parts of the world," says Sahota.

The mainstreaming of natural brands is evidenced by their presence across different channels—from pharmacies and drugstores to department stores and mass outlets—a trend seen in North America, Europe and Asia. In the US for example, there has been a drive by mass retailers such as Target to offer a separate section for natural products, notes Kline's Aslanian, and in Asia, natural beauty is prominent in department stores. Meanwhile, new specialist beauty retailers like Cosme Kitchen in Japan and Credo in the US are now on the scene.

Fresh concepts

A major change marking the category is the number of new brands stepping out with fresh concepts; today a fashion-oriented or luxury positioning is no longer incompatible with a natural or organic ethos. "Before some of the brands were so staid in the packaging and application. The consumer has never bought into that. Now what we are seeing is some very high quality and luxurious natural brands that have all the brand attributes that their competitors that aren't natural have," says Stirling Murray, founder of UK-based strategic consultancy for beauty brands The Red Tree. "Natural beauty has changed so much. Early brands working hard to create products with healthy ingredients tended to sacrifice the beautiful packaging, texture, ■■■

Natural beauty trends

- **Renewable materials and sustainable packaging**, which include biodegradable materials, edible inks, bio-plastics and green polyethylene have been giving natural brands a progressive edge. Brands like Tata Harper are also setting new standards by combining luxury and ethical codes in the natural category.
- **Water-less products** have been a big trend in Asia, and water-less has become a key claim by natural product marketers to offer more concentrated formulas as well as reduce water wastage. On a practical note, water-free solid products are easier to carry.
- **Vegan trends** have been gaining appeal with consumers, especially millennials, and as the benefits of part-time veganism become better known, according to the *New Natural* report by Innovation Group at J. Walter Thompson. The Body Shop recently announced the launch of a new eight-sku vegan make-up line.
- **Fresh Batch and Farm to Face** have been buzz words in the industry with brands like Farmacy and Nuori offering fresh batches of natural-based formulas that are more potent, but clean, non-toxic and traceable.
- **A luxury or fashion-oriented** brand positioning for natural lines is here to stay. In line with this, advances in alternative ingredients are boosting product development in areas such as color cosmetics, which has been evolving rapidly, says Credo vp of merchandising and planning Annie Jackson.
- **Food ingredients in beauty** draw on food trends, where the natural movement has been strong, and include fruit enzymes, fermented ingredients, cold pressed oils and superfruits, among others, notes Lucie Greene, worldwide director of The Innovation Group J. Walter Thompson. The Beauty Chef, for example, blends food ingredients with a natural fermentation process to make topical and ingestible beauty products.

The natural beauty market

■■■ scent or even the efficacy due to high costs,” says Credo vp of merchandising and planning Annie Jackson, who describes this new generation of naturals as ‘the naturals 2.0 movement’.

Another major change has been in the types of products, with natural items now encompassing all beauty categories, Organic Monitor’s Sahota says. The palette of ingredients has also widened significantly, he adds.

This new generation of natural is more aspirational and includes products combining nature with science and brands using the digital space to pitch their messages, says the *New Natural* report by J. Walter Thompson’s trend forecasting consultancy and innovation unit The Innovation Group. “This latest wave is different to the first naturals wave a few years ago. It’s an extension very much of what we have seen in food,” says Lucie Greene worldwide director of The Innovation Group. “There is a distrust of chemicals, processing and mass manufacture in food, which has led to entirely new categories of natural alternatives. In beauty we are seeing new products that focus not just on natural ingredients, but hyper natural with an emphasis on sourcing and total traceability. What started as farm to table with food is now seed to skin with brands such as Earth Tu Face and Tata Harper,” says Greene.

Beyond natural

These brands still need to perform a balancing act between a natural positioning and being effective or relevant. The appeal has to go beyond being just natural, and products need to be effective and give quick results, says Murray. In the UK for example, only around 2% of beauty purchases are in the natural category. “The UK consumer is celebrity driven, wants quick results, is quite cynical, reads packs, and therefore the resistance to buying natural products is quite high,” says The Red Tree’s Murray. “It needs a pragmatic mix of commercial realism plus a desire to create something natural.” The challenge is to be able to compete with the traditional market and attract more mainstream shoppers, says natural brand Dr Hauschka France marketing manager Sophie Roosen. “For Dr Hauschka in France, our goal is to go beyond our core target group and meet consumers who do not necessarily shop in organic stores, but who appreciate a ‘green’ approach and who will look for organic cosmetics if they find them as effective as classic cosmetics.”

Recent launches, notably new natural private-label lines from H&M and & Other Stories, could be telling of the changes now hitting the mainstream. “It is challenging for a retailer selling only conventional beauty to allow a natural or clean beauty brand to showcase their positioning,” says Credo’s Jackson. “But it is a risk to assume this is not mainstream. It is more of a risk for the conventional brands and retailers who don’t adapt—they have more to lose than the disrupters and start-ups. [Look at] Sephora [in the US, when it launched], the big conventional brands at that time assumed it was a niche—and many of them suffered a significant loss of market share because they didn’t adapt to the new dominant channel of a specialty beauty store.”

Retailers might not want to let this category slip under the radar. “These [new generation] creators and their brands are simply reflective of our communities today,” states Jackson. ■

““

It is challenging for a retailer selling only conventional beauty to allow a natural or clean beauty brand to showcase their positioning. But it is a risk to assume this is not mainstream. It is more of a risk for the conventional brands and retailers who don’t adapt

””

Credo vp of merchandising and planning Annie Jackson



Digital goes physical

Brazilian e-commerce player Belezanaweb opens its first brick-and mortar store

Brazilian e-commerce beauty retailer Belezanaweb opened its first physical store in São Paulo in the city's Moema area, known for its street-lined stores, at the beginning of December last year. The idea of the store is to be where the consumer is and offer an opportunity for shoppers to buy beauty outside the city's shopping malls.

The 400m² (4,305ft²) store stocks a wide range of product, including both national and imported brands. There are 3,000 products available in the physical store (compared with 15,000 items on the e-commerce site). In addition, if a product is not available in the store, it can be delivered in 24 hours anywhere in São Paulo city. A special emphasis has been placed on haircare, a category where Belezanaweb is a leading player in the market. The store layout has been designed to encourage product testing.

The store features a string of digital elements, such as videos (the same used on the company's website) in the sections for each product category. Prices are not shown to encourage shoppers to read the QR codes or bar codes using machines in store. There is also a click & collect service. In addition, the store hosts a mini-studio for beauty bloggers where they can make videos or take pictures to foster closer contact with key digital opinion leaders. At the checkout, online clients can easily be identified through their national ID numbers (similar to a social security number) and are offered product samples and also receive samples at home within 24 hours.

Services are an important part of the store. The boutique's home to a hairdressing area for quick services signed by Brazilian hair expert Wanderley Nunes from Studio W, and there is also a men's grooming area, where products can be tested. ■

Belezanaweb

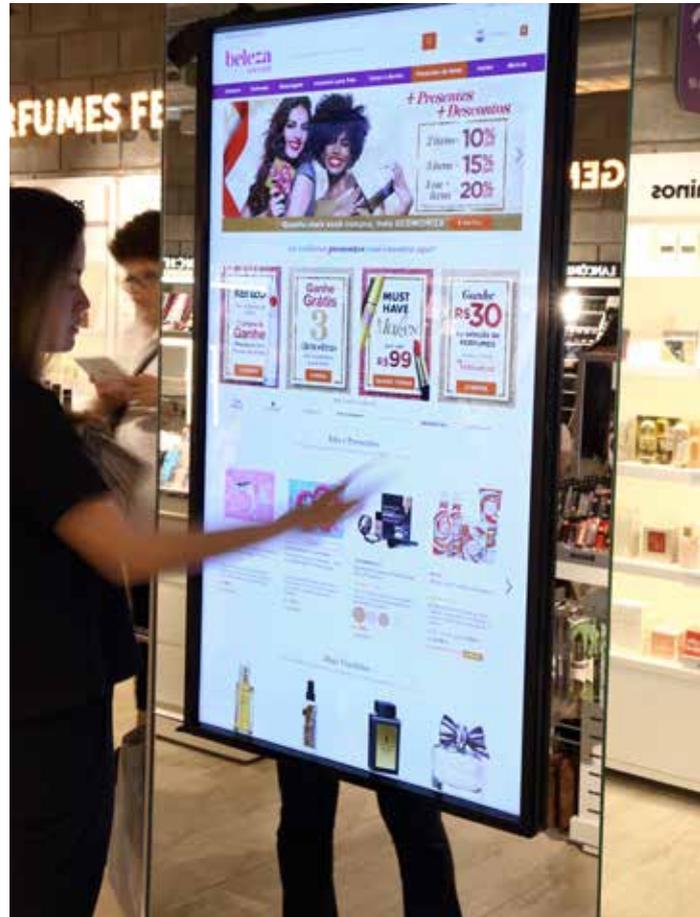
- **Location:** Moema, São Paulo, Brazil
- **Opened:** December 2016
- **Size:** 400m² (4,305ft²)
- **Special features:**

Digital information screens, studio for bloggers to make videos, hairdressing services, home delivery in 24 hours for products not available in-store

Store visit



▲ The store offers hairdressing services and sells 3,000 products from national and international brands



▲ The store is home to a studio where bloggers can make videos and take pictures (left) and also features digital panels providing product information (right)

