

A STUDY OF CHANGING SCENARIO OF BEAUTY AND PERSONAL CARE INDUSTRY

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The most cited definition of brand loyalty is probably the one made by Jacoby and Chestnut (1978, p.80): “The biased, behavioral response, expressed over time, by some decision-making unit, with respect to one or more alternative brands out of a set of such brands, and is a function of psychological processes”. Selling to brand loyal customers is less costly than converting new customers (Reicheld and Teal, 2001). Loyalty reduces the sensitivity of consumers to marketplace offerings, which gives the company time to respond to competitive moves (Aaker, 1991). In addition, brand loyal customers are less price sensitive (Raj and Krishnamurthi, 1988).

Due to all of these factors, managers must realize the importance of brand loyalty and give it sufficient consideration in their decisions. Cosmetics refers to all of the products to care for and clean the human body and make it more beautiful. The main goal of such products is to maintain the body in a good condition, protect it from the effects of the environment and aging process, change the appearance and make the body smell nicer (Financial Forum Cosmetics Sector, Special Issue, 1997).

Analysis of Beauty and Personal Care Industry:

Global Beauty and Personal Care

MARKET ANALYSIS

1. MARKET ANALYSIS

The global beauty and personal care market grew at a steady rate during the period 2005-2009 as a result of steady sales growth across all product categories. The overall market is expected to decelerate in the forthcoming five years.

The global beauty and personal care market generated total revenues of \$406.6 billion in 2009, representing a compound annual growth rate (CAGR) of 3.9% for the period spanning 2005-2009. In comparison, the Americas and Asia Pacific markets grew with CAGRs of 4.1% and 4.6% respectively over the same period, to reach respective values of \$138.4 billion and \$107.4 billion in 2009.

The OTC healthcare sales proved the most lucrative for the global beauty and personal care products market in 2009, generating total revenues of \$110.7 billion, equivalent to 27.2% of the market's overall value. In comparison, sales of skin care generated revenues \$69.5 billion in 2009, equating to 17.1% of the market's aggregate revenue.

The performance of the market is forecast to decelerate, with the anticipated CAGR of 3.6% for the five year period 2009-2014, which is expected to lead the market to a value of \$484.4 billion by the end of 2014. Comparatively, the Americas and Asia-Pacific markets will grow with CAGRs of 3.7 and 4.4% respectively over the same period to reach respective values of \$166 billion and \$ 133 billion in 2014.

2. MARKET VALUE

The Global Beauty and Personal care products Market grew by 3.6% in 2009 to reach a value of \$ 406.5 billion. The compound annual growth rate of the market in the period 2005-2009 was 3.9. %

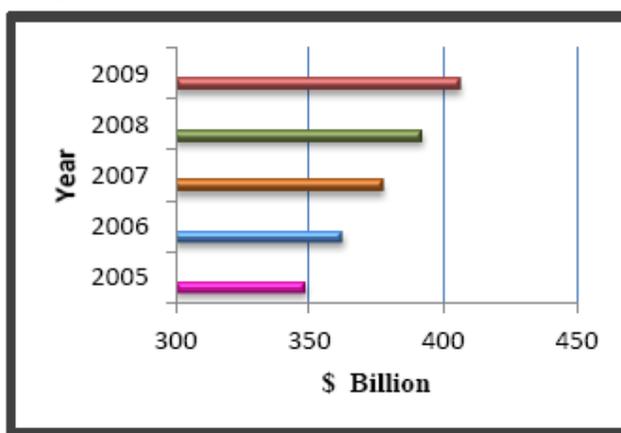
Table 2. .1:

Global beauty and personal care Products market value: \$billion, 2005-09

Year	\$ Billion	% Growth
2005	348.7	-
2006	362.7	4.0%
2007	378.0	4.2%
2008	392.4	3.8%
2009	406.5	3.6%
CAGR 2005-2009	3.9%	

Figure 2.1:

Global beauty and personal care Products market value: \$billion, 2005-09



Source: Data monitor

3. MARKET SEGMENTATION -I: CATEGORY WISE

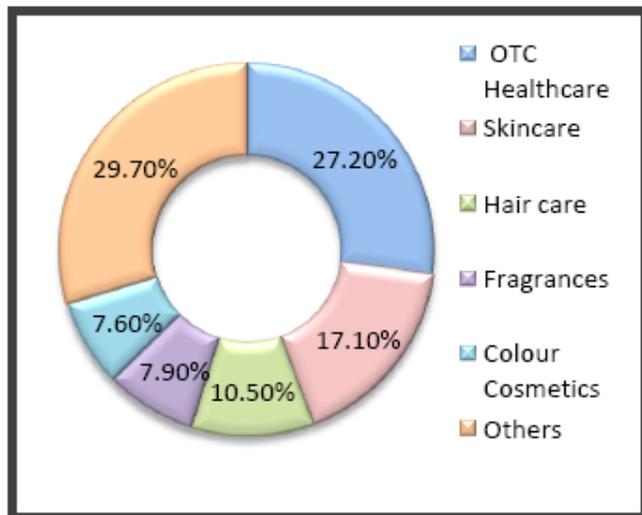
OTC healthcare is the largest segment of the global beauty and personal care market, accounting for 27.2% of the market's total value, followed by the SKIN CARE segment in second place with a share of 17.1% in the overall market.

Table .2.2.
Global beauty and personal care products Market segmentation I: % share by value, 2009

Category	%Share
OTC Healthcare	27.2%
Skincare	17.1%
Hair care	10.5%
Fragrances	7.9%
Colour Cosmetics	7.6%
Others	29.7%
Total	100%

Source: Data monitor

Figure 2.2. :
Global beauty & personal care products Market segmentation I: %share by: value, 2009



4. MARKET SEGMENTATION -II: GEORGAPHICAL REGION WISE

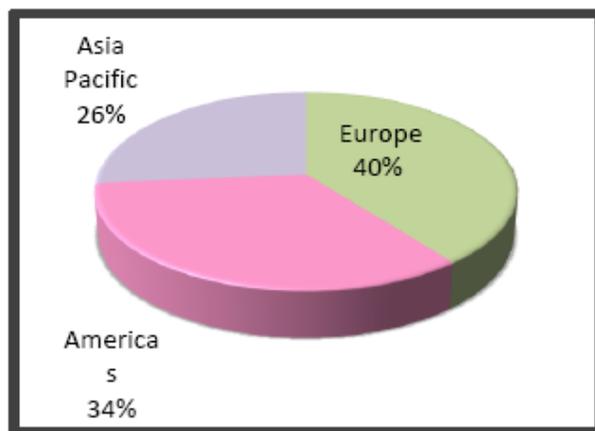
When it comes to geographic region wise shares, Europe accounts for 39.5% of the global beauty and personal care market products market value. Americas accounts for further 34% of the global market and Asia Pacific , 26%.

Table 2.3.
Global beauty & personal care segmentation II: % share, by value, 2009

Region	%Share
Europe	39.5%
Americas	34.0%
Asia Pacific	26.4%
Total	100%

Source: Data monitor

Figure 2.3:
Global beauty & personal care products segmentation II: % share, by value, 2009



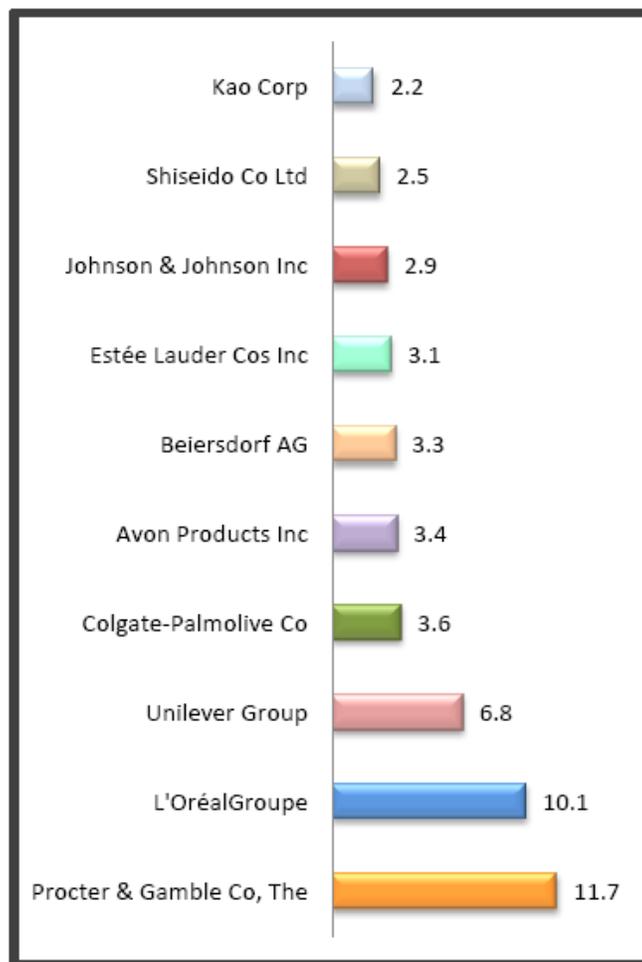
5. MARKET SHARES

Procter and Gamble Company is the leading Player in the Global Beauty and Personal Care Products Market generating a 11.7% share of the total market's value in 2009, followed by L'Oréal Group at 10% in second place and Unilever Group with a market share of 6.8% in third place.

Table 2.4.
Company Market Shares
(By Global Brand Owner)
GBO •Retail Value RSP •
% Breakdown

World		2009
Beauty and Personal Care		
1	Procter & Gamble Co, The	11.7
2	L'OréalGroupe	10.1
3	Unilever Group	6.8
4	Colgate-Palmolive Co	3.6
5	Avon Products Inc	3.4
6	Beiersdorf AG	3.3
7	Estée Lauder Cos Inc	3.1
8	Johnson & Johnson Inc	2.9
9	Shiseido Co Ltd	2.5
10	Kao Corp	2.2

Figure 2.4:
Global beauty and personal care
products Company Market Share:
% share, by value,

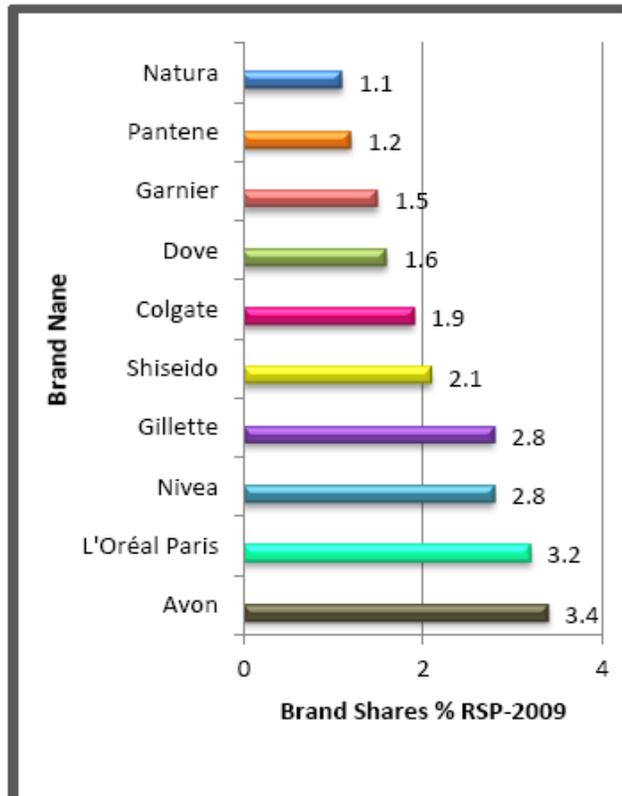


Source: Euromonitor International

Table 2. 5. :
Brand Shares
(by Umbrella Brand Name)
• Retail Value RSP •
% breakdown

Beauty and Personal Care - World			
	Brand	Company name (GBO)	2009
1	Avon	Avon Products Inc	3.4
2	L'Oréal Paris	L'OréalGroupe	3.2
3	Nivea	Beiersdorf AG	2.8
4	Gillette	Procter & Gamble Co, The	2.8
5	Shiseido	Shiseido Co Ltd	2.1
6	Colgate	Colgate-Palmolive Co	1.9
7	Dove	Unilever Group	1.6
8	Garnier	L'OréalGroupe	1.5
9	Pantene	Procter & Gamble Co, The	1.2
10	Natura	NaturaCosméticos SA	1.1

Figure 2.5. :
Global beauty and personal care products Brand Shares :
% share, by retail value, 2009



Source: Euromonitor International

6. FIVE FORCES ANALYSIS

The personal products market has been analyzed taking manufacturers of personal products as players. The key buyers are taken as retailers such as supermarkets / hypermarkets and specialist retailers, and manufacturers of fine chemicals and other ingredients needed for production of personal care products as the key suppliers.

The global personal products market is highly fragmented with top three players accounting for 28.6% of the total market value. The global personal products market has the presence of leading players like Procter & Gamble Company, L'Oreal and Unilever.

Supermarkets and hypermarkets are the main buyers in many countries and generally exert strong buyer power, especially if they are large chains.

The fact that manufacturers of personal products are able to source some of their raw material inputs from only a relatively small number of suppliers suggests that supplier power is boosted. However, some of the major players have integrated backwards and own palm olive plantations, etc, which significantly reduces their reliance on supply chain.

The existence of some strong brands and the scale economies associated with the necessary high-volume production facilities prevent the threat of new entrants from becoming a significant factor. Rivalry is intensified by high fixed-costs and exit barriers.

1. Buyer power

Globally, the retail market for personal products is highly concentrated. Within individual countries, especially in Western Europe, there can be high concentration in the general merchandize retail market, which boosts buyer power significantly. Subsequently, supermarket chains are often able to negotiate very strongly on price with producers. Retailers often occupy a position of power in the supply chain which allows them to negotiate favorable contracts with manufacturers, which enhances buyer power.

Manufacturers of personal products can differentiate their products quite strongly, not only by the overall function (shampoo or toothpaste, for example) but also by properties like brand, fragrance, design, and health benefits etc.

Branding is an important way of maintaining end-user loyalty, and as a result retailers are required to stock the more popular brands, which reduce their bargaining strength and buyer power.

However, the fact that major buyers usually offer a wide range of products for their own customers, tend to weaken buyer power.

Switching costs for buyers are not particularly high, which also increases buyer power in this market. Some retailers have attempted backward integration with supermarkets developing their own brand personal products, putting market players under significant pressure.

Overall, buyer power can be considered as moderate.

2. Supplier power

Most modern personal products contain a variety of both synthetic and organic ingredients. Skin care creams and bath and shower products, for example, are manufactured from raw materials such as vegetable fats, surfactants, foam boosters, colorants, pearling agents, clarifying agents, fragrances, preservatives, antioxidants, skin conditioners, botanical extracts and antibacterial agents.

Supplier power is alleviated by the fact that the production of the chemicals used in the manufacture of many personal products is by nature a large-scale operation, and relatively few companies are able to supply each specific material.

Suppliers like Arven Chemicals Ltd. in the UK, and Trigon Chemie GmbH in Frankfurt, Germany, produce tailor-made chemicals for large multinational companies including personal product manufacturers.

Moreover, suppliers to the industry include major chemical manufacturers like Shell Chemical, Dial Industrial Chemicals and Dow, which increases supplier power.

However, a number of personal product manufacturers have integrated backwards into producing raw materials required by the industry. For example, Proctor & Gamble has a separate unit to manufacture chemicals that are important in the creation of a number of personal products and Unilever owns a palm oil production company in Malaysia along with large coconut plantations for the manufacture of coconut oil.

Plastic and cardboard packaging is also a significant input in this market and some market players enter into long-term contracts with their suppliers, which strengthen supplier power. It may be possible to find substitutes for some raw materials used in the production of personal products. For instance, if the price of one kind of chemical rises, a manufacturer would have an option of buying less of it and more of a cheaper alternative. However, companies are often restricted to certain product formulae, which make them reliant on the suppliers that can provide specific inputs, and it may be difficult to find substitutes for certain components like fragrance.

Overall, supplier power can be assessed as moderate.

3. New entrants

A large number of brands, many of which are globally recognized, have a strong position in this market. Potential entrants will need to compete with major companies which are large firms whose scale economies allow them to compete more effectively on price, and invest in their own business.

Substantial funds are needed to start up a business in this market, with a significant capital required for investing in production, distribution, and also advertising, which is crucial to success in this market. Due to the high brand strength of leading personal products manufacturers, it is difficult for companies to develop their brands to compete on an international level.

However, the rising popularity of environmentally-friendly skin, body, hair and oral health care products in many countries makes it possible to enter this market on a small scale. Specialty and custom-made personal care products, which are usually handmade and created using all-natural ingredients, can be sold at higher prices and any initial investment in raw materials, production equipment, can be recouped by adding a substantial margin to the price of the end product.

The larger companies produce a range of consumer items, including personal products.

Producers need to distribute their personal products widely, which generally involves channels such as supermarkets. These retail chains often have considerable buyer power, which forces down the prices that the manufacturers of personal products can obtain. In such a market, scale economies of production become much more important, and as a result, barriers to entry, such as capital outlay on large-scale.

4. Substitutes

Substitutes for personal products include some traditional alternatives. Toothpaste may be made at home using baking soda, salt, glycerin and peppermint extract, a variety of skin and hair care products can be created with ingredients such as olive oil, milk, honey, fruit and herbs. However, any substitutes for commercially-produced personal products need to be prepared at home, which is a relatively time consuming process, and may not provide the desired end results.

Moreover, make-up and OTC healthcare products are difficult to substitute. Although using traditional alternatives to manufacture personal products avoids exposure to many chemicals but, the relative inconvenience and ineffectiveness of some home-made alternatives makes it a potentially weak threat as substitute.

However, with the internet being such an integral part of society, users have access to a potentially vast database of alternatives, methods and means of making their own substitutes domestically.

Overall, the threat from substitutes can be considered as weak.

5. Rivalry

The global market for personal products is highly fragmented, with the top three players, Procter & Gamble, L'Oreal and Unilever, holding 28.6% of the total market in value terms. While it is possible to differentiate their product effectively, and some manufacturers of hand and body care products have developed strong brands, end-users have a very wide range of products to choose from with low switching costs.

Moreover, the major players can, and often do, operate in various markets. This diversification defends their performance against competitive pressures in any one market. Fixed costs are high in this market, as most companies own large production facilities.

The need to divest such assets on exiting the global market constitutes an exit barrier and therefore a driver of rivalry.

Most of these companies are geographically diversified which weakens rivalry to some extent. Major players may offer specialty products, but much of their business involves mass-market goods. This implies high fixed costs, because of the need to operate large manufacturing plants, which also boosts rivalry.

Whilst a number of companies in this market also manufacture other items such as home and pet care products, making them less reliant on sales of personal products.

Overall, rivalry can be considered as strong.

7. MARKET DISTRIBUTION

Supermarkets / hypermarkets form the leading distribution channel in the global personal products market, accounting for a 29.9% share of the total market's value. Pharmacies / drugstores accounts for a further 29% of the market.

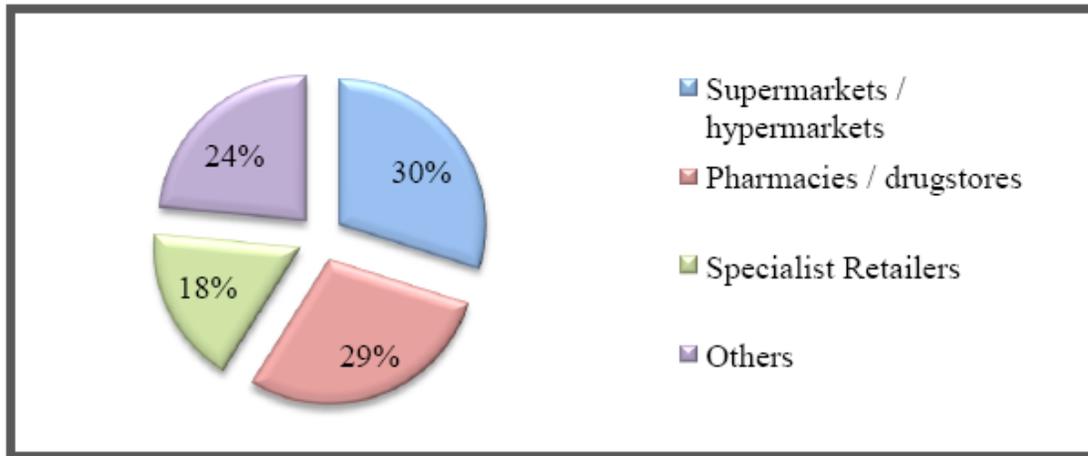
Table.2.6.

Global beauty & personal care products market distribution: % share, by value 2009

Channel	% Share
Supermarkets/hypermarkets	29.9%
Pharmacies/ drugstores	29.0%
Specialist Retailers	17.6%
Others	23.5%
Total	100%

Source: Datamonitor

Figure 2.6:
 Global beauty & personal care products market distribution % share, by value, 2009



8. MARKET FORECASTS

Market value forecast

In 2014, the global personal products market is forecast to have a value of \$ 484,446.7 million, an increase of 19.2% since 2009. The compound annual growth rate of the market in the period 2009–14 is predicted to be 3.6%

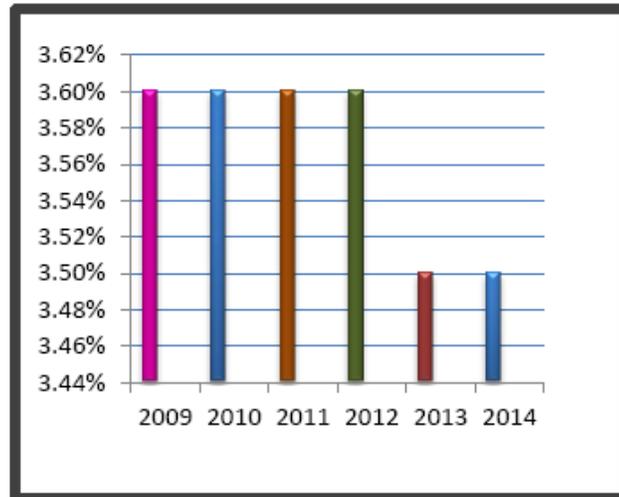
Table 2. 7.

Global beauty & personal care Products market value forecast: \$million, 2009-14

Year	\$ million	%Growth
2009	406,575.9	3.6%
2010	421,338.0	3.6%
2011	436,540.9	3.6%
2012	452,185.3	3.6%
2013	468,218.7	3.5%
2014	484,446.7	3.5%
CAGR: 2009–14		3.6%

Figure 2. 7. :

Global beauty & personal care products market value forecast: \$ million, 2009–14



Source: Datamonitor le 16:

2.4. 3. Beauty and Personal care - India

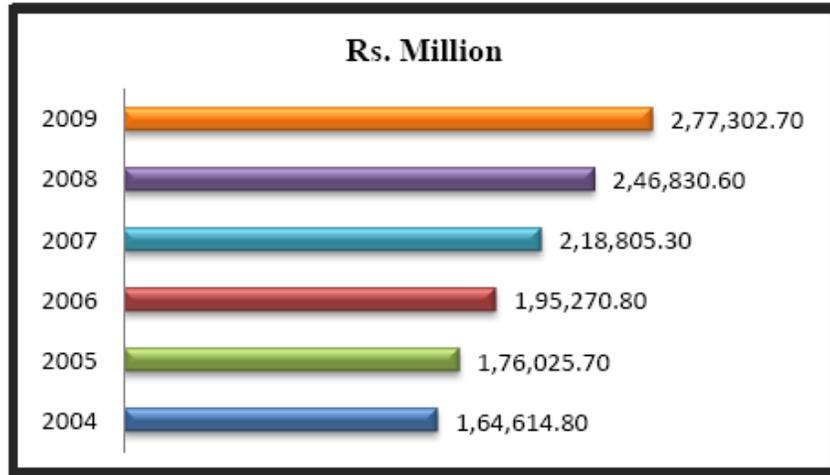
Table 2.8.
Market Sizes

Retail Value Rs. mn

Year	Rs. Million
<u>2004</u>	164,614.8
<u>2005</u>	176,025.7
<u>2006</u>	195,270.8
<u>2007</u>	218,805.3
<u>2008</u>	246,830.6
<u>2009</u>	277,302.7

Figure:2.8

Market Sizes • Historic • Retail Value RSP
Rs mn • Current Prices



Source: Euromonitor International

In the era of Liberalization and Globalization, markets all over the world are going through a metamorphosis. At the same time, consumers are becoming demanding since the market is glutted with endless products and countless brands offering them with rich choices in the changing market place. Every now and then, multifaceted and segment specific new brands in every wedge of consumer goods are flooding the markets world over. The present day consumers are regularly exposed to newer lifestyles, products and services unprecedented, due to the impact of media and communication explosion. With the continuously increasing disposable incomes, there has been a radical shift in the attitude and aspirations of the consumers. While pursuing the objective of the best possible value for their money, contemporary consumers are gradually becoming choosy about products and services. Being exposed to large varieties of products and services in different categories, the

modern day consumers are continuously enticed to try out new brands or variation of the existing ones to experience something different. Companies also develop their brand strategies around the plank of innovation, features, utility, lifestyle and so on so as to induce the potential buyers into their marketing arena. Essentially we are living in an age of brands. Today there is hardly any inanimate or dump product. Most of the Products/ Services that we use have transformed into brands of a personality of their own.

With the gradual emergence of India as a market destination for the international majors, there is a big assortment of brands in almost all product and service categories. Consequently, brand competition has developed as one of the most significant features of the Indian marketing scenario in recent years. Customer Loyalty is one of the most important issues that businesses face today. Marketers of goods and services therefore, frantically search for strategies in order to have a set of brand loyal customers. Whether it is product, promotion, price, placerealted decisions, almost all decisions a company makes

as regards its marketing mix are inextricably related with brand loyalty. For any marketer, brand loyalty therefore is a phenomenon too important to be taken lightly.

Brand loyalty never just happens. Brand managers have to make it happen. The decision to remain loyal to the brand over time is based on the considerations of values (price and quality), image, convenience and availability, satisfaction, service, guarantee or warranty. The positive interplay of all these factors leads to brand allegiance. In any strategy of brand loyalty, understanding core values and staying relevant by connecting these to consumer needs is extremely important. Needless to say, the core value of any brand has to remain constant, at the same time, it should be innovative and relevant to the evolving consumer. This is the key to success in inculcating brand loyalty and the mantra of the majority of robust and powerful brands world over.

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