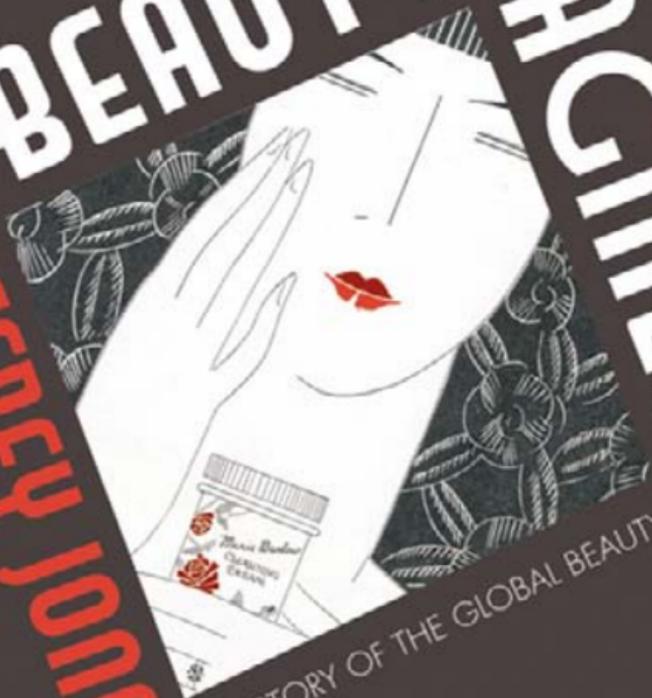


BEAUTY IMAGINED

GEOFFREY JONES



A HISTORY OF THE GLOBAL BEAUTY INDUSTRY

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Preface

This book is about the history of the global beauty business. Beauty holds a fascination for all of us. Artists, philosophers, scientists, clerics, economists, and many others have long debated its nature and implications. It has been less studied as a business, and for good reason. Although the industry is now enormous, its origins lay in numerous small firms which have left a legacy of colorful myths but fewer records and hard facts. In part, this was intentional, for beauty is an industry built around mystique, whose secrets are closely guarded. Despite the imperfections in this study, I hope that it has made a contribution to highlighting the beauty industry's importance and significance in all our lives, as well as its fascinating history full of men and women larger than life.

In seeking to write a global history of the beauty industry, I have relied on the work and dedication of research associates based both at the Boston campus of the Harvard Business School and the School's Global Research Centers around the world. In Boston, Joyce Chi, Meghan Gallagher-Kernstine, and Lexy Lefort made important contributions to the research. I benefited greatly from working with David Kiron on HBS cases on L'Oréal and Coty, Akiko Kanno on Shiseido, and Ricardo Reisen de Pinho on Natura.

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Geoffrey Jones
Harvard Business School

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Introduction

The Business of Beauty

Beauty, what a wonderful and dangerous word!

Luiz Seabra, founder of Natura, Brazil's largest beauty company¹

The beauty business began modestly with the sale of products widely deemed an affront to public morality. Today, consumers around the world spend \$330 billion a year on fragrances, cosmetics, and toiletries.² The industry's transformation from humble moral nuisance to a global brand-driven powerhouse offering products essential to daily life is one of the more intriguing stories in modern business history. The origins of beauty products lie primarily in local knowledge of the scents and healing properties of plants, flowers, and herbs, whose uses were bound by age-old religious and cultural beliefs. Yet somehow these delicate flora became the foundation of a global industry made strong by a century of virtually uninterrupted growth that not even economic meltdowns and world wars have been able to stop.

While the scale of the industry is impressive, its existence also raises many questions. What are consumers really buying when they buy a perfume, or face cream, or lipstick? Scents which last a few hours or face creams that can't be seen once applied are neither straightforwardly utilitarian products, like food or computers, nor status-symbol luxuries, like expensive watches or designer jeans. Why do consumers pay so much for products whose ingredients are well known to represent only a small proportion of the retail price? Beauty is certainly, as one recent study showed, one of America's most profitable industries, just behind pharmaceuticals and software, and far above the average of all industries.³

Many apparent paradoxes add to the puzzle posed by the industry. While rarely considered fundamentally "bad," such as the trade in narcotics or tobacco,

the beauty industry has attracted a legion of both critics and cynics over the years. The importance of women as consumers, in particular, has led to a long-standing critique of the industry as an instrument for the oppression of women by men (and their corporations). Feminist writers have regularly blamed its advertising campaigns for encouraging an obsession with physical perfection that traps women in an endless spiral of hope, self-consciousness, and self-hatred.⁴ Yet beauty is also an industry in which women have been unusually prominent as entrepreneurs and business leaders. The list of triumphant women is striking in view of their under-representation in so much of business.

The paradoxes do not end here. The beauty industry has always been obsessed with the latest fashions. The coolest celebrities feature as spokespeople to the world for the leading brands. Advertisements proudly highlight the latest technological breakthroughs designed to firm, uplift, and hydrate skin, reverse the signs of aging, and make hair shine as never before. Yet the hype surrounding the newest fashions and technologies co-exists with profound respect for the past. Leading brands carry the names of people who lived one hundred or even two hundred years ago. Some iconic brands first made their appearance a century ago.

There are puzzles, too, concerning the geography of beauty. Many of the world's leading brands identify themselves with two cities, Paris and New York, and two countries, France and the United States. Even brands owned by companies which are neither French nor American lay claim to these countries and cities. The most expensive skin cream line sold by Shiseido, the largest Japanese maker of cosmetics, is called Clé de Peau Beauté. A one-ounce jar of Clé de Peau Beauté La Crème, a night cream, will cost an American consumer at least \$500. What has made Paris and New York such symbols of beauty? What makes their inhabitants and streets acclaimed as beautiful so much more often than those of Milan or London, Shanghai or Los Angeles, Rio de Janeiro or Buenos Aires?

The globalization of today's beauty industry itself is not without its paradoxes either. It is both astonishing in its scale, and puzzling in its apparent limitations. It is remarkable how an industry which had its roots in people making creams in their kitchens, or small pharmacies making concoctions for their customers, could become so international. Today the ten biggest companies collectively account for over one-half of sales throughout the world. The two biggest companies, L'Oréal and Procter & Gamble (P & G),

now account for over one-fifth of total world sales alone. They own mega-brands which span the globe. Avon, the world's biggest beauty brand, was worth \$11.3 billion in 2008. Unilever's Dove and P & G's Pantene, in second and third place, had sales of \$5.3 billion and \$4.5 billion respectively.⁵

The global spread of such mega-brands provides compelling evidence about how fast brands, fashions, and trends cross borders in the twenty-first century. A mere three decades ago there were virtually no cosmetics in China. The Communist regime of Mao Zedong regarded their use as abhorrent symbols of "bourgeois decadence." Today China is the world's fourth largest market for beauty products. The consumers in the \$17.7 billion Chinese beauty market are as interested in the latest trends, such as the use of minerals in make-up, as their Western peers.

Yet in other ways it is the persistence of local differences, not the homogenization of global preferences, which is most striking. While absolute spending on beauty products almost invariably rises with a country's wealth, countries differ markedly in their propensity to buy beauty products. Among the world's richest countries, consumers in France and Japan spend over \$230 per capita annually on beauty products, whilst Americans and the Germans spent \$173 and \$164 respectively. Among the largest emerging markets, Brazilian per capita spending was almost \$100, whilst Indian spending was less than \$4.⁶

Equally striking are the wide variations between countries in types of products consumed. Europeans spend, proportionately, far more on fragrances and skin care than Americans, who in turn spend far more on color cosmetics than Europeans. The Asia-Pacific region is a modest market for fragrance, accounting for only 6 per cent of the world fragrance market, but represents an impressive 40 per cent share of the skin care market. While in the United States the make-up market is twice the size of the skin care market, in China the skin care market is four times the size of the make-up market. The huge Asian skin care market is unique, moreover, because skin-lightening products form a significant proportion of the sales of the more expensive skin care brands.

Moreover, although leading brands might be global, their appeal is not. In fragrances, every market's list of its top 20 brands is unique. The top-selling fragrance in Germany, for instance, does not even appear on the lists for France and the United States.⁷ Only one brand, Chanel N°5, now over 80 years old, holds strong market positions across the world. People in different

countries like quite different scents. In the words of one executive, “American women tend to prefer fresh, clean perfumes, whereas European women tend to prefer heavier, more complex scents, both of which contrast with the Asian preference for light scents.”⁸ For an industry which looks global, it has some decidedly local characteristics.

Principal themes

This book recovers the history of a business that we typically take for granted but whose global growth tells us a lot about the modern world. Based on unprecedented access to the historical archives of companies, and interviews with leading figures in the industry today, it describes the people and the firms that have built the industry since the nineteenth century. It explores how they have contributed to what today we consider to be beautiful.

The book approaches the history of the industry through three lenses. The first lens is that of the entrepreneurs who built the industry. The fact that our story gets under way in the nineteenth century is not meant to imply that these entrepreneurs were the creators of cosmetics and fragrances as such. On the contrary, the ancient Egyptians, Greeks and Romans, the medieval Chinese, Arabs and Europeans, and virtually every other pre-industrial society used products designed to help people look attractive and alter their scent. Few, if any, of the products marketed by today’s industry can be regarded as truly new conceptually, even if their composition and presentation are of more recent origin.⁹

The age-old usage of beauty products is known to have been intimately associated with both prevailing medical knowledge and religious devotion. Both sensuous and mysterious, fragrances have long been central to religious ceremonies, as well as to healing and well-being. Many have also argued that, on a deeper level, human use of cosmetic artifices has rested on biological imperatives to attract and to reproduce. The argument that the search for ways to seem beautiful is based on the need to reproduce goes back to the theory of sexual selection first proposed by Charles Darwin, who included a section on “Beauty” in *The Descent of Man*, first published in 1871.¹⁰ The biological significance of appearance and smell has since found support in scientific experiments. Certain features often considered attractive in women, such as clear skin and lustrous hair, signal fecundity.¹¹ The sense of smell has been shown to affect partner selection, especially by providing signals about

immune systems, moods, and general health.¹² Debates continue in multiple disciplines as to how strong a role such biological signs play in romance and reproduction.¹³

The entrepreneurs featured in this book, then, were less responsible for creating humans' desire to use artificial means to enhance their attractiveness than they were for translating such perennial desires into brands, factory production, and ultimately, multinational enterprises. The following chapters will explore their origins and motivations, and will explain how they made their local products global. This book represents, then, a contribution to the history of entrepreneurship. Since the time of Joseph Schumpeter, the importance of entrepreneurs in driving change within industries and markets, and generating the "creative destruction" which Schumpeter saw as central to capitalism, has been recognized.¹⁴ However, the search for generalizations concerning the "inherently subtle and elusive character" of entrepreneurship, as one economist described it, has also proved challenging.¹⁵ Entrepreneurial cognition, or how entrepreneurs perceive opportunities, remains poorly understood.¹⁶ This book will explore, in particular, whether common characteristics can be discerned in the entrepreneurs who succeeded in this industry, and how they identified opportunities.

In contrast to the subject of entrepreneurship, the growth of big business, the drivers of corporate performance, and the expansion of firms over borders to become multinationals are the staples of modern business history, as developed by Alfred D. Chandler. Chandler explored how firms which were prepared to build their "organizational capabilities" by making a three-pronged investment in production, distribution, and management could become first-movers in their industries, and retain that position provided they regularly refreshed their capabilities.¹⁷ One limitation of this approach, for our purposes, is its focus on capital-intensive, mass marketing and mass production industries, leaving it with little to say about the peculiarities of industries like fashion and beauty, in which there were large numbers of small and medium-sized entrepreneurial firms, and creativity, rather than managerial hierarchies and administrative routines, was at a premium. This book, at its most general level, hopes to bridge the gap between more traditional business history methodologies and the non-traditional features of such creative industries. These industries have also not featured widely in the literature on the history of multinationals, although the work of Mira