The BRICs And Beyond: The Lure Of Emerging E£conomies For The Beauty Industry

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Why are the BRICs (Brazil, Russia, India and China) such a draw for beauty companies and in particular direct sellers?

Brazil and China are the star performers and are set to add around US$8 billion and US$10 billion to the size of their respective beauty industries by 2014. Â

All of the BRICs are set to be pivotal to future growth.

These four countries alone will contribute over half of the total US$43 billion absolute growth in the global beauty industry over 2009-2014.

Although there is a general trend towards urban dwelling in the BRICs, rural areas continue to account for the majority of consumers in nearly all of them. While the number of chained stores is beginning to grow in the big cities, the distribution infrastructure is often very poor and still developing in these markets, meaning that it would otherwise be very difficult to reach rural consumers.

Furthermore, there is still a very strong emphasis on community living in the BRICs. Direct selling is, therefore, the ideal way to reach these rural consumers.

What sort of products and price points are popular in the BRIC markets and why?
Sales in both Brazil and India are almost exclusively accounted for by mass brands, so there has been little evidence of the kind of trading down to cheaper brands which has been so prevalent in mature Western markets, quite the opposite in fact.

Rapidly increasing disposable incomes mean that consumers are shifting beyond solely purchasing basic products to more sophisticated beauty products.

Brazilian sales are dominated by hair care, fragrances and deodorants (body sprays are often used as cheaper substitutes for more expensive eau de toilettes).

Russia was the only BRIC market to see a trend towards consumers trading down from premium products to cheaper brands during the recession. Its beauty market comprises a higher proportion of premium products than the other BRICs - in 2009 premium beauty accounted for 11% of total beauty and personal care sales in Russia, compared to just 1% in Brazil.

Skin care dominates value sales in China because of the widely held belief that pale skin, especially facial skin, equates to beauty. Per capita expenditure on skin care in 2009 was still five times higher than that on most other personal care categories.

Sales of premium skin care products from multinational companies are thriving in China because of widespread consumer mistrust of domestic brands, and belief in the superior quality of premium skin care over mass priced products.

Why are frontier markets such as Mexico, Thailand and Indonesia moving into the spotlight and how are companies targeting them?

Looking further beyond the BRICs, there are yet more up and coming markets which are seeing rapid growth in their beauty industries. Markets such as Thailand, Mexico and Indonesia will be key contributors to global beauty industry growth.

All have rapidly expanding middle-classes and high levels of urbanisation, making them prime targets for beauty companies in the future.

L'OrÃ©al has now opened subsidiaries in the key frontier markets of Vietnam, Egypt, Pakistan and Kazakhstan. It recently announced that it aims to double the number of people that use L'OrÃ©al brands worldwide within the next 10 years. With this in mind, L'OrÃ©al has said that new smaller markets are expected to be the focus of further developments in the future.

The UK cosmetics store chain The Body Shop International opened its first outlet in Vietnam in 2010 in recognition of the rapidly increasing disposable incomes in the country and willingness to spend on beauty products.

Japanese beauty company Mandom has looked outside its stagnant home market in order to grow. It is focusing

particularly on developing its business in the fast growing Indonesian market, where it is currently achieving double-digit sales growth. The company now plans to expand its export business in Africa and the Middle East.

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