

## BEAUTY

# Makeup Suppliers Strategize for Change

● From new ways to forecast trends to upping speed-to-market, color-cosmetics makers look to build up their business again.

BY SANDRA SALIBIAN AND JENNIFER WEIL

**BOLOGNA, Italy** – It's testing times for makeup suppliers. In the recent past, they have seen the pace of their category's sales slow, following years of meteoric rise, and the skin-care segment becoming far and away the fastest-growing beauty category.

"Last year we went through an unexpected change," said Dario Ferrari, founder and president of Intercos, the world's largest color-cosmetics maker, whose top line suffered in 2018. "We try to understand why."

He said for makeup suppliers "the United States is really messy and confusing," due partially to the ongoing difficulties at department stores and Sephora beginning to suffer. "Drugstores don't really have a precise strategy," he continued, adding that even in California, where there had been a boom in indie color-cosmetics brands, there's a slowdown.

"The consumers change," he said. "Gen Z, they have a completely different attitude, and I think this is really going to change the world. So we have to create new tools, systems, ways of understanding what is going to happen, and we are really working on that."

The company plans to implement methods of gathering big data differently. It will cull information from customers, for instance. "They all like to tell us what they dream of, what's going to be the future, what they sell, what they don't sell," he said.

What's gleaned from social media can also be poured into an algorithm. "We're going to do a system, which is going to really help us understand what [consumers are] thinking," he said.

"We used to be an authority in color, then we decided that's not our job anymore. But it's wrong," said Ferrari. "We want to become [that once again]. We want to understand what are going to be the changes. We are going to have a billion new consumers in the next five, six, seven years."

In tandem, Ferrari believes makeup will need to be reinterpreted. "Look at lipstick. It has been the same for 200 years," he said, comparing it to the phone, which has made major leaps in advancement in the same time frame.

"When you consider, roughly, the number-one company in cosmetics is L'Oréal, which does 26 billion [euros], take Samsung. They invest 25 billion in research and innovation," he said.

The relatively small cosmetics industry, he believes, will have to borrow technology from other businesses.

Distribution is also in the executive's scope. "Between Europe, the United States and Asia, there are three different stories," he said, adding: "Today we cannot run everything out of Italy. We have a strong team in Asia, in the U.S., and that includes marketing, R&D and local needs."

Intercos has invested in South Korea, where the company is developing products for Asia – China, mainly – but the Korean products are also selling around the world, with big success, for instance, in California.

Intercos was presenting future-facing trends, including more than 500 products, at its headquarters in Agrate Brianza, Italy. The display was titled Studio 47, referring



A rendering of Chromavis' new hub in Italy.

to the company's 47 years in existence.

It was comprised of seven rooms, each themed and catering to a category and particular regions. "Cult," for instance, was about feeling special and idolized, with a focus on lipsticks and mascaras. It was centered on what could be tomorrow's cult classic, and was Europe- and U.S.-driven.

Other trends were:

- "La Divina," with gold and glitz, channeled the feeling of being excessive and adorned. Its product focus was on eyes and face, bringing back contouring, and a regional focus on the U.S., Europe and Middle East.
- "Fight Club," with a nod to the U.S. and Korea, had to do with feeling guarded and in control, and largely offered skin-care solutions.
- "Luminary" – think lit and glowing – concerned the way light hits skin, and subtle glow and glossy effects.
- "Clash" referred to feelings of being chaotic, happy and unique, with clashes coming from today's collaboration culture. This theme was skewed toward Asia and America.
- "5G" translated into products that can reshape and augment features, with a concentration on eyes and lips.
- "Voodoo Den" took a cue from modern-day witches, with the idea that potions, beauty rituals and ingredients can be incorporated into products for a more robust marketing story.

Intercos has committed to integrating sustainability processes and activities throughout its supply chain, explained Gianandrea Ferrari, the company's strategic marketing account director, vice president for Europe and the Middle East. He believes products that are sustainable are those that are good for you – in other words, clean – and that Intercos is putting that philosophy into practice.

The executive showed a cardboard makeup palette with aluminum trays that can be recycled, as an example. It's due out in March, and the company plans to introduce new products following its sustainable principles every six months.

Overall, Intercos has 11 innovation centers, 15 factories and 6,000 employees, of which 900 are dedicated to innovation. "I think the future is all in our hands," said Dario Ferrari. "The future is to understand better and before the others where the market is going."

He explained: "We have done everything necessary to really win the battle."

While better recognizing future needs of the market, some color-cosmetics makers noted a need for speed. That's part of the strategy set by Italian supplier Chromavis, known for its baked powder. It is a division of French pharmaceutical company Fareva.

"Time-to-market for all of our clients has dramatically reduced, so on our side what is required is to be really close to the brands to quickly understand what their requirements are and to know the customer of our customer, so to work in a mind-set that is focused on the end-consumers," said Cecilia Schena, the company's newly appointed vice president of marketing, speaking at Cosmopack, part of Cosmoprof Worldwide Bologna this month.

She underscored the necessity to quicken the pace of product development from the traditional 12 to 18 months to six months or less to meet the market's changing requirements.

"The only way to be able to approach this issue [when it comes to industrial production] is to read in advance what is going to happen," said Chromavis chief executive officer Fabrizio Buscaini, echoing Ferrari's main point.

Buscaini maintains analytics are now key to help foresee what the market's needs will be in two to three years, so as to serve Chromavis' clients in a different manner. He emphasized the importance of suppliers acting as partners and "one-stop shops" – providing complete, ready-to-market solutions.

Boosting production capabilities for the company is its 50 million euro investment in a new factory scheduled to open in Italy in December. The 1.08 million-square-foot unit will group Chromavis'

offices and three Italian production sites, formerly based in Vaiano Cremasco, Chieve and Crespitica. There will also be a mini factory that can quickly produce smaller quantities to enhance flexibility for indie brands.

Today, Chromavis counts 10 production sites in Italy, France, Poland, Ukraine, the U.S. and Brazil, and six innovation hubs. The company has 340 clients in 75 countries and last year generated sales of 150 million euros.

Gotha Cosmetics is another makeup supplier that is expanding its manufacturing power. The Lallio, Italy-based company, known particularly for its lip products and primers, last year inaugurated a 270,000-square-foot headquarters and production plant. That includes a 160,000-square-foot factory that tripled Gotha's output and contributed to the 15 percent sales growth it registered in 2018 versus 2017.

"We are just applying our strategy of focusing mostly on fast-acting and -moving independent brands," said Gotha Cosmetics ceo Martin Breuer. "There are still a lot of initiatives, especially celebrity-supported indie brands trying to push in the market, although the market is pretty much saturated and therefore has slowed down. But if you get the product and the project right, there's still space in which you can get in."

In another development in 2018, Gotha began offering packaging solutions, alongside its makeup products. "We created a dedicated team last year, as we wanted to inspire our clients with formulations but also with innovative packaging," he explained. "This really gives value to our formulations, and would help us over time to offer a full service."

Gotha partnered with UCL, a South Korean original design manufacturing cosmetics company that will support the Italian concern's sales activities there. UCL locally fills and assembles Gotha's products, too.

The company's business is mostly generated in the U.S. Its sales in Europe advanced 50 percent last year.