



Capstone 2012 White Paper on Diversity and Global Product Development: **BEAUTY FUSION**

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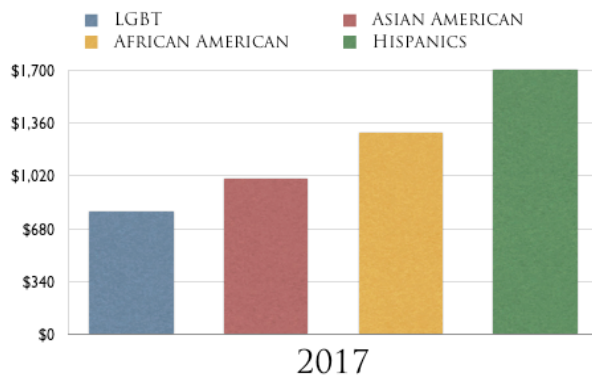
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Background

According to Geoffrey G. Jones, Harvard Professor and author of the book *Beauty Imagined*, the human desire to attract others reflects basic biological motivations. In fact, every human society from at least the ancient Egyptians onwards has used beauty products and artifacts to enhance attractiveness. Across the globe beauty ideals and aspirations vary. However, regardless of culture, economic or social status, all women seek to achieve the universal beauty truths of a youthful glow, clear skin, healthy hair, and healthy skin tone. Harnessing the diversity and richness of the rituals and ingredients used to pursue these truths provides us with an opportunity to prompt genuine innovation in the beauty industry to meet the needs of the diverse global consumer.

The U.S. Consumer

Since the 1970s, the U.S. beauty industry has recognized the opportunity to develop products for the unique concerns of a changing consumer base. Over the last few decades, the needs of the minority consumer have evolved while at the same time their purchasing power continues to grow exponentially. Within the next five years in the United States, the Lesbian Gay Bisexual Transgender (LGBT) buying power will reach \$790 billion. Likewise, the buying power of Asian Americans will reach \$1 trillion, African American spending will total \$1.3 trillion and Hispanics will have the highest buying power of \$1.7 trillion. In May of 2012, the U.S. Census Bureau announced that more than half of children under age two in the U.S. are ethnic minorities. This significant shift in demographics means the beauty marketplace will become more complex and fragmented. It will be nearly impossible to predict how consumers will define themselves, and the traditional 'check the box' options of African American, Caucasian, Hispanic may no longer apply.



Global Challenges

Over the next ten years consumer spending in all emerging markets is expected to grow three times faster than that of developed nations, reaching a total of \$6 trillion by 2020, according to McKinsey & Company. Clearly, the BRIC markets (Brazil, Russia, India and China) have been recognized as one of the key growth drivers in the global beauty market. With the rise of the spending power of BRIC consumers, the beauty industry has moved quickly to respond to the diverse needs of these consumers. According to Kline, by 2020, China is expected to surpass Japan and rank number two in global beauty sales, followed by Brazil in third place. Russia is expected to become the number one market in Europe and India is expected to rank third in Asia. But new players are quickly arriving on the scene. Just like the BRIC, complex countries like Mexico, Indonesia, South Korea and Turkey (the 'MIST') have high growth, large populations and a rapidly growing middle class. According to Price Waterhouse Coopers, each country in the MIST is forecast to place among the top 15 in annual real growth in GDP between now and 2050. Is the beauty industry prepared to meet the diverse needs of these diverse consumers?

Urbanization Redefines Diversity

Employment and economic opportunity are key factors that drive urbanization, attracting people from rural to urban areas. As emerging markets continue to grow, large urban centers will continue to attract people from all walks of life and are thus redefining diversity. Between 2011 and 2050, the world population is expected to increase by 2.3 billion people, reaching 9.3 billion, of which approximately 5.1 billion will be middle class. According to the United Nations Urban Millennium Report, nearly 180,000 people move into cities each day and 70% of the entire world's population will live in cities by the year 2050. So, while traditional global cities such as New York, London and Paris are already sharing the spotlight with Beijing, Mumbai and Istanbul, cities such as Belem, Chongqing and Guadalajara are ready to exert their influence. Consumers in urban environments are very diverse, ranging from 'Citysumers,' who are ever more demanding, open-minded, economically up and coming and savvy, to the Bottom of the Urban Pyramid (BOUP) dwellers. The BOUP don't have middle-class salaries to spend but still demand innovation tailored to their unique circumstances, from health issues to lack of space to the need for durability. As both of these groups are drawn together through urbanization, the diversity of their needs and preferences can provide a valuable and rich source of inspiration for product innovation to the beauty industry.

Cultural Fusion

In his book *The Next Hundred Million: America in 2050*, the urban scholar Joel Kotkin describes the concept of 'fluid identity.' He states that the U.S. millennial generation – those born between 1982 and 2004 – are not content to identify with a single culture or race. This generation presumes cultural diversity as a normal aspect of daily life. They adopt, exchange and experiment with multiple cultural identities. This phenomenon is not limited to the United States, as technology has made it simple for all global consumers to pick and choose those facets of various cultures they identify with and adopt them as their own. The influence of this cultural fusion is readily apparent in the food, fashion and music industries.

In the food industry, ethnic food trucks are replacing gourmet and specialty stores as consumers are seeking to experiment and discover new culinary delights. These trucks are usually manned by ethnic descendants of their cuisines and cultures, and possess the ability to pass on the rituals and heritage of various foods. Tribal and ethnic influenced fashions dominated the runways for Spring/Summer 2012. In this trend, designers take inspiration from mixed prints and patterns from diverse cultures such as Bhutan and Ghana, and create garments that are bold and distinct, yet wearable. Music fans everywhere have also embraced the idea of fusion of diverse musical genres. Rapper Jay-Z's recent collaboration with Panjabi MC fused together quintessentially New York style hip hop beats with Bhangra, a lively form of music and dance that originated in the Punjab region in Southeast Asia. Finally, the rise in experiential travel is further evidence that consumers are seeking to not just connect with other cultures, but to dive more deeply and experience them first hand. With the fusion trend so prevalent in food, music and fashion, how can fusion be incorporated in the beauty industry?

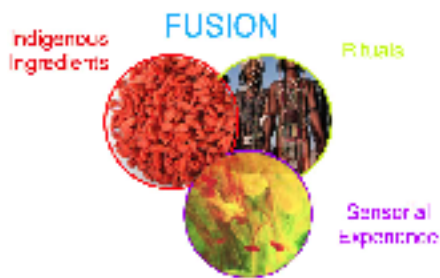
A New Model for Product Innovation

The Beauty Fusion model seeks to capture the richness of the fusion experience and incorporate it into the product innovation process. The Beauty Fusion model is based on three distinct elements: the richness of beauty rituals from around the world, unique indigenous ingredient stories and the engagement of the senses. As these three elements intersect, cultural fusion is brought to life in beauty.



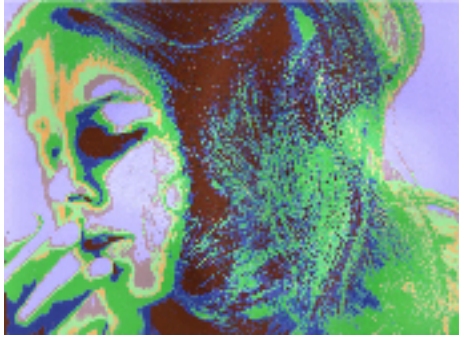
Beauty Rituals

Rituals are precious and an integral part of our cultural heritage. The absence of rituals has been shown to have a devastating effect on culture. During the Chinese Cultural Revolution, spending time on beauty was considered vain and decadent. Women could actually be arrested for wearing the slightest amount of makeup. This left an entire generation of mothers without beauty knowledge to pass on to their daughters. Today, major fashion magazines such as Chinese *Elle* and Chinese *Marie Claire* are now published twice a month to keep up with demand for instruction on all aspects of beauty, from skin care to cosmetic application. The diversity of beauty rituals can serve to create more inspiring product concepts. For example, in South America, the popular indigenous fruit known as Huito has been used for thousands of years by rain forest natives in body painting rituals. The juice of the fruit reacts with skin, staining it a tattoo-like blue for up to two weeks. Imagine being able to incorporate this wonderful ingredient to create more natural hair dyes and mascaras, and at the same time foster respect for the indigenous cultures of the Amazon.

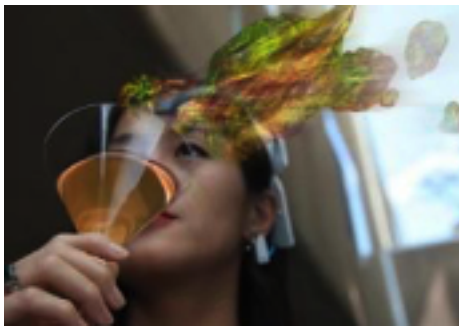


Indigenous Ingredients

New ingredient stories provide a valuable resource to drive product innovation. The use of indigenous ingredients can help bring the diversity and excitement of cultural fusion to beauty as well as spur the development of new categories. As an example, imagine creating lip products infused with the antibacterial properties of boneset. This Native American herbal remedy for colds and flu was adopted by early settlers to America and was displaced by the introduction of aspirin. Such a product could offer a convenient form of protection from bacteria and dirt, a common problem among all urban dwellers regardless of their economic or social status. In another example, black soap is an indigenous ingredient that has been used for centuries in Africa to improve skin clarity and texture. If black soap were combined with the brightening and soothing effects of pearl powder from Asia, it could fuse together the best skin care practices from these diverse cultures, and would speak to values of the globally sophisticated and culturally sensitive beauty consumer.



Leading fragrance houses have already begun to archive scents based on olfactive heritage because they recognize how crucial the preservation of rituals is for the long term viability of the beauty industry. In order to ensure that these valuable sources of future innovation are preserved for all, we recommend the creation of a living library that would preserve cultural beauty rituals and their associated ingredients to inspire product innovation now and well into the future.



Science and the Senses

As technology evolves we will find new ways to deliver sensory impact, thus allowing consumers to experience rituals and ingredients we never thought possible. But these new experiences in isolation are not enough. It is only through delivering new sensory experiences together with relevant ingredient stories and their associated rituals, that we can deliver the emotional connection that consumers demand from their beauty experience.

The Beauty Fusion model uses science to capture the synergy between diverse cultural rituals, indigenous ingredients and sensory experiences. By ensuring that future product innovation incorporates the principles of this model, we not only harness a true understanding of diverse cultures to create more inspiring beauty products, but, more importantly, the industry will proactively drive global empathy for the benefit of all.

Suggested Reading

Beauty Imagined. Geoffrey Jones.

The Next 100 Million: America in 2050. Joel Kotkin.

Plants, People, and Culture: The Science of Ethnobotany. Michael J. Balick and Paul Alan Cox

Passport to Beauty. Shalini Vadhera

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