

TOP 50 Global beauty brands

P&G's Olay comes out as the most valuable global beauty brand in Brand Finance's first list of the top 50 cosmetics brands. Some of the others might come as more of a surprise in this valuable industry study

The beauty sector continues to thrive despite the harsh economic conditions in some markets. Many companies are seeing dramatic increases in growth in China and India, and luxury brands like Christian Dior, Chanel and some of the Estée Lauder brands are doing extremely well in emerging economies, comments Mary-Ellen Field,

1 OLAY PRIDE OF PLACE

Following humble beginnings in the South African home of chemist Graham Wulff in the 1950s, the Olay brand has become a globally recognised skin care giant, part of P&G's product portfolio and number one in Brand Finance's list of top 50 cosmetics brands.

The brand's classic Oil of Olay Beauty Fluid still forms a cornerstone of the Olay line-up, which today, thanks to a number of diverse product launches now occupies both a top end masstige positioning as well as maintaining its foothold in the mass market. There are four core ranges: Definity, containing a glucosamine complex that helps reduce the appearance of skin discolouration, age spots and lines and wrinkles; Total Effects, which claims seven anti-ageing

1 OLAY	2 AVON	3 Gillette	4 L'ORÉAL	5 NIVEA
11 SHISEIDO	12 LUX	13 PANTENE PRO-V	14 GARNIER	15 Aveeno
21 Clean Clear	22 L'OCCITANE EN PROVENCE	23 MAYBELLINE	24 AXE	25 SEDA
31 Calvin Klein	32 VICHY LABORATOIRES	33 Insh Spring	34 KÉRASTASE PARIS	35 THE BODY SHOP
41 CLINIQUE	42 SPEED stick	43 REVLON	44 Eucerin	45 ROC WE KEEP OUR PROMISES

consultant to Brand Finance.

Independent brand valuation firm Brand Finance has compiled its first list of the top 50 most valuable cosmetic brands in the world. Each brand's valuation result is calculated by creating a balanced scorecard of financial, risk and brand equity measures (the 'Brand Strength Analysis'). This analysis is then used to

effects including brightening, hydrating and evening out skin tone; Complete, a collection of skin enhancing products including tinted moisturisers; and Regenerist, Olay's answer to 'younger looking skin without drastic measures'. New products include SPF30 Flawless Skin Cream, Olay's highest SPF in a skin care product. In the US, the brand has also launched Pro-X, a range of professionally tested anti-ageing products and electrical beauty items.



4 L'OREAL FOCUS ON EMERGING MARKETS

L'Oréal's fourth quarter results and operating margin for the second half of 2010 fell below analysts' expectations as some had expected internal growth of at least 5.3% in the final quarter. But overall prospects for the cosmetics major are far from bleak. The company has a low level of debt and a war-chest based on its 8.6% stake in the drugmaker Sanofi-Aventis so is in a strong position to make purchases. Some investment houses are speculating that Avon Products might be in the line of fire.

Avon holds the number two slot in the top 50. For Q4 2010 Avon sales were \$3.2bn, up 1% on the same quarter in 2009. However, the company experienced difficulties in Russia and Brazil.

L'Oréal director general Jean-Paul Agon has also made clear that the company does not need to make acquisitions to achieve its other strategic aim of increasing its presence in emerging markets.

Sales in China topped €1bn in 2010 and the current estimate is that emerging markets as a whole will come

to account for 50-60% of total sales over the next ten years. To help meet this goal L'Oréal is to adapt its cosmetics R&D operation to meet the demands of newly emerging markets across the globe. The objective for 2011 is to gain a million new clients by focusing on the middle classes in newly emerging markets. Currently the company achieves its sales on the basis of 15% of the world population but it says total sales are set to double over the next decade with growth coming from Asia Pacific in particular.

The L'Oréal brand covers a wide range of products, with particular strengths in hair and skin care in both the mass and prestige sectors. This company takes full advantage of this combination, for example reinterpreting the concept of its hugely popular anti-ageing gene-inspired skin care range Genefique, rumoured to be Lancôme's most successful skin care launch ever, as Youth Code from L'Oréal Paris.



6 Neutrogena	7 LANCÔME PARIS	8 Dove	9 ESTÉE LAUDER	10 Bioré
16 CHANEL	17 natura	18 Christian Dior PARIS	19 CLARINS PARIS	20 Rexona
26 BIOTHERM	27 oriflame natural swedish cosmetics	28 Johnson's	29 MAC	30 Softsoap brand
36 REDKEN 23rd AVENUE NYC	37 YVES SAINT LAURENT	38 MATRIX	39 RIMMEL LONDON	40 LA ROCHE-POSAY LABORATOIRE PHARMACEUTIQUE
46 SUNSIK	47 head & shoulders	48 Kiehl's SINCE 1851	49 Elizabeth Arden	50 COTY

allocate an appropriate proportion of future sales to the brand, calculating a financial value for the brand. The Brand Strength Analysis provides a rating for the brand's strength (eg AA-) which is based

on a similar concept to credit ratings for public companies.

The brand values are heavily influenced by both profit margins and sales volumes. As a result, brands like Softsoap and

Aveeno, while not having high profit margins, do have relatively high sales volumes (over \$1bn and over \$2bn respectively) ensuring they are included in the top 50. This means they have a

TABLE 1: TOP 50 GLOBAL BEAUTY BRANDS 2011

Rank 2011	Brand	Parent company	Domicile	Brand value 2011 (\$USm)	Brand rating 2011	Enterprise value (\$USm)	Brand value/enterprise value (%)	Estimated revenue (\$USm)
1	Olay	PROCTER & GAMBLE	UNITED STATES	11,066	AA	35,777	31%	13,802
2	Avon	AVON	UNITED STATES	10,171	AA+	15,843	64%	12,068
3	Gillette	PROCTER & GAMBLE	UNITED STATES	7,784	AAA-	20,237	38%	7,807
4	L'Oréal	L'OREAL	FRANCE	7,630	AAA-	23,935	32%	9,106
5	Nivea	BEIERSDORF	GERMANY	6,569	AA+	10,178	65%	6,337
6	Neutrogena	JOHNSON & JOHNSON	UNITED STATES	6,350	AAA	14,467	44%	4,499
7	Lancôme	L'OREAL	FRANCE	5,685	AA+	12,300	46%	4,680
8	Dove	UNILEVER	BRITAIN	4,517	AA	8,715	52%	5,329
9	Estée Lauder	ESTEE LAUDER	UNITED STATES	3,037	AA	5,095	60%	3,040
10	Bioré	KAO	JAPAN	3,014	AA-	5,575	54%	4,981
11	Shiseido	SHISEIDO	JAPAN	2,972	AA+	4,818	62%	3,335
12	Lux	UNILEVER	BRITAIN	2,797	AA	4,405	64%	2,720
13	Pantene	PROCTER & GAMBLE	UNITED STATES	2,545	AA	7,197	35%	2,777
14	Garnier	L'OREAL	FRANCE	2,493	AA	6,440	39%	2,450
15	Aveeno	JOHNSON & JOHNSON	UNITED STATES	2,319	AA	10,459	22%	3,967
16	Chanel	CHANEL	FRANCE	2,283	AAA	1,378		
17	Natura	NATURA COSMETICOS	BRAZIL	2,274	AA-	12,722	18%	2,599
18	Christian Dior	LVMH	FRANCE	2,114	AA+	3,991	53%	1,365
19	Clarins	CLARINS	FRANCE	2,057	AA	1,381		
20	Rexona	UNILEVER	BRITAIN	2,033	A	3,959	51%	2,445
21	Clean & Clear	JOHNSON & JOHNSON	UNITED STATES	1,959	AA	5,101	38%	1,935
22	L'Occitane	L'OCCITANE	LUXEMBOURG	1,705	A+	4,316	40%	866
23	Maybelline	L'OREAL	FRANCE	1,568	AA	6,463	24%	2,459
24	Axe/Lynx	UNILEVER	BRITAIN	1,424	AA	2,200	65%	1,359
25	Seda	UNILEVER	BRITAIN	1,410	A+	2,270	62%	1,402
26	Biotherm	L'OREAL	FRANCE	1,393	AA+	2,636	53%	1,003
27	Oriflame	ORIFLAME	LUXEMBOURG	1,204	AA-	3,830	31%	2,110
28	Johnson's	JOHNSON & JOHNSON	UNITED STATES	1,179	AAA-	4,438	27%	1,684
29	M.A.C.	ESTEE LAUDER	UNITED STATES	1,094	AA+	1,960	56%	1,169
30	Softsoap	COLGATE-PALMOLIVE	UNITED STATES	1,090	AA-	3,164	34%	1,261
31	Calvin Klein	COTY	FRANCE	1,056	AAA-	680		
32	Vichy	L'OREAL	FRANCE	1,036	AA	3,187	33%	1,213
33	Irish Spring	COLGATE-PALMOLIVE	UNITED STATES	1,022	AA-	2,768	37%	1,103
34	Kérastase	L'OREAL	FRANCE	936	AA	3,703	25%	1,409
35	The Body Shop	L'OREAL	FRANCE	890	AA-	2,712	33%	1,032
36	Redken	L'OREAL	FRANCE	884	AA	3,498	25%	1,331
37	Yves Saint Laurent	L'OREAL	FRANCE	872	AA	1,757	50%	669
38	Matrix	L'OREAL	FRANCE	779	AA	3,086	25%	1,174
39	Rimmel	COTY	FRANCE	694	A+	1,040		
40	La Roche-Posay	L'OREAL	FRANCE	689	AA	2,125	32%	808
41	Clinique	ESTEE LAUDER	UNITED STATES	683	AA+	915	75%	546
42	Speed Stick	COLGATE-PALMOLIVE	UNITED STATES	681	AA-	2,373	29%	945
43	Revlon	REVLON	UNITED STATES	656	A-	1,852	35%	1,281
44	Eucerin	BEIERSDORF	GERMANY	618	A	1,238	50%	771
45	RoC	JOHNSON & JOHNSON	UNITED STATES	420	AA	1,117	38%	424
46	Sunsilk	UNILEVER	BRITAIN	408	A-	760	54%	469
47	Head & Shoulders	PROCTER & GAMBLE	UNITED STATES	394	AA	1,116	35%	431
48	Kiehl's	L'OREAL	FRANCE	366	AA	879	42%	334
49	Elizabeth Arden	ELIZABETH ARDEN	UNITED STATES	342	AA	826	41%	1,104
50	Coty	COTY	UNITED STATES	336	AA	280		



5 NIVEA 100 YEARS AND COUNTING

Beiersdorf is celebrating Nivea's 100 years in skin care this year.

With the business strategy 'Focus on Skin Care. Closer to Markets', the company plans to concentrate on its core competence skin care, placing Nivea at the centre. As part of the celebrations the company will launch its biggest digital campaign to date, taking a multi-channel approach targeting younger consumers.

This will include the sponsorship of Rihanna's upcoming LOUD tour in the US and Europe. "The multi-city tour will include fan engagement through Nivea- and Rihanna-owned social media channels and will feature various Nivea branded activations," says Beiersdorf. "As the brand enters its centennial, it will pay homage to its heritage while looking ahead to the next generation of fans, enlisting Rihanna to lend her voice to the anniversary celebration."

"Over the past 100 years, Nivea has been an iconic skin care brand across the world that is built on the trust of our consumers," says Markus Pinger, member of the board, responsible for brands. "We are excited to have Rihanna supporting us and building a new generation of fans."

In addition a major skin care advisory tour, which will span 75,000 promotion areas in retail around the globe, aims to generate more than 13 million consumer contacts.

9 ESTÉE LAUDER CONTINUING ITS STRATEGIC JOURNEY

The Estée Lauder Companies (ELC) comprises a large number of fragrance, skin care, colour cosmetics and hair care companies and brands, including Aramis, Origins, Bobbi Brown and Aveda. It added Smashbox to its portfolio last May.

In August last year it announced its largest ever full-year increase in operating income and operating market since becoming a public company in 1995. Net sales grew 6% on the previous year to \$7.8bn. In February this year the good news continued with the second quarter boosting net income to \$343.9m, a rise of 34% on the same quarter last year.

Fabrizio Freda, president and ceo said: "As we continue our strategic journey, we are learning what has worked and what needs refinement. Throughout the year we will invest more resources in those areas that are winning and capable of generating sustainable, profitable growth. Our company's second quarter results cap a strong fiscal 2011 first half, and we believe we are well positioned to achieve another successful year. This gives us the confidence to raise our full-year diluted earnings per share estimate range to \$3.4 to \$3.6, as well as increase our fiscal 2013 operating margin target to 13-14%."

Last year Estée Lauder also signed its first Chinese model, Liu Wen (see p57). "China is our fastest growing market," said Jane Hertzmark Hudis, global brand president. "We are certain Liu Wen will resonate with the brand's Chinese consumers as well as our consumers around the world."



From Original vegetable oil, our SOFT BUTTER for soft, smooth and actives formulations...



Phone: +33 (0)5 59 13 67 70
 phytocos@phytocos.fr



larger brand value than a niche luxury brand that may be perceived as an excellent brand, but only targets a very small consumer base and therefore has low sales volumes.

For example, a brand like Crème de la Mer has a very high price point and would have very high brand equity scores. However, due to the relative size of its sales compared to the brands in the index, it does not feature in Brand Finance's Cosmetics 50.

"As this is a global league table, popular brands in the US score very highly as many of these brands have sales of over \$1bn a year," says Field. The same is true for some Asian brands, or brands popular there. "Whilst there are lots of fantastic brands in the beauty industry, many of them have very small sales in comparison to the ones on this list," adds Field.

Another significant factor that affects the brand value is the delivery channel – ie whether products are freely available to consumers or restricted to limited, more specialist channels. For example, Matrix, a professional brand owned by L'Oréal, has substantially smaller distribution volumes

11 SHISEIDO REVISITING PRODUCTS & GEOGRAPHIES

Shiseido has had to make a lot of adjustments in the last couple of years. The economy in the company's domestic market of Japan has struggled more than many and the Japanese market has tended to contract as the ageing proportion of the population increases. Shiseido has addressed both its traditional product mix and its geographical penetration.

The company has worked to move towards a market reconciliation of its traditional top-of-the-range cosmetics products with the need to achieve mass market penetration. Towards the end of last year the company launched Senka skin care to be marketed in Asia at a mid-market price in a bid to explore new sources of sales growth in China, Vietnam and Thailand; the company has made China a particular focus.

But Shiseido's net profit for the nine months ended 31 December 2010 dropped 62%. This was attributed to

costs associated with its 2010 acquisition of Bare Escentuals, but the company also slashed its outlook for the year as domestic sales failed to improve.

Meanwhile the company has been busy seeking emerging markets outside Asia. Since July last year it has launched into Albania, Kosova, Macedonia, Mongolia, Georgia, South Africa, Colombia, Panama, Moldova, Armenia and Belarus. And in Asia, last May it acquired the remaining 50% stake in Hong Kong-based joint venture company Shiseido Dah Chong Hong Cosmetics.



BRAND VALUATION METHODOLOGY

The methodology employed in the Brand Finance Cosmetics Top 50 uses a discounted cash flow (DCF) technique to discount estimated future royalties, at an appropriate discount rate, to arrive at a net present value (NPV) of the trademark and associated intellectual property: the brand value. The steps in this process are:

1. Obtain brand specific financial and revenue data
2. Model the market to identify market demand and the position of individual brands in the context of all other market competitors. Three forecast periods were used:

- Historical financial results up to 2010
- A five-year forecast period (2011-2015) based on three data sources (consensus forecasts, historic growth and GDP growth)
- Perpetuity growth, based on a combination of growth expectations (GDP and consensus forecasts)

3. Establish the royalty rate for each brand by:

- Calculating brand strength on a scale of 0 to 100, according to a number of attributes across three main categories: financial, risk and security, and brand equity

- Use brand strength to determine BrandBeta Index score
 - Apply BrandBeta Index score to the royalty rate range to determine the royalty rate for the brand. The royalty rate is determined by a combination of the sector of operation, historic royalties paid in that sector and profitability of the company
4. Calculate future royalty income stream
 5. Calculate the discount rate specific to each brand, taking account of its size, geographical presence, reputation, gearing and brand rating (see below right)
 6. Discount future royalty stream (explicit forecast and perpetuity periods) to a net present value, ie the brand value.

Royalty relief approach

Brand Finance uses the royalty relief methodology that determines the value of the brand in relation to the royalty rate that would be payable for its use were it owned by a third party. The royalty rate is applied to future revenue to determine an earnings stream that is attributable to the brand. The brand earnings stream is then discounted back to a net present value.

The royalty relief approach is used for three reasons: it is favoured by tax authorities and the courts because it calculates brand values by reference to

documented third party transactions; it can be done based on publicly available financial information; and it is compliant with the requirement under the International Valuation Standards Committee (IVSC) to determine fair market value of brands.

Brand ratings

These are calculated using Brand Finance's BrandBeta analysis, which benchmarks the strength, risk and future potential of a brand relative to its competitors on a scale ranging from AAA to D. It is conceptually similar to a credit rating.

The data used to calculate the ratings comes from various sources including Bloomberg, annual reports and Brand Finance research.

BRAND RATING DEFINITIONS

Brand rating	Strength
AAA	Extremely strong
AA	Very strong
A	Strong
BBB-B	Average
CCC-C	Weak
DDD-D	Failing

than other brands within L'Oréal's portfolio.

"This table provides interested reading for all cosmetic industry professionals, and especially for marketing executives managing the brands," says Brand Finance analyst Ioannis Lionis. "Our analysis is a point-in-time valuation of the trademarks that each of these companies makes use of. Since there is extensive licensing of different brands in the cosmetics industry, we have multiple commercial examples on which to base our analysis, leading to a fair, albeit indicative, valuation of those trademarks."

P&G dominates the masstige sector with its Olay and Gillette brands, though P&G does not rank highly as a brand. For Avon and L'Oréal however the company name is very much the brand.

Global companies are increasingly adapting to meet the demands of newly emerging markets across the globe, with these companies looking to target all ages and cultures. The more they are able to adapt their brands, the greater the potential. **cb**

www.brandfinance.com

NATURA CARNIVAL TIME

Natura, Brazil's leading producer of personal care products, from cosmetics to perfumes, including face, body and hair products, had a very productive 2010 - launching 191 new products. This included two new lines, Una cosmetics and Amó perfumes, plus the addition of a soap category to its Ekos line and a relaunch for Chronos, its anti-ageing products line. This was reformulated and rebranded while prices were lowered. Also consumers can now select Chronos products not only on their chronological age, but on the severity of their visible ageing signs.

The company is planning to cement its dominant hold on its key domestic emerging market, with more new products this year. In February it released a new line of body products called Fennel, based on the aromatic herb, in March came a cologne for its Mamãe e Bebê line for pregnant and nursing women and in April it will add three new fragrances -

Tradição, Elegancia, and Sofisticação - to its Biografia perfume line.

Natura has also been innovating in packaging and production to position itself as a green brand. It partnered with Brazilian petrochemical company Braskem to launch green polyethylene packaging (made from renewable source sugarcane), claimed to be a first in Brazil's cosmetics sector. And it also offers refills on many products, reducing packaging demand and prices. Natura has stressed being a carbon neutral company since 2005. In the past year, it claims reductions in emissions by 7.3 % in 2010, for a total of 21.2% since 2007. It also cut water consumption by 10% in 2010.

In addition to Brazil, Natura has a strong foothold in other Latin America countries including Argentina, Chile, Mexico, Peru and Bolivia and is also in France. The company has a wide product range and company ethos that could broaden its appeal to a wider community.

We're taking a (super)critical look at extract quality



www.stolz-concept.de