

Chapter 2

DRIVING FORCES IN BEAUTY CARE MARKETING

THERE ARE THREE PRIMARY FORCES that drive beauty care marketing: product and consumer segment growth, socioeconomic/demographic/lifestyle trends, and future product needs. Successful marketers understand each and, more importantly, are able to project them into future use.

PRODUCT AND CONSUMER SEGMENT GROWTH

There are three primary avenues in beauty care marketing which can dictate a growth path:

- Overall category momentum, which is generally a function of favorable consumer lifestyle trends.
- Impact from acquisitions, mergers, and strategic alliances.
- Growth opportunities via market segmentation/fragmentation.

CATEGORY GROWTH TRENDS

Overall, it is reasonable to expect the U.S. beauty care market to be \$29 billion by the year 2000. This equates to about a five percent per annum dollar growth rate or roughly \$6 billion more than in 1995. Although all categories will expand in the years ahead, skin care will have the largest growth (+7% per annum) thanks to the aging population and, in particular, the surge in the growth of the 50+ group. Cosmetics also will benefit (although to a lesser extent than skin care) from this trend in the aging population (5 percent projected per annum rate). Hair care will follow at a 4 percent annual average and then fragrances at a 3 percent per year average.

Cosmetics, hair care, and fragrances will see less growth than skin care due to more casual lifestyles—in short, we will be “dressing up” less and needing these products less. (Chapter 3 discusses this phenomenon in more detail.) By the year 2000, the segments that comprise beauty care will have the following share levels:

BEAUTY CARE MARKET SEGMENTATION FORECAST			
Category	Per Annum Growth Rate	1995 Dollar Share	2000 Dollar Share
Skin Care	7%	19%	22%
Cosmetics	5%	32%	32%
Hair Care	4%	23%	22%
Fragrances	3%	26%	24%

GROWTH THROUGH ACQUISITIONS, MERGERS, & STRATEGIC ALLIANCES

The biggest deal in 1995 in beauty care was the purchase of Maybelline by L’Oreal. This merger made L’Oreal the second largest cosmetics mass marketer in the United States. In 1995, the combined company did approximately \$650 million in business (only \$30 million less than the leader Procter & Gamble).¹

The marriage of Maybelline and L’Oreal is an excellent example of why acquisitions, mergers, and strategic alliances will likely continue in beauty care.

- This acquisition significantly increased the distribution reach of L’Oreal. Maybelline nearly doubled the amount of mass market doors open to L’Oreal. (Maybelline was sold in 100,000 food, drug, and mass merchandiser stores versus about 50,000 for L’Oreal.)²
- Maybelline allowed L’Oreal a crack at the huge ethnic cosmetic market (projected to be more than \$700 million dollars by 1997).³ Maybelline owns Shades Of You, a pioneer in the mass ethnic market. It is estimated to have more than a thirty share of the mass market ethnic cosmetics business.⁴

The consensus of the top drug retailers, as well as Wall Street analysts, is that the Maybelline acquisition by L’Oreal will strengthen both companies. As one analyst said, “Maybelline is good at understanding the customer, right down to the shelf level. L’Oreal has the marketing expertise.”⁵ Retailers do not expect to see a “L’Orealization” of Maybelline or a “Maybellization” of L’Oreal.⁶ **The cosmetic industry historically has been successful in terms of brands not only surviving acquisition, but actually benefiting as a result.**

Chesebrough-Ponds’ stable of brands—Vaseline, Ponds, Rave—have exceeded category growth levels since its acquisition in 1986 by Unilever. This is a function of Unilever’s infusion of both capital and international marketing expertise.

Industry analysts also point to Procter & Gamble with Max Factor and Cover Girl and Revlon with Almay as examples of acquisitions that have benefited companies and brands.⁷

Bottom line—companies can, and must, manage different brands successfully—even in the same categories.