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Smaller cosmetics manufacturers capitalize on changing market

By Antoinette Alexander, Drug Store News

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Smaller, venturesome manufacturers of cosmetics are beginning to proliferate and make their mark in the beauty department, according to a recent report by investment banking firm, The Mercanti Group.

“Successful private equity investments in makeup companies, such as Bare Essentials and Physicians Formula, have recently been realized through initial public offerings,” the study by Mercanti principal Josh Susser stated. “Further, highly experienced private equity investors have recently invested in Philosophy, SmashBox and Stila. Each of these companies is capitalizing on a makeup market in flux, where small share gains have a dramatic impact on investment returns.”

The report, dubbed the Mercanti Chronicle, also noted other changes taking place within the beauty segment. While food, drug and mass retailers, along with department stores, have accounted for nearly all makeup sales, consumers are increasingly turning elsewhere for their beauty needs. These other channels include the Web, infomercials, home shopping channels and home marketing organizations.

At the same time, consumers are looking for beauty products that natural and positioned as being healthier. “In general, the natural makeup trend follows the overall trend toward purchasing natural and organic personal care products for both wellness and a specific function,” the report stated. “Consumers are persuaded by makeup products that are multi-functional or that include a pharmaceutical element, so-call cosmeceuticals.”