Skincare report essay

Meanwhile, mid- and high-income consumers in urban areas began to seek out value-added mass brands and premium products. Focus on Grooming Provides A Major Boost Increasing urbanisation and a growth in the number of office workers in India resulted in a strong focus on grooming. Grooming is increasingly associated with professional and social success and taking care of one's appearance regarded as a virtue rather than vanity. This boosted sales for many areas of cosmetics and toiletries. Colour cosmetics saw the strongest growth in cosmetics and toiletries as a result of women increasingly focusing on their appearance, while deodorants, fragrances, depilatories, styling agents and many other product areas also benefited from this trend.

Hindustan Unilever Maintains Strong Lead Hindustan Unilever offers the widest product range and has the strongest distribution network within cosmetics and toiletries and thus continued to be the leading player in 2007. The company also focused on building rural sales towards the end of the review period, as did second-ranked multinational Colgate-Palmolive. Godrej Consumer Products and Dabur are meanwhile the leading domestic players, with both also benefiting from a strong distribution network in both urban and rural areas. Modern and Direct Distribution Channels Expand There were marked changes in the distribution of cosmetics and toiletries during the review period.

Supermarkets/hypermarkets notably gained value share during the review period, with these outlets opening in smaller towns and cities and attracting consumers by offering a wide range of products and frequent promotions. On a smaller scale, convenience stores also expanded in the major cities.

Department stores was another dynamic channel, with a number of upmarket department stores opening in the metro cities and offering a large cosmetics and toiletries department or branded shop-in-shops. Direct selling meanwhile also gained share thanks to the expansion of Oriflame and Avon. Stronger Growth Ahead Cosmetics and toiletries is expected to see even stronger growth during the forecast period in constant value terms. This will be chiefly due to rising income levels and consumers trading up.

In addition, distribution is expected to improve for cosmetics and toiletries and consumers will have greater access to a wide range of cosmetics and toiletries, ranging from cheap basic products in small pack sizes through affordable value-added mass brands to super-premium global brands. Cosmetics and toiletries will therefore effectively cater for a wide range of Indian consumers, driving sales growth as a consequence. KEY TRENDS AND DEVELOPMENTS Rising Income Levels Fuel Consumer Interest in Cosmetics and Toiletries Industry saw strong double-digit growth towards the end of the review period, with exports growing by over 20%. There was particularly strong growth for sales of textiles, basic metals and alloys and transport equipment.

Industrial growth resulted in rising income levels for many Indians during the review period.

Services also performed well, although IT services and business process outsourcing began to face stronger competition from Central European countries. Income growth was also underpinned by rising foreign investment in India. GM and Suzuki both opened design centres in the country during the review period and Cisco opened a hub for the eastern hemisphere in Bangalore. The opening of Special Economic Zones also encouraged foreign investment, with over 270 of these zones being approved in 2006 and attracting considerable foreign investment due to offering beneficial tax structures.

Current Impact The impact of this economic growth was a sharp rise in salaries and in the number of consumers working for large companies during the review period.

This resulted in consumers having more money to spend on cosmetics and toiletries and also becoming increasingly focused on maintaining a well-groomed appearance on a daily basis. This trend underpinned strong growth in overall cosmetics and toiletries during the review period, supporting double-digit volume growth rates in many product areas, and also supported 12% current value growth overall. The products that performed best were those to do with grooming and maintaining an attractive appearance and smell. Colour cosmetics for example saw the most dynamic current value growth of 28% in 2007, while deodorants grew current value sales by 16% and fragrances by 19%.

Styling agents meanwhile grew sales by 33% in current value terms in 2007, while men’s toiletries expanded sales by 23%. Outlook

India is expected to see strong growth in agriculture during the forecast period, assisted by the government investing in the country’s transport infrastructure and by rising commodity prices. Agriculture employs around 60% of the country’s workforce and therefore growth is expected to have a major impact on rural consumers’ disposable income levels during the forecast period. Industrial and service growth is also expected to continue during the forecast period, with this supporting income growth in urban areas.

The government is keen to raise levels of investment further, with strong business confidence and sales expansion likely to attract more investors during the forecast period. Economic growth may be constrained by limits on foreign ownership, however, with a cap on foreign direct investment set at 26%. Future Impact

India seems set to see even stronger economic growth and expansion of consumers’ incomes during the forecast period. There will be more consumers working and more consumers focused on moving ahead on the career ladder.

This will encourage consumers to invest in maintaining a professional and well-groomed appearance, particularly in urban areas. Product areas associated with appearance and personal odour are therefore likely to see continued strong growth. Styling agents is for example expected to grow by 145% in constant value terms during the forecast period, while colour cosmetics will expand by 143%. Men’s toiletries is expected to see 123% constant value growth, while fragrances and deodorants are expected to grow by 97% and 77% respectively.

Growth in rural consumers’ incomes will meanwhile boost sales of basic cosmetics and toiletries, with lower-income consumers able to afford more essential products. Despite already accounting for 29% of value sales in cosmetics and toiletries in 2007, bar soap will for example see 33% constant value growth during the forecast period and 20% volume growth.

Similarly, despite almost universal household penetration, growing sales of hair oil will help to underpin 26% volume growth in conditioners. Polarisation of Incomes Results in Polarisation of Cosmetics and Toiletries Despite a general increase in consumers' incomes during the review period, income inequality continued to rise.

Notably, there was an increase in the economic growth of leading states such as Gujurat, Haryana, Kerala, Maharashtra, Punjab and Tamil Nadu, while other states are being left behind, such as Assam, Bihar, Madhya Pradesh, Odissa, Rajasthan and Uttar Pradesh. This is partly due to political instability, with Maoist uprisings in Eastern India and rebel fighting in Kashmir in the North, where terrorists repeatedly targeted cities.

The government estimated that a third of the electorate had less than US$1 per day in income in 2007, with particularly strong poverty in areas of East and North India. Current Impact Poverty continues to constrain growth in cosmetics and toiletries in India.

Many consumers are unable to afford more than the most basic products of bar soap and hair oil, with these generally being shared amongst a family. Rural poverty is also largely responsible for the low share of rural sales in cosmetics and toiletries, with these accounting for 30% of the total, despite rural areas housing the majority of the population. Low incomes are also responsible for rural consumers being unable to afford less essential cosmetics and toiletries, with rural areas for example accounting for only 8%

of value sales in colour cosmetics in 2007. Players are however developing strategies for expanding sales to lower-income groups.

The most common strategy is the offering of sachet packets, particularly within shampoo. Procter & Gamble for example introduced Pantene Pro-V shampoo in sachets for Rs1. 50 in 2007, with sachets also being offered by many other players, including Hindustan Unilever, Dabur and Cavin Kare. Outlook Income disparity will continue to remain a problem during the forecast period. A large mid-income group is expected to emerge in India and disparity may well be diminished to an extent by growth in agriculture and mining, which should benefit consumers in rural areas. However, there will continue to be many lower-income consumers living in absolute poverty.

Future Impact Players will continue to strive to attract mid- and high-income consumers with value-added mass products and premium cosmetics and toiletries during the forecast period. However, the vast lower-income group is also likely to provide strong volume growth if they can be encouraged to buy more cosmetics and toiletries. This will require players to ensure that their products are affordable to a wide range of income groups. During the review period, consumers focused on boosting sales through the use of sachet packs in shampoo. This trend is expected to expand into other product areas of cosmetics and toiletries during the forecast period.

Western-style conditioners and styling agents may well begin to appear in a sachet format, while facial make-up could also benefit from this trend.

Skin care and particularly fairness creams might also see good growth if offered in sachets and affordable small packs in lower-income and rural areas. Young Urban Population Proves Enthusiastic in Response To Brands India has one of the youngest populations in the world. In 2007, the country had over 681 million consumers aged 29-years-old or younger, up from 450 million in 1980. These consumers are increasingly brand-conscious and aware of global trends in fast-moving consumer goods, particularly those living in urban areas.

Many of these young urban consumers buy or would like to buy designer brands, viewing such products as status symbols.

They are also increasingly drawn to strong local brands. However, while this young consumer group is increasingly brand-conscious, it is also decreasingly brand loyal. Growing levels of marketing and new product development are resulting in consumers switching between brands. In addition, an influx of western brands during the review period resulted in a wider range of brands to choose from, with many consumers being attracted by strong global brands.

Current Impact The population aged 29-years-old or younger is a key target group for cosmetics and toiletries.

Younger consumers are typically more welcoming of new innovations and proved interested in looking good, both in order to achieve social success and in order to present a groomed appearance. Consequently, the strength of this consumer base provided a large potential for growth during the review period as income levels increased. This consumer base proved particularly receptive to branding and marketing within cosmetics and toiletries. Brands with a strong and upmarket global profile tended to gain share, such as Inter Parfums' Burberry and Calvin Klein's Obsession in fragrances. Meanwhile, those with strong advertising also gained share, such as L'Oreal's Elvive in hair care.

A major marketing success story was offered by Emami Fair & Handsome, meanwhile, which benefited from its much-discussed Bollywood-style TV advertising and gained 3% value share in men's grooming products by 2007, despite only entering in 2005. Outlook By 2020, the population aged 29-years-old or younger in India is expected to expand by a further 16% to 716 million. This should result in the country benefiting from a " demographic dividend". Many other countries are expected to see their populations age during the forecast period, including China, resulting in a large burden in terms of pensions and care for the elderly.

In contrast, India will see an expansion of its young workforce. Consequently, young adults are expected to become more numerous and more affluent during the forecast period.

These consumers will be strongly focused on status and appearance, particularly in urban areas, and will have a good knowledge of designer brands and global trends. Future Impact An increasingly affluent and sophisticated young consumer base is expected to drive growth in many product areas of cosmetics and toiletries during the forecast period.

This group will be largely responsible for the 87% constant value growth expected for premium cosmetics during the forecast period. Within this, particularly strong growth is expected for premium colour cosmetics and premium fragrances and deodorants, which will increasingly be used as status symbols.

Premium colour cosmetics is expected to grow by 222% in constant value terms during the forecast period, while premium fragrances and deodorants are expected to grow by 122% and 107% respectively. However, a lack of brand loyalty within this young consumer group will result in many players having to rethink their approach to marketing during the forecast period.

Players will no longer be able to rely upon brand loyalty, with a continued influx of brands from around the globe and persuasive advertising by the leading players. Instead, players will have to focus on targeted marketing, often aimed squarely at young urban consumers, and on eye-catching new product development in order to attract these young consumers' attention.

Shift To New Retail Channels

Retail in the country remains largely in the hands of independents, with 12 million shopkeepers accounting for 97% of overall retail sales in 2007. In addition, most Indian consumers feel strong loyalty towards their local independent small grocers. There remains considerable scope for the liberalisation of retail, with chained or larger retailers facing a considerable bureaucratic challenge in expanding.

In addition, there is a dearth of trained retail personnel. However, there was considerable expansion for modern retail channels during the review period. Consumers are notably being attracted by supermarkets/hypermarkets by the wide range of products and brands on offer in these outlets.

Private label also began to emerge as a result of the growth of supermarkets/hypermarkets, with these products occupying 20-40% of shelf-space in these outlets by 2007 and encompassing a wider range of products. At the start of the review period, private label only offered basic food products such as rice and dal. However, by the end of the review period, ranges included a wide range of packaged food, household care and even home wares and clothing and footwear.

There was also growth for single-brand retailing, with the government permitting foreign direct investment of 51% in this area from January 2006 onwards. This resulted in the opening of many shop-in-shop outlets under global brand names and also saw expansion for branded chains such as The Body Shop. There was also growth in non-store retailing during the review period.

Direct selling proved particularly successful, almost doubling sales from 2001 to 2006 to account for Rs21 million in the latter year.

Many Indian women responded enthusiastically to the opportunity to become direct selling consultants, while an increasingly affluent female consumer base also supported growth. Current Impact The impact of the expansion of modern retail chains was clearly seen in cosmetics and toiletries in terms of distribution value share. Supermarkets/hypermarkets gained almost a percentage point in value share in 2007 alone to account for 14%, up from below 10% share in 2002. This channel boosted sales for the leading brands, offering a wide range of products and frequently offering price promotions in order to drive sales.

The first private label cosmetics and toiletries also began to appear towards the end of the review period, mainly in bar soap. Department stores also proved dynamic, gaining half a percentage point in value share in 2007 to account for 10%, up from below 8% in 2002. This channel boosted sales for premium cosmetics, particularly in fragrances, colour cosmetics and skin care, along with leading global brands. Department stores are increasingly positioned as upmarket outlets where shopping is a leisure activity and are attracting many aspirational or affluent consumers.

Direct selling meanwhile gained a percentage point in value share during the review period.

This was chiefly driven by the expansion of Avon and Oriflame, which saw current value sales growth of 21% and 52% respectively in cosmetics and toiletries in 2007 over the previous year and continued to gain share in many product areas. Outlook Growth for retail is expected to be strong during the forecast period. However, constant value growth may be constrained by a strong focus on discounting and price promotions in the country, with many consumers becoming increasingly focused on gaining bargains. Chained retail is expected to see particularly strong growth. The vast size of India offers the potential for chains with up to 6, 000 outlets, while the largest chains had only around 400 outlets by the close of the review period.

The spread of chained retail is also expected to result in a growing presence for private label in India during the forecast period.

Offering low prices and the guarantee of a retailer brand name, private label is expected to prove hugely popular with consumers. The retail channels present in India are also expected to widen during the forecast period. The first TV homeshopping channel is expected to go live by March 2008, with 150 partner brands.

Observers believe that the growth of a mid-income group that has little free time could result in strong growth for this channel. Future Impact Distribution shares are expected to continue to change during the forecast period. Supermarkets/hypermarkets will continue to gain share and could well grow to account for around 20% value share by the end of the review period.

Department stores are also likely to gain share, accounting for around 15% of value by 2012. This share gain is expected to be mainly at the expense of independent small grocers, chemists/pharmacies and outdoor markets.

The growth of chained retail is meanwhile likely to see the rise of private label. Initially, private label will be strongest in more basic areas with a strong lower-income consumer base, such as bar soap and talcum powder. However, retailers are expected to seek to add value to their private label ranges during the forecast period and could well extend them into a wide range of product areas, from deodorants to oral hygiene. Non-store retailing is also expected to see changes during the forecast period.

Direct selling may well continue to grow sales during the forecast period. However, it will face growing competition from internet retailing.

This was largely insignificant at the end of the review period but with growing internet access in urban areas during the forecast period and the increasing sophistication of young consumers, it is expected to grow, particularly for premium products. Premium fragrances may well see the strongest growth for internet retailing, as consumers seek status brands at bargain prices. Hindustan Unilever Faces Growing Competition Hindustan Unilever continued to enjoy a strong lead in cosmetics and toiletries in 2007 with a value share of 36%.

The company benefits from having a strong distribution network across the country and from offering the widest range of leading brands. It also invested in expanding rural sales towards the end of the review period, through strong rural advertising for its flagship brands such as Fair & Lovely and through the offering of sachet packs. However, Hindustan Unilever saw some erosion of sales in 2007 over the previous year, dropping by half a percentage point.

The company faced growing competition from both domestic players and multinationals. Godrej Consumer Products and Dabur both also focused on expanding rural sales towards the end of the review period and gained share.

However, the strongest share gain in 2007 was seen for L'Oreal, which grew sales by over half a percentage point to account for 4% of total value. This company focused solely on mid- and high-income urban consumers and offered premium and value-added mass products. It ensured strong distribution in supermarkets/hypermarkets and offered branded shop-in-shop outlets in department stores complete with expert advice.

It consequently benefited from the increasingly aspirational nature of Indian consumers towards the end of the review period. Current Impact Leading players' focus on building rural sales towards the end of the review period resulted in strong growth in the share of rural sales.

This was particularly notable in basic cosmetics and toiletries such as bar soap and hair oil. This also boosted volume sales for these basic products, despite already high levels of household penetration.

These players also focused on widening distribution in modern retail channels, which resulted in a growing share for supermarkets/hypermarkets and department stores towards the end of the review period. The growth of these channels and widening distribution also resulted in a wider range of cosmetics and toiletries becoming accessible to a wider group of Indian consumers. Outlook Hindustan Unilever is expected to remain a strong leader in cosmetics and toiletries during the forecast period.

The company benefits from strong customer loyalty, a wide range and impressive distribution. It is also strongly focused on growing sales in rural areas. With growth in agriculture during the forecast period, these areas are expected to see rising income levels and Hindustan Unilever should be well placed to benefit from this.

However, the company will face growing competition during the forecast period. Procter & Gamble also focused on increasing its rural sales towards the end of the review period, while Dabur and Godrej Consumer Products are also expected to gain share. In addition, ITC entered in 2007 and plans to expand rapidly in cosmetics and toiletries.

The company already has an extensive distribution network set up for its tobacco products and will invest heavily in gaining share in cosmetics and toiletries during the forecast period.

Future Impact A wider range of brands are expected to be available in cosmetics and toiletries in both rural and urban areas during the forecast period. In rural areas, a growing range of mass brands will be on offer and a widening range of products within these brands. This may well pique interest in hitherto underdeveloped product areas in rural areas, such as oral hygiene or baby care. In urban areas, meanwhile, a growing range of value-added products, niche products and premium cosmetics will be offered.

Multinationals and premium players are expected to expand their range on offer in the major cities and single-brand retailing will be used to boost brand equity by many players. New product areas may well start to emerge in urban areas as players expand their range of products, such as bath additives, women’s razors and blades and power toothbrushes.

TERRITORY KEY TRENDS AND DEVELOPMENTS East and Northeast India Trends •Imported brands increased in availability as well as affordability in East and Northeast India towards the end of the review period, boosting interest in cosmetics and toiletries in general. Prior to the review period, imported brands, especially fragrances, were available only via smuggled products and unorganised retail.

However, the review period saw the entry of a large number of global brands, especially in fragrances, colour cosmetics and skin care. The strongest demand for these products stemmed from Kolkata, Siliguri and

Guwahati. •The grey market still attracts many customers in East and Northeast India due to its lower price.

However, consumers are moving away from these products, fearing counterfeits. Meanwhile, the opening of retail chains such as One Dollar Store or My Dollar Shop increased the affordability of branded cosmetics and toiletries, as these stores offer genuine products at around Rs100 across a range of products including baby care, bath and shower products, deodorants, male grooming products, skin care and hair care.

These stores expanded rapidly in larger cities such as Kolkata but also in smaller cities such as Bhubaneswar and Siliguri, thereby increasing consumers' access to affordable cosmetics and toiletries. •Bar soap sales are largely saturated in cities in the region. Consequently, urban areas saw increasing sales for value-added bar soap offering whitening, anti-ageing, anti-acne or sunscreen properties.

At the same time, rural areas are providing growth prospects for bar soap in general as income levels improve. Mass brands offering fragrances, freshness and/or hygiene as their basic positioning are performing best in rural areas of the region. Bar soap is sold strongly throughout the year for most of the region.

However, some parts of Northeast India experience heavy winters and thus see a drop in demand in winter months, including Sikkim and Northern West Bengal, notably the Darjeeling and Doars region. •Direct sellers expanded their presence in East and Northeast India during the review period, seeing particularly good growth in colour cosmetics and fragrances. From their base in the cities, they made inroads into rural areas, with their sales representative networks expanding rapidly.

Consumers in the region appreciate the advice and samples that these companies' sales representatives are able to offer, while many women in the region were attracted by the prospect of working as direct selling representatives.

Amway Enterprises remains the leading player in direct selling in the region, while Avon, Emami and Oriflame also performed well. Modicare and Hindustan Lever Network meanwhile struggled due to entering direct selling in the region at a later point. Competitive landscape •Hindustan Unilever leads sales of cosmetics and toiletries in East and Northeast India, due to offering the widest range of products and brands.

The company benefits from a good network of distributors across both urban and rural areas. The company also benefits from a wide range of strong brands. In 2007, its Lux was the leading brand in bath and shower products in the region, while Axe was the leading brand in deodorants and Clinic Plus in shampoo.

The company's Lakme is the leading brand in colour cosmetics and sun care, while its Fair & Lovely Fairness Cream is the leading brand in skin care.

•Kolkata-based Emami Ltd meanwhile has a strong network of direct selling distributors in rural areas, especially parts of West Bengal which help it to reach a wide consumer base. The company's male grooming products performed very well towards the end of the review period, especially its skin lightening products under the Emami Fair & Handsome brand. •Johnson & Johnson maintained a dominant position in baby care in East and Northeast India in 2007 and is currently considering the launch of Neutrogena in premium skin care, which saw dynamic current value growth towards the end of the review period. The review period saw the entry of any players in baby care, including Marico Ltd, Himalaya Drug Co and JL Morison. However, these generally failed to make a mark due to strong consumer loyalty to Johnson & Johnson. However, Emami Ltd and Dabur both saw some share gain in baby skin care towards the end of the review period due to strong distribution in rural areas in the region.

•There was growing sophistication in consumers' attitudes to hair care towards the end of the review period, which benefited players offering Western-style conditioners. Procter & Gamble gained in this product area with good performances from its mass brand Rejoice as well as new brand extensions of Pantene and Head & Shoulders.

This trend also boosted sales of Marico Ltd and Paras Pharmaceuticals, which offer affordable hair conditioning serums. Prospects •East and Northeast India is expected to see the strongest growth within cosmetics and toiletries during the forecast period, expanding by 48% in constant value terms.

This will be partly due to a lower sales base, with the region accounting for only 18% of total value sales in India in 2012. However, growth will also notably be driven by rising income levels in the region and by widening distribution. The 2008-2009 budget is expected to offer tax relief to consumers, leading to an increase in disposable income levels. Retail development will act as a major growth driver for sales of cosmetics and toiletries across the region.

Upmarket malls are being set up not only in metro cities such as Kolkata or but also in second tier cities and towns such as Durgapur, Asansol, Darjeeling, Cuttack and Ranchi. Kolkata-based shopping malls, especially premium malls such as South City Mall or Mani Square Mall, are meanwhile likely to see an increased presence for global premium brands. Kolkata has a small but highly affluent high-income group which will welcome this growing accessibility to premium and imported cosmetics and toiletries and will thus support strong sales growth.

They will particularly respond well to trustworthy retailers, from whom they can guarantee buying genuine products.

This trend will therefore result in striking growth for many premium product areas, with premium colour cosmetics for example growing constant value sales by 254% during the forecast period and premium fragrances expanding by 136%. •Whitening will remain a popular functional benefit offered across a wide range of product categories in cosmetics and toiletries during the forecast period. Not only do fairness and whitening products perform well in the eastern region of the country but also in the northeast, a region where the average complexion is fair.

There is also a huge demand for such products in the neighbouring countries of Bangladesh and Burma, largely catered for by traders in East and Northeast India. •Manufacturers are likely to continue to utilise a two-fold strategy for growth during the forecast period. In rural regions, they will focus on offering smaller pack sizes, typically priced at Rs5, in order to expand the consumer base and attract trial purchases and lower-income groups.

This trend was initially seen in shampoo, with sachets of shampoo priced at Rs1-3 likely to remain the highest-selling format during the forecast period. In urban areas, players will meanwhile focus on product innovation and new functional benefits.

ITC Ltd, with its strong distribution in the region, is expected to establish itself as a key player, initially offering mass bar soap and shampoo and subsequently expanding its range. North India Trends •In North India there was an increasing preference for premium products in shampoo, skin care and colour cosmetics towards the end of the review period. This trend was particularly strong for products that have an impact on appearance and that are widely used in the country, in product areas such as lipstick, eye liner, facial moisturiser and nourishers/anti-agers, shampoo and colorants. Consequently, the region achieved the strongest current value growth for overall cosmetics and toiletries in 2007 over the previous year, expanding by 12%.

With an already high degree of urbanisation in the region, the end of the review period saw more housing developments in suburban areas surrounding the largest cities. The gap between rural and urban consumers thus narrowed. People from small towns and cities are moving to suburban areas surrounding cities such as Delhi, Gugaon, Noida, Ghaziabad and Faridabad for study or in search of higher-paid work. These consumers are becoming exposed to city lifestyles and distribution and thus buy a wider range of cosmetics and toiletries. •Hair care saw particularly strong growth in North India in 2007, expanding current value sales by 13% over the previous year.

This was chiefly due to a strong 9% growth for conditioners. There was a marked shift from pre-wash conditioning, in the form of hair oil, to post-wash Western-style conditioners in the region. Western-style conditioners are viewed as offering a more reliable and groomed effect and thus proved increasingly popular, particularly with mid- and high-income consumers. •Government policies benefited the region during the review period and attracted many manufacturers.

Himachal notably benefited from offering a range of tax benefits such as tax holidays, duty-free imports and income tax benefits, thus becoming a strong attraction for many large manufacturing companies.

Pharmaceutical leaders such as Ranbaxy, Torrent, Cadilla and Dr Reddy's thus opened manufacturing bases in Himachal and Chandigarh. As a result, many workers from across the country were relocated to these regions. This influx of white collar workers notably boosted sales of cosmetics and toiletries, with such workers generally being strongly focused on maintaining a professional and well-groomed appearance on a daily basis. Competitive landscape •Hindustan Unilever continued to remain the leading player in cosmetics and toiletries in North India in 2007.

The company supports its wide range with a large marketing budget that is clearly differentiated between the company's brands.

Dove for example built on its luxury positioning through the offering of Diwali gift packs containing Dove products and branded candles. Lux meanwhile offered price promotions. The company meanwhile launched new packaging for Pond’s, featuring bright red flexible tubes, supporting this eye-catching launch with special stands at supermarkets/hypermarkets.

•Nirma was once a leading player in bar soap in North India but saw a continued dip in share towards the end of the review period, as it failed to maintain consumer interest in an increasingly competitive environment. The company ceased to invest heavily in marketing, discontinuing its TV advertising, in the face of increasing competitive pressure from players such as Hindustan Unilever and Godrej Consumer Products. In contrast, Hygienic Research Institute invested heavily on advertising for its Super Vasmol brand of hair colourants in the region towards the end of the review period, advertising the brand on almost all leading TV channels. Consequently, the brand continued to gain share, despite a lack of innovation, becoming the third-leading brand in colourants by 2007. •Shop-in-shop outlets became increasingly important in colour cosmetics, along with branded beauty salons. These not only enable wider distribution but also boost brand equity.

L’Oreal opened branded salons in the region, with these stocking other brands only in product areas where the company does not offer an alternative. Hindustan Unilever also opened branded salons under the Lakme brand.

Shop-in-shop outlets meanwhile became increasingly prevalent in department stores, for brands such as Modi Revlon’s Revlon and Hindustan

Unilever’s Lakme, L’Oreal’s Lancome, with these being found in large retailers such as Big Bazaar. Prospects •North India is expected to continue to see the strongest growth for premium cosmetics during the forecast period, with sales expanding by 90% in constant value terms. The region will benefit from a highly aspirational consumer base and by rising disposable incomes, resulting in growth for mid- and high-income groups. This will benefit a wide range of premium cosmetics, with premium products expected to see over 100% constant value growth in baby care, colour cosmetics, fragrances and hair care.

•Growth will also be supported by the large number of working women in the region.

This consumer base is keen to maintain a groomed appearance on a daily basis and is expected to see rising levels of disposable income during the forecast period, encouraging spending on a wide range of cosmetics and toiletries. This trend will be encouraged by the growth of the pharmaceutical and other industries in the region, with many workers moving to North India from other areas of the country. •Fragrances is expected to perform particularly well in North India during the forecast period.

A widening range of fragrances will continue to be launched in the region, with mid- and high-income consumers trading up to the growing number of global premium fragrance brands on offer.

Mid- and low-income consumers will meanwhile begin to trade up to branded fragrances from unpackaged products and deodorant sprays. •Fairness products are expected to become increasingly important in cosmetics and toiletries in North India during the review period, with affluent consumers willing to invest more in their appearance. These products will be increasingly popular in skin care, with particularly dynamic growth in men's skin care. However, they will also begin to emerge in other areas, including bath and shower products and deodorants. South India Trends •Growth in South Indian cosmetics and toiletries was largely shaped by changing demographic trends towards the end of the review period.

The region saw the continued growth of IT companies and business process outsourcing centres, which resulted in a rising number of career-focused young men. This trend also resulted in widening cities, with expanding suburban areas. This resulted in a consumer base that was increasingly focused on maintaining a groomed appearance but that did not always have high levels of disposable income. •South Indian men proved highly receptive to new grooming products towards the end of the review period. While the introduction of fairness creams directed at men such as Emami Ltd with Emami Fair & Handsome in 2005 and Hindustan Unilever's Fair & Lovely Menz Active in 3006, this product area saw strong growth across India.

However, it saw its strongest current value growth in South India, expanding sales by 50% over the previous year, and achieved the strongest sales, with the region accounting for 30% of the national total in 2007. Men in this region became increasingly focused on grooming and their appearance and thus responded enthusiastically to these introductions. •While affluent consumers are significant, there remains a large mid- and low-income group in the region. Multinationals thus introduced a number of products in smaller packs in South India towards the end of the review period in an effort to expand the consumer base for their brands and encourage consumers to try the leading brands.

Procter & Gamble for example introduced Pantene Pro-V shampoo in sachets for Rs1. 50 in 2007, with these being affordable to all income groups.

Other cosmetics and toiletries were launched in sachets at a price of Rs1 or less, by players such as Cavin Kare. In order to offer cheaper sachets, many players also reduced the size of their sachets. •There was growing polarisation in South India towards the end of the review period.

Most players offer a two-tier product portfolio, attempting to cater to both high-income and lower-income consumers. Aspirational mid-income consumers and high-income consumers are targeted with value-added products, such as Marico’s Parachute Advanced Coconut Hair Oil Perfect, priced at Rs55 for 100ml, while poorer consumers are offered more basic products such as Parachute Coconut Oil Regular, priced at Rs19 for the same quantity.