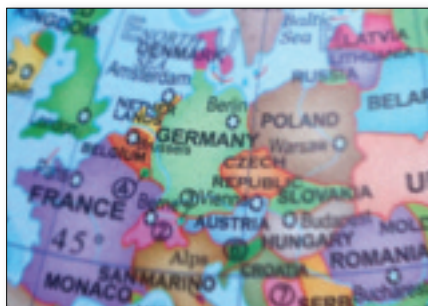


Germany's COLOUR BOOST

The make-up market spurred German cosmetics market growth in 2015, while mass market retailers continue to grapple for supremacy, as **Annemarie Kruse** discovers

The year 2015 turned out to be a good one for the German C&T industry. According to figures by industry association IKW, turnover for personal care grew 2.4% to a total of €13.39bn and most product categories registered a solid increase last year.

As far as market dynamics are concerned, not much has changed over the past 12 months. Germany's drugstore



chains remain the most important distribution channel for C&T and personal care, with DM as market leader, followed by Rossmann, the southern German Müller chain and northern retailer Budnikowsky.

Perfumery chain Douglas continues to dominate the luxury sector, making things difficult for the struggling independent perfumeries that account for the majority of the German perfumery channel. And as far as department stores are concerned, Kaufhof and Karstadt are still the two key retail chains on the market.

HAIR LOSSES

Turnover in IKW's biggest product category, hair care (including styling and colourants), dipped 0.1% to €3.03bn in 2015. Figures by market researcher IRI Germany reflect a similar situation: hair care fell 0.2% to €1.72bn, while volume

TABLE 1: GERMANY C&T MARKET, 2015*

Category	Value €/m	%+/-
Total market	13,387	2.4
Hair care	3,030	-0.1
Skin & body care	2,991	4.9
Oral hygiene	1,455	2.3
Colour cosmetics	1,605	4.2
Women's fragrances	1,067	1.5
Bath & shower care	877	3.9
Deodorants	745	-0.4
Men's fragrances	516	1.5
Soaps & syndets	370	2.9
Aftershaves/ preshaves	141	-2.8
Shaving preps	98	-1.0
Foot care	209	11.8
Depilatories	138	-2.0
Baby care (excluding shampoo/bath/shower/soaps)	146	2.8

*Figures are in million euro except the first six categories, which are in billion. Source: IKW

crept up 0.3% to just over 749 million units.

According to IRI's analysts, this result can be traced back to ongoing price erosion in many product categories. In the

colourants sector, for example, shelf prices dropped almost 20% last year. The hair oil trend, which had boosted turnover in 2014-15 with its more expensive products, is starting to slow down, which is also affecting value sales. And the premium products trend is almost over, IRI says. Procter & Gamble's Pantene Expert collection has already disappeared from the market and DM recently delisted L'Oréal Paris Hair Expertise from its stores.

However, despite the dismal sales results there was a flood of new launches last year, primarily from German manufacturer Schwarzkopf & Henkel's hair care brands. Schwarzkopf's Schauma was extended with a number of new variants, including a shampoo and conditioner formulated with sea buckthorn extract, a volumising sub-range and the 7 Flowers Oil range with moisturising flower oils.

Stablemate Gliss Kur was extended with Prachtvolle Kräftigung, a five-sku range of strengthening products that includes a rather unusual self-heating mask. And the Essence Ultime range of products, developed in 2014 together with supermodel Claudia Schiffer, was relaunched with a number of new sub-ranges.

L'Oréal Paris, the second biggest hair care manufacturer in the German market, has been less active than Schwarzkopf in 2015-16: the company's major hair care brand Elvital saw just one big line extension, the four-sku Tonerde Absolué formulated with medicinal clay for greasy and dandruff-prone scalps. Stablemate Fructis was extended with two new sub-ranges – the strengthening Kraft Zuwachs and the moisturising Wunder Butter – and



Drugstore DM introduced its 'trend IT UP' label in summer 2015 (above); meanwhile, Schwarzkopf extended its Schauma range with new variants

Garnier launched the Wahre Schätze range of herbal shampoos and conditioners.

The dry shampoo trend continued to pick up pace: almost every brand launched at least one new dry shampoo product last year and UK dry shampoo brand Batiste was rolled out to all major C&T retail chains in Germany. And, this January, P&G's Pantene made headlines with the launch of its In-Dusch Foam Conditioners. Foams have already hit the bath and shower and body care categories, so it will only be a matter of time until other hair care brands follow with their own foam offerings.

In the colourants category, an exciting new development is temporary root

colourants. Schwarzkopf's Syoss started the ball rolling with the launch of Color Retouch colourant foams in autumn 2015. Kao's John Frieda followed with Root Blur, a range of four solid powder root colouring kits, and L'Oréal recently brought out Magic Retouch, a line of spray-on colour powders.

SKIN CARE SUCCESS

Facial skin care was much more successful in 2015 than hair care. According to IRI Germany, the sector (including men's and women's products) grew 4.7% to €669.39m and 9.1% to more than 217 million units from January to September 2015.

As always, women's products accounted for the lion's share of the sales. And considering Germany's rapidly ageing population it comes as no surprise that anti-ageing skin care grew 7.3% to €197.42m and 13.8% to just over 42 million units, while products for mature skin shot up 12.6% to €91.78m in value and 13.4% to nearly 18 million units in volume.

The keywords 'brightening' and 'luminising' have appeared on many new products launched over the past 12 months. P&G's Olaz extended its Regenerist Luminous range with a skin-perfecting serum and brightening cream, while Olaz Total Effects Feuchtigkeitspflege + Anwendung is an entirely new range for mature and menopausal skin. Beiersdorf's Nivea contributed the four-sku Cellular Perfect Skin range formulated with Lumicol complex and magnolia extract to brighten and refine skin tone.

Schwarzkopf's Diadermine brand introduced Diadermine N°110 Crème de Lumière in which the brand's iconic N°110 cream was updated with an ingredients complex to brighten hyperpigmentation and even out skin tone. And, last September, L'Oréal Paris extended its Revitalift range for mature skin with two skin plumping filler products.

Another key sub-category was sleeping masks, a product trend originally from Korea. One of the first sleeping packs in Germany was the Drops of Youth Bouncy Sleeping Mask launched by The Body Shop in early 2015. L'Oréal's Garnier followed with the Miracle Sleeping Cream and an Anti-Fatigue Night Cream in the Skin Perfection range a few months later. Olaz also launched a sleeping cream last summer with the new Regenerist Firming Night Cream.

BRIGHTENING UP

Colour cosmetics was one of the key

TABLE 2: GERMANY, HAIR CARE MARKET, BY PRODUCT TYPE*

Category	Value €/m	%+/-	Volume m/units	%+/-
Total market	371.82	-4.8	169.26	0.3
Hair care	222.57	0.3	101.96	2.7
Hair styling	83.96	-11.7	47.32	-1.7
Colourants	65.30	-11.5	19.98	0.1

* January-March 2016. Source: IRI Germany

TABLE 3: GERMANY, WOMEN'S FACIAL SKIN CARE MARKET, BY PRODUCT TYPE*

Category	Value €/m	%+/-	Volume m/units	%+/-
Total market	620.00	5.0	10.00	9.4
Anti-ageing	197.42	7.3	42.08	13.8
Mature skin	91.78	12.8	17.93	13.4
Basic	240.71	1.1	109.40	7.7
Young skin	90.09	3.7	37.73	7.9

* January-September 2015. Source: IRI Germany

P&G's Olaz released the Total Effects Feuchtigkeitspflege + Anwendung range for mature and menopausal skin



growth categories in the C&T market last year. According to IKW, the sector grew 4.2% to €1.61bn in 2015. Cosnova's star brands Essence and Catrice continued to lead the mass market in terms of NPD and launch pace while Maesa's p2 and Coty's Manhattan are two other major players in the mass market.

The past year has also seen the arrival of two entirely new make-up brands: drugstore retailer DM introduced its own label 'trend IT UP' last summer while Cosnova has just launched L.O.V, a mass-tige colour cosmetics brand with a selective distribution.

Looking at product trends, the lip category – especially lip stains, highly-pigmented lip glosses and long lasting lipsticks – continued to be popular, as did the eyebrow product sector. In face products, the contouring trend is now a major influence with contouring palettes, nude foundations and multi-tonal bronzers launched by all major colour cosmetics brands last year.

L'Oréal Paris weighed in with the Indefectible Sculpt range of blush, contouring palette and liquid make-up, stablemate Maybelline introduced the three-sku Master Contour line, while Manhattan contributed the three-colour Contouring Kit. In addition, Essence brought out the Shape Your Face Palette and Catrice has just devoted an entire limited edition to the contouring trend.

FRESH THINKING REQUIRED

Women's fragrances are one of the most important product categories in the beauty market and in 2015, this sector only grew a slender 1.5% to €1.07bn, according to IKW.

There are a number of reasons for this disappointing performance, such as the ongoing price battle among the independent perfumeries that are also vying to keep up with market leader Douglas. The burgeoning grey market for luxury cosmetics and especially fragrances – product piracy continued to be alive and well in 2015-16 – also remains a constant threat to the luxury industry. In addition, there simply weren't that many exciting perfume launches last year.

Mass-tige fragrances – celebrity, fashion and lifestyle perfumes – are a key part of the German fragrance market and German fashion brands Tom Tailor, s.Oliver, Betty Barclay, Otto Kern and Mexx all operate highly successful fragrance licences. Adidas and Puma cater to the more sports-oriented demographic and in the celebrity fragrance world, German singer Helene Fischer was particularly successful with her



Me, Myself & You fragrance last year.

However, there are also a number of popular selective German fragrance brands, especially the offerings of designer Wolfgang Joop and his daughter Jette Joop. Jil Sander and Hugo Boss are two other eponymous fragrance labels that sell very well and regularly top the rankings of Douglas' fragrance bestseller lists.

There was at least one unusual fragrance launch in 2016 and from an unexpected quarter, too. Beiersdorf's Nivea introduced a perfume based on the scent of its classic blue-and-white Nivea cream: a warm, powdery fragrance with gentle florals, light citrus notes and a soft woody base. Packaged in a round white plastic flacon with an outer packaging of the typical Nivea blue, Nivea EDT is available in Nivea spas across the world, in selected perfumeries and online via nivea.de.

LUXURY LAPSE

The premium market struggled in 2015, according to industry association VKE Kosmetikverband; VKE represents some 60 international luxury C&T manufacturers

with members including the German subsidiaries of Coty Prestige, Chanel, Estée Lauder, Clarins, Guerlain, L'Oréal, Givenchy, Puig and Dior, as well as German companies Babor, Artdeco Alessandro International, Dr. Hauschka and Annemarie Börlind.

Each year, VKE polls its members on the performance of the luxury C&T market in Germany and for 2015, the result was disappointing: a mere 1.5% increase to €2.04bn.

Colour cosmetics turned out to be the best-performing category in 2015, with an increase of 5.2%. Men's cosmetics was also successful, growing 4.6%. Men's fragrances accounted for an 4.9% increase, while skin care products grew 1.6%. Women's facial skin care registered an increase of 2.5% while the comparatively small body care segment was surprisingly successful, growing 3.6%. The biggest premium category, however, was women's fragrances and this sector unfortunately dipped 1.2%.

However, the outlook for next year is a little more positive: 47% of VKE members are expecting the market to pick up a little. And VKE President Stephan Seidel anticipates a turnover increase of 2-2.5% for 2016.

MASS MARKET

In the personal care mass market, the price battle is continuing: over the past year Germany's big discounter chains Aldi, Lidl and Netto have invested millions into making their stores more attractive, offering a more upmarket shopping experience and, most importantly, increasing their line-up of personal care brands. This is putting pressure on Germany's drugstore retailers, especially DM and Rossmann who over the past 12 months have repeatedly lowered prices for many C&T products.

DM CEO Erich Harsch has already announced that DM will stick to its strategy of being Germany's most affordable C&T retailer. And so far, the DM group is keeping ahead of the game. Although turnover has fallen a few percentage points from its usual

Women's fragrance posted disappointing results in 2015 due to price battles and a lack of new launches

TABLE 4: GERMANY, WOMEN'S FRAGRANCE MARKET, 2015

Category	Value €/m	%+/-	Volume m/units	%+/-
Total market	952.93	-0.5	37.36	0.9
EDPs	550.53	4.9	17.87	10.0
EDTs	371.00	-7.1	17.75	-6.5
EDCs	17.28	-5.0	1.35	-4.0
Perfume	7.15	-14.0	0.16	-12.4
Body fragrance	5.87	-5.2	0.20	4.5
Hair fragrance	1.11	16.6	0.03	12.8

Source: IRI Germany

double digit growth, DM's financial performance is still remarkably solid.

For the first half of 2016 the retailer announced turnover of €3.7bn for its domestic business, an increase of 6.5%. Total group turnover for H12016 grew 6.8% to €4.7bn, driven by the success of DM's international subsidiaries – international turnover rose 7.9% to €1.07bn.

DM is also expanding in Germany. In the first half of 2016, the retailer added some 40 outlets to its store network. And considering that DM continues to top the “most popular drugstore in Germany” retail rankings and the company's reputation has never been higher, the Karlsruhe-based retailer will no doubt be able to weather the current price battle.

Competitor Rossmann has also been keeping busy. The group has announced that it will open another 140 German stores this year. For 2015, Rossmann posted group turnover of €7.9bn, an increase of 9.4%. This result was largely driven by the company's international business. The Rossmann group has a significant presence in Eastern Europe; its subsidiaries in Poland, Hungary, Czech Republic, Turkey and Albania clocked up turnover of €2.11bn, up 14.1%.

Rossmann's domestic business, on the other hand, registered turnover of €5.75bn, an increase of 7.7%. This comparatively slow result can be traced back to the ongoing price battle in the German mass market; like DM, Rossmann has been feeling the pressure from Aldi, Lidl and co.

However, bearing in mind that 40% of Rossmann's shares belong to A.S. Watson, the personal care division of Chinese conglomerate Hutchison Whampoa, the retailer can definitely afford to wait out the situation.

ALL CHANGE AT DOUGLAS

The Douglas chain has seen a lot of changes since it was sold to Luxembourg-based investor CVC last summer. Douglas' new CEO, Isabelle Parize, has affirmed that the Douglas chain will continue to expand in Germany and Europe, with the goal of becoming the European market leader in the online and offline perfumery business by 2020.

To achieve this ambitious goal, Douglas is investing some €100m into driving forward the company's expansion, with a particular focus on the multichannel business, adding new exclusive beauty brands and more affordable own label brands to attract a younger target demographic, renovating and updating existing Douglas outlets and further investing into the company's online



DM continues to top drugstore retail rankings in Germany, and is expanding in the country

business, especially into the main online store douglas.de.

Douglas' organic online store, Natureme, which was launched in 2015, hasn't done well and earlier this year, the Douglas

group quietly discontinued Natureme, integrating the organic brands into the line-up of douglas.de.

It is no secret that Douglas is also looking for acquisitions to further boost its physical presence in Europe. CVC has openly announced that it is pushing the pace of Douglas' expansion – after all, 2020 isn't too far away – and industry experts are already speculating about which retail chain might be an interesting target.

DEPARTMENT STORES

The German department store channel has been comparatively quiet since the Galeria Kaufhof chain was sold to Austria's Signa group and Karstadt went to Canadian department store owner Hudson's Bay last summer.

The respective new owners have already started to make their presence felt; several of the larger Kaufhof stores are being renovated, and Hudson's Bay is introducing new fashion and beauty brands.

The Karstadt chain's troubles, on the other hand, continued. Over the past 12 months, several smaller stores were closed down, staff numbers were cut even further and the remaining department stores were, yet again, restructured.

However, it now looks as if the retailer has successfully weathered this latest crisis. In June, Karstadt revised its forecast for the financial year 2015-16 upward. Karstadt's 135th anniversary, which was celebrated earlier this year, is already clocking up greater turnover than anticipated. Meanwhile, this July, CEO Stephan Fanderl announced that Karstadt was actually planning to open a new department store in Berlin in 2018 – the first new Karstadt outlet in 30 years. **cb**



GROWING ORGANICALLY

Organic beauty continues to be a best-seller in Germany. With certified organic brands available in all retail channels – and with prices starting at €2.50 for a face cream – Germany is the largest organic market in Europe.

In 2015, turnover of certified organic cosmetics across all product categories topped €1.1bn, an increase of 10%. This means that organic cosmetics account for 8.3% of the entire German C&T market.

The biggest distribution channel for organic beauty is the drugstore one – DM and Rossmann in particular have popular organic own label brands – but online retail is also becoming an increasingly important retail channel, especially for organic niche labels and international brands.