

Analysis of the Brazilian Deodorant and Antiperspirant market

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(Based on Kline's Global Cosmetics and Toiletries –Brazil 2006)

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The Brazilian market

According to a survey carried out by the Kline Group in Brazil (Global Cosmetics & Toiletries 2006 - Brazil) the Cosmetics & Toiletries market in Brazil is the 6th largest market in the world, with sales estimated USD 9,193 million (net sales) in 2006, up 13.6% from USD 8,093 million in 2005.

Living in a country with high temperatures almost all year long, Brazilians are used to taking on average two showers per day in order to feel fresh and clean. According to the Kline study, manufacturers' sales of deodorants and antiperspirants are estimated at USD 772 million. The sales value increased approximately by 12.1% in 2006. The category commands 46.2% of the other toiletries category. At the same time, the category share of deodorants and antiperspirants increased slightly to 9.6% of the overall industry, from 9.5% the previous year

Deodorants and antiperspirants are used by almost 90% of the Brazilian population, by both sexes and by customers of all income levels. The Brazilian cosmetic and toiletries industry has different types of deodorants and antiperspirants, with different scents. These products are sold mostly through mass merchandisers and direct sales, and the retail prices vary per brand, perceived quality and purchase channel.

Brazilian's habits towards deodorants and antiperspirants

Brazilian deodorant customers appreciate the different formats, diversity of fragrances, long-lasting protection rather than hypoallergenic benefit.

In the last years, male consumers, particularly the younger ones, have been aggressively targeted by major manufacturers, mainly because nowadays younger men are more concerned and more likely to invest in their appearance and personal care routine than older men.

Another important point to make about men's consumer habits is that product segmentation across formats continues apace, roll-on and aerosol in particular, with continuous protection featured as an important product benefit.

Manufacturers are also targeting the growing female segment with very specific product features. The newest trend is products that leave no residue and products that are aimed at skin care treatments and have natural ingredients in their formulas, besides the continuous protection across product formats widespread in the female deodorant and antiperspirant market.

Another emerging trend is the movement away from deodorant pumps to sprays and roll-ons. This trend has occurred due to an increase in population income. In other words, people change products for others with more technology. The manufacturers of such brands are introducing innovations to make packaging more attractive and create a high-impact shelf presentation.

The trend away from deodorant pumps to sprays and roll-ons will become more intense. There will be a corresponding increase in manufacturers' sales as sprays and roll-ons deodorant have a higher average price than pumps, so that the average annual growth rate will accelerate, outperforming unit sales growth over the forecast period.

Sales of deodorant creams are focused on specific Brazilian regions with a high concentration of low-income inhabitants. It is not a product type adopted by the higher-income consumer. Many low-priced brands are available that cater to specific regions in Brazil where price is the key driver. It is known that manufacturers of these products do not invest in packaging innovations.

In addition, manufacturers are betting on products that have the potential to change consumer habits as well as increase the frequency of use. Examples of such products are Unilever's DOVE roll-on, segmented according to lifestyle as well as cosmetic preferences of its

mostly female users, and Beiersdorf's NIVEA DEODORANT with skin care benefits associated with round-the-clock protection.

Deodorants and antiperspirants marketers in Brazil

The Brazilian Market is attended by both multinational and local companies. Although the sector is relatively consolidated (the five leading companies account for 61% of the category overall sales) there are several small brands with regional actuation and premium brands which broaden the options available.

According to the Kline Group's study in Brazil, Unilever dominates the whole deodorants and antiperspirants category, showing growth in its category and segment shares with the strength of a wide mix of brands and products, representing 34% of total category sales. O Boticário, a local specialty company, is a distant second place in the deodorants and antiperspirants category (8% category share). Beiersdorf is in the third place in the deodorants and antiperspirants and Natura ranks fourth holding an approximate 4% category share.

The analysis of the main marketers and their respective market share gives a picture of the most popular retail outlets for hygiene products in Brazil. Mass merchandisers are the leading retail outlet for deodorants and antiperspirants, with large supermarkets accounting for the majority of sales volume, mainly because their wide selection, favorable pricing, and convenience factors.

Kline's report also indicates that direct sales are the second leading retail outlet. The outlet's major companies are Natura, Avon, and Pierre Alexander. Natura and Pierre Alexander are local companies. It is important to highlight that Natura's products are directed at middle to high-middle income consumers, while Pierre Alexander targets low-income consumers.

Drug stores claim third place in overall distribution of deodorants and antiperspirants in 2006. Top-selling brands and higher-priced deodorants and antiperspirants are usually found in drug store chains that are concentrated in regions and neighborhoods characterized by higher per capita income. Low-cost, price-driven brands can be found in independent trade outlets including drug stores and mom-and-pop stores in small towns in low-income regions.

Opportunities assessment

According to the Kline Group's study in Brazil, the landscape for Brazilian deodorant and antiperspirant market is expected to keep growing throughout the forecast period. Being a mature market in Brazil, the category growth rate is estimated to be less aggressive than Brazilian cosmetics and toiletries market ones. The growth will depend specially on new product innovations.

Invisible and low white formulations that do not stain clothing will contribute to the growth in sales. Fragrances and skin benefits are becoming increasingly important ancillary features, although odor and wetness protection remain the primary focus of the category. Premium-priced products with ingredients that are value added will grow in importance, bolstering overall category dollar volume. Marketers will capitalize on the success of gender-specific brands with additional launches and the repositioning of unisex brands.

Mass brands, as Unilever, Beiersdorf, and Johnson & Johnson, invest in consumer advertising to help build sales. Television and print are the favored forms of advertising. Advertisements stress specific benefits such as round-the-clock protection and dermatologist-approved products over those of the competition. In contrast, direct sales companies invest in sales consultants to explain the differentiation of their products. In general, direct sales consumers of fragrances are more likely to buy deodorants and antiperspirants from the same company.

Sales of deodorant creams will grow very slowly over the forecast period as product demand is most significant in regions with a high concentration of low-income inhabitants and lowest among higher-income consumers. Furthermore, population growth in these regions is low.