

# Beauty

## Business News

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### Mercosur takes one step closer to harmonization

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Argentina, South America's third-largest beauty player, signed a resolution for the harmonization of labeling for cosmetics, toiletries and fragrances within the Mercosur countries—Argentina, Brazil, Uruguay and Paraguay—on June 22. A key issue of the resolution is the adoption of the International Nomenclature for Cosmetic Ingredients (INCI) for formula description, already followed by the US, the EU and Canada (see BBN#203). As far as expiry-date regulation is concerned, Argentina has also agreed to adopt the procedures already used in Brazil, where an expiry date is always provided. Currently, brands only mention a date if it falls inside a period of 30 months after production.

Indeed, the new resolution is expected to facilitate exchanges between the Mercosur countries. "It will assure correct, clear and precise information about the features of the product [...], its safety, usage instructions and efficacy, through labeling," according to the Argentine National Administration of Drugs, Food and Medical Technology (ANMAT).

Brands welcome this law, which "will help the trade interchange between [these nations]", the Argentine Association for the Cosmetics and Perfume Industry (CAPA) executive director Miguel González Abella tells BBN. However, the resolution should not take effect within the next 30 months. "The objective is to [deplete] the stock that is currently on the market," Abella explains.

The legislation will also facilitate

export outside Mercosur. Argentina exported \$221.5m in cosmetics and personal-care products in 2004, up from \$179.4m in 2003, according to CAPA (see BBN#210). "The companies that are already exporting are already applying these labeling parameters. For this reason, its implementation will be easy for us," skincare manufacturer Saint Julien general manager Josué Quesada notes.

The regulation should also have a positive effect for consumers. With these measures in place, "consumers will feel more secure when purchasing products", retailer Zona Vital general manager Juan José Roiz believes.

Similar texts are already law in Brazil where the Toiletry, Perfumery and Cosmetics Association (Abihpec) has been lobbying to harmonize sanitary legislation in South America. "We expect to have the mutual recognition by each participating country in practice by the end of the year," Abihpec president João Carlos Basilio da Silva told BBN in 2004 (see BBN#173). And Brazil has seen success; its beauty exports—55% of which are exported to other South American countries—grew 36% in 2004 and are expected to climb 25% in 2005.

This is a prime example of how big the potential for export is and what a vital role harmonization plays. Now that Argentina has joined Brazil in its quest for mutual recognition, Paraguay and Uruguay will certainly follow suit in order to both accelerate trade within Mercosur and open new doors to the rest of the world. CK & RA

## EUROPE

**ASW bags Portegies in The Netherlands**

AS Watson Health and Beauty Continental Europe has put yet another banner in its pocket. The European subsidiary of AS Watson (ASW), the retail and manufacturing division of Hutchison Whampoa, has purchased 38-store Portegies Drugstore in The Netherlands. According to the deal, the Portegies banner will be converted to one of ASW's existing Dutch banners (Kruidvat, Trekpleister, Ici Paris XL) from August 16. According to the group, The Netherlands is one of its key markets on the continent and it plans to open up to 100 stores in the country this year.

**The Body Shop to enter Russia...**

UK beauty retailer The Body Shop International will open its first Russian store in September. The company is currently in discussions with a business partner to open a franchised outlet and have not yet decided on its location. The retailer believes there are "significant new business opportunities" in Russia and is also intending to set up boutiques in China, the Middle East and other European countries. The Body Shop opened 17 new stores in the first quarter of 2005, taking its global store count to 2,062.

**... while its founders give shares to charity**

Founders of UK beauty retailer The Body Shop International Anita and Gordon Roddick, on June 24, gave 255,319 ordinary shares each to charitable causes, including The Roddick Foundation, for which both are trustees, and the Amazon Rainforest Foundation, for which Gordon Roddick is a trustee. Following these gestures, Anita Roddick possesses 21,210,836 shares (9.9% of the issued capital) and Gordon Roddick has 19,960,836 (9.3%). On the day of the announcement, the company's shares were trading at £2.32/\$4.22 each on the London Stock Exchange.

## Interview

Wilfrid Moulin *Metropolitain Cosmetics, founder and managing director*

**Niche products meet success in South Africa**

**W**ilfrid Moulin has distributed the Make Up For Ever brand in South Africa since 1997. Last June, he branched out to niche retail by opening, together with wife and company ceo Melissa Brown, Metropolitain Cosmetics, an 88m<sup>2</sup> store in the Hyde Park Corner mall in Johannesburg (see BBN#183). BBN talks to Moulin about the reasons behind the success of this experiment and his plans to open new outlets with more exclusive brands.

**You are preparing to open a second door. What can you tell us about it?**

It will be located in the very upscale Sandton City shopping center in Johannesburg and will open on September 15 with a retail space of 115m<sup>2</sup> [replacing the current Make Up For Ever store]. We are going to reduce the size of the fragrance section [which now occupies 60%] in order to divide the space in proportion to sales: 45% fragrances, 35% skincare and 20% makeup. We have learned many lessons [from the first experiment] and we now have a more precise fragrance strategy. We have discontinued brands like Thierry Mugler, Patou, Joop, Jil Sander, Stella McCartney and Nina Ricci among others.

**Why did you decide to cut those brands?**

People come to us to find something different. We have stopped virtually all collaboration with local distributors in order to concentrate on brands for which we have exclusivity and that forge the identity of Metropolitain Cosmetics. We are focusing on brands with limited distribution and on cosmeceuticals [...] so that later we can open shop-in-shops in department stores, offering a unique portfolio of brands.

**What are your plans for future development?**

It will all depend on the performance of the Sandton store. While our first outlet had nearly no competition at all, the Sandton shopping center has four department stores with MAC and Bobbi Brown (spaces), two Red Square perfumeries [one in a department store and one in the mall], two pharmacies, etc. Our third door will open in February 2006 at the V&A Waterfront shopping center [in Cape Town]. It will be a Metropolitain [with a well-being concept] with makeup and skincare, and only Serge Lutens for fragrance. Then, we should be able to open a fourth shop in Pretoria. FC ☐

For the full interview with Moulin, log on to [Cosmeticnews.com](http://Cosmeticnews.com)

**Sephora to inaugurate outlet near Eurotunnel**

LVMH-owned perfumery banner Sephora will open a 785m<sup>2</sup> store in the Carrefour Cité Europe shopping center in Coquelles, France, at the end of this year. Located near the terminal of the Eurotunnel, the center houses 147 banners including Marionnaud, Nocibé and Yves Rocher, and attracts some nine million visitors per year. Its clientele includes many UK shoppers and

an increasing number of Belgians since the opening of a Marques Avenue factory outlet nearby.

**House of Fraser buys Beatties**

UK department-store operator House of Fraser last week announced the acquisition of fellow retail company James Beattie for £69.4m/\$126.3m. The Beatties banner operates 12 department stores located primarily across central England. The deal pends ▶