



The lipstick index: rise in premium beauty sales for L'Oréal et al foretells trouble ahead for wider luxury market

The recent growth in sales of premium beauty products could indicate that the wider luxury market is set to experience a downturn, according to a report published by Bloomberg. The lipstick index, as the phenomenon is known thanks to Leonard Lauder, who coined the term during the 2001 recession, describes the effect whereby women turn to affordable luxuries such as cosmetics when they can no longer afford high-ticket items.

This time, however, it seems the definition of affordable has changed, with premium beauty brands experiencing the biggest lift. According to the report, several beauty houses have reported a rise in premium sales across all sectors, with Givaudan delivering a 10.1 percent upturn in organic growth for its fine fragrance division, while at L'Oréal, premium products were the fastest growing category in 1Q 2016.

Bloomberg suggests that innovation in the premium beauty market is driving growth, pushing it ahead of other luxury markets such as apparel or leather goods, where true novelty has stagnated. With beauty trends such as contouring travelling fast, thanks to the power of social media, new products are in high demand among the selfie generation, who are prepared to pay to acquire the latest big thing, rather than wait for mass market alternatives to hit the market.

The phenomenon is most notable at LVMH, owner of Sephora and several high-profile cosmetics and fragrance brands. Over the past year,

the group has witnessed a sea change in organic sales growth, with perfumes and cosmetics up 9 percent in the quarter ended March 31, 2016 versus a year earlier compared to a flat-lining fashion and leather goods category.

