

# Cosmetic industry evolution – india assignment



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Cosmetic Industry Evolution – India BY Traded The Indian cosmetics industry has witnessed rapid growth over the last couple of decades. With every passing year, the range of cosmetic and beauty products in India has widened tremendously. Beauty product manufacturers in India have mostly been catering to the great demand for cosmetics and toiletries that fall into the low- or medium-priced categories as the greatest demand in India always revolves around economically priced products.

Recent cosmetics business market analysis reveals that many international companies are now outsourcing cosmetics to India and that the cosmetics market in India is growing at 15-20% annually, twice as fast as that of the U. S. And European markets. The growth rate in the cosmetics market reflects increasing demand for beauty care products in India. However, even with the massive surge in the popularity of cosmetic products, statistics show that the average Indian consumer spends much less on cosmetic products than consumers in any other part of the world.

This also implies that the Indian cosmetic industry has an even greater potential for growth than it is currently experiencing. Asia Overview The Japanese cosmetics market is still the largest Asian buyer, but the growth rate is reaching a stable condition. China, the second largest in Asia Pacific, is witnessing increased demand due to improving lifestyles and rising disposable income of the population. The South Korean market is growing at a faster rate than developed regions. There is a clear trend of the market heading toward premium cosmetic products.

The younger populace is looking for general skin care and hair care products while the older generation has more specific needs for their cosmetics products. Global cosmetic giants are attracted to Indian's favorable demographics. The modern, urban Indian women are becoming increasingly conscious about their style and looks, with great emphasis on lightening of skin tone. Skin care and color cosmetics have witnessed solid growth for the last few years, with more than half of the skin care market comprising skin lightening creams.

Lip products form a majority of the color cosmetics market. In India, small pack sizes are very popular as they offer a lower cost and the chance to try new products. Hindustan Milliner is Indian's largest cosmetics company, followed by L'Orealal. Indian's Story Driven by growing consumption in rural and semi-urban areas, the fast-moving consumer goods (FMC) market is set to double from \$14. 7 billion in 2008-09 to \$30 billion in 2012, according to a report by Associated Chambers of Commerce and Industry of India (ASHAMED), an industry lobby. The FMC sector will witness more than fifty percent growth in rural and semi-urban India by 2010," according to a study titled " Prospects in the FMC sector," recently largest sector in the economy with a market size in excess of \$14. 7 billion. Skin care and cosmetics account for more than RSI. 18. -billion market size while the hair care market is worth more than RSI. 80 billion. Among the entire range of products that fall within the territory of the Indian cosmetic and toiletries market, the most popular items are color cosmetics, of which nail varnish, lipsticks and lollipop's account for the most sales.

In this area, popular local brand names include Lake and Revolve. Skin care cosmetics experienced a relatively slower growth, and products such as anti-wrinkle creams, cleansers and toners, for instance, are not as popular as facial creams, moisturizer and fairness creams in this genre. Companies like Pond's and Fair & Lovely rule the roost in this segment. Male Grooming Half a decade ago, when celebrated Indian film actor Shah Rush Khan took a dip in a bathtub to endorse Lax, he did much more than just promote a soap brand. He set a precedent.

Back then, the male grooming market was almost nonexistent and the Indian market had few dedicated products to offer men. Soon after Khan's commercial, Miami Group entered the men's fairness cream market. Market talk was that a noticeable proportion of sales of Fair & Lovely, a women's cream, were from men. Miami decided to push the opportunity. In 2005, Miami created history by launching Fair And Handsome, a fairness cream for men, which still dominates the space with close to 70% market share. The company calls this brand the world's No. 1 fairness cream. The company achieved sales of \$13 million in 2008-09.

In 2007, Hindustan Milliner launched Fair & Lovely Men's Active but it could not gather much share. Over the past year, multinationals such as Beresford (Naive for Men) and L'Orealal (Garner Paperweight) launched a series of products for men's skin care. The market was soon offering male fairness creams, hair care products beyond dyes, scrubs and face washes. Today, the male grooming segment in personal care is ready for its next round of product expansions and additions. Now, as the segment evolves, there is a

queue of Plywood actors including Shaded Kapok and John Abraham who are endorsing male grooming products.

The men's personal care segment is estimated at over \$200 million, with Gillette having the largest market share. While the overall cosmetics industry is growing at 15% year-on-year, fairness creams constitute a huge market with sales worth nearly RSI. 2, OHO core (Nielsen 2010 figures). Of this, men's fairness creams account for 10%, though growing at 30% year-on-year-?? a sign that they are catching on. According to a Nielsen survey on male grooming, conducted among 1, 000 men in Iambi, Delhi, Kola and Hydrated, every second man has a monthly date with a salon. The importance of male grooming is clear, with the market worth RSI. 695 core and growing at 11 percent. In metros alone, it is growing at 12 percent. The product segments witnessing significant growth include creams, gels, and deodorants. More arbitration and greater exposure to the West are the main drivers," says And Rampant, analyst, KEMP. In the personal care category, skin care products are the most popular, offering significant room for growth. In India, fairness creams dominate the space with more than a 45% share, followed by moisturizer at 22%.

Now, the market seems to be looking beyond fairness creams. Miami is poised to expand its Fair And Handsome brand to include products such as shaving cream and foam. In five years, Fair And Handsome has become a RSI. 100 core brand, growing at 45% per annum and contributing 15% to Imam's revenues. " The trend is shifting toward the mainstream and there are other brands entering he segment with extensive product launches in the

fairness category, along with a number of product extensions,” says Harsh Overhand Augural, director, Miami.

Hindustan Milliner is currently advertising Fair & Lovely MAX Fairness for Men. It has also extended its Baseline brand to the men’s grooming segment with the introduction of the Baseline for Men skin care range, including fairness creams, face wash, body lotions and body washes. The popularity of fairness products saw Garner launch its men’s grooming range, Paperweight, in May 2009. Recently, it launched Garner Color Naturals for Men and the Garner Men range of deodorants.

According to a recent study by Hindustan Milliner, men in Indian’s southern states are most enthusiastic users of skin whitening creams and consume the most of the fairness products, although the love for fair skin is spread evenly all across the country. “ Inspired by the changing grooming behavior of Indian men, in May 2009 we entered the men’s grooming market with Garner Men. Within three months, Garner Men became the number two player in the men’s skin care market, which is currently less than five percent of the total skin care market but growing fast.

Within that, fairness comprises 85 percent, cleansing 10 percent, and body, sun care and hydration 1 percent each. The potential lies in converting male users of women’s skin care products to products developed specifically for them,” says Dines Delay, chief operating officer, L’Orealal India. Hair grooming and styling is the latest growth area. Breached, which scaled up its appeal through products and advertising featuring Indian skipper MS Danni,

has company in the form of Marco's after-shower hair gel, Set Wet from Para's Pharmacy ND the Gatsby brand.

Kudus Cadillac recently forayed into male skin care with Everyday Men's, under which the company launched the first scrub for men in India. Besides the scrub, the Ever Youth skin care range comprises face washes, sunburns and moisturizer for men. Future Group is also aiming to extend its John Miller brand into the male grooming segment, where it forayed with deodorants. "Growth is coming not just from metros, but small towns, too," says Defender Chalk, business head, private brands, Future Group.

Foreign Fairness The Indian cosmetics market, which was traditionally a stronghold of a few major players last two decades. India allows entry of imported cosmetics without any restrictions. Indian's import of cosmetics and beauty products and intermediate raw materials such as essential oils is currently around \$400 million. France, Germany, the UK and the U. S. have been the traditional suppliers with imports gradually increasing from China, Hong Kong, Malaysia, Thailand, and Israel in recent years. Imported cosmetics have had a major impact on the Indian market.

The emergence of a young urban elite population with increasing disposable income in cities, an increase in the number of working women, changing lifestyles, increased affordability of lifestyle-oriented and luxury products, mounting aspirations, influx of satellite TV, increasing appetite for Western goods, and greater product choice and availability are the main drivers of demand for imported cosmetic products. Indian consumers tend to look towards international brands as lifestyle enhancement products. Foreign

products have enhanced growth of the Indian market by attracting aspiration consumers.

Indians generally perceive foreign brands as being of superior quality. The strong growth of organized retail in India is also creating a demand for more imported cosmetics products, even in second tier cities, where disposable incomes are larger and the demand has been subdued due to desire for choices and options. According to industry sources, the total size of the Indian retail beauty and cosmetics market is currently estimated at \$1. 5 billion, with fragrance comprising the largest component. Color cosmetics account for 14%; fragrances, 21%; hair care, 19%; skin care, 17%; beauty services, 13%; herbal products, 9%; and others, 7%.

If the overall beauty and wellness market is considered, which includes beauty services, the market is estimated to be around \$2. 68 billion.

**Packaging Strategy** More and more shelves in shops and boutiques in India are stocked with cosmetics from around the world. Since the opening up of the Indian economy in the early ' ass, many international brands like Avon, Barberry, Calvin Klein, Carrier, Christian Dior, Este Lauder, Elizabeth Arden, LanaΓ?? me, Chamber, Coot, L'Orealal, Airframe, Revolve, Hardly, Well, Coachwork's, Cascade, Nina Rice, Roach's, Yves SST. Laurent, Tommy

Hellfire, Max Factor, Max Mar, and Shied have entered the Indian market.

Pricing and packaging strategies are very important here, as India is a very price- sensitive market. Indian consumers want the best but many are not always willing to pay that liberally. Understanding the attitudes, preferences and aspirations of the different segments of Indian's consuming class is very



crucial to achieving success in the Indian market. Given the price-sensitivity of the Indian consumers, many cosmetic and toiletries companies had to re-launch their products in smaller pack sizes to make them more affordable.

Hindustan Lever of the Milliner group and Revolve were the first to introduce small pack sizes. Revolve went to the extent of introducing a small-range of ml nail polishes and Small pack sizes have proved to be very popular in the Indian market as they offer consumers a lower purchase cost that they can afford and, at the same time, the opportunity to try new products. The market is booming like never before. With the Indian middle class expected to increase tenfold to 583 million people by 2025, it looks as if things will only get brighter for the fair cream and other beauty and personal care manufacturers.