Category Watch: Five Trends Driving The Global Skin Care Market

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Euromonitor International analyst Virginia Lee discussed five trends impacting the global skin care market during GCI magazine's webinar titled, â€œSkin Care: Still Glowing?â€•, identifying five trends fundamental to growing and shaping the skin care market across all categories: an ageing population, increased wealth in emerging markets, pursuit of agelessness, technological advances, and massive awareness of health & wellness.

The global population is becoming older
The longevity revolution of the 20th century has increased lifespans and as a result, the global population is becoming older, especially in developed countries. In Western Europe almost 50% of the population was over the age of 40 in 2007.

Japan has the world's oldest population; with 22% over the of 65 in 2007, up from 9% in 1980. The country also has the distinction of being the biggest consumer of skin care on a per capita basis. In 2007 Japan accounted for 20% of global skin care consumption with US$13.1 billion in sales while making up only 2% of the global population. Japan's high consumption of skin care is due to a number of factors: lot of older consumers, high disposable incomes, and a strong interest in health and beauty.

Increased wealth in emerging markets
Emerging markets such as Brazil, Russia, India and China have shown tremendous economic growth in recent years. This growth has led to more people moving from the poverty level into the middle class. This expanding middle class now has more money to spend and can trade up to premium and masstige skin care brands.

Growing demand for higher quality, higher-priced brands is reflected in the triple-digit growth rates for skin care sales in many of these emerging markets. Latin America was the fastest growing region for skin care, growing by 102% from 2002 â€“ 2007 to reach US$5.5 billion in 2007. Growth was driven by Brazil, the largest country in South America, where skin care sales grew by 128% from 2002 -2007 to reach US$2.6 billion in 2007. Eastern Europe was the second fastest growing region with sales up 97% from 2002 -2007 to reach US$3.9 billion in 2007. Russia's skin care sales grew by 106% from 2002-2007 to reach US$1.6 billion in 2007. Finally, China was a standout performer in the Asia Pacific region with sales of US$5.3 billion in 2007, up 132% from 2002.

Pursuit of agelessness
The pursuit of the fountain of youth has intensified due to increased lifespans and improved technologies. This concept of agelessness is important â€“ people are taking better care of themselves so they're feeling younger than their biological age would suggest. They want their outer appearances to reflect their inner youthfulness.

In terms of technologies, cosmetic procedures have become less invasive, cheaper, and faster. Botox doesn't involve scalpels like a facelift or require downtime and because of this more consumers are getting procedures including men. In the US, according to the American Society of Plastic Surgeons, Botox made up 4.6 million procedures in 2007, up 488% from 2000 (and up 13% from 2006). There's less shame now in getting cosmetic procedures than in previous years. In fact, some would say that there's increasing peer pressure to get work done among the affluent. In July The New York Times featured an article about brides persuading bridesmaids and their mothers and mothers-in-law-to-be to get Botox and microdermabrasion, titled, â€œIt's Botox for You, Dear Bridesmaidsâ€•. A month earlier, the Wall Street Journal had published an article titled, â€œBotox for the RÃ©sumÃ©: One Woman's Image Makeoverâ€œ.

Technological advances
By aggressively introducing technologically advanced formulations, skin care companies have been able to charge higher prices. While many consumers will not want to pay more than US$10 on a product that merely moisturises the skin, many are willing to pay US$20, US$40, or even US$400 if the item claims other benefits such as firming and wrinkle reduction and contains a bevy of exotic or difficult to pronounce ingredients. For example, doctor brands like NV Perricone and Dr Brandt have helped popularize advances such as peptides and GABA.

The rise in incomes in emerging markets combined with technological advances have persuaded many consumers to trade up to pharmacy and masstige brands. Pharmacy brands (also marketed as dermocosmetics) are a growing force as they have moved beyond France into other markets including Brazil, Canada, China, Russia and the US. Pharmacy brands such as Vichy Laboratoires, La Roche-Posay Laboratoire Pharmaceutique and Lierac have a functional/medical look, and are sold in pharmacies where pharmacists provide dermatological advice. Masstige (formed from the words mass and prestige) products seek to offer the qualities associated with premium products at a lower price. One example is Olay Regenerist Micro-Sculpting Cream which is advertised as being more effective than a US$350 face cream while costing under US$25. Manufacturers have taken another approach to increase price points through unique delivery systems such as the Nivea Body Good-bye Cellulite Patches which claim to offer â€œcontinuous release of L-carnitineâ€•, Olay Regenerist Eye Derma-Pod featuring a built-in foam applicator to apply the eye cream, and Freeze 24-7 Ice Shield Facial Cleanser with Sunscreen SPF 15 that â€œwashes-onâ€• sunscreen protection.

Massive awareness of health & wellness
A number of factors have led to growing awareness of health & wellness. The rise of obesity and the increase in the number of senior citizens and their age-related illnesses have raised the media's interest in topics regarding health and nutrition. Media coverage of SARS, Mad cow disease, numerous food recalls, lead in toys, bisphenol A (BPA) in plastic baby bottles, and phthalates in cosmetics have raised consumer concerns about health and product safety. The latest scare is that moisturizers may promote skin cancer in mouse studies. As a result consumers are focusing more closely on what they put in, on, and around their bodies. Increased knowledge about the harmful effects of chemicals has led to consumer desire to avoid pesticides, growth hormones, preservatives and artificial colors. This has led to strong demand for organic foods and beverages in many developed countries. Many of these same consumers are now seeking to reduce exposure to chemicals in cosmetic products.

This interest in natural and organics is a global phenomenon. In Russia the brand Kosmetica XXI emphasises that the company's skin care products contain goat's milk. UK's Boots pharmacy chain introduced Botanics Organic skin care products with between 90 and 100% organic ingredients in October 2007. Natura, the largest direct seller in Brazil, launched the Natura Ekos line in 2000 that features natural ingredients used in traditional communities with scientifically proven benefits such as guaranÃ¡, mate verde and cocoa. The company also seeks to position itself as a â€œgreenâ€• company through the sustainable use of materials to protect Brazilian biodiversity and investment in local sustainable development.

Skin care sales grow in 2007
The world skin care market had sales of US$65.7 billion in 2007, up 40% from 2002 (and up 7% from 2006). Skin care, the largest C&T category, grew faster than the US$291 billion C&T market which saw sales rise by 29% from 2002 (and by 6% from 2006). Leading this growth was men's skin care, growing from a very small base of US$ 746 million in 2002 to reach US$1.5 billion in 2007. The metrosexual fad and an upsurge in new product development were responsible for this growth. Firming/anti-cellulite body care was the second fastest grower with 83% growth from 2002-2007 reaching US$2.3 billion in 2007. Growth was propelled by the introduction of many new products in the first half of the period including Shiseido's Body Creator in 2003.

Within facial care, nourishers/anti-agers were the fastest growing with 67% growth from 2002-2007 to reach US$14.9 billion in 2007. Increased demand from aging baby boomers as well as the introduction of numerous technological advances drove value growth. In contrast, facial moisturisers grew by 38% while cleansers and toners grew by 25% and 14% in the same time period.

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