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M&As rebound as beauty firms seek funding

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For more details on last week's acquisitions, log on to CosmeticNews.com

Beauty mergers and acquisitions are picking up after a sluggish start to the year, as the economic downturn prompts firms to seek strong financial backers. Last week unveiled several major—but very different—confirmed and potential deals. UK pharmaceutical group GlaxoSmithKline (GSK) snapped up US specialist dermatology company Stiefel in a deal worth \$3.6bn, while makeup artist brand Stila was sold to Patriarch Partners by to fellow US private equity firm Sun Capital Partners. Meanwhile, in a bid to shrink debt, US company Revlon is weighing a buyout offer from majority stakeholder MacAndrews & Forbes Holdings.

Ariel Ohana, founder of merger and acquisitions specialist Ohana & Co, tells *CosmeticNews* two distinct trends are emerging in beauty M&As this year. The GSK acquisition reflects the growing importance of healthcare and pharmaceuticals in the strategic acquisitions market. "This sector has been less hit by the crisis in terms of end-user consumption," he says. "It is also one of the rare sectors where companies are still willing to make mega-deals." Ohana says beauty companies focusing on dermatology-related or technical products "are the hot assets right now", citing Stiefel or medical aesthetic products supplier Mentor, acquired by Johnson & Johnson for over \$1bn last December.

In another camp are popular, but financially shaky, brands like Stila which are bought by turnaround funds. "These

companies have much lower valuations," says Ohana. With many companies posting less than glowing performances in the recession, some industry observers are predicting a further flurry of M&As in coming months.

"Those who have funding will gain market share," says industry veteran Allan Mottus. However, private-equity firms are growing increasingly wary—suggesting further tumult for financially insecure brands. "A number of private equity firms are trying to exit small or risky investments," says industry consultant Colin Hession.

That leaves the field open for big companies with solid balance sheets to make strategic investments at moderate prices. "The economy is going to force a lot of brands into the red and therefore [oblige] people to make decisions," Dan Brestle, president at the North American division of US beauty group The Estée Lauder Companies, tells *CosmeticNews*.

Potential buyers of all kinds are likely to prefer smaller acquisitions, ruling out mega-mergers as too high-risk. "I don't see any big acquisitions [coming] at this stage of the game," says Virginia Bonofiglio, a professor at the Fashion Institute of Technology in New York City. Small, high-potential indie brands or companies offering new technology are on the radar, she says, pointing to manufacturers of home beauty devices as particularly attractive. In an unsparing climate, standing out is non-negotiable.

Laure Guilbault with Courtney Traub

MAY 7-8

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MAY 8-10

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MAY 11-14

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MAY 15-18

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MAY 17-19

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MAY 18-20

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MAY 26-28

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MAY 28

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JUNE 3-4

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JUNE 23-26

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JULY 13-16

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JULY 19-21

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SPOTLIGHT

Mining the blogosphere

Beauty marketers hoping to reach out more effectively to consumers via the web should tune in to lesser-known beauty blogs and forums, according to Les Yeux du Net (The Eyes of the Web), a France-based consultancy that helps brands shape online strategies. Speaking earlier this month at a conference in Paris, France, Les Yeux du Net associate director Elisabeth Exertier said beauty players often rely heavily on tracking the most popular or well-ranked blogs for insight into how consumers are reacting to their offers. By scouring for exchanges on smaller or up-and-coming sites, e-marketers can better deploy their strategies and more successfully direct consumers to dedicated brand sites, she suggests.

Beauty hot topic in blogs

A study of the French-language blogosphere and forums conducted by the consultancy between January 2007 and March 2009 found that beauty is the second-hottest topic after high-tech products. Some 3,200 new references to beauty brands can be found per month on roughly 35,000 web pages generated per year. "Beauty is a very strong topic, and the bloggers and forum-goers are an impassioned group," Exertier said. Top concerns among French internet users were combating first wrinkles, finding ways to get favorite or new products at discounted prices, and organic cosmetics. Consumers who maintain blogs or are active in forums tend to judge price points based on brand positioning, accepting higher price tags for classic prestige brands like Chanel or Christian Dior. The study also probed 700 blog and forum pages to track reactions to seven major beauty players: L'Oréal Paris, Nivea, Caudalie, Nuxe, Yves Rocher, and perfumery chains Sephora and Marionnaud. "51% of these comments are positive, and 40% are neutral, but even when they're critical, they usually betray a strong attachment to the beauty brands mentioned," Exertier added. Bloggers and forum-goers often express significant skepticism toward product claims of popular brands and painstakingly decipher ads and press kits, she adds, but they are generally savvy about new technologies and ingredients and their intense interest should be seen as positive.

Reaching out matters

Exertier noted that certain brands are generating much more buzz than others in French-language blogs, with Dior enjoying a strong lead (47% of blog references tracked since 2007), followed by L'Oréal Paris (20%), Yves Rocher (19%), Nivea (8%), and French pharmacy brands Nuxe (4%) and Caudalie (1%). The analyst said brands that regularly reach out to bloggers tend to get more positive coverage. With the advent of microblogging tools like Twitter fueling the buzz factory, now is the time for brands to get with the program.

Courtney Traub

Traduction texte en anglais (ci-joint) sur la conférence beauté

Par Hanane LAHLOU – Chargée de Veille

Les marketeurs de la beauté espèrent étendre plus efficacement leurs actions sur les consommateurs, via le web, en écoutant attentivement les blogs et les forums, d'après les Yeuxdunet, une agence de consulting qui aide les marques à construire leurs stratégies online.

Lors d'une conférence, qui a eu lieu à Paris (France), la directrice associée des Yeuxdunet nous informe que les marques dépendent souvent des blogs influents ou les blogs populaires pour savoir comment les consommateurs réagissent à leurs offres. En scrutant les échanges sur les plus petits sites et sur les plus grands, les marketeurs peuvent mieux adapter leurs stratégies et avec plus de succès aux près des consommateurs qui s'expriment et donnent leurs avis sur les sites des marques.

La beauté un thème chaud dans les blogs : L'étude de la blogosphère française a été menée entre Janvier 2007 et Mars 2009. La beauté est le second thème abordé après les produits High Tech. Près de 3200 citations trouvées par mois et 35 000 par ans.

« La beauté est un thème solide, bloggeurs et forumeurs (les visiteurs de forums) sont des groupes passionnés» déclare Madame Exertier.

Les grandes inquiétudes des Français s'exprimant sur la beauté et le bien être sont : Combattre les premières rides, trouver leurs produits préférés ou des nouveaux produits à prix cassés ou encore des produits organiques (Bio)

Les consommateurs qui fréquentent les blogs ou qui sont réactifs dans les forums ont tendance à juger les prix des produits par leur positionnement et acceptent les prix élevés des prestigieuse marques comme Dior ou Chanel.

700 citations sondées par cette étude pour « tracker » les réactions des fans de la beauté et utilisateurs des marques : L'Oréal Paris, Nivea, Caudalite, Nuxe, Yves Rocher et les chaînes de parfumeries comme Marrionaud et Sephora. « 51% des commentaires recensés sont positifs et 40% sont neutres mais là où on trouve des critiques, on remarque un fort attachement à la marque mentionnée » rajoute Mme Exertier

« Bloggeurs et forumeurs sont souvent significativement sceptiques envers les produits populaires ou bas de gamme apparus dans la presse » rajoute-elle. Mais il y a généralement des avis positifs et un intense intéressement à propos des produits innovants.

Etendu des questions :

Mme Exertier note que certaines marques sont génératrices de beaucoup de buzz que d'autres dans le langage français des blogs. Avec Dior qui en jouit avec une forte avance (47% des citations référencés depuis 2007), suivi de L'Oréal Paris (20%), Yves Rocher (19%), Nivea (8%), Nuxe (4%) et Caudalite (1%). Pour conclure, l'analyste confirme que les marques qui aident régulièrement les bloggeurs, auront une couverture positive sur le web.

Avec des outils spécialisés de la blogosphère comme Twitter, pour alimenter des buzz, aujourd'hui le moment est venu, pour les marques, de se procurer ces outils.