

WWD BEAUTYBIZ

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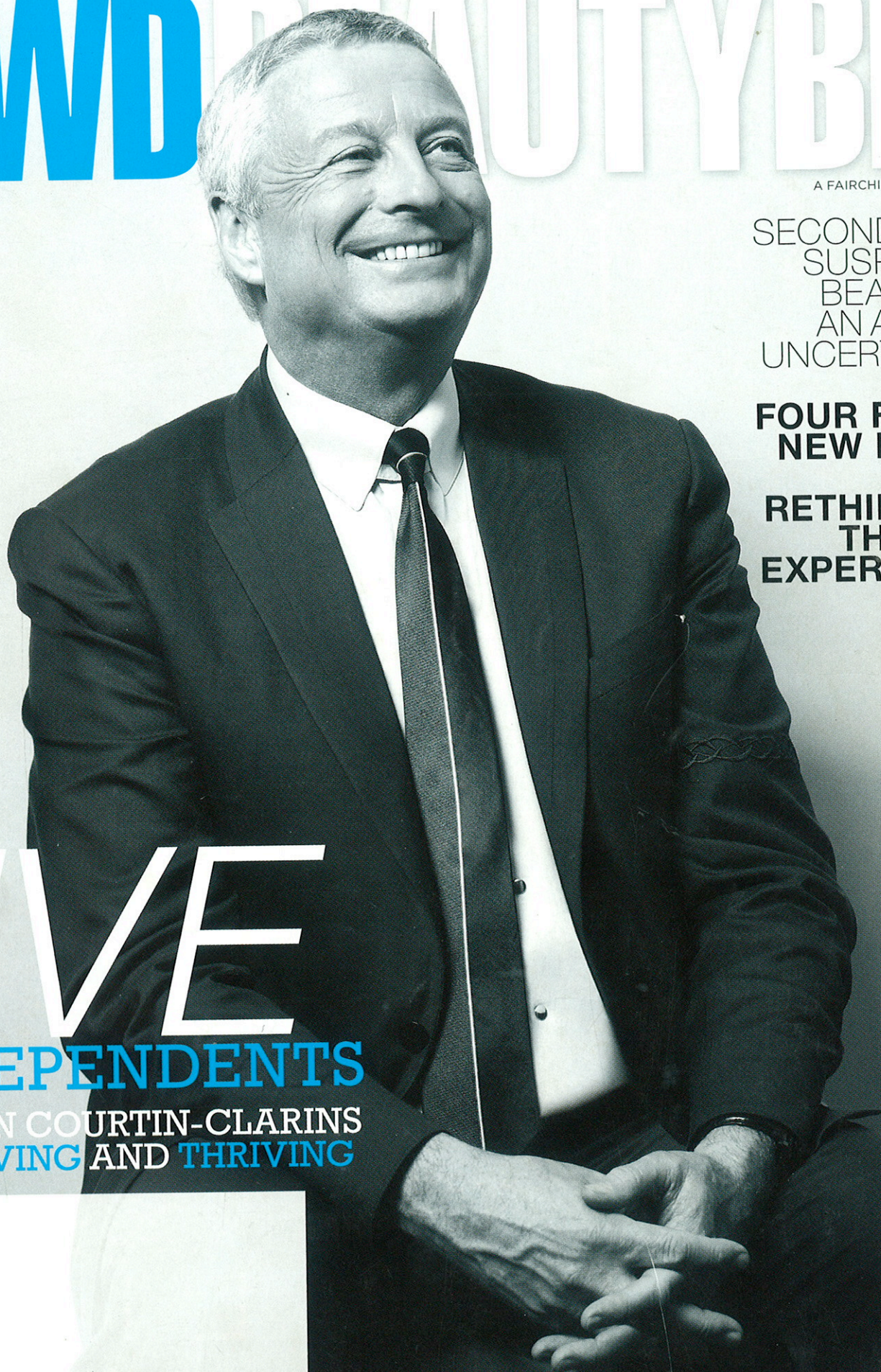
SECOND HALF
SUSPENSE:
BEAUTY IN
AN AGE OF
UNCERTAINTY

FOUR FRESH
NEW FACES

RETHINKING
THE SPA
EXPERIENCE

VIVE L'INDEPENDENTS

CHRISTIAN COURTIN-CLARINS
ON SURVIVING AND THRIVING



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WATCH

Capital Pretoria	water (%) 0
Largest city Johannesburg	Population 43,786,115
Official languages 11 official languages	Currency Rand (Z\$) (ZAR)
	Time zone SAST (UTC+2)
Area Total 471,443 square miles;	Internet TLD .za

SOUTH AFRICA

DESPITE ECONOMIC WOES, SOUTH AFRICA'S EMERGING BLACK MIDDLE CLASS IS HELPING TO FUEL SALES INCREASES IN THE BURGEONING BEAUTY SECTOR.

BY BAMBINA WISE



Democracy has been good for the South African beauty industry. Fourteen years after the dismantling of apartheid, the economy remains resilient, weathering various political and social crises, from government corruption scandals and currency fluctuations to alarming crime rates and power outages. And while the country has witnessed the dwindling of the white minority population, it's also seen the rise of the emerging black middle class whose growing purchasing power is significantly shaping all markets, including beauty.

"Burgeoning spending power by black South Africans accounts for virtually all the growth," says Mark Ingham, director of Johannesburg-based Ingham Analytics Ltd. "South Africa has also increasingly become a shopping destination for shoppers from other African countries who view it as

relatively more affordable than Europe, with similar variety."

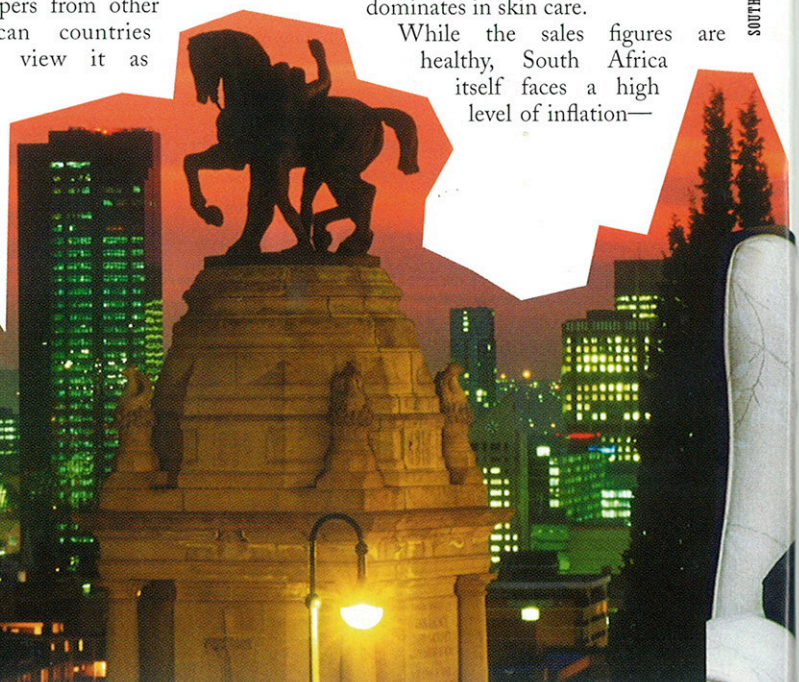
Ingham cites the figures. "The Caucasian segment of the population is declining (8 percent of the total population). The black middle class now numbers three million people, spending at least \$26 billion a year out of a total black spending power of \$46 billion," he says. "White spending power is around \$46 billion. The number of black middle-class families living in suburbs in South Africa's metropolitan areas has risen to almost 50 percent from less than a quarter a few years ago. Nonwhite spending will continue to grow as a proportion of the total as South Africa develops."

According to Euromonitor International, the emerging black middle class has stimulated the growth of the cosmetics and toiletries markets. This is a large, previously untapped consumer segment, who are increasingly educated regarding the types of products on offer and the benefits of their use, particularly those specifically developed for ethnic South Africans.

Currently, the South African beauty market ranks 21st in the world, with retail sales projected at \$2.6 billion for 2008. Skin care, hair care and premium cosmetics are driving growth, with sales projected at \$529 million for skin care, \$500 million for hair care and \$436 million for premium cosmetics.

International brands are well represented, from established names like Estée Lauder, Chanel, Givenchy and La Mer, to newer labels like Bobbi Brown, Dr. Murad, Dr. Hauschka and Benefit. Revlon, L'Oréal, Ponds, Johnson & Johnson and Dove also enjoy significant market share. L'Oréal is the market leader in hair care and color cosmetics; Unilever's Ponds dominates in skin care.

While the sales figures are healthy, South Africa itself faces a high level of inflation—



expected to jump to 10 percent by July—and the highest interest rates in five years. Moreover, fiscal policy changes have impacted the availability of credit. Coupled with cross-country power shortages, the overall retail environment is affected.

Ingham adds that the economy, which has been growing at an average of 5 percent a year, is expected to slow down to 3 percent this year, before picking up again in 2009.

Yet as Sue Fox, managing director of the Estée Lauder Cos. South Africa, says, “Cosmetics have been pretty resilient and overall the industry is experiencing a continued growth trend, albeit at a slightly lower level than previously seen. The results we’re seeing are positive and we maintain double-digit growth.”

Wilfrid Moulin, the Frenchman behind the luxury Metropolitan cosmetics retail concept (in 2007 the company posted sales of \$5.8 million) believes that “the reality is that South Africans will have to pay more for what they’re using. Prices are due for an increase of 16 percent. And the currency has devalued by 40 percent since 2002. It’s the middle class that gets knocked, but not the luxury market.”

Moulin says that already he has noticed that when it comes to skin care, “people are taking one item less.” For instance, instead of buying a complete range of premium skin care, a customer might opt for a generic cleanser, toner and moisturizer from a mass market brand, then splurge on a specialist treatment like the Laser A-Peel kit from Dr. Brandt, \$178, or a tube of StriVectin-SD, \$204.

Debbie Wolfendale, managing director of Clarins South Africa, agrees. “There is generally a price resistance for those that are saving their pennies to buy the best day cream they can afford.” South Africa is Clarins’ 18th largest market, and

the firm has been in the country for over 35 years. “In the last eight years, we’ve seen significant growth in the Afrikaans sector and black market sector,” says Wolfendale, adding the under-25 market is also experiencing brisk growth.

Men’s products, too, are escalating. “The black South African male is big on fragrances,” says Janette Marsh, a consultant for Woolworths’ new premium skin care and cosmetics department. She notes that Lauder’s Aramis remains the best-selling premium men’s scent in the country, adding that while whites would go for the aftershave, “African men, who generally do not need to shave often, prefer the 24-hour antiperspirant, which tends to be used as a body spray.”

While it’s tempting to segment the market according to race, Ingham stresses that “South Africa is less polarized racially than many give it credit for. We have ‘socioeconomic’ apartheid not racial apartheid. Race relations are remarkably good,” he says. “Nowhere in the world do you have a country so ethnically and linguistically diverse [11 official languages, although English is the lingua franca and dominates business]. At a certain level of education and income there is precious little difference between a black consumer and a white consumer. Other than the melanin, it’s dangerous to categorize ‘black’ and ‘white’ as though they were on different planets.”

Marsh, too, believes that clinging to racial divides is outdated and simplistic. “It’s not about color; it’s about culture,” she says, noting black customers are highly informed and educated and are swayed less by hype than by word of mouth. “This is why it’s important to have more black salesgirls. They have more credibility for the black consumer.” For black women, their beauty priorities are focused on hair care, as well as color cosmetics formulated for their skin tone.

Another area of growth has been the spa and salon culture. South African women are high-maintenance, with

THE GREEN SCENE

As South African women eagerly slather on the latest cream imported from Europe or America, they often don’t realize that beauty companies overseas are flocking here in search of natural indigenous ingredients.

Rooibos, aloe ferox, marula and African potato are just some of the ingredients culled from African bushes and trees that are widely hailed for their restorative and antioxidant properties. Others, such as baobab, cape geranium, kigelia, mongongo and buchu, are lesser known but no less effective.

That such ingredients abound in South Africa is hardly surprising. After Indonesia and Brazil, South Africa’s biodiversity is the third largest in the world, accounting for 10 percent of all the world’s plants. Ironically, however, only recently have South Africans themselves become aware of nature’s bounty available in their own backyard.

“We’re seeing more and more spa owners becoming interested in homegrown natural products,” says Angie Adam, brand and marketing manager for the spa range Wisdom of Africa. The French brand Veld offers two products made from indigenous South African ingredients. Its Ferox Gel, made with aloe ferox, is a bestseller at Metropolitan, whose Wilfrid Moulin calls it “the iPhone of skin care” for the way it lifts, plumps and soothes the skin, but wonders if it would sell as briskly if it were marketed as South African instead of French.

Renchia Droganis, the woman behind the Africology natural spa range, believes that changing attitudes is a matter of awareness and education. “There’s so much wealth in our country, not just in terms of ingredients, but also in terms of tradition and knowledge,” she says. “It’s about remembering the wisdom of Africa, of how traditional healers have used the plants for therapeutic purposes for centuries and how those principles are still valid today.” —B.W.

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regularly scheduled appointments for hair, facials, manicures and pedicures and body treatments.

The harsh South African sun has made antiaging and sun protection a major concern. “Products that target lines and wrinkles and pigmentation are in high demand,” says Fox, noting that Clinique’s recent Even Better launch sold out in less than four weeks, while Estée Lauder’s Idealist launch attracted more than 60 percent new customers to the brand.

