

# Luxury: Skin Care's New Growth Serum

By Molly Prior

Looking good is an increasingly expensive hobby, but triple-digit price tags haven't deterred the well-heeled from dashing toward a growing crop of luxury skin creams.

Ultrapremium skin care products — or those priced at \$150 and above — account for a meager 3 percent of the \$2.2 billion prestige skin care market, but generate the strongest growth in the overall category, where the average price point is \$32.50, according to The NPD Group.

Estée Lauder boldly launched her \$115 Re-Nutriv Crème in 1958 (today, it sells for \$330), but the trend took root in earnest a decade ago and has benefited from a surge of activity in the last three years.

Although the superpriced products account for only 3 percent of the skin care market, those priced at \$70 and above — or twice the market average — have more than doubled volume in the last three years to \$380.2 million, growing from 11 percent of the category in 2002 to 22 percent by year-end 2005. At the same time, products under \$70 dropped from almost 90 percent of skin care sales in 2002 to under 80 percent in 2005, and generated less dollar and unit volume last year than they did three years ago.

During that stretch, the over-\$150 set has quadrupled in both unit and dollar volume and now totals \$39.6 million in sales, noted NPD Group's senior beauty industry analyst, Karen Grant.

Brands leading the charge into the elite realm include La Mer, Natura Bissé, Kanebo, La Prairie and RéVive. Their peers include a host of dermatological brands, including N.V. Perricone M.D., Murad, Dr. Brandt and Dr. Hauschka Skin Care.

Each brand's guiding principle is the same: Results — not price — drive sales. Of course, fancy packaging and a compelling heritage don't hurt either, given that many of these brands are built on word-of-mouth advertising.

Grant commented that players in this segment — at home in a select group of retailers including Neiman Marcus, Bergdorf Goodman, Saks Fifth Avenue and Nordstrom — continue to shatter the price ceiling.

"A \$400 to \$500 face cream is no longer unusual. The market seems to support it," said Dr. Gregory Bays Brown, president and founder of RéVive, adding that women are looking for an alternative to plastic surgery. Brown acknowledged that when the company introduced its first product at \$120 a decade ago, he thought consumers might find the price high. His initial concern has been put aside. On Sept. 1, RéVive will introduce a \$1,500 antiage skin treatment called Peau Magnifique. Its star ingredient, Telomerase, costs \$4 million a gram, said Brown. RéVive has already presold 115 units — or \$172,000 worth — across Saks, Bergdorf's and Barneys New York.

La Prairie, a Switzerland-based beauty firm with prices that range from the \$40 Cellular Luxe Lip Enhancer to \$650 for Skin Cavier Luxe Cream, also gravitates toward expensive ingredients. In October, La Prairie plans to introduce the \$525 Cellular Radiance Concentrate Pure Gold, a 24-karat gold serum billed as "the richest skin care for the most privileged faces."

"La Prairie uses only the most innovative, advanced and rare technologies and ingredients that ensure proven results and optimum efficacy. These technologies, ingredients and proprietary complexes come with a price," said Lynne Florio, president of La Prairie, adding that the brand's packaging reinforces its luxury standing.

"Beauty is a lifestyle. And in order to have beautiful, healthy skin you have to make an investment," declared Nancy Hueske, general manager and marketing director for the Barcelona-based Natura Bissé, which boasts an average retail ring of \$600.

## ADDING UP BEAUTY



La Mer's core skin care range and RéVive Peau Magnifique for \$1,500.

"Natura Bissé brings science to cosmetics. It uses the best ingredients in the highest concentrations," Hueske said of the 28-year-old, family-owned brand. As for the hand-manipulated, marine DNA used in the company's Diamond Drops, she commented that ingredients are costly and kept in a safe in Natura Bissé's laboratory in Spain.

But as price points continue to soar, fewer consumers can afford to buy these products, warned industry consultant Allan Mottus. "When consumption starts dropping, you've got a problem on your hands," he said, adding that a steady stream of price increases have hampered fragrance sales in recent years, from which the business has yet to recover.

Mottus acknowledged, however, that both La Mer and SK-II have succeeded in raising prices without losing sales.

"Customers are not as concerned about paying high prices for products with the best technology and science that delivers real results," said Makoto Nakamura, president of Kanebo Cosmetics USA, which has a skin care offering that ranges from \$40 to \$650 for its Sensai Premier cream. He noted that the Japanese brand is the most expensive skin care per ounce, and its results are supported with clinical results. "We have over 200 scientists working in our scientific research facilities in Japan," noted Nakamura.

Luxury skin care brands, often gushed about by celebrities, are aspirational, and the pool of shoppers — generally affluent women 35 to 50 years old — who can actually afford to buy them is small. Fortunately for firms entrenched in this space, younger consumers have turned their attention to staving off aging and the rich among them seem willing to shell out a great deal of cash to do so.

Many of them are mining their beauty regimens from the pages of celebrity magazines, a place where La Mer is frequently mentioned.

"It's about influencers," said Maureen Case, president of La Mer, Bobbi Brown and Jo Malone. "There's a committed curiosity about the brand," said Case, adding that aside from the occasional print ad, La Mer does not advertise.

"The experience [of La Mer] is almost an endorsement of the customer," said Case. "People today are a composite of brands, and that blend is very modern. Luxury is always being redirected."

Lauder purchased La Mer in 1995, and has steadily won over loyalists by touting the brand's history. La Mer was created by aerospace physicist Max Huber, who looked to the healing properties of the

oceans to soothe chemical burns caused by an experiment

that exploded in his

face. Twelve

years later, he

formulated the

Crème, which

relies on dis-

tilled sea kelp.

Case said that

today La Mer

harvests its sea

kelp in San Diego,

which is later packed on ice and flown

to Huber's New York laboratory, where it

will ferment for about four months. The Crème is

then hand-filled into jars. La Mer is currently sold

in about 160 doors.

"This brand is about the product itself," declared Case.

For its part, the Estée Lauder brand has continued the trend started by its founder and expanded its Re-Nutriv range, proving luxury's merit in the broader department market, as well. Re-Nutriv skin care products reach up to \$900 in price, and are currently sold in just over 500 doors.

"People will do a lot to look more youthful," said Marjorie Lau, vice president of marketing, North America, for Estée Lauder. She noted that Re-Nutriv has a strong international business, particularly in Europe and Asia, where women tend to be more skin-conscious.

She added, "We are living in an age where people are youth-obsessed."

## Bionova Mixes Up Nature's Cocktail

MICHAEL DANIELOV IS BUILDING A HIGH-TECH SKIN CARE BUSINESS with his Bionova brand, one jar at a time.

The brand is based on the research done by Danielov dating back to the Seventies in the former Soviet Union, when he studied the human body's ability to cope with severe trauma. Out of this grew his system of using tiny, or nano, quantities of natural bioactive ingredients to help the body repair itself, particularly in cases of skin disorder.

Bionova Inc., founded in 1997, markets an N1 custom-made line. It hinges on personal profiles describing individual skin conditions. These profiles focus on nine separate body parts, such as a forehead or hand, and the different conditions of each, because each bodily region has a different molecular makeup and growth tendencies, he said.

According to the company, there is the possibility to create 144 products for women and 144 for men. Prices, which range from \$150 to \$300 a jar, are calculated based on the answers to the questions, because the needs dictate the ingredient combination.

Bionova also markets a premixed, or Impact, line and three other ranges: Bio 1 Act, Bionova Sort and Bionova Spa.

The products are merchandised on the company Web site, but since 2004, the bricks-and-mortar distribution has consisted of Barneys New York. It is now sold in the Los Angeles and New York flagships after the line was consolidated out of the 18th Street Co-op store in New York.

Last weekend, the Bionova counter was moved to a more productive location

adjacent to the Apothecary section on the main floor of the New York flagship. Bettina O'Neill, cosmetics and fragrance buyer, seems bullish on the brand, which she noted has been tracking consistent growth. "The product sells amazingly," she said, adding, "The product makes the skin do what it is supposed to do." The only negative factor, she said, is the organic smell. "We tell people it's like vitamins or natural substances found in the body."

O'Neill said that Barneys is focusing on the better-selling custom line and editing down the Impact ready-to-use range. Executives would not divulge numbers, but industry sources estimate Bionova's sales at between \$500,000 and \$1 million retail.

Danielov noted that the company is talking to another major retailer about distribution and is about to enter the British market via QVC U.K., which will air Oct. 29. Bionova has created a special 10-product line for QVC, called Bnscience, and the custom line will be marketed in a link between the QVC and Bionova Web sites.



SAMPLE

custom-made and Impact lines.

— Pete Born