

MARKETING TRENDS

The address of the retiring President, Mr. R. T. Dobson, given at the Annual General Meeting of the Society of Cosmetic Chemists of Great Britain on Friday, May 17th, 1957.

LAST YEAR I gave you a talk on the development of a new product and, when turning over in my mind a subject which might prove of general interest to discuss here to-night, I came to the conclusion that a talk on the broad aspects of marketing might be a natural follow-on to the previous talk. It is my intention, therefore, to give you a picture of the Western European market, the United Kingdom and United States markets, and show you why, in my opinion, the cosmetics industry to-day must necessarily be influenced to a large extent by the products launched in the United States.

The population of any country is indicative of the potential sales which may be made and, although certain countries cannot to-day be considered good prospects because the earning capacity of the individual is by comparison limited, it must be borne in mind that the standard of living is steadily rising in the majority of the countries in Western Europe and, with increased earning capacity, the tendency to spend more on cosmetics and toiletries, especially amongst the female population, grows also.

It is perhaps interesting to realise that, while the population of the United States is 154 million, that of Western Europe is 280 million. The countries included in the definition "Western Europe" are France, Luxembourg, Switzerland, Belgium, Netherlands, Western Germany, Austria, Italy, Spain, Portugal, Norway, Sweden, Denmark, Iceland, Eire and the United Kingdom.

The prosperity of Western Europe is without doubt growing, and the population is estimated to increase by 8 per cent, or 18 million persons during the next fifteen years. The area of the United States is 3 million square miles, and that of Western Europe only 1.15 million. There are therefore nearly five times as many potential customers per square mile in Western Europe as in the United States. Do not be misled by this statement, but keep always in mind that the potential spending power of the average person in the United States is far greater than in any other country.

It may perhaps be of interest to look for a few moments at some comparisons of areas, population, and percentage of personal expenditure on miscellaneous articles, which would include cosmetics and toiletries. Unfortunately, I am unable to give the expenditure within each country for cosmetics, and can only show this as being included under miscellaneous expenditure. The exception occurs with a few countries such as Western Germany, Norway, Sweden and the United States, where I am able to show as a separate figure the percentage spent on personal care and health. The difference between

the per cent of miscellaneous expenditure, food and 100 per cent is in the amount expended on rent, fuel, light, furniture, household equipment and clothing. The miscellaneous expenditure, therefore, includes tobacco, beverages, domestic services, personal care and health, travel and transportation, recreation and entertainment, holidays, etc.

Country	Area 1,000 sq. miles	Population millions	Personal Expenditure	
			Food	Miscellaneous
Austria*	32.38	6.974	49.9	21.4
Belgium*	11.78	8.868	47.4	23.1
Denmark*	16.58	4.439	33.1	30.6
France*	212.75	43.3	60.2	19.4
Western Germany	97.74	49.995	33.0	33.0 (4.0)
Eire†*	27.14	2.909	34.0	42.0
Italy	116.24	48.016	—	—
Netherlands* ..	12.7	10.747	34.5	36.3
Norway	125.19	3.425	30.0	34.0 (5.0)
Portugal*	34.41	8.765	58.0	18.0
Spain	194.24	28.976	—	—
Sweden	176.43	7.262	31.0	39.0 (5.0)
Switzerland* ..	15.95	4.978	37.1	26.6
United States ..	3,022.5	165.271	27.0	43.0 (6.0)
United Kingdom	94.21	50.968	31.0	40.0

Figures in parentheses represent percentage of total earnings spent on personal care and health.

* Food and miscellaneous expenditure is the percentage of total expenditure by wage earners, as distinct from salaried employees.

† Miscellaneous includes furniture and household equipment.

The above figures of personal expenditure are only of interest in that they show the relationship between food, miscellaneous expenditure, and rent, fuel/light, clothing, etc. To give some indication of the total private consumer expenditure, and the increase therein which has occurred since 1936-38, we must turn to the following figures :

Country	Unit of Expenditure quoted	1936	1938	1954
Western Germany ..	million marks	29,000		81,700
Eire	million £		142	393
Norway	million kroner	3,850		14,500
Sweden	million kroner	8,400		26,350
U.K.*	million £	4,390		11,850
U.S.A.	thousand million \$	64.5		236.5

* Of the total private consumer expenditure, 120 million was spent on cosmetics, beauty treatments and hairdressings—*i.e.*, approximately 1 per cent of total expenditure.

I think I have now given sufficient figures to illustrate the importance of the Western European market, and we will now turn for the moment to a

few comparisons between market variations and trends as they directly affect the cosmetic industry.

One of the factors to be taken into consideration, when looking at the potential of any particular market, is the physiology of the consumer, and this is affected to a large extent not only by social environment but by geographical differences. Climate and temperature play their part in causing variations in skin texture, colour and degree of dryness or oiliness, which will cause one formulation to be accepted and another rejected.

Gastronomic differences also play their part in the acceptance of cosmetics. A people having a diet with a large oil and fat content has both a different complexion and outlook from peoples existing on oatmeal and haggis, and it may well be true that the sweat of one nation's brow is controlled by another's anti-perspirants.

France has for many years been considered as the most cosmetic-conscious and fashion-proud nation. I would not dare to dispute this, but observation of the average female in provincial France in towns such as Lyon, Lille, Strasbourg, Nancy, Rheims and Dijon, and comparison with those outside the large cities in the United States leads me to the belief that the average American woman spends more care and money on her cosmetics and personal appearance than the average Frenchwoman. One branch of the cosmetic industry in which France undoubtedly excels is perfumery, and it is of interest to note that the United States is the largest market for French perfumes.

One of the reasons why America has taken the lead from France in general cosmetics and toiletries is, I believe, due to the wide variation in climatic conditions within the United States, such variations causing cosmetic houses to formulate products which have a general appeal to a widely distributed female population, living in totally different climatic and geographical conditions within the same country. A further factor of importance may well be that the American cosmetic houses must, to be successful, satisfy the complexions and physiological differences which exist within a country containing inherent cosmopolitan racial characteristics.

A further, and most important, factor which has helped to build the American cosmetic industry into one whose goods have found ready acceptance in most of the world's markets is the large potential home market. The number of females in the United States between the ages of 15 and 64 is 51.7 millions, compared with females in the United Kingdom within the same age groups of 17.3 millions. This large potential buying public allows the American cosmetic house to launch a product on a larger scale than is possible in the United Kingdom or any Western European country. They therefore have an advantage in laying down special plant and equipment to deal with advanced and perhaps tricky formulations.

The size of this market allows large-scale buying and increased production

rates through mechanisation, thereby giving lowered costs and allowing the product to be marketed at a reduced price level. This results in the creation of increased demand through lower price levels opening the way to a wider consumer income group. This increased demand has in itself a tendency for the cycle towards reduced costs to be repeated. A further result of increased production is that a wider gross profit margin is available for advertising and display purposes.

One further very great advantage is the willingness of the average American to try something new. They have not the conservative buying habits of the Western European, and this "let's try it" attitude, coupled with the amazing displays featuring cosmetics and toiletries in the drug stores, super-markets and multiple stores, is extremely useful in establishing in a relatively short period of time a sizeable market for a new or improved product.

Although the internal factors which influence the trends in American-produced cosmetics can result in products which are acceptable in the majority of Western European markets, there are certain cosmetics which to-day find a lower acceptance outside the States than within. For instance, face cleansing creams and lotions at the moment are used extensively in the States, whilst in the United Kingdom sales are relatively low. Nourishing creams have a higher rate of usage in the States than in the United Kingdom. With foundation creams and lotions, however, the rate of usage in both countries is comparable.

In the States, hand lotions are the second most widely used foundation, but such lotions are not used in this country for that purpose to any noticeable extent. Tinted liquid make-up sales expressed in dollars per 1,000 families had 28.3 per cent of the make-up foundation market in 1953 and rose to 38.5 per cent in 1956. Pressed powders also enjoyed an increasing share of the American make-up foundation market, rising from 27.8 per cent in 1953 to 35.2 per cent in 1956.

By comparison, sales of cake make-up, cream cake and tinted creams dropped over the years 1953-56, cake make-up dropping from 10.1 per cent to 5.7 per cent, cream make-up from 9.1 per cent to 5.7 per cent, and tinted creams from 14.0 per cent to 8.9 per cent, all figures being based on dollars expended per 1,000 families. This fall-off in sales was on a market which has remained fairly stable in sales of make-up foundation over the same years, expenditure during 1953 being \$809 and in 1956 \$827 per 1,000 families.

Face creams and hand lotions are big sellers in the States, but it is interesting to note that sales of these two products expressed in dollars expended per 1,000 families dropped from \$1,815 in 1953 to \$1,649 in 1956, in respect of face creams, and from \$926 in 1954 to \$854 in 1956 for hand lotions.

Indelible and high stain type lipstick sales have been considerably higher

in the States than in the United Kingdom ; and the American *Good House-keeping* readers reported 70 per cent used rouge, compared with only 23 per cent of *Woman* readers in the 1955 survey.

If the Western European markets are to follow the trend on the American market, as I believe they will, then we should shortly expect to see an increase in the sale of cleansing and nourishing creams and lotions, and also in tinted liquid make-up preparations, and possibly in the high stain type of lipstick. Rouge sales will probably not follow the same pattern, as the American complexion demands rouge more than the Western European.

Forecasting market trends is always a very dangerous practice, but if the U.S. cosmetic market is the crystal ball for Western European markets, then it is reasonable for us to say that the aerosol package is scheduled to come to the fore in Western Europe.

There is little doubt that, from an application point of view, the aerosol package has tremendous advantages with certain cosmetic products and toiletries. Admittedly at the moment the metal canisters used are in the main not as attractive as orthodox containers, but there is no real reason why aerosol packages cannot possess good eye appeal. My point can well be illustrated by observation of the containers which I now have in front of me. Two of the metal containers you will, I think, agree, lack the eye appeal so essential to a cosmetic product, but the other container, although metal, has possibilities. Glass aerosol packages are perhaps an improvement on the metal canisters, but, because of problems of internal pressure, the shape of the container must necessarily be limited. Furthermore, the wall thickness of the glass must be excessive and, to have a reasonable degree of safety, it is wise to coat the outside of the glass with P.V.C. It may well be that, in the very near future, we shall have available aerosol packages made from nylon, and these could be most attractive, as they could be produced in various pastel shades, would be light in weight and possess the required strength in almost any shape. A further development which may well be just round the corner is the aerosol container made from polythene, and the one I have in front of me is, I think you will agree, quite attractive.

The use of polythene for aerosol containers does, of course, have the limitation that departure from the spherical shape does raise problems.

I hesitate to make any firm forecast on the form which aerosol packages will take in the future but believe that, for the cosmetic industry, the nylon container might well prove the most useful and attractive.

The total sales of aerosols in the United States have risen from 34 million units in 1951, to an estimated sale of 275 million in 1956. Within the total group, insecticides have always topped the market, their sales in 1951 being 17.3 million units, rising through 52/3/4/5 to 35.8, 47.2, 43.2 and 55.9 million units respectively.

Hair lacquer sales have during the same period risen from one million

to 53.8 million units, with shaving lathers and other personal products rising from 2.65 to 59.6 million units. The estimated value of the United States aerosol market is now about \$250 million compared with estimated sales in United Kingdom of £2.5 million, but the continued growth in both markets is indicative that, in the United Kingdom and Western Europe, this style of package is due to have ever-increasing sales for some years ahead.

Sales figures of aerosol packages sold in Western Europe are difficult to obtain, but it is possible that the total sales for 1956 did not reach 19.4 million units.

At the beginning of my talk, I spoke of the steady growth of earnings in the majority of European countries. I mentioned that the population of a country was, in my opinion, indicative of the potential purchasing power, and I have illustrated this point as regards the American market. Now we should take a look at the European Free Trade Area.

My listeners will be aware of the movement under way for the establishment of a common market in Western Europe, and it is envisaged that this common market or free trade area will take at least ten years to complete.

I think there is little doubt that the present intention will be accomplished. The very fact that the peoples of the free countries intermingle to such an extent these days through both commerce and holiday travel is, in itself, establishing a more trustful and friendly relationship between the peoples. At the moment, Belgium, France, Western Germany, Holland, Italy and Luxembourg have signed a treaty to create amongst themselves a customs and economic union, under the title European Economic Community. The United Kingdom is committed to the project of joining the European Free Trade Area but is precluded at the moment because British Imperial Preference Tariffs would be higher than any tariff arrangement would be with the countries of the Common Market.

A possible Scandinavian Common Market may be formed, incorporating Denmark, Finland, Norway and Sweden.

The problem to be solved by the United Kingdom before entering E.E.C. is whether foodstuffs could be excluded from its scope. If this proviso can be accepted, then only 10 per cent of the United Kingdom imports from the Commonwealth would be affected. It is likely that the Commonwealth countries will not object to the United Kingdom participating in the Free Trade Area, and that the preferences at present accorded by the Commonwealth countries to industrial goods imported from the United Kingdom will not be jeopardised. If the United Kingdom joins, the development of the complete project may be quicker than at present visualised, and it is probable that the European market will become progressively similar to the United States market.

Other countries which may join E.E.C. under special terms are Iceland, Eire, Portugal, Spain, Turkey and Greece.

The aims of the E.E.C. are to reduce tariffs progressively, so that ultimately free movement of goods without tariff barriers will exist between the countries included in the Group, each participant maintaining its own tariff on goods coming in from outside the Group.

It will be obvious that, once the scheme is established and running smoothly, the possibility exists for the cosmetic industry of Europe or the United Kingdom to expand in a manner similar to the expansion taking place in the States. A united Europe may well develop on lines which are influenced less by ideas and products from the United States, and more by the European way of life.

I have, during the last few minutes, been looking into the future, and will conclude my talk by advising that, for the time being, you may well see on the American market to-day those products which are likely to become successful on the Western European to-morrow.