

BUSINESS DAY | BASIC INSTINCTS

On Cosmetics: Marketing Rules All

By HILLARY CHURA NOV. 18, 2006

Darlene Smith is proof that nice packaging, strategic claims and \$2 billion in advertising can sway smart consumers when it comes to cosmetics. Armed with a Ph.D. in marketing, Ms. Smith understands that the beauty industry often massages consumer fears to lift revenue. But now 50, she takes it on faith that \$80 moisturizers are more effective than those that retail for much less.

Ms. Smith isn't particular about items like eye shadow and lipstick that lose their luster by lunch. Skin care and fine lines are another matter. She says she will pay for better ingredients, but she acknowledges she depends on marketers to tell her why exactly something is better.

"The cosmetic industry sells hope," she said. "I'd never spend \$8 for a lip pencil, but I buy Estée Lauder face and eye cream. It's like, 'If I buy the wrong product, am I going to have more wrinkles?'"

Cosmetics are big business, selling \$40 billion to \$50 billion a year. With evocative names and multisyllabic ingredients, the most significant difference among products, however, may be found on the price tag rather than under the lid.

John Stanton, marketing professor at Saint Joseph's University in Philadelphia, said: "The problem for most of us is we don't have the technical skills to look at something and look at the ingredients and say '3 percent acepholemin' " — a word he made up — " 'that's fantastic!' What we then are relying on are other cues or signals that give us confidence or trust in the product."

Last year, the industry spent \$2.2 billion for advertising, according to TNS Media Intelligence. This is not to suggest that all products are created equally. I'm sure products do offer valid benefits like sun protection, and some may be better than others. But the benefit may depend more on skin type, psychology and individualized factors than on price.

"For the most part, you're not paying for something that has a direct impact on the way skin grows and behaves because, if it did, you would be using a drug and not a cosmetic," said Dr. Richard Glogau, a dermatologist in San Francisco. "And you aren't able to buy drugs over the counter."

Cosmetics companies maintain that prestige products merit their price because of several factors, including what goes into the bottle, the millions of dollars spent in research, the hand-holding at the cosmetics counter and esoteric things like "store experience."

Specialists, however, scoff at paying the equivalent of \$64,000 a gallon in expectation of buying a better product. They advise against looking for botanicals or healthful sounding active ingredients as the promised molecules may be too large to penetrate the skin, may not be present or may not even work.

Dr. Diane Berson, a Manhattan dermatologist, says cosmetic companies do not conduct enough double-blind tests to prove if a "cosmeceutical" lives up to its claims.

"More expensive is not necessarily better," she said. "You may have a very expensive cream sold in a very high-end department store in very expensive packaging and another cream sold in the mass market drug store chain, which might be as good and contain the same ingredients and cost one-tenth of the price."

Howard Davidowitz, chairman of a Manhattan-based retail consulting and investment banking firm, says the business relies especially heavily on marketing and packaging.

MOST brands in fact are controlled by a handful of giants. Procter & Gamble markets Cover Girl, Olay and Max Factor. At Revlon, which markets Almay,

scientists in one lab are responsible for all new research.

L'Oréal S.A., which is behind high-end Lancôme as well as mass-market L'Oréal and Maybelline, last year spent almost 10 times as much on advertising and promotion as on research and development, according to its 2005 results.

At Estée Lauder, which markets Clinique, Origins, MAC, Bobbi Brown, Prescriptives, the luxe La Mer and its eponymous label, the same factory makes a particular kind of product, like lipstick, across all its major brands even though each label is positioned and priced differently, according to its annual report. A spokeswoman said that while one factory may make a particular product, the brands have different ingredients, formulas and compete against one another.

All things being equal, however, consumers may be complicit in the depletion of their own pocketbooks.

“If someone went into my medicine cabinet or purse,” said Allison Sidorsky of Hoboken, N.J., “I’d rather that they see Bobbi Brown or Channel versus Revlon.”

Hillary Chura is a writer in Manhattan.

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