

Brazil's booming beauty market draws investors

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In this Jan. 23, 2013 photo, an employee applies make-up on a client at the Sephora store in Sao Paulo, Brazil. A flush new middle class and a population strong on working adults is dropping major cash on designer shampoos, lotions and cosmetics, rapidly turning this country into a beauty industry powerhouse. (AP Photo/Andre Penner)

(AP)—Looking good has always been serious business in Brazil. Now it's big business, too.

A flush new middle class and a population strong on working adults is dropping major cash on designer shampoos, lotions and cosmetics, rapidly turning this country into a [beauty](#) industry powerhouse.

Sales of beauty products in [Brazil](#) hit \$43 billion in 2011, a growth of 142 percent in five years that puts it on a pace to overtake Japan as the world's second-largest beauty market within a few years, according to Euromonitor, a global market research company. At the same time, Japan's beauty market grew by 40 percent and the United States' by 7.3 percent.

This growth is fed by consumers just like seamstress Cidalia Maria de Almeida. On a quick lunch-break visit to a hair products store, she scanned rows of bottles and jars that promised to give her springy curls more shine, bounce, volume or freedom from frizz. She finally plunked two deep-conditioning hair masks into her basket.

She's struggled to make rent in the past, but now has more work than she can handle. The bit of extra cash, she said, she spends on herself.

"I can afford a little luxury every once in a while, a little something to make myself look good," she said. "I can try something new, like this, just because I want to see if it works."

The fastest growing segments of the market saw eye-popping jumps in sales between 2006 and 2011: Depilatories went up by 299 percent, cosmetics by 281 percent and sun care by 230 percent. Consumers such as Almeida are buying more of what they've always purchased, then are reaching back to the shelves, hungry for novelty.

"The potential in Brazil is really significant. The demand is high and continuing to grow," said Hana Ben-Shabat, a partner in the retail practice of A.T. Kearney, a global management consulting firm. "It's

incredible because the consumption per capita is very close to what you're seeing in places like America and the UK. The population is very fashion-forward."

Companies are responding. Sephora, owned by LVMH, the world's leading luxury products group, opened its first store in Brazil in July, and while the company can't give numbers, it was the most successful store opening in the company's history, said Paula Larroque, senior vice president for Latin America.

"Brazilians are truly beauty junkies," she said. "We really see limitless potential."

The success has spawned four other stores, and the company plans 30 to 35 more within four years, according to Larroque.



In this Feb. 5, 2013 photo, a manicurist works on the nails of a customer in a salon in Sao Paulo, Brazil. Blaise Didillon, head of research and innovation for

L'Oreal Brazil, said per capita spending on beauty and personal care products is around \$260 a year in Brazil, and that is leading companies to invest heavily in understanding Brazilian needs. (AP Photo/Andre Penner)

Demand crosses all categories, she said: cosmetics, fragrances, skin care, hair care, accessories, served with a side of cutting-edge innovation.

"Brazilian consumers are also very sophisticated, with a vast knowledge of beauty products and beauty trends," Larroque said.

L'Oreal is already the world leader in beauty, topping international heavyweights such as Procter & Gamble, Unilever and Estee Lauder, and investing in Brazil is essential to staying on top, said Blaise Didillon, head of research and innovation for L'Oreal Brazil.

He said per capita spending on beauty and personal care products is around \$260 a year in Brazil, and that is leading companies to invest heavily in understanding Brazilian needs.

In 2008, L'Oreal opened a lab in Rio to focus on hair—a national obsession. Human hair falls into eight types depending on diameter, curliness, the number of waves, twists and other measures, and highly multiracial Brazil has all eight, unlike most countries in Europe, Asia or Africa, Didillon said.

"It's a big challenge but interesting for development."

"When you come from France and spend time in the streets, in the metro, in the bus, it's amazing to see the relationship between women here and their hair," said Didillon. "They're always touching their hair. It's not like that in France."

Brazilian women tend to wear their hair long. L'Oreal's tests have also revealed that half of all Brazilian women smell their own hair at least once a day.

The dedication to texture and scent also makes Brazil a prime testing ground for new products, he said.

"If we succeed in Brazil, there is a high potential to spread the technology outside Brazil, to Latin America but also to India, the U.S., France," he said.

Another business opportunity lies in the Brazilian infatuation with smelling good.

Although Brazil represents less than 3 percent of the world's population, it makes up 12 percent of deodorant consumption with the highest use in the world. Brazilians also spend more money on perfume than any other nation.

"Other countries have more people or more resources, but don't have the habits we have," said Joao Carlos Basilio, president of the Brazilian Association of Personal Care, Perfume and Cosmetics Industry. "For us, having any kind of body odor is frightful, a lack of civility. For someone introducing a product here, it's essential to remember that."

Brazil has seen at least one of its own beauty brands take off as well: Natura has become a national beauty phenomenon with its tropical scents and flavors. Its reported profits in Brazil grew by 10 percent in 2012 to reach \$2.8 billion. And now it's expanding abroad, where it already had \$367 million in revenue last year.

In December, the company announced a \$71.6 million deal to purchase 65 percent of Australian high-end beauty retailer Emeis Holdings, which

operates under the brand name Aesop in Asia, Europe, North America and Australia.

Leaving the salon with a trim and refreshed highlights, Glaucia de Almeida Soares joked that the subject was so important to her countrymen—and women—that the government should subsidize the industry to protect every Brazilian's right to look their best.

"Thank God for these women and all their little magic potions and things," she said waving to the salon with fingernails sparkling in Carnival-friendly glitter. "If you look better, you feel better. If you're having a bad day, make yourself blonde, put on some lipstick, some nail polish, and you end up feeling like Gisele (Bundchen). It's good for the soul."

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