

# Back to The Core

Beauty manufacturers are rethinking newness to improve profit and customer loyalty.

By MOLLY PRIOR and FAYE BROOKMAN

**A** bold guard of beauty brands is pumping the brakes on the constant churn of product launches. ¶ The onslaught of newness, once considered the lifeblood of the industry, is getting a second look from top-tier executives tasked with growing the top line. Where once the industry's motto was "more, more, more," now brands are adopting a fewer, bigger, better strategy when it comes to introducing new product concepts in a bid to ensure that they pump up profits as much as they do sales. The new way of thinking is to build and support a solid core business, and enliven it with an edited-down assortment of blockbuster launches. ¶ The problem of new product proliferation is especially rife in mass chains. "It is always an issue when you walk into a box and there are so many babies yelling, 'Buy me, buy me,'" noted Larry Levin, executive vice president of new solutions for IRI. "Too many products makes it difficult to shop." ¶ But does tightening the pipeline of introductions turn off customers? Marketers think it is a risk worth taking to improve inventory turns and return on investment in the beauty market.

"The whole industry was underemphasizing core and overemphasizing new," said Revlon Inc.'s president and chief executive officer Lorenzo Delpani, who defines the core as products that are at least three to four years old and contribute to the firm's profitability. In Delpani's view, the industry is addicted to rolling out a succession of new items, saying it's afflicted with "hyper-innovation syndrome."

Revlon isn't alone. Coty Inc. is also increasing its focus on the core, particularly within its fragrance business, where sales fell off 14 percent in the first quarter ended Sept. 30.

Bart Becht, chairman and interim ceo of Coty, recently told WWD, "What we need is a harder focus within Coty in terms of truly building brands, and that goes beyond just pipeline. Pipeline is important, but it is much more a focus on how we build brands through communication and proper in-store execution. It's not like we're not supporting our brands, but it's more how we support our brands and how we execute in the field, which can still improve substantially."

Procter & Gamble Co. is making a bold move to emphasize the core, particularly with its Olay



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Lorenzo Delpani  
Revlon Inc.

brand, which has struggled to grow sales in recent years.

Alex Keith, president of global skin and personal care for P&G, raised the issue at the WWD Beauty Summit in early May. There, she outlined a multipronged approach including a laser focus on Olay's consumer, a shopper who wants a reliable antiaging product, rather than one who jumps on the latest trend and has a medicine chest littered with gimmicks. The Olay assortment will be simplified in concert with efforts to help retailers burnish the in-store environment.

During a presentation at the Morgan Stanley Global Consumer and Retail Conference in November, P&G's chief financial officer Jon Moeller said a number of retail chains have increased their store assortment by as much as two times in the last five years. "And you all know what's happened to same-store sales growth across most of the retail channels in North America. It hasn't grown two times. The amount of consumer confusion associated with that complex assortment is inhibiting purchases. When I'm in stores, I'll watch consumers trying to make sense of a shelf and then walking away because they literally gave up," he said.

He acknowledged that P&G – which has a robust product pipeline – has contributed to the confusion, but the company is working to clean up the shelves.

Keith is leading Olay's efforts to simplify its offering.

In her view, the industry's succession of launches has done little to lift sales. Instead, many new items are the root of overcrowding, or "suburban sprawl," as she calls it. Shoppers find overstuffed shelves difficult to shop, and in some cases have defected for other retail channels.

Keith noted that the U.S. mass market has grown by about 3 percent since 2009, while prestige skin care has gained 45 percent during the same period.

Her strategy for Olay, which began earlier this fall, includes an effort to reduce the offering by a range of 15 to 30 percent. In the U.S., Olay has discontinued 16 percent of its range.

The idea is to trim the underperforming items to highlight the fastest turning ones and put the emphasis back on Olay's heritage of facial moisturizers. Keith said Olay sublines, such as ▶



Delpani photograph by Danny Kim



Regenerist, got offtrack by launching a product to respond to every trend, which ultimately “watered down” the brand.

Keith said Olay generates about 20 percent of its sales across 11 hero stockkeeping units, such as Total Effects [Seven-in-One Anti-Aging Moisturizer] pump and Regenerist [Advanced Anti-Aging Micro-Sculpting Cream Moisturizer] red jar. Even after seven years in the market, Regenerist red jar is 10 times more productive than the entire bottom one-third of sku’s in the category, according to P&G.

Olay will use the space created by the cuts to showcase benefit claims, regimens and highlight hero items with double- and triple-facings on the shelf, Keith said.

In the U.S. stores where Olay has fully implemented the plan, the brand is seeing a 5 percentage point improvement in dollar sales, compared with regular stores, Keith said.

“It’s a bold step,” she said. “It’s in everyone’s best interest to get mass skin care growing again. In the end, we are all responsible that the category is not showing better growth overall.”

Revlon’s Delpani has also committed to fewer, better introductions.

Referring to the rapid-fire pace of launches, he said, “This situation is extreme in the beauty industry. Many new products don’t make it past 12

months....I am determined to make fewer, better innovations” which, over time, will likely become part of the company’s core lineup. He noted that Revlon launched fewer products in 2015, but that moving to a less-is-more strategy requires a “cultural shift.”

Several executives said while retailers are on board with the call to clean up the shelves and counters, at each meeting they can’t help but ask, “So, what’s new?” Old habits die hard, and as Nails Inc. founder and managing director Thea Green pointed out, new products bring new customers to a brand and that’s the main draw for retailers. But she also noted it’s the core products, or the basics, that drive customer loyalty.

Green also put the spotlight on supporting existing products, saying, “Core can change and be developed, and so it should.”

Unilever also focused on the importance of the core at the WWD summit. Using hair care as an example, Kees Kruythoff, president of Unilever North America, noted there are 18,000 products in the category, but only 8 percent of sales in 2014 were from new innovations. “The real growth comes when we are driving the core – and reinventing what was already there – especially when that’s coupled with a purpose,” the executive said.

A retailer with one of the U.S.’ largest mass-market chains welcomes the emphasis on existing

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Larry Levin, IRI

items in the portfolio, but said companies must deliver what they promise. “How do you focus on improving the base business as the market continues to innovate around you?” she asked. “You have to identify what is your differentiator in the marketplace.”

Numbers evaluated by IRI support the impression that brands are reducing launches. “This year [in 2014, the latest data available], we saw significant declines in the number of new products in the beauty space,” confirmed IRI’s Levin.

Compounding the issue, the launches in beauty are encountering difficulty achieving a measure IRI uses called Pacesetter. To judge the pacesetter status, IRI tracks a new product when it hits 30 percent distribution and tracks sales for 13 quad – or four-week – periods. For beauty products, IRI’s analysis found 32 scored in the top 100 in 2014, combining for \$700 million in sales, or about an average of \$22 million each. But, Levin noted that the year before, in 2013, there were 44 beauty pacesetters producing \$1.3 billion in sales. “That’s almost a 50 percent erosion in terms of dollars for new product launches that are pacesetters,” he said.

“A lot of companies are really paying attention to what they invest in as far as innovations to make sure they have it right,” he said.

Many products fail, he added, because they don’t avoid the “sins of innovation.” One such sin is forecasting the wrong distribution and not supporting items in the second year. “Will you still love me tomorrow,” he said, noting some consumers don’t get around to trying a new item until its second year on the shelves. “If you forecast wrong or don’t support beyond the launch, new items become an albatross.”

Advertising support for the second year of a new item is crucial. “You have to support the baby in year two. So many products die in the second year because they are not supported.”

Thirty percent of trial is in the second year, he said. “It is important to market and advertise in year two because demand might not come until then, maybe in year one it wasn’t on a shoppers’ radar.”

Despite the growing shift in strategy in the industry about the endless stream of new products, Levin said the beauty category depends on a continual flow of freshness. “Typically 3 to 4 percent of a company’s sales are jump-started by innovation. In beauty, it is 12 percent,” Levin said.

So while brands might need to become more judicious in launching new products, they focus completely on the core to their peril. “Declines in innovation will be bad for the category. Beauty thrives on new. You need fun and a social buzz,” Levin said, citing a launch like Sally Hansen’s Miracle Gel as one of the most successful beauty launches of all time. Industry estimates put the sales volume of Miracle Gel at more than \$100 million in retail sales for its first full year on market. ■

#### Esteemed Judges



**Michael Edwards**  
Author of “Fragrances of the World” and “Perfume Legends.”



**Jean-Claude Delville**  
Senior perfumer at Drom.



**Victoria Frolova**  
Fragrance industry analyst and Bois de Jasmin editor.



**Nathalie Pichard**  
Owner of training and evaluation agency Topnotes.



**Luca Turin**  
Biophysicist and perfume critic for arabiastyle.com.



**Paul Austin**  
Ceo of sensory storytelling agency Austin Advisory Group.



**Karen Dubin**  
Founder and ceo of Sniffapalooza.



**Christophe Laudamiel**  
Master perfumer at DreamAir.



**Chantal Roos**  
Co-creator of Roos & Roos Co.



**Kevin Verspoor**  
Founder of PerfumeKev LLC.

Illustrations by Kate Copeland

# The Smell Test: Diptyque Florabello

**4.4**  
Avg Score out of 10

While one judge seemed to appreciate the complex nature of the scent and another enjoyed “the fun ride,” others on the panel couldn’t cope with what they saw as a jarring combination. By PETE BORN

“Clever, complex, compact, oddly inscrutable fresh-metallic-milky accord. Very nice work.”

Score: 7

“Fizzy lemonade-like opening, bright accord with a curious crunchy green note, soft finish. The ending could have been more exciting, but high marks for the fun ride.”

Score: 7

“The fragrance is a chameleon on me – every time I wear it I smell something completely different. An elusive and puzzling fragrance that leaves me unsatisfied.”

Score: 3

“This is a very unusual and quite strange perfume. I get some notes that smell as if the perfume has turned bad.”

Score: 3



“Memorable, spicy top note. Fades quickly.”

Score: 5

“Unattractive and overwhelming floral combination.”

Score: 3.5

“The whole impression is chemical, full of too many ingredients, which makes it confusing.”

Score: 2

“An understated green bouquet that sings softly, very soft on the skin.”

Score: 6.6

“A sharp, harsh, green metallic garlic scent in a chemical floral structure which is unfortunately... powerful. Who can wear that?”

Score: 2.5

**THIS IS A BLIND TEST:** Panelists are given vials of an unidentified scent to judge impartially. Each of them gives a score ranging from 1 (forgettable) to 10 (unforgettable) and the numbers are computed into a final grade. The judges, led by chairman Michael Edwards, also make critiques, which are unattributed to encourage candor. The most promising scents are picked for judging in an effort to find and showcase excellence. WWD buys the products at retail, like any other consumer. **How would you rate the fragrance? Visit WWD.com/beauty-industry-news to vote.**