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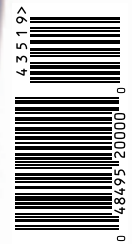
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# WWD FRIDAY

Beauty

## House Calls

Olay is aiming to bring prestige beauty to the masses with Olay Professional Pro-X, a six-item antiaging skin care line that is being touted as a dermatological range for drugstores. Olay Professional was formulated by a 14-member panel of beauty experts, and with prices starting at \$42 per item, industry sources expect it to generate about \$30 million in first-year sales. For more, see page 6.



## European Beauty Industry Holds Its Breath Amid Financial Turmoil

**By Brid Costello and Stephanie Epiro**  
The European beauty industry is waiting to exhale.

As stock exchanges all over the continent continue to seesaw, beauty executives are striving to get a clear picture of the impact the worldwide economic malaise will have on spending

on beauty products, particularly in the run-up to the crucial holiday period.

Even before the weakening of the global financial system, beauty unit volume sales in the bellwether French market were down for the eight months through the end of August. Executives in Italy say their market is too volatile

to forecast. Experts in Spain detect a definite cooling there.

"The buzzword for the coming months and the next couple of years is 'unpredictability,'" said Remy Gomez, president of Beauté Prestige International, a division of Shiseido.

See **Malaise**, Page 4

## The Beauty Report

## Olay Goes Pro With Derm Skin Line



An on-shelf merchandising display for Olay Professional Pro-X.

By Andrea Nagel

PRESTIGE IS THE NEW MASSTIGE IN THE DRUGSTORE aisle.

Olay's newest range, Olay Professional-Pro-X, is being squarely positioned as a professional skin care line for the mass market, one that comes with items priced at \$42, theft-resistant displays, a \$62 starter kit and Olay's most potent formulas to date, most of which utilize a new proprietary peptide to increase not just hydration but to build collagen and elastin, as well.

The range is scheduled to hit select mass market outlets after Christmas, with national rollout planned for January. Packaged in clinical-looking, bright red-and-white boxes and thick plastic jars that give the items some weight, Olay Professional looks to be the high-end consumers' skin care solution accessible in a drugstore.

"As I look across our beauty portfolio, this is the next step in using science as a way to make a difference in consumers' lives," said Gina Drosos, president of Global Personal Care of P&G Beauty, at the firm's press event Thursday morning at the New York Academy of Sciences. More than a dozen P&G Beauty and Olay Professional affiliates were present, including Michael Kuremsky, Olay Global Franchise Leader, who confirmed that Olay is entering new territory.

"In our own Olay way, we are getting into the professional business," he said.

Indeed, Olay considered many factors in what it takes to be a professional brand, including potency of products; bringing years of genomic research — and how it relates to aging — into formulas; assembling the Olay Professional Alliance for Skin Care innovation, which is a group of 14 beauty experts, some of whom are P&G employees, others in private dermatologic practice, to help form the line, and clinical studies from both in vitro and controlled clinical trials.

Development for Olay Professional began three years ago, following the influx of derm brands hitting department and specialty stores. These items, said Tim Bunch, Olay Professional brand manager, "did not deliver on their promises to consumers. We thought that there was more to the idea of what professional should be."

Dr. Greg Hillebrand, a biochemist with P&G, explained that the overall mission of Olay Professional is to "make the skin respond as it did when it was younger."

Hillebrand said while it was beneficial to have the alliance to explore ideas and recruit input — members include Dr. Stephen Mandy of Miami Beach, Fla., Dr. Doris Day of New York and Dr. Vince Bertucci of Toronto — it wasn't always harmonious. "We didn't all agree. There were some arguments. So we changed and made some [more] changes along the way. This was a healthy development for us."

Olay Professional consists of six fragrance-free items, three of which are termed the "hard hitters," which are the primary skin care solutions in the line; they are the Age Repair Lotion with SPF 30, Hydra Firming Cream and Wrinkle Smoothing Cream. The other three items are meant to target acute antiaging needs and include Deep Wrinkle Treatment, Discoloration Fighting Concentrate and Eye Restoration Complex. A Starter Protocol will sell for \$62 and include half sizes of the Age Repair Lotion SPF 30, the Wrinkle Smoothing Cream and the Eye Restoration Complex. Except for the discoloring concentrate, all of the items utilize a new proprietary peptide, Pal-KT — a newer proposition than what is found in Olay Regenerist. According to Dr. Rosemarie Osborne, a principal scientist at P&G Beauty who also serves on the alliance, Pal-KT increases not just hydration but builds collagen and elastin. She added that the firming cream — her personal favorite in the line — includes hexanamide, which she said increases lipids in the surface barrier of the skin.

Hillebrand explained that results are visible after a month of use; he even showed a video in which women who participated in the trials talked about the products and the results they saw. Results from a six-month trial will be available in November.

Olay is so confident of the efficacy of the items that it is letting consumers know through a "professional promise" that if they are not pleased with Olay Professional, they can return items for a full refund. He said a partnership with retailers will help support this promise.

"We are putting this right out there," said Kuremsky. "We know \$40 is a jump."

Items will be merchandised on custom black on-shelf displays that "require a bit more care on the part of the consumer" to pick up and look at the items. The displays will therefore help dissuade "sweeping," or dragging items off of the shelf and into a bag or a coat pocket.

At least one retailer is optimistic about the launch. Sherry Saffert, divisional merchandise manager for

beauty at CVS, said, "Pro-X is backed by a brand new technology that we feel our customers will be excited about. Olay is well-known for bringing new technology to the marketplace and have had great success in doing this in the past with their Regenerist line. Consumers trust Olay and the innovation they bring to the beauty category."

Indeed, the Olay franchise is healthy, according to several data research firms. Kline & Company said U.S. retail sales of Olay grew by 16.1 percent in 2007 to surpass the \$750 million mark. And, according to Information Resources Inc., a Chicago-based market research company, P&G leads the facial moisturizer and cleanser category with \$349.4 million in sales so far this year, ahead of Johnson & Johnson, which has generated sales of \$340.4 million, and L'Oréal, which has \$182.6 million in sales for the year-to-date period ended Oct. 5, excluding Wal-Mart Stores Inc.

However, P&G ended 2007 with sales of \$462.8 million, meaning only a very strong holiday season will allow it to at least match last year's numbers. IRI data also showed that Olay Regenerist is the firm's largest subbrand with \$106.7 million in sales for the year-to-date period, followed by Olay Total Effects with \$55.1 million, Olay Definity with \$41.1 million and Olay Complete with \$39.1 million.

Olay Professional is likely going after the consumer who is buying high-priced items already sold in chains, such as Lumene, Skin Effects by Dr. Jeffrey Dover, 24.7 Skin Care and ActiFade, all of which have price points in the \$30 to \$40 range. Lierac, a skin care brand sold by CVS and Duane Reade, markets some of its items between \$50 and \$60. Target and Walgreens each carry items with department store prices, too, such as Skin Doctors in Target and Skin Code in Walgreens.

Even though industry sources estimate the line could generate about \$30 million in its first year, beauty consultant Allan Mottus is skeptical about the new line, especially of how it will work in a drugstore environment.

"There is no precedence for an item of this cost to sell in mass. They are basically taking a department store selling positioning in the mass market. How will it be safe from pilferage? In the state of this economy and the customer trading down, this makes no sense whatsoever. You can go in a department store and get free items with a purchase or get samples. Olay has some authority, but not that kind of authority."

## Drosos Talks Shop at CEW Event

By Molly Prior

WHEN GINA DROSOS, P&G BEAUTY'S PRESIDENT OF GLOBAL PERSONAL CARE, travels to the Middle East next week, she plans to make time — as she does each trip abroad — to visit with consumers in their homes.

It's a known P&G habit. But rather than make a beeline for her hosts' medicine cabinets, Drosos will ask about family dynamics, daily responsibilities, commutes and family budgets. Each visit, said Drosos, allows her to compare and contrast shoppers' needs from around the globe.

"I have products that range from a 25-cent Camay bar soap to SK-II's superpremium skin care products for hundreds of dollars," Drosos told Jenny B. Fine, editor of WWD Beauty Biz, who moderated a question-and-answer discussion hosted by CEW Wednesday evening. "I love that breadth."

In her post, Drosos oversees a host of brands with a global reach, with Olay, Cover Girl, Old Spice, Gillette and Secret among them.

New additions to the portfolio include DDF, or Doctor's Dermatologic Formula, and Fekkai, whose founder — hairstylist Frédéric Fekkai — has begun consulting across P&G's hair brands and on skin care, said Drosos.

The same curiosity that prompts her to knock on consumers' doors also frequently leads her to the firm's research and development labs, where she tests products at each stage of development, provided they pass safety tests, she quipped. One of her favorite lab samples was Cover Girl Lash Blast mascara.

Drosos acknowledged that she regrets P&G wasn't first on the mineral makeup trend. "It goes after one of the biggest unmet needs that Cover Girl was built on — that women want products that are good for your skin."

She credited persistence and goal-making with landing positions of increasing responsibility over her more than 20-year career at P&G.

Lessons learned will likely be put to the test now, as consumers grapple with a precipitous economic downturn.

"This is the most turbulent economic time that I've seen in my 20 years in the business," said Drosos. She recalled reading in a recent report on household spending that 18 months ago, consumers spent about 20 percent of their income on staple items. That number has since surged to 40 percent. P&G's edge is offering trusted brands at all price levels, she said. "The place that is the toughest right now is that middle zone," said Drosos. "It's that middle tier where it's very important to explain the value propositions."

In addition to home visits, P&G is hosting online consumer panels

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— Gina Drosos, P&amp;G Beauty



Gina Drosos

to review products, and asking focus group participants to send them images of themselves using the product via their cell phones.

Drosos wants the same kind of direct feedback from her team, and said she encourages an open exchange of ideas. At her level, she noted, "Everything gets sanitized by the time it travels up to me, but some of the best ideas are more raw than that," said Drosos. "Feeling comfortable failing helps keep you fresh."

These days, it seems Drosos and her team are eyeing victory. She welcomes competition, but declared, "It feels really great to win."