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HEALTH & BEAUTY

## Health & Beauty: Testing the Lipstick Index

By Elaine Wong

Shortly after the 9/11 attacks, Leonard Lauder, Estée Lauder's CEO, coined the term "Lipstick Index" when he observed that sales of the item rose as the economy sank. A few years on, the theory seems a bit flawed—lipstick sales only rose 2.5 percent last year while foundation sales jumped 15 percent per Nielsen Co. Perhaps "Foundation Index" would work better, but another factor Lauder didn't foresee was a downscaling of the type of cosmetics women would be buying during a downturn. In general, women seem to be abandoning the high-end department store brands, for "masstige," a mix of "mass" and "prestige." They are also forgoing visits to the salon in favor of coloring their hair at home and consumers in general seem to value taking care of their health over paying top dollar to look good.



Consumer packaged goods companies were quick to note the shift. P&G, for instance, dug further into the masstige category with Olay Pro-X last fall to accommodate consumers who were trading down. A starter kit for the dermatologist-backed line—which consists of an age repair lotion, wrinkle smoothing cream and eye restoration complex—goes for \$61.50 at Wal-Mart. (By contrast, a bottle of Estée Lauder Advanced Night Repair Eye Recovery Complex alone sells for \$48.50.)

Pro-X is a hit—P&G treasurer Teri List said during an April earnings call that it's claimed 5 percent of the market, "comparable in size to some of the entire brand franchises we compete with," she says.

SK-II, another premium-priced P&G skin care brand, also increased "high single digits," the company said during its third quarter earnings report. Much of that growth stemmed from "innovation in facial treatment essences."

Smaller rival Alberto Culver, meanwhile, upped ad spend by 14.5 percent in its second quarter, largely behind its Nexxus and Treseemme masstige brands. Both brands posted solid "continued growth," the company said, as consumers seek more affordable, salon-level options.

Another winner: At-home hair coloring kits. Mintel analyst Krista Faron expects the trend to continue, driven by consumers' demand for do-it-yourself, at home options as opposed to hitting the spa or salon. One of the products that fit this need was P&G's Clairol Perfect 10. Introduced in 2008, the product promised 10-minute, mess free hair coloring. P&G has since expanded it to include 24 total shades. "At home hair coloring is considered somewhat inconvenient and time-consuming, but this product turned that paradigm around," Faron says, adding that the recession further fueled sales. Perfect 10 currently has about \$35 million in sales, per IRI data ending April 19, which does not include Wal-Mart figures.

Those bright spots, however, obscure the ugly state of the industry right now. P&G's third quarter net beauty sales, for instance, fell 9 percent to \$4.3 billion.

Rivals like Estée Lauder and Revlon, which sell the bulk of their wares in department stores, are also hurting. The former saw first quarter revenue slide 2.7 percent to \$303.3 million. And Estée Lauder, which is reeling from a 70 percent drop in third quarter profits, is now experimenting with helping shoppers find deals at the counter. (Product prices are usually revealed only when asked.)

Undeterred, marketers of more prosaic items, like toothpaste, are continuing to innovate. In April, Colgate-Palmolive attempted to expand the usage occasions for toothbrushing with Wisp, a single-use brush/toothpaste that contains a bead of "freshness" in the middle. Colgate marketed the item as a sort of enhanced gum or mint for twentysomethings who were hitting the clubs.

Ali Dibadj, a senior analyst with Sanford C. Bernstein, said the product leverages the same "encapsulation" technology found in Colgate's Max Fresh with Mouthwash Beads toothpaste. This "beads of stuff with other stuff in it" combination add a bit of a "timing factor" to the product, he says. (Ads for Colgate Wisp say, "Just brushed clean, anytime, anywhere.")

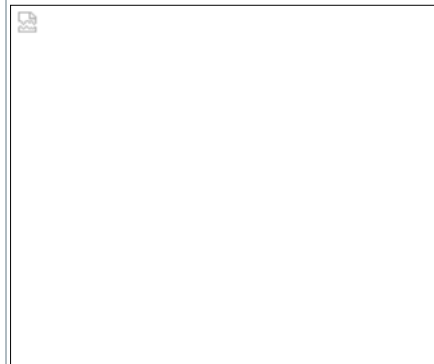
Colgate rival P&G, continues to hone its Crest Whitestrips brand with Advanced Seal, which promises to adhere to teeth more strongly than its predecessor, Crest Whitestrips. The push, which began in January, has a strong social media component involves an application where users can instantly "whiten" their smile.

In July, Crest will also kick off an integrated campaign for its Pro-Health Enamel Shield product, which "protects against acid attacks by restoring minerals to weakened enamel spots," its Web site reads. Women's health expert Dr. Donnica Moore serves as brand spokesperson.

Marketing for Crest will focus on offering consumers "regimens of products [that] deliver oral health care solutions that meet their needs," Brinker said.

Which may all bode well, according to new data from Catalina. The behavior-based marketing services firm found that consumers, while recession-weary, are adopting a more proactive health approach. Sales of nutritional supplements grew by 12.6 percent on a unit purchase basis, while vitamins/minerals and calcium supplements increased by 9.4 and 7.7 percent, respectively.

Are consumers deciding they'd rather feel good than look good? Perhaps in coming years vitamins will edge out lipstick as



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