

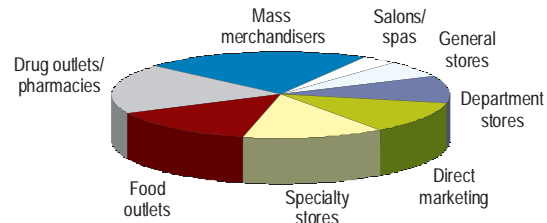
# Beauty Retailing Global Series: Channel Analysis and Opportunities

## Fact Sheet

### Market posts moderate gain

In spite of economic turmoil that has stymied the growth of most consumer industries in 2008-09, the cosmetics and toiletries industry managed to post a moderate gain of 3.9% in 2009 to reach nearly \$200 billion at the manufacturers' level. Worldwide industry growth has averaged 4.9% over the last five years, with the BRIC countries registering the highest gains.

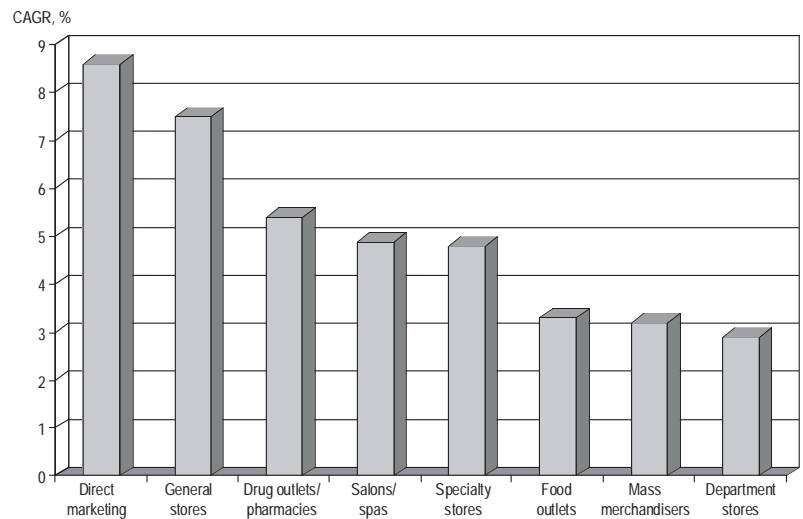
Global Sales of Cosmetics and Toiletries by Retail Outlet, 2008



### Direct marketing channel fuels industry growth

While mass-market outlets account for over 55% of the global cosmetics and toiletry industry, the direct marketing channel posted the strongest overall increase over the last five years. Solid performances from the e-commerce and person-to-person subclasses have fueled overall channel growth of 8.6% over the last five years.

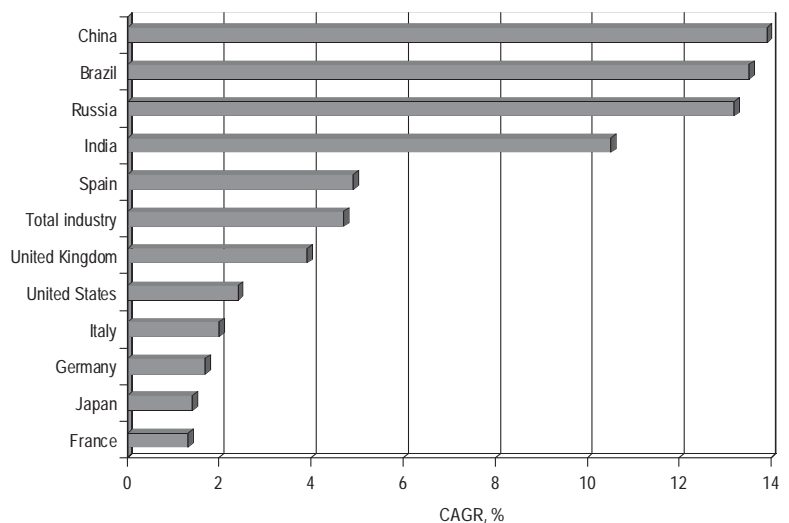
Growth of Global Cosmetics and Toiletries by Retail Outlet, 2003 to 2008



### BRIC countries, the key growth area

The cosmetics and toiletries market in the BRIC countries is more protected than in the developed economies of North America and Western Europe. Growing economic prosperity in China, Brazil, and India results in the growth in rural and semi-urban areas. Growing acceptance of Western retail concepts contributes to the market growth in these countries. Direct marketing, specialty stores, and mass merchandisers are the fastest growing channels in the BRIC markets. In Russia and Brazil in particular, direct marketing benefits from its extensive sales representative network and great brand awareness.

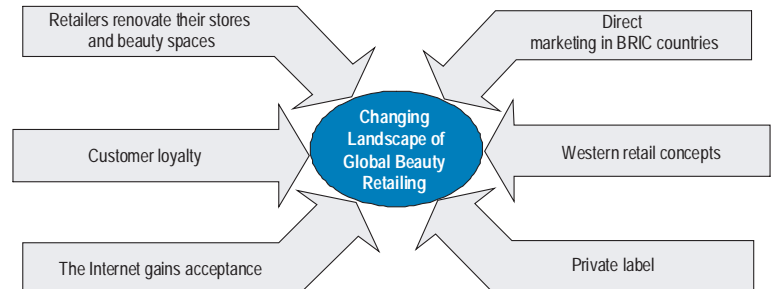
Cosmetics and Toiletries Sales Growth by Country, 2003 to 2008



## Growth factors are varied

From an increase in private-label cosmetic and toiletry offerings to renovation of beauty departments, marketers and retailers are joining forces to inspire consumer purchases from home, retail stores, and even by cell phone.

### Factors Affecting Global Beauty Retailing

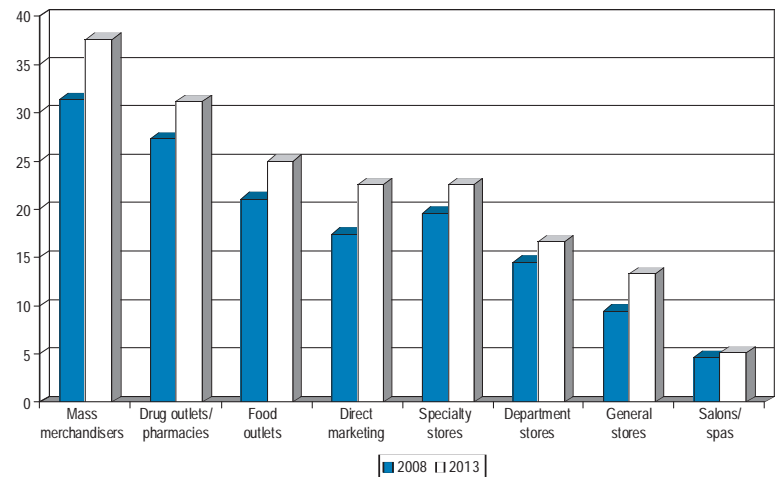


## Forecast: overcast with spots of sunshine

Market growth is expected to be at a modest 3.6% through 2013, a slightly lower rate than in prior years. Direct marketers will continue to experience the strongest gains in sales share. BRIC markets' growth will continue to outpace average market growth by a wide margin. China will surpass Japan, and Russia will become one of the top five markets for beauty retailing by 2013.

2008	Rank	2013
United States	1	United States
Japan	2	China
China	3	Japan
Brazil	4	Brazil
France	5	Russia

### Forecast Sales of Cosmetics and Toiletries by Retail Outlet, 2008 to 2013



## Think global, act local

This adage holds truer than ever. BRICs are in many ways homogenizing with the rest of the world, and consumers in these markets are embracing Western products and concepts, but they each still have unique histories, cultures, and characteristics that must be understood and appreciated. As retailers with a strong global presence continue to expand in new geographies, they adapt their stores to the needs and preferences of local consumers. For example, mass merchandisers that primarily operate large format big box stores and supermarkets are developing smaller format supermarkets and convenience stores in some of their growing markets.

