

Companies: International

Selling tight skin to the ageing masses

There are no creases in cosmetic houses' latest venture to cash in, says Lauren Foster

Cosmetic industry executives have fewer frown lines these days – and it may not be thanks to Botox.

As more consumers look for non-invasive ways to turn back time, a new market niche known as cosmeceuticals – products that are marketed as cosmetics but contain active ingredients – is proving to be lucrative.

Cosmeceuticals are one of the fastest-growing segments in the department store skincare business, says NPD Group, a market research firm. In 2003, total skincare sales in department stores grew 6 per cent while sales of cosmeceuticals and clinical brands jumped 77 per cent. In 2002, total skincare sales were up 4 per cent, while sales of cosmeceuticals and clinical brands rose 62 per cent.

What makes cosmeceuticals so appealing is that they are more accessible and affordable than Botox or Restalyne – which are injected into facial muscles to erase wrinkles – and yet still have the allure of a treatment backed by medical credentials.

Consider Avon's Anew Clinical Line and Wrinkle Corrector, whose tagline boasts it "does what no collagen injection can".

"A lot of traditional companies are trying to give a medical edge to their business," said Aurelian Lis, co-founder and chief operating officer of Prescribed Solutions, a New York-based cosmeceuticals company. "Cosmeceuticals offer some of the benefits of pharmaceuticals but are still inherently cosmetics."

Eager not to be left out of the trend, big cosmetic houses have enlisted the help of dermatologists. Lancôme, a division of L'Oréal, hired Tina Alster, a specialist in dermatologic laser surgery, as a consultant last September, while Prescriptions, a unit of Estée Lauder,

recruited dermatologist Karyn Grossman as a skincare consultant in October 2002.

Last year Estée Lauder bought the Rodan & Fields skincare line developed by two dermatologists. At the time Dan Brestle, group president, said the product line merged medical care with beauty.

Virginia Lee, US research analyst at Euromonitor International, a market research group, says cosmeceutical makers are positioning their products as an option before taking more drastic steps such as plastic surgery, Botox injections or chemical peels.

As cosmeceuticals have become more mainstream some products have started to appear in stores – in addition to their traditional home in doctors' offices.

NV Perricone MD Cosmeceuticals are found in upscale retailers. Sephora, owned by M&M-Hennessy Louis Vuitton, is at the forefront of the cosmeceutical trend: its US stores sell several cosmeceutical brands including NV Perricone, Dr Murad and Dr Brandt.

"Skincare – which includes cosmeceuticals – continues to be a strong area of growth for Sephora USA," it says. "We have helped establish the retail businesses of some of today's leading cosmeceutical brands."

Sales at NV Perricone, a closely held private company, more than doubled in 2002 to \$42.4m from \$11.9m the year before.

Overall cosmeceutical sales are rising. A report by the Freedonia Group, a market research firm, says the \$3.4bn cosmeceutical industry is poised to grow 8.5 per cent to \$5.1bn by 2007.

While it is a fraction of the \$33bn US cosmetics and toiletries market, cosmeceutical sales are growing much faster than the overall mar-



Looking good: Cosmeceuticals are one of the fastest-growing segments in the department store skincare business

Getty Images

ket, says Mike Richardson, industry analyst.

The cosmeceuticals trend has gained momentum thanks to ageing baby boomers who want to look young and the US Food and Drug Administration's approval of Botox in 2002.

More than 1.6m people in the US removed wrinkles with injectable treatments in 2002, says the American Society of Plastic Surgeons, while more than 4m Americans had non-surgical cosmetic surgery.

"Botox's approval has

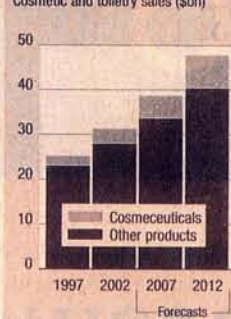
been one of the catalysts for increased emphasis on people wanting to look younger," says Ms Lee. "The skincare lines produced by doctors or endorsed by doctors are a big segment of that trend."

Allergan, which makes Botox, recently said fourth-quarter sales of Botox rose more than 20 per cent to \$158m.

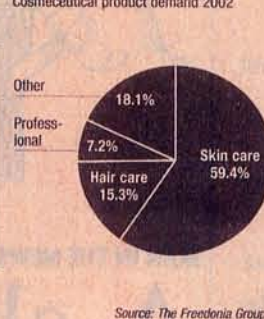
For 2004, the company expects Botox sales to grow to \$660m-\$700m – up as much as 24 per cent from \$563.9m last year.

Cosmeceuticals

Cosmetic and toiletry sales (\$bn)



Cosmeceutical product demand 2002



Source: The Freedonia Group

HOLLINGER COURT BATTLE

Black tel being lab an 'embe

By Alison Beard in Wilmington, Delaware

Conrad Black, the embattled press baron, sought to persuade a US court yesterday that he was the victim rather than the aggressor in the battle over control of his international newspaper empire.

"I have been characterised and stigmatised as an embezzler; I am trying to retrieve my reputation as an honest man," Lord Black told Delaware's Court of Chancery.

The Canadian-born peer was giving testimony on the third and final day of a hearing which will determine whether Hollinger International – the US-based newspaper group he once headed – can block his \$466m sale of its controlling shareholder, Hollinger Inc, to the UK's Barclay brothers. The judge will decide by February 27.

During cross-examination, attorneys for Hollinger International accused Lord Black of violating his fiduciary duties to the company and reneging on an agreement he signed in November by negotiating in secret to sell Hollinger Inc.

They produced a series of letters to Sir David Barclay in which Lord Black promised to thwart a poison pill plan proposed by Hollinger International, hand over control of the British Telegraph Group and other Hollinger International assets, present-

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SOFTWARE

Microsoft hits back over suit

By Richard Waters in San Francisco

Microsoft yesterday struck back at an antitrust lawsuit from RealNetworks, claiming that its digital media rival had mounted the legal challenge in order to protect its own market position

by intense competition and a continual stream of new technology and innovations and companies entering the market each week.

In its defence, the software company said that RealNetworks' own sizeable market share was evidence that

L'Oréal grows earnings again

By Jo Johnson in Paris

L'Oréal's run of double-digit earnings growth has continued for a 19th year.

In 2003 the French cosmetics group overcame unprecedented negative foreign exchange swings and the

IBM faces pensions deal

By Richard Waters in New York

International Business Machines is set to meet lawyers representing retired employees early next week as it prepares to hand out what could turn out to be billions of dollars in disputed pension entitlements.

The computer giant was ordered to pay the benefits this week, when a district court judge in Illinois upheld a court ruling from last year that found the company had

The case stems from the company's decision to switch the basis on which it calculates pension entitlements, which prompted claims of age discrimination. An estimated 140,000 former employees saw their benefits reduced by the change, and stand to benefit from the legal decision.

Other US companies made similar changes to their pension funds, making the IBM case a potentially important test of whether others will

plaintiffs to assess the extra benefits they are owed.

However, the computer company's own estimate of the retroactive benefits that need to be paid amounts to \$700m, according to Steve Milunovich, an analyst at Merrill Lynch. Adding in the higher future benefits it will have to pay, the net present value of the extra liabilities as a result of the legal ruling could amount to \$3bn, he added.

IBM's pension fund

Minsheng faking me

By James Kynge in Beijing

The streets of China's cities are full of fake DVDs and CDs. Local carmakers copy designs from foreign competitors and the anti-piracy police sometimes work hand-in-glove with the pirates.

But until now, nobody in China had heard of a faked shareholders' meeting.

Executives at the China Minsheng Bank, listed on the domestic stock market, admitted yesterday it faked such a meeting in May 2000, saying that it had pretended to have consulted shareholders so that it could change the name of the company. They blamed the subterfuge on unspecified employees.

"We will punish the staff responsible," said Wan Qingyuan, an executive in the bank president's office. In itself, the name change was trivial – the words "stock limited company" were added to the existing name,

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