

Italy Bounces Back in Beauty

Cosmetics and fragrance sales for 2015 gained 6.6 percent to \$11.13 billion, with exports leaping 14.3 percent; the view from Cosmoprof was positive.

By JENNIFER WEIL and LUCIE JANIK

Italy's lagging beauty industry is finally catching up, and mirroring a shifting landscape for the broader European marketplace. ¶ The country's fragrance and cosmetics sales are back in positive territory for the first time in years. Revenues for the sector in 2015 rose 6.6 percent to 10.03 billion euros, or \$11.13 billion at average exchange, according to data from Cosmetics Italia, the Italian cosmetics industry trade association. ¶ "Italy has been one of the most affected countries by the recession, and also one of the slowest in terms of recovery," said Karla Rendle, fashion and beauty analyst at Euromonitor International. "However, it does reflect the initial trends that we're seeing [in Western Europe]."

These include a rise in premium beauty, buoyancy in color cosmetics and skin care, and a shift in how consumers are shopping, not least due to digital, she continued.

Beauty revenues in Italy advanced 2.2 percent last year to 6.22 billion euros, or \$6.9 billion. These were bolstered in part by the recovery of the country's economy in general, a bump in visitors to the country due to the Milan Expo and more disposable income resulting from a drop in oil prices, said industry executives who were recently polled in Milan and at the recent edition of the Cosmoprof Worldwide Bologna trade show.

Exports registered a 14.3 percent increase in 2015 to 3.81 billion euros, or \$4.23 billion, as Italian beauty businesses increasingly looked abroad to countries like South Korea to spur gains.

"The market is completely changed," said Daniela Sacerdote, chief executive officer of Collistar.

After a rebound of the perfumery retail network, today two "sick" distribution channels – both in the professional segment – remain, according to Cosmetics Italia's president Fabio Rossello. These are hair salons and beauty institutes, whose businesses last year declined 2.2 percent and 3.3 percent, respectively, as they were squeezed by low-cost competition.



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Fabio Franchina, Framesi

"At the end of the day we have recovered, but we are continuing to sell fewer units than two years ago," said one beauty executive, of the market overall. "[So] it's not a dramatic change."

Retail channels are in flux, too.

"More and more the consumers are moving from one channel of distribution to another without a problem," said Fabio Franchina, president of hair-care and coloring company Framesi. There has been a shift, for instance, toward monobrand boutiques like Wycon and Bottega Verde.

"Perfumery stores have not for the moment been able to evolve completely following new requests from consumers for an elevated shopping experience; this is the reason we see some migration in some cases," continued the executive, referring to a channel whose sales gained about 1 percentage point to 2.08 billion euros, or \$2.31 billion. "Certainly this needs to happen [urgently] in order to capture the share of mind, the share of wallet of consumers who are looking for something different. This is the big challenge but also the big opportunity."

Ditto for the salon business.

"Perfumeries, hairdressers, beauty aestheticians – people need to provide an excellent service. And if they don't do it, I'm sorry, it's over because people don't care," said Franchina. "People are more [price-]conscious, and they want to spend money in the best way they can."

The mass market, which makes up 40 percent of cosmetics sales in Italy, keeps gaining clout. Its revenues advanced 2.5 percent to 3.9 billion euros, or \$4.33 billion, with a decline in unit sales in large stores and an uptick in the home and personal-care categories, as found in drug stores, for instance.

In the meantime, some Italian beauty manufacturers have been broadening their scope, investing in and focusing on business abroad.

"We are much more regional than in the past," said Dario Ferrari, founder and president of Intercos, who in December 2015 inked an 50-50 joint venture with South Korea's fashion and beauty retailer Shinsegae International and is constructing a production facility there this year. "We realized a few years ago that it was not possible to run the world out of Italy. Today we really focus on each region."

Flexibility and out-of-the-box thinking are key.

"It's not the strongest who survive, but who make the changes and follow the change," Rossello said. Davines is a case in point. The company, which keeps honing in on consumers' increasing demand for natural and sustainable hair and skin care, had sales last year that gained 18.3 percent to 94 million euros, or \$104.3 million.

Davines' most recent launch was an 81-shade hair-color line called Musk, which uses "vibrachrom" technology inspired by the textile industry. "We have performance and sustainability together," said Davide Bollati, Davines' founder, who added the company's new green headquarters, in Parma, Italy, would be finished next year. Another emerging trend is for products made for specific ethnic groups, according to Rossello. To wit: Cosmoprof, which ran from March 16 to 19, hosted for the first time a section dedicated to companies producing or distributing beauty products certified halal for Muslims.

"We received requests for halal products from our clients, mostly from Arabian countries, and we decided to apply for the halal certification," said sales manager Erkan Kamber at three-year-old Swiss company Evenswiss, whose skin-, body- and hair-care product formulas contain no alcohol.

Indian hair-color firm Indus Valley was

Cosmoprof Facts

- › 250,527 visitors attended Cosmoprof, a 1 percent rise.
- › Domestic beauty consumption eked out a 2.2 percent gain.
- › Hair salons and beauty institutes were squeezed by low-cost competition.

presenting an organic hair-color line for home use that comes in 12 shades. Shyam Arya, co-owner of the firm, said it's eyeing the U.S. market with a halal-certified offer.

Another notable element at Cosmoprof was L'Oréal Professional Division's show of force. This session it took over the trade shows' entire entrance hall, commanding 11,100 square feet of space, double that of last year's session.

"Our mission is to valorize the professionals," explained Fabio Lo Prato, general manager of L'Oréal Professional Italy, which was also showcasing and hosting its third annual competition of 300 hairstylists under the age of 30. "The future is the young."

At the same time, L'Oréal was highlighting salons of the future, "with a maximum interaction with clients," and its Hair Adviser site, which facilitates salon bookings, among its other features, continued Lo Prato.

"What caught my eye was L'Oréal," said Anastasia Soare, chief executive officer of Anastasia Beverly Hills. "They'd never had that before."

The brow guru was meeting with current and new manufacturers at Cosmoprof.

"I'm always open for business," she said. "I looked at a few of the assembly lines."

"It's my favorite show," said Jani Friedman, referring to Cosmoprof. "I always find things [here]."

The executive, formerly chief merchandising officer at DermStore, was walking the halls on behalf of Bluemercury for, as she termed it, "the one item that can change your life."

That could stem from hybrid categories, or be a single-item breakthrough, Friedman explained. ▶



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Anastasia Soare, Anastasia Beverly Hills, on the beauty giant's Hair Adviser salon-focused site

Coping With Change

Brand builders shift gears, driving business by reaching overseas or launching e-commerce. Ever the innovator, Intercos (next page) heads into the Cult Zone with 10 trends.

For more about Cosmoprof, go to WWD.COM.

Execs Face Major Shift

As Italy's beauty scene shifts, executives are changing gears, looking to drive business with strategies like casting a wider net abroad or launching online sales. There's been a noted decrease in the number of perfumeries countrywide.

"In Italy we have 2,900 doors. Four hundred closed in the last three to four years, and I think we'll lose some more perfumeries in the future. So we have to grow [elsewhere]," said Daniela Sacerdote, chief executive officer of Collistar, whose sales in 2015 were up, albeit by a lower percentage than three to four years ago.

One strategy included the brand softly kicking off

e-commerce in July. "For Black Friday, we sold incredibly, and we have many new things and innovations," continued Sacerdote, naming the likes of the latest edition of Collistar's "Ti Amo Italia" (or "I Love Italy") tie-in with Kartell in 2015 on a limited-edition color-cosmetics line.

Another growth vector for Italian beauty brands are exports. Sacerdote plans to up Collistar's door count abroad, where it now has 4,500 in countries such as China.

Augusto Mazzolari, founder of Milan's luxury cosmetics emporium Mazzolari, agreed that more small Italian perfumeries will

probably disappear, due to their limited product offers and inability to keep pace with consumer demand. "Today, the customer wants service and quality, and few stores do this. That's why we grew last year," said Mazzolari, whose perfumery revenues gained 8 percent in 2015.

To lure a younger client to his store in Milan's San Babila neighborhood, which marks its 50th anniversary this year and is undergoing renovations, the executive introduced vegan skin-care brand Insium, plus from Skin Up an ultrasonic micro-device that vaporizes hyaluronic acid onto skin and is rechargeable by cell phone.

He noted a rise in the number of Arab tourists visiting Mazzolari, which helped mitigate

the decline in Russians due to the weak ruble. At La Rinascente department store, it was the increase of Chinese customers, who began buying fragrance.

"I think these helped us a lot to increase results," Cinzia Baldelli, La Rinascente's head of home, media, travel, beauty and children's wear. The department store's flagship by Milan's Duomo finished 2015 with an almost double-digit sales gain.

Other nationalities had a stronger presence at the store, too, like South Koreans and Brazilians.

Meanwhile, the level of Middle Eastern customers was flat. Nevertheless, hurdles remain in the domestic market overall.

"The Italian market is still tough – not just for perfumers, but for all kinds of products," said Celso Fadelli, president of 25-year-old Intertrade Group. The company, which last year opened a new Avery Perfume Gallery in London's Selfridges, keeps pushing abroad. It's eyeing another four retail locations in the next 12 months, including in Munich and Paris.

Fadelli also wants to open a new Intertrade Group subsidiary in the Middle East in the next year to develop markets such as Iran, Pakistan and parts of Asia. – LUCIE JANIK ▶

For Bluemercury, Friedman is focusing on product assortment strategy, and she has started her own company called Well Founded Skincare with MODCo's Sara Rotman that will launch this summer a luxury treatment line whose product formula includes CBD, a compound found in cannabis with anti-inflammatory properties.

Beauty.com's general manager Vanessa Kuykendall was at Cosmoprof Bologna for the first time. She said the international trade shows has helped her see hot categories – like nails, hair extensions or lashes – emerging abroad before they hit the U.S. market.

"I'm looking for what I will be selling next year," said Kuykendall. "I think masks are going to continue to be really big."

She believed that will be true for products with innovative delivery systems that solve people's beauty problems faster, as well.

"Devices have been huge on Beauty.com for several years, and I see that continuing to grow," said Kuykendall, who was excited about innovations that target areas other than just faces, like arms or necks. "We have found surgical solutions. Why can't we find dermatological solutions? I think they're out there. This is the kind of thing I'm definitely looking for."

On the professional hair-care front, Stacy Gaspard, vice president of merchandising for Cosmoprof, was also after innovation, trends and the latest ingredients. She and Denise Powell, director of merchandising at the company, aimed to fill some gaps in the market.

"Like natural and organic," she said. "We've seen a lot of lines that are natural, organic-based.



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Fabio Rossello, Cosmetica Italia

You're seeing a lot of vegan – a lot of things like that."

"We're starting to care a lot more in the States about being green," continued Gaspard. "Where it was regional, now it's really our industry in general that's caring."

That goes for product formulation as well as for packaging.

The Cosmoprof executives lauded Cosmoprof trade show for having helped organize buyer appointments in advance with brands.

Forat Al Haider, senior brand acquisition and brand development executive for Chalhoub Group, was at the fair searching for trendy, colorful indie makeup labels with a strong following for his digitally savvy customers in the United Arab Emirates.

"We call them the Instagram brands," he said. "In our part of the world, consumers are extremely edgy when it comes to Snapchat or Instagram, so if the brand is not on there, it basically doesn't exist."

Al Haider added that color cosmetics label Models Own ticks all the boxes.

Overall, 250,527 visitors attended Cosmoprof this year, up approximately 1 percent versus 2015. Of that, 87,067 came from outside Italy, about 10 percent more than in the 2015 session.

In other related trade-show news, Duccio Campagnoli was voted out of his position as president of BolognaFiere and Cosmoprof on March 25 by the organization's board of directors. Campagnoli had held the role for five years. Franco Boni, formerly president of the Fiere di Parma, is his successor. ■

Intercos: 10 Trends

● At the start of its yearly trend presentation, Intercos introduced a new area, called The Cult Zone, to highlight the supplier's local presence and global vision of beauty today and tomorrow.

To satisfy its clients' curiosity of being immersed in regions at the pulse point of the cosmetics industry, Intercos opted to spotlight South Korea and California using its network of beauty intelligence. There was a space dedicated to the company's proprietary star packaging developments, such as a nail marker.

The next section, Beauty Theory, had a color collection dubbed Empire of Color, which took a cue from hues favored by the imperial world's

dynasties. These were Chinese Rouge, Peach Blossom, Jade Stone, Arabian Nights, Indian Violet, Silk Azure, Lotus Blush and Goddess Kajal.

Intercos introduced 10 makeup concepts it will launch over the coming season in an ubercreative film. They were organized into trends gleaned by mixing observations from fashion with marketing facts culled by Intercos' local teams. Each trend sprung to life in actual color cosmetics displays in the rooms next door. These included:

› I Woke Up Like This (#IWULT), which tapped into the ongoing "no-makeup makeup trend" with transparent results.

› Aqua Bomb featured cosmetics imbued with water for its transformative effect on skin.

› Plantastic had products with formulations including mild-yet-effective ingredients to sustain skin health.

› Climate Control included hybrid makeup meant to stand up to natural elements with extreme performance and weatherproof technology.

› Everything Glows was about products giving a fresh, healthy luster.

› Altering Essences mixed psychedelic color effects with herbal tones for multireflective, "good vibe" results.

› Attraction involved exotic makeup and application techniques from key parts of the Far East.

› Eye-D highlighted the rising trend of eye sculpting in 360 degrees to give cosmetic optical illusions.

› Dark Overdose spotlighted beauty with extreme, intense pigment and extreme finishes.

The trend overview was rounded out with a glimpse of special effects Intercos has on offer, dubbed Wonderlust Wardrobe. Here were novelties including the next-generation Prisma technology with intricate detailing.

There was also the Revolution zone to show products whose formulas are considered game-changers, having broken technological

barriers. One example was the Waterfall Stick Foundation that's refreshing plus leaves small droplets on skin.

Following the presentation, Intercos founder and president Dario Ferrari discussed business with WWD. He called 2015 – when revenues gained 14 percent – "a very good year," despite the early part being opaque. Sales were especially strong in Europe, the U.S. and China.

Among key changes in the year was Intercos' formation of an equal joint venture with fashion and beauty retailer Shinsegae International in South Korea.

"I think we want to become Korean," Ferrari joked of the nation he lauded for being fast, creative and smart in its development of

concepts. "It's only by being Korean that we can somehow win the Asian market."

Intercos is building a production plant from scratch in South Korea over the year and is weighing the possibility of going public in the country with its Asia activity currently in a Hong Kong-based holding company.

"Beauty in Asia is considered a fast-growing industry," said Ferrari, who added competitors are getting high multiples when going public there. – JENNIFER WEIL