

Cosmetic firms eye beautiful future in emerging markets

MUMBAI: Global cosmetic firms are turning to emerging markets in the hunt for sales, but they face a challenge tailoring their beauty products to suit new customers in India, China and elsewhere.

The Euromonitor research group forecasts global growth worth US\$64bn within five years, including \$26bn in the Asia-Pacific region and \$22bn in Latin America.

"If you want to get a piece of the action, then you have to be present," Oru Mohiuddin, an analyst from London-based Euromonitor, told AFP. "We see that growth in emerging markets is enormous."

L'Oreal, one of the world's largest cosmetics makers, has set up research centres and factories in countries such as India, Mexico and Indonesia and is adapting marketing and sales strategies to local consumer habits.

The French company estimates that by 2025 annual spending per head on beauty products will have grown in India from three euros to €10 and in China from €12 euros to €57 euros.

"Strengthened management teams"

"Most groups in emerging markets continue to strengthen their regional and local structures," said Laurent Dusollier, an analyst in Paris for Roland Berger consultants.

"Having established research and development centres, they have created specific products and marketing approaches and strengthened their management teams."

One of the key tests for firms trying to tap into new consumer tastes among India's 1.2 billion population is to understand that most people shop in small neighbourhood outlets rather than at supermarkets.

"There is a challenge of distribution and product availability, especially as there is no modern-style trading," said Dusollier.

L'Oreal has experimented with selling products in cheap, individual sachets for a few rupees, and says 75,000 small shops now offer its goods nationwide.

The company has also used Garnier, which it owns, to develop a special range of products that use Indian ingredients and is testing make-up products to expand beyond hair and skincare sales.

"Our ambition is to become the number-one beauty company in Asia-Pacific and the number one among emerging upper and middle class consumers," L'Oreal's regional managing director Jochen Zaumseil said in Mumbai last week.

"We expect strong growth in the next decade," he said, adding the company wanted to make products "more accessible" and that it was considering mergers and acquisitions.

India's economic growth has slowed sharply from nearly 10% four years ago to 5.5% in the latest quarterly figures, but Zaumseil says that in 2011 L'Oreal grew by 25% in the country.

The company sees the high-end section of the market as the most attractive target, as it believes at least 60% of wealthy Indians currently buy luxury goods while travelling abroad.

The rapid emergence of sleek new shopping malls in cities like New Delhi, Mumbai and Bangalore points to a solid future for L'Oreal's elite brands including Lancome, Yves Saint Laurent and Kiehl.

"This is a long-term game and a very new market," said Dinesh Dayal, chief operating officer for L'Oreal India.

For more, visit: <https://www.bizcommunity.com>