

## **Applying cosmetics to budding markets**

**Western beauty firms push into developing countries, creating customers and critics.**

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Nonita Kalra remembers the frustration of shopping for cosmetics on the streets of Mumbai a decade ago, when three or four local companies sold a few basic products.

Today, the executive editor of the Indian edition of the fashion magazine Elle can buy top-end brands such as Shiseido, Givenchy and La Prairie in her hometown.

And she's not the only one in India who's become fashion-conscious.

"If red lips are in internationally, you will find it" in India, Kalra said. "If tights and shirt dresses are the uniform on the streets of New York, they will certainly make an appearance in Mumbai."

These changes are a boon for global beauty companies, which are aggressively pursuing India, China and other developing countries to tap new markets. Cosmetics giant L'Oreal, which launched its first anti-wrinkle product in the Indian market in 1996, now sells a variety of products such as hair dye and skin moisturizer to men and women whose incomes are growing as India's middle class explodes. Sales of facial makeup in India have grown from \$2.3 million in 1997 to \$14 million in 2005, and sales of hair-care products have increased from \$700,000 to \$19.3 million in the same period, according to research firm Euromonitor.

"What's really playing in our favor is the emerging middle class," said Alain Evrard, L'Oreal's zone director for Africa, the Orient and Pacific regions.

Beauty companies see ripe markets in other countries as well. Brazil has more than 1 million Avon Products Inc. representatives, an army that dwarfs the country's 287,200 active-duty soldiers. Six months after Avon received a license to begin direct selling in China in March, more than 236,000 people registered with the government to be representatives.

Some of the expansion is a matter of survival for the \$200-billion beauty industry, which has seen demand stagnate in the U.S. and Europe. Although Revlon Inc.'s sales in the U.S. and Canada declined 3.9% in 2004, its international sales increased 8%. Avon's revenue for North America fell 1% in 2005, while revenue in Latin America grew 28%. L'Oreal's growth last year in the "rest of the world" category, at 17.2%, more than doubled that of North America.

"The cosmetics and toiletries industry has reached maturity in most developed countries," Euromonitor research analyst Briony Davies wrote in a recent report. "Large multinational corporations have stepped into developing countries such as India as they offer great potential for growth."

Some critics say the companies often market heavily to edge out local brands and export a Western ideal of beauty.

Others, including the companies, say they're allowing people around the world to use products that had been unattainable in the past while empowering women from small villages and booming cities with employment opportunities and a way to look and feel good.

Avon secures many overseas customers by selling them entry-level products such as skin moisturizers, then introduces them to more-expensive products such as perfumes and specialized facial creams. In some markets, Avon finds ways to help consumers up the sophistication ladder. If fragrance and deodorant are too expensive to buy separately, the company focuses on selling scented deodorant until customers can afford to buy both.

**In India and China, where hundreds of millions of people each live on less than \$1 a day, beauty products can cost a pretty penny. In China, basic moisturizers cost about \$3.20, but Avon's Anew Alternative Intensive Whitening Treatment is priced at almost \$45. That's about 10% of what it costs to feed a family in rural China in a year, according to the Washington-based International Food and Agricultural Trade Policy Council.**

An Indian woman interested in Hindustan Lever's 200-milliliter bottle of Sunsilk Colour Shine shampoo could purchase it for about \$4.40 — almost 1% of the \$497 that the average person in India spends each year on personal items, according to Economist Intelligence Unit. Avon's moisturizers range from \$1 to about \$20.

L'Oreal targets young consumers. Regional director Evrard says it is much easier to persuade a young person to use modern but more-expensive products than it is to persuade her mother, who probably has used the same product for years.

Women in emerging markets who are independent and live on their own — a relatively new demographic — are the company's main target.

"The industry is highly aspirational, so in general the message of Western beauty firms in emerging markets is to tell consumers they can aspire to be like Hollywood actors, or street-smart New York people, or chic Parisians," said Geoffrey Jones, a professor at Harvard Business School who is writing a book about the globalization of the beauty industry. Jones said that American and French beauty ideals were seen as the most compelling globally, although Japanese and Korean images were powerful in Asia.

Promoting Western notions of beauty riles many critics.

"In Sri Lanka or Sacramento, girls see the same imagery," said Jess Weiner, an activist who writes an advice column and corresponds with teens around the world. Ads for beauty products usually feature a girl with white skin, straight hair and a thin waist, he said, and girls around the world internalize that image.

The cover of Avon's brochure for China, for instance, shows a woman with green eyes. Inside, blond women and brunettes who do not appear to be of Asian descent sell lipstick and bust-contouring gel.

"I get a lot of e-mails from girls in Indonesia and China and India who say they wish their skin was lighter or their nose was smaller," Weiner said.

The companies say that their advertisements now reflect local images. In 2003, a television advertisement in India featured a father who complained about his daughter because she was jobless and dark-skinned. She surprised him by using skin whitener made by Hindustan Lever, a subsidiary of the Anglo-Dutch company, which transformed her into an eligible beauty. The Indian government banned that and other ads by the company, which presented scenarios in which women became more successful by whitening their skin.

Today, rather than using white models only, L'Oreal features Bollywood superstar Aishwarya Rai in commercials in India. In China, the company uses film star Gong Li to promote its products and an Asian ideal of beauty. The images also are projected globally, showing non-Western images of beauty, L'Oreal's Evrard said.

Further, most of the companies emphasize that the expansion of the beauty industry overseas is about providing women around the world with options.

Avon, which trains local representatives to sell its products, has long portrayed itself as a way for women in the developing world to make a living. The company boasts stories of down-on-their-luck women who pulled themselves out of poverty or a bad marriage by working for Avon. It also arranges breast-cancer walks and establishes women's charities in countries throughout the world.

Said Avon Senior Vice President and Brand President Geralyn Breig, "Our message is about making your dreams come true — any woman can have style and fashion."