

Strategic Analysis of Cosmeceuticals with Special Reference to Antiaging Creams

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ABSTRACT : *The desire to maintain a youthful image combined with an emerging global market with disposable income has driven the development of many new industries. The cosmeceutical industry is based on the development and marketing of products that lie between cosmetics and pharmaceuticals. Today, there are over 500 suppliers and manufacturers of cosmeceutical products, and the industry is estimated to have a CAGR of 7.7% between 2012 and 2016. This study will provide a snapshot of the current trends of this industry and provide an analysis of this multi-billion dollar market and to study the innovative means of marketing strategies of cosmeceuticals with special reference to anti aging creams in India. The key objectives here are to analyze the traditional means of marketing strategies, understand the innovative marketing strategies used and the future scope of the current strategies and the opportunities to change them.*

KEYWORDS: *cosmetic industry, consumer behaviour, anti-aging creams, strategic analysis of cosmeceuticals.*

I. INTRODUCTION

Cosmeceuticals are the latest addition to the health industry and are described as cosmetic products with drug-like benefits. With the rise of more knowledgeable, wealthy, and beauty-conscious class of urban consumers, cosmeceuticals have come a long way in recent years to become one of the fastest growing cosmetic options. Advancements in technology and emergence of new ingredients have further contributed to the progress in the commercialization of cosmeceutical products worldwide. The market that reached to the mark of US\$ 31.84 billion by 2016 is likely to augment at a rapid pace in the coming years with anti-aging skin care taking the top spot in revenue patterns, reported as per "Global Cosmeceuticals Market Outlook 2016". The U.S. Food and Drug Administration (FDA) which regulates cosmetics in the United States defines cosmetics as: "intended to be applied to the human body for cleansing, beautifying, promoting attractiveness, or altering the appearance without affecting the body's structure or functions." This broad definition includes, as well, any material intended for use as a component of a cosmetic product. The FDA specifically excludes soap from this category. The cosmetic industry is a profitable business for most manufacturers of cosmetic products. This industry has not only grown only in the United States, but also in various parts of the world which have become famous for their cosmetic products. Some of these include France, Germany, Italy and Japan. It has been estimated that in Germany, the cosmetic industry generated sales of EUR 178 billion at retail sales in 2012 which made German cosmetic industry the 3rd in the world, after Japan and the United States.

Rising consumer incomes and changing lifestyles drive the global beauty care products industry. Revenue in the industry is forecast to reach an estimated \$265 billion in 2017 with a CAGR of 3.4% over the next five years (2012-2017), highly influenced by increasing demand in Asia Pacific (APAC) and Europe due to increase in GDP and improving living standard. Lucintel, a leading global management consulting and market research firm, has analyzed the global beauty care industry and presents its findings in "Global Beauty Care Products Industry 2012-2017: Trend, Profit, and Forecast Analysis." The industry encompasses manufacturers' segment revenue related to beauty care products. As per the study, increased awareness has resulted in higher demand for luxury products, especially cosmetics. Providing quality products at a low cost is a challenge for manufacturers. Skincare, the largest segment, represents good growth prospects during the forecast period. Increased demand for multi-feature products such as moisturizing cream with sun protection and anti-aging or anti-wrinkle properties are likely to drive market growth. The cosmetics segment also has growth potential as demand is increasing for premium cosmetics in the expanding middle class in developing nations. Total sales in the beauty and personal care industry were roughly \$426 billion in 2011, total global beauty sales for January – March 2012 were up 14% to \$2,278,000,000 • Total Makeup sales were \$932 million, up 10%. Total Skincare sales were \$844 million, up 19%. The cosmetic industry worldwide seems to be continuously developing, now more than ever with the advent of the Internet companies. Many famous companies sell their cosmetic products online also in countries in which they do not have representatives.

At present cosmetics industry is focusing on launching organic cosmetic products because people are now becoming more and more conscious about the chemicals and their harmful effects in the cosmetics. In addition, a new concept of 'Herbal Medicine' is paving its way to the skin care industry. Players are globally exploring the markets to tap the hidden growth potential. Regulatory bodies are also ensuring that consumers have full knowledge about the ingredients of products and hence focusing on labeling. Our report has also evaluated the emerging male grooming segment as more and more men are becoming concerned about their looks and appearances. The cosmetic industry is utilizing this paradigm shift and launching new products exclusively for men. As a result, the global male skin care market which was only worth about US\$ 193 Million in 2009 is now growing at a substantial rate of about 16% annually. In India, men's grooming has increased by 22% in current value terms in 2012, to reach Rs 37.9 billion.

II. OBJECTIVES

- [1] To understand the consumer behavior in purchasing cosmeceuticals with context to Anti Aging creams.
- [2] To perform the **four P Analysis** of Anti Aging creams manufactured by various companies.
- [3] To review the existing promotional and marketing strategies of various cosmeceutical companies and how they design effective and efficient marketing strategies.

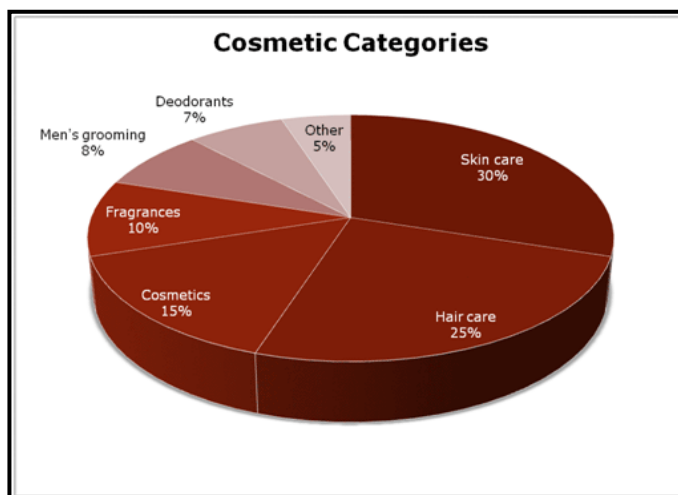
III. LITERATURE REVIEW

According to a research report, Cosmeceuticals: Products and Global Markets from BCC Research, the global market for topical and injectable cosmeceutical products was valued at \$35 billion in 2012. BCC Research expects the market to reach nearly \$45.6 billion by 2017, and register a compound annual growth rate (CAGR) of 5.4%. Quian, research analyst at Frost & Sullivan, said these industries are still small compared to cosmetics, which came in at \$250 billion in 2009, but the market research firm predicts a 17.8-percent compounded annual growth rate (CAGR) for these industries from 2009 to 2015. The Indian cosmetics and toiletries market has seen major changes both in terms of user perception and product availability over the past five years. There have been market shifts during this period and the past two years have seen the market take further momentum. According to figures given by the Confederation of Indian Industries (CII), the total Indian beauty and cosmetic market size currently stands at US\$950 million and showing growth between 15–20% per annum. The overall beauty and wellness market that includes beauty services stands at about US\$2,680 million, according to CII estimates.

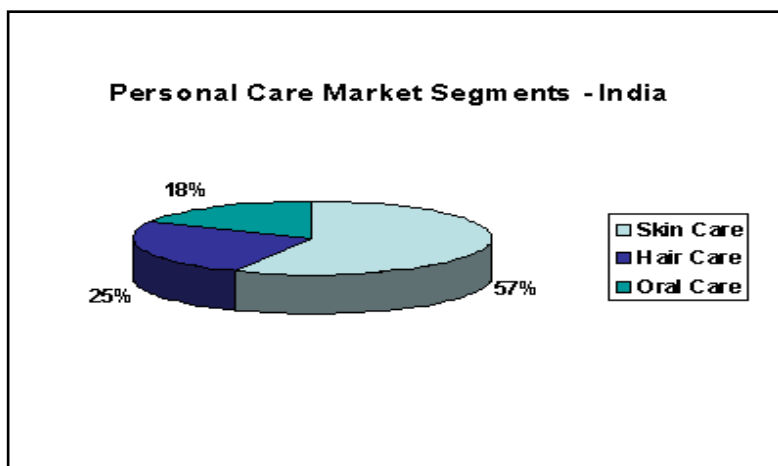
As per the reports by Confederation of Indian Industry (CII), the Indian FMCG sector is the fourth largest sector in the economy with a total market size in excess of US\$ 13.1 billion. It has a strong MNC presence and is characterized by a well established distribution network, intense competition between the organized and unorganized segments and low operational cost. Availability of key raw materials, cheaper labour costs and presence across the entire value chain gives India a competitive advantage. The FMCG market is set to treble from US\$ 11.6 billion in 2003 to US\$ 33.4 billion in 2015.

Market share of various cosmetic products globally

As per a report by Indian industry association Assocham, total fast moving consumer goods (FMCG) category in India is currently valued at \$15 billion, of which \$2.85 billion is attributed to rural areas and \$4.2 billion to semi-urban areas. FMCG market will reach to US\$ 33.4 billion in 2015 from US \$ billion 11.6 in 2003. The total market for anti-aging products and services was valued at \$249.3 billion in 2012. This is expected to increase to nearly \$261.9 billion by the end of 2013 and \$345.8 billion in 2018, a compound annual growth rate (CAGR) of 5.7% between 2013 and 2018. In the past 10 years, not only have more consumers become interested in natural anti-aging products, but they have also become more educated, noted Angie Morasch, national accounts manager, Hyalagic. "Consumers are more aware of what they are putting on their skin now more than ever, and they are looking to avoid unsafe ingredients and preservatives," she said. Consumers from all walks of life are reading ingredient lists looking for safe, effective and eco-friendly products that will keep Father Time at bay. "It



becomes harder to stereotype [anti-aging] consumers into one pot; it is more of a melting pot of different people from different backgrounds and varying lifestyles who are seeking natural products to make smarter purchases that are effective yet healthy," commented Kristine Carey, vice president of marketing for MyChelle Dermaceuticals, "Our strongest demographic is women age 30 to 55 mainly because they are looking to address the signs of aging naturally." While the growth of the older than 40 crowd caused an uptick in anti-aging product sales, Linda Miles, L. Ac. D.O.M., vice president of derma e® Natural Bodycare, said younger consumers are also gravitating more toward age-prevention products. "Younger consumers are paying more attention to their skin and becoming more educated on the effects of sun, pollution and free-radical damage." According to a study by McKinsey Global Institute (MGI), Indian incomes are likely to grow three-fold over the next two decades and India will become the world's fifth largest consumer market by 2025, moving up from its position in 2007 as the 12th largest consumer market.



Market share of Personal Care segments in India

When consumer products major Hindustan Unilever (HUL) relaunched its Pond's anti-aging skin cream range, it was not only launching a 'new-improved' version of the product but also responding to a larger change in the core target consumers of anti-aging products — from the middle-aged 35-40-years-old women to 20-something girls, yes, but even men too!

Cosmetics are conventionally bundled into three categories — skin lightning, moisturizing and anti-aging. Market research firm ACNielsen puts the anti-aging cosmetic market in India at over Rs 60 crore. Though this market is just over 2% of the country's Rs 3,000-crore skin care market, the anti-aging segment is the fastest growing at 93% year-on-year. The Indian skincare market is estimated to be Rs 3,700 crore which is growing rapidly with the growth of economy, disposable income and consciousness about health and beauty. The market has grown about 13-15% p.a. in last couple of years contributing around Rs. 105 crores to Anti-aging market.

Driven by the aging world population, the desire to preserve youth, and the numerous advancements made in reversing the natural process of aging, the world market for anti-aging products is projected to reach U.S. \$115.5 billion by the year 2010. The need to stay young is a vortex that's dragging in ever-younger consumers, and this expansion in target audiences is expected to help drive the market's growth into the future.

IV. RESEARCH DESIGN:

The study is based on an Exploratory Research (Formulative Research). Using this design will give flexibility by providing opportunity for considering different aspects for the problems faced during the marketing of consumer cosmeceuticals in parts of India. It will help to precisely define the problem, collect the data and reach to accurate definitive conclusions. Extensive literature review will help to gain insight of the concern problem and improve the understanding of the various sub topics. The sample plan has been done through Stratified Random Sampling in which the population is divided into mutually exclusive and collectively exhaustive sub-populations, called strata. A random sample of elements is chosen independently from each group or strata. The target population base is the women who are in the age group between 28-50 yrs having monthly family income Rs 20,000 and above.

Data Collection And Analysis

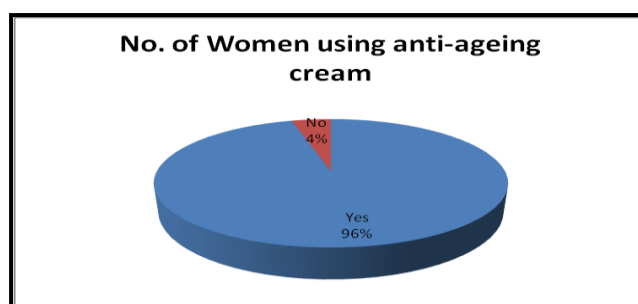
- The problem statement is to study the innovative means of marketing strategies of cosmeceuticals with special reference to anti aging creams in India. The key objectives here are to analyze the traditional means of marketing strategies, understand the innovative marketing strategies used and the future scope of the current strategies and the opportunities to change them. The primary research has been done through the interview method where a structured way of collecting information through personal interview will has been carried out. The data has also been collected through secondary research/survey, where extensive literature review on cosmeceutical industry in India through various data sources such as Internet, Journals, Books, Research papers, Magazines, etc. has been done. Analysis of the collected data has been done by using various software tools SPSS, MIMITAB and MS EXEL.

V. DATA ANALYSIS

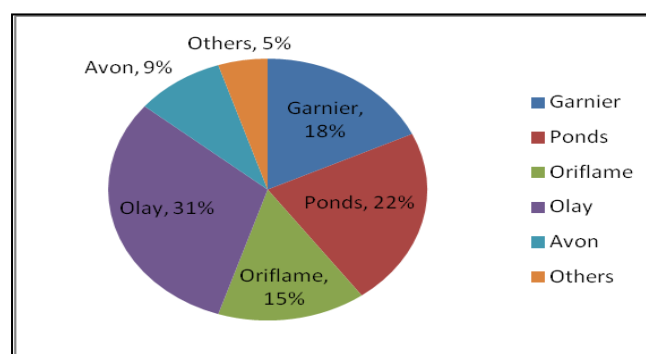
Observations & Interpretation : A small survey was conducted to assess the knowledge and practices of customers with respect to their knowledge, attitude and practice (KAP). A sample size of 120 was taken and surveyed with a help of questionnaire (Refer Annexure1).

The sample was interviewed at various localities in Delhi. It included the target population from various areas, income groups, caste, religion, skin tone etc. The sample was asked closed ended as well as few open ended questions.

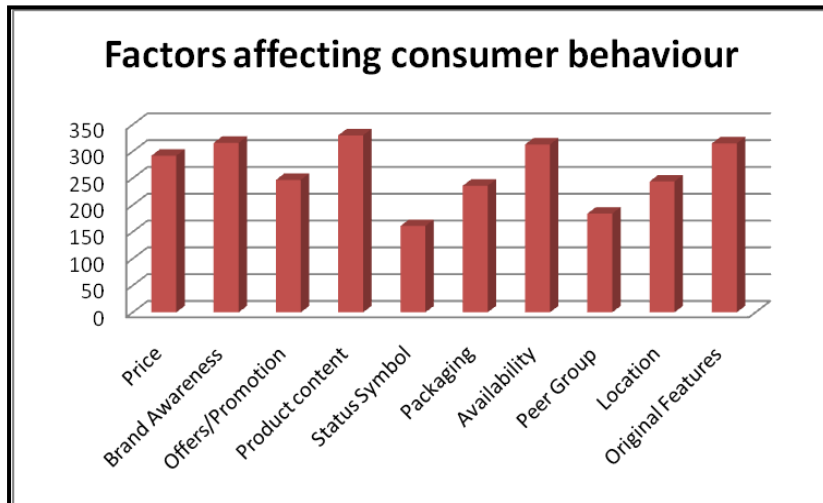
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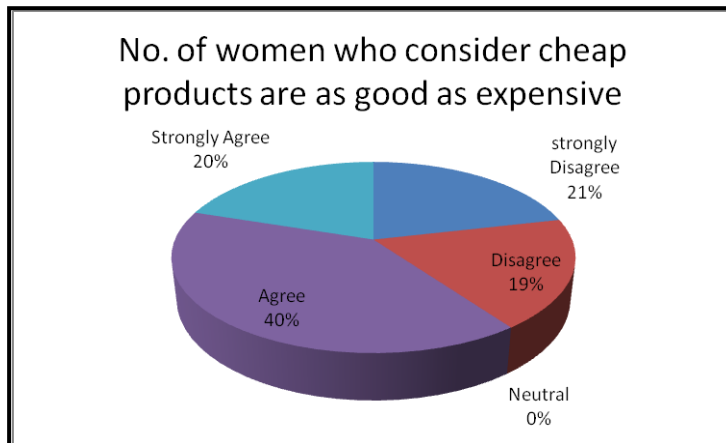
(3) The following graphs are prepared by using 'LIKERT SCALE' and considered ranking as follows:



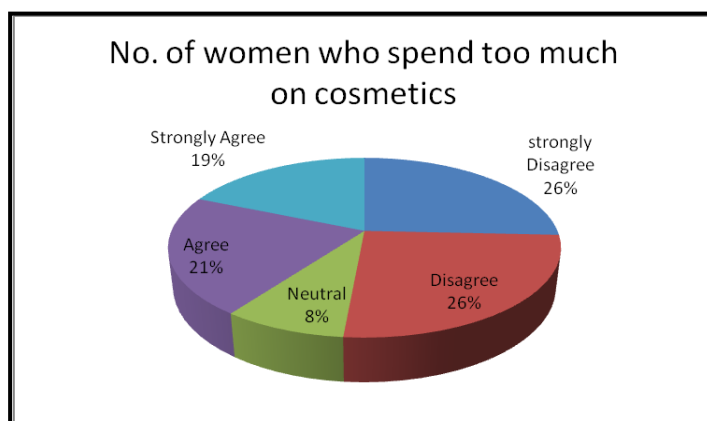
- [1] - Strongly Disagree 4- Agree
- [2] - Disagree 5- Strongly Agree
- [3] - Neutral

The graph consists of various factors which affect the choice of consumer and in turn lead to difference in product's sale and profit making. The various factors were chosen keeping in mind the marketing mix and the factors included in it.

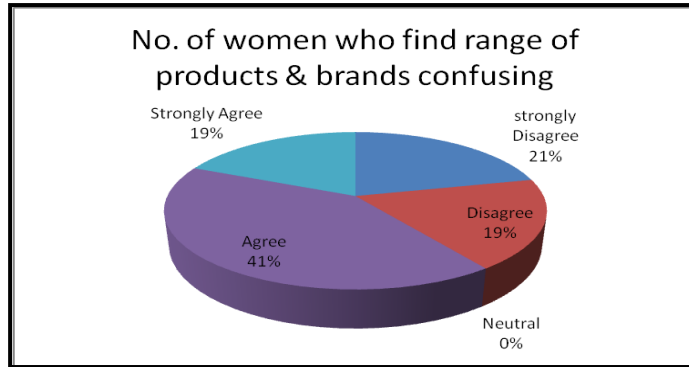
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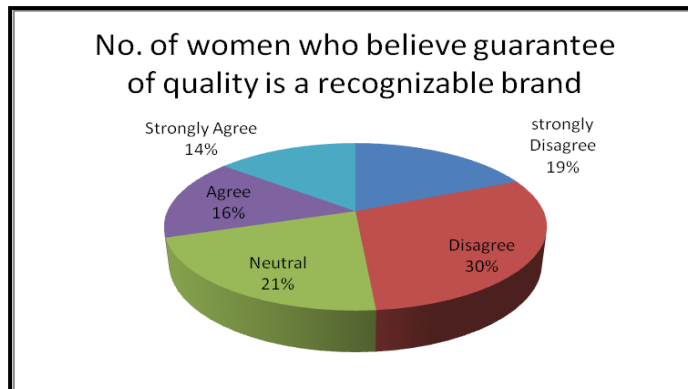
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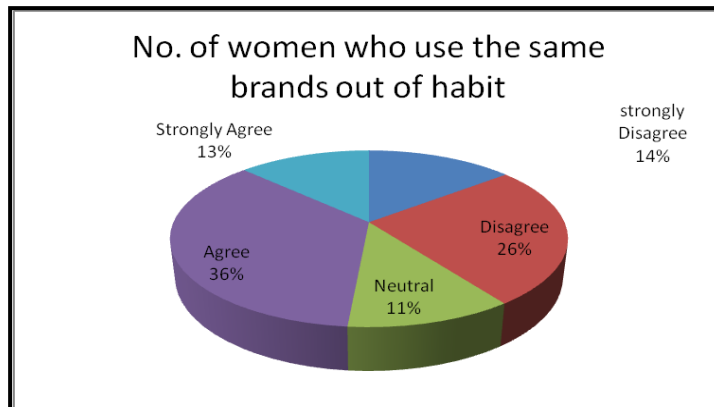
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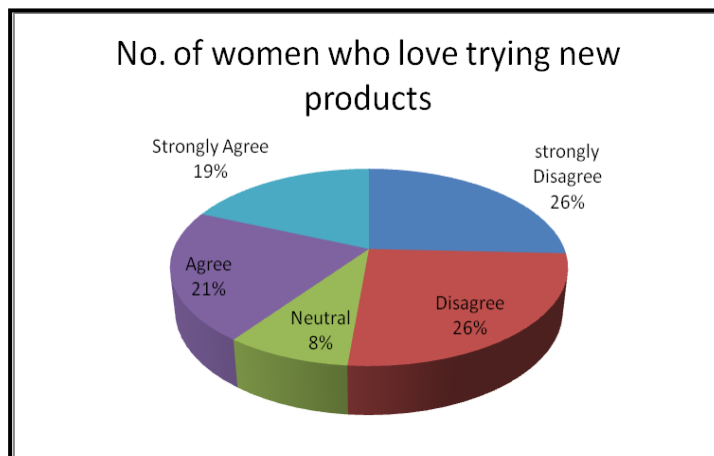
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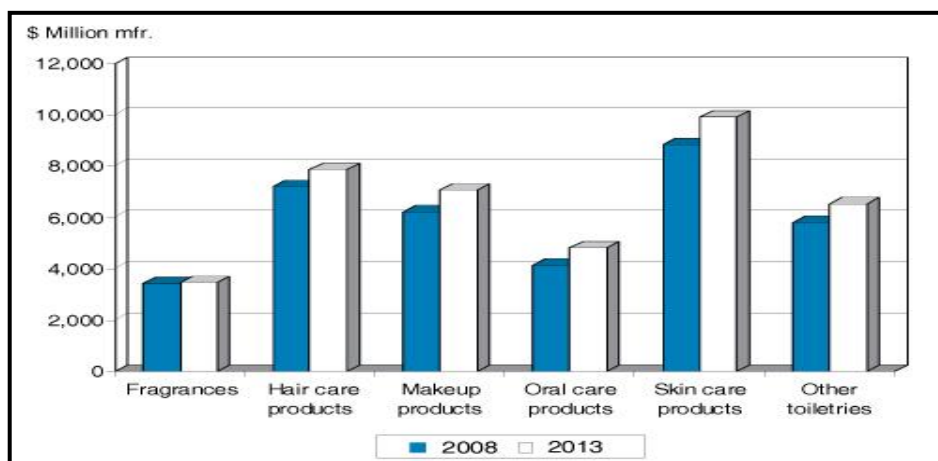
P&G: Olay Total Effect : Globally P&G's personal care market is around \$20 billion, of which \$2 billion is contributed by Olay India. Olay's demographics are based on the high middle class females who are above 35 years of age having an income level of 30,000 and above. Olay have used "Segmented marketing" while targeting our customers. Olay positioning the product in the minds of people by the slogan and logo that reflects youth, as it makes the skin wrinkle free like the skin of young people. Pricing is the most important factor of marketing mix. Olay anti-aging soap is being introduced at a price of Rs. 110 including all taxes. Initially "Value based pricing approach" was used for the evaluation of price. These prices reflect a strategy of market penetration pricing and delivering maximum satisfaction by giving affordable price. At launching the product, company's channel strategy was to use "Selective distribution" at different places and marketing through well known stores and outlets within India only by using "Indirect marketing channel" for the distribution of their product which is a "Conventional distribution" channel. They introduced a convenience product that is a high quality anti-aging soap in the market with the name of "Olay anti aging soap" although there were various substitute in the form of cream in the market but there was no major competitor of their product.

Unilever: Ponds Age Miracle : Unilever is an Anglo-Dutch multinational corporation that owns many of the world's consumer product brands in foods, beverages, cleaning agents and personal care products. While introducing an anti ageing line with breakthrough technology, Unilever brought about miracles in countries across Asia with its promise of visible reduction in wrinkles and age spots in just seven days. In the anti ageing market category, this 7 day challenge campaign was a truly unique offering from Ponds age miracle, something that has never been done before. It underscored the strong belief that Ponds has in its revolutionary anti ageing line to deliver effective results for the woman. They positioned their product in the minds of people by the slogan and the logo that reflects youth, as it makes the skin wrinkle free like the skin of young people. Introducing a convenience product that is a high quality anti-aging cream in the market with the name of "Ponds Age Miracle Cream", they used licensed branding. With distribution being restricted to specialty beauty and wellness chains and through lifestyle stores, the premium products were being made available at over 200 distributor outlets, which should go up to 400 by the year end, across the top 30 cities. Their pricing strategy was such that it was fair to the customers, as their objective was to attain customer loyalty.

ORIFLAME: Anti Aging Cream: Oriflame was one company which provided a sustainable business model for 2.9 million sales consultants around the world for people to make money and fulfill their dreams. Oriflame Cosmetics is today's one of the world's fastest growing cosmetics companies. Oriflame has sales operations in 63 countries and market leadership in over 30 countries. A sales force of 3.4 million independent Sales Consultants market a complete range of high quality skincare, fragrances and cosmetics. Although the company has grown rapidly it never lost sight of its original business concept- Natural Swedish Cosmetics from friend to friend. Oriflame's direct sales model was an important key to their success. New consultants were provided with the opportunity to make money the same day they join, while starting to build a sales network and striving towards fulfilling their dreams. It is also a powerful marketing method, as customers get personal advice from someone they know and trust. Direct selling is meeting new market conditions in a rather progressive manner, adjusting the shopping experience to the consumer regarding timing, place, entertainment and personal approach. As the competition for consumers' attention and confidence increased, direct selling was offering a unique way of gaining loyal customers. It was Pyramid-model (the main sales force were paid 30% commission), emotions and closeness to local community were the driving forces for selling, mainly 80,000 women were both customers and sales force, high potential for growth amongst the new generation, mass media advertising was necessary in the future to meet the competition from international brands, the key USP for Oriflame being their smiling products were some of the company's highlights.

Avon Products, Inc. : Avon Products, Inc. was the world's largest direct selling organization and merchandiser of beauty and beauty related products. From corporate offices in New York City, Avon marketed product lines to women in 112 countries through 1.6 million independent sales representatives who sold primarily on a "door-to-door" basis. Avon's product line included skin care items, makeup, and perfume fragrances for men and women, and toiletries for bath, hair care, personal care, hand and body care and sun care. Recognizable brand names included Skin-So-Soft, a product in the bath products area, which benefited from wide publicity concerning alternative uses; Moisture Therapy; and Imari fragrance. Newer products included "Avon Color," an entirely new line of more than 350 shades of lip, eye, face, and nail colors. The product line would assure customers that Avon had just the right shade for them and that their total "look" could be coordinated. "Anew Perfecting Complex for Face," another new product, was judged the most successful skin care product in Avon history.

Internationally, the company's product line was marketed primarily at moderate price points. The marketing strategy emphasized department store quality at discount store prices.



Turnover of various segments of products in cosmetics past & predicted

VI. RECOMMENDATIONS

- [1] As observed from analysis, the women in the age group of 25-35 yrs have also started showing interest in the anti-aging products as a sign of prevention. The companies should start focusing on them and promote products which can be used before the signs of aging appear.
- [2] From the survey it was found out that, Olay by P&G has maximum market share and therefore, besides increasing the market share they should focus on customer retention and customer loyalty.
 - a. Some Strategies to improve customer loyalty:
 - [3] Discount coupon: Attach a discount coupon with the product. The coupon can be redeemed during the next purchase of same product.
 - [4] Assured Gift: Companies can give some utility gift each time the customer buys their product. Example: A free sample of Olay face wash is given each time we buy an Olay Total Effects cream.
 - [5] Collect and Redeem: Ask the consumers to collect 3 covers of the product and next time they buy the product, they receive a surprise gift/ discount/ cash back.
 - [6] The survey highlighted the issue of confusion among products and different existing brands in market. The companies should be more sensitive towards their product segmentation and brand image. The companies should try to build a brand value of the product apart from imprinting it in the mind of customers.
 - [7] The packaging of the product is as important as its promotional strategy. The companies should make their product attractive enough for the customers to pick the product at first look. The product in itself should convey the message and gain customer's attention.

VII. CONCLUSION & FINDINGS

In a significant population, 96% used anti-aging creams. It reflected the scope of market and the potential for its growth. The women were aware and had a fair knowledge about the market and the products available. The rest of the 4% population not being the customers have shown keen interest in the products and can easily be converted from potential customers to regular users by company's unique marketing and pricing strategy. As regard to the awareness of available products, it was evident that market of anti-aging creams is booming and has a phenomenon potential of growth. From the survey it was found out that 31% customers preferred Olay followed by Ponds (22%) and Garnier (18%). It was also found that price, brand awareness, product content, availability and original features were directly proportional to choice of customers in selecting the brand of anti-aging cream. The other factors like offers/promotion, status symbol, packaging, peer group and location remained indifferent towards the behavior of consumer. Hence, it can be concluded that the product is price sensitive as well as the consumer choice is driven by the performance of the product. As regard to the price of the product, it was clearly visible that the product is price sensitive and women consider that cheap products are as good as expensive. 20% women strongly agreed to the fact while 21% begged to strongly differ. Though the purchasing power of women has increased over time, but they have not started spending on cosmetics and nearly 26% women disagreed that they spent too much on cosmetics.

As far as promotion of various products in the market, the increase in promotion and marketing of products has led to a chaos in the market. 41% women agree that the information available in the market is confusing and they are not able to differentiate in brands and as to the quality of the product, 30% women disagreed and responded that quality is not related to recognizable brand. It is a known fact that people tend to stick to a product if they find it satisfying and are content with their choice of product. Same was inferred and showed that 36% women agreed that they used same product out of habit and the satisfaction level. 26% disagreed with the point and hence, the product has to prove its worth to remain in competition of anti aging cream's market. We all love trying new products, but the same is not the case when skin is the matter of concern. A similar concern was shown by the survey and 26% customers did not approve of trying new products. While 19% women showed their spirit in trying new products but the overall result favored in depicting that women are less experimental in trying new products concerned to sensitive issues like skin. In case of companies offering this product, it is clear that Olay has the largest market share as compared to its competitors with a close competition from Ponds followed by Garnier. In order to increase the market share of there product the company should focus on customer retention and customer loyalty programs. The companies should tap the innovators who are likely to purchase a new product & should emphasis on the clarity of communication as many consumers find that the range of products and brands present in the market are confusing.

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