

“The Rose Sheet”[®]

COSMETICS, SKIN CARE AND FRAGRANCES

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TOP STORIES

NATURAL/ORGANICS

NPA Assumes Expanded Role: Advocate For Natural Cosmetics

The Natural Products Association is taking on an expanded role as lobbyist and advocate for its cosmetics and personal-care members, starting with the formation of a committee representing their interests.6

BUSINESS & FINANCE

Coty Files IPO To Raise \$700 Million

Following its failed bid to take over Avon Products Inc., Coty Inc. makes known its intent to become a bigger player in the beauty industry with its June 28 SEC filing for an initial public offering. The New York-based fragrance, color-cosmetics and skin-care marketer says it hopes to raise up to \$700 million with the IPO. 5

THE MARKETPLACE

“Don’t Do Social, Be Social,” Facebook Exec Advises

To be successful in social media, marketers and retailers need a solid strategy centered on engaging consumers, according to Mike Haines, director of market solutions for Facebook. “Don’t do social, don’t sprinkle it on top as an additive, don’t check the box,” he said June 25 at the NACDS Marketplace Conference in Denver, stressing that firms must take their investment further.....8

Table of Contents > 3

Changing Beauty Retail Environment Leaves Indie Brands “Homeless”

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With many retailers reluctant to take on niche brands in the current economic environment, a flock of small, innovative labels are left wondering where to go next.

Jani Friedman has witnessed a change in retailer strategy firsthand as former managing director for beauty and personal care at Demeter Group, a San Francisco-based investment bank that advises consumer retail companies, and before that as vice president at **Sephora USA, Inc.** with responsibility for skin and hair care.

While Sephora was the “original beauty incubator of indie brands,” the specialty retailer has modified its approach in recent years, Friedman said during a session entitled “New Perspectives in Beauty Retailing” at HBA Global Expo in June.

“Sephora has become a very large powerhouse organization. Because of that, they’ve developed their own cover brands and in-house brands and it’s very, very difficult these days for indie brands to get into Sephora unless you have something really spectacular, new and different. That’s leaving these indie brands homeless,” she said.

Exclusivity has become a leading concern for the retailer after being burned in past relationships with indie brands, Friedman suggested.

“With the indie brands, they’d raise and support them, they’d grow them and when they got to a certain point in size, usually private equity would buy them and then say, ‘You have to go to more retailers.’ That would really upset Sephora because now, okay, you can get it anywhere,” she said.

She noted that Sephora has secured exclusive collections through deals with celebrities and designers, including tattoo artist and reality television personality Kat Von D and jewelry and accessory designer Tarina Tarantino, among other names familiar to consumers.

For the tween crowd, the retailer launched *Hello Kitty Beauty* last year. The exclusive collection consists of palettes for the eyes, lips and face, nail lacquers, fragrances and an accessory collection including brushes and clutches.

To ensure exclusivity in its skin-care offering, Sephora and parent company **LVMH Moët Hennessy - Louis Vuitton S.A.** went to greater lengths, acquiring botanical skin-care brand *Ole Henriksen* in February 2011. Demeter and Friedman advised Ole Henriksen on the deal.

Story Continues > Page 4

Topicals In Trouble? TRIA Skin Rejuvenating Laser To Launch OUS

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TRIA Beauty will enter the anti-aging skin-care market this summer with the launch of its Skin Rejuvenating Laser in markets outside the U.S., according to President and CEO Kevin Appelbaum.

TRIA currently operates in Japan, South Korea, Canada, the U.K., Germany and Spain in addition to the U.S.

Noting that anti-aging products account for two-thirds of all skin-care spending, Appelbaum remarked in a June 25 interview that “we’re on the cusp of launching new products into the largest category of skin care, so we’re very bullish on that.”

***When the Skin Rejuvenating Laser becomes widely available, “if we live up to our promise [of] efficacy comparable to professional alternatives, then I would fully expect that many consumers will rethink whether they should continue buying all of the same topical products that they have in their past.”
- TRIA Beauty CEO Kevin Appelbaum***

Introduction of the anti-aging device in the U.S. will require FDA clearance. The firm intends to file a 510(k) for the product later this year, according to Appelbaum.

TRIA’s solution to aging skin is a fractional, non-ablative technology that treats periorbital wrinkles, perioral wrinkles, dyschromia and textural irregularities like tactile roughness, according to documents the firm has filed with the Securities and Exchange Commission in connection with a planned initial public offering.

An entry in the anti-aging market will round out TRIA’s offering, which also includes devices for permanent hair removal and acne treatment.

“Our focus over the next few years will be on growing our business in the segments that we’re in today and in aging skin, which we’re about to get into. Those three segments in total represent the significant majority of opportunity in [the consumer market] for light-based skin care. ... When you cover hair removal, acne and anti-aging, you’re playing in the biggest sandbox,” Appelbaum said.

While TRIA has no immediate intention of moving beyond those categories, its pipeline is “deep,” according to the

exec. He noted that the company has been rolling out a new device every 18 to 24 months and introducing upgrades to existing devices on an annual basis.

For example, the firm’s Skin Perfecting Blue Light, designed to eliminate acne-causing bacteria “deep within the skin,” is a fourth-generation device that has been reengineered to be more affordable and faster, treating the same area of skin in one-third of the time it required initially. It sells on TRIA’s website for \$245.

Topical Brands Beware

TRIA’s objective is “to bring professional technology out of the doctor’s clinic and into your home,” according to the company’s website.

The firm’s light-based skin-care devices are essentially modified versions of lasers used in doctors’ offices, salons and other professional settings.

However, TRIA maintains that it is not in competition with physicians and estheticians as much as it is expanding the device market and engaging new consumers. According to Appelbaum, roughly 75% of TRIA customers have never had a professional treatment of any kind - “so we aren’t pulling people out of the [doctor’s] office,” he said.

Neither does TRIA view other device companies as its biggest competition. TRIA is the only company with a device cleared by FDA for permanent hair removal at home. In the area of acne treatment, the Dublin, Calif.-based firm squares off against makers of blue-light devices with and without proper clearances, but all of them are “relatively small” compared with TRIA, Appelbaum noted.

“It’s not the other device companies,” he said, “but we’re competing against existing human behavior. In hair removal, we’re competing against shaving and waxing; in acne, most of it is either prescription drugs or over-the-counter benzoyl peroxide products; and in aging skin, most of it will be topically applied creams and lotions.”

If TRIA’s promotional efforts for its Skin Rejuvenating Laser are effective at breaking down conventional thinking and altering consumer behavior, marketers of topical anti-aging formulas could face a formidable challenge.

Appelbaum noted that the firm markets its Hair Removal Laser as an alternative to other depilatories, meaning “you may never need to shave or wax again.” Inherent in the statement is a convenience and value proposition that TRIA believes more than makes up for the initial expense of its hair-removal device, which sells for \$395 at TRIABeauty.com.

For aging skin, once TRIA’s light-based home therapy is an option, “what topicals consumers will continue to use or not, I think that will be determined over time,” Appelbaum said. “What we are certainly going to do is provide through our products a level of efficacy and performance that you could never achieve with a topical product.

"Certainly, if we live up to our promise [of] efficacy comparable to professional alternatives, then I would fully expect that many consumers will rethink whether they should continue buying all of the same topical products that they have in their past," the exec concluded.

Seeking "Growth, Growth And More Growth"

TRIA plans to continue backing its products, including the imminently launching anti-aging device, with robust marketing and PR, leveraging digital media and "high-impact television exposure" in particular.


Meanwhile, the firm continues to grow a body of clinical research behind its products, which it uses to support regulatory clearances and build support within the dermatological community.

"Our focus is on growth, growth and more growth," Appelbaum said. "The fastest-growing segment of skin care that

we see is home-use devices. We are the market-share leader in the kind of devices that are clinically proven and cleared by [regulators], and consumers have been very responsive to the proposition that we've put in front of them. So we want to continue to grow the company and be the leader within this fastest-growing segment of skin care."

To that end, the firm is expanding its traditional retail distribution base and scaling up its e-commerce platform while looking to grow its global footprint "where and when it makes sense," the CEO said.

The firm announced in May that it was putting off a planned IPO due to "unfavorable market conditions" ("*In Brief*" – "*The Rose Sheet*," Jun. 4, 2012).

Appelbaum said TRIA will continue to watch the market and move forward with the IPO when conditions are more auspicious. In a preliminary IPO prospectus filed with the Securities and Exchange Commission in January, TRIA said the IPO could be worth up to \$86.3 million. 

High Ridge Adds White Rain To Growing Portfolio

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High Ridge Brands' personal-care acquisition streak continues with the purchase of *White Rain* from **The Sun Products Corporation** in a deal expected to close July 2.

Initially introduced by **The Gillette Company** in 1952, White Rain's current offering consists of value-priced hair- and body-care products marketed with the tagline "Smart Moms Know" and distributed in the U.S. through food, drug, mass and dollar channels.

Lines include *White Rain Classics* and *Naturals* shampoos/conditioners and hairsprays, plus eponymous mousses, gels and body washes.

High Ridge, a personal-care-focused portfolio company launched by Greenwich, Conn.-based **Brynwood Partners** in January 2011, aims to "revitalize" White Rain via "a renewed focus on providing consumers with new and innovative value-oriented products."

The "iconic" brand joins *Zest*, *Coast*, *Alberto VO5*, *Rave* and other brands scooped up by High Ridge since its creation in January 2011, in a portfolio boasting \$300 million in sales, according to the company.

Under the deal, the firm also picks up Sun Products' *Adorn*, *The Dry Look*, *Mink* and *Toni* personal-care brands. According to Sun Products Chairman, President and CEO Jeffrey P. Ansell, personal care is not strategically aligned with the latter's core laundry and household-care offering, which includes the *all*, *Snuggle*, *Wisk*, *Sun* and *Surf* brands.

In the release, Brynwood notes that it "has developed a


unique niche of being the lower-middle-market firm of choice for corporate divestitures."

Over its 28-year history, the firm has acquired 35 brands from 14 different sellers, gaining 19 of those brands in the last 18 months.

Financial terms of the White Rain transaction were not disclosed.

In April, following its purchase of *Coast* from **Henkel** subsidiary **The Dial Corporation**, High Ridge outlined plans to "reconnect" consumers with the personal-cleansing brand's classic "The Eye Opener" message ("*Revival Planned For "Eye-Opening" Coast Soap Brand*" – "*The Rose Sheet*," Apr. 30, 2012).

The firm got its hands on *Alberto VO5* and *Rave* in summer 2011 when Unilever was forced to divest them as a prerequisite to its acquisition of *Alberto Culver* ("*Brynwood Plans Alberto VO5 Revival Following Spin-Off From Unilever*" – "*The Rose Sheet*," Aug. 29, 2011).

Earlier in 2011, High Ridge bought *Zest* from **Procter & Gamble**, seeing it as a brand with strong consumer recognition that was not being optimized within P&G's strategic framework ("*Brynwood Partners Has Zest For Orphaned P&G Brand*" – "*The Rose Sheet*," Jan. 10, 2011). 

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