



### VALERIE KAMINOV - BIOGRAPHY

Having spent over twenty years working with a vast array of luxury, premium and niche beauty brands and fragrances, Valerie has extensive knowledge and practical experience of their supply, distribution and retail, pertinent commercial practices and consumer habits on a global and local basis. Her expertise has been highly valued by multi-national organizations, SMEs, start-ups, privately owned companies and financial investors.

Certified in Corporate Governance from INSEAD Business School, Valerie has the remarkable ability to successfully set the company's strategic direction, often across diverse product markets and geographies, and monitor the firm's risk profile.

As a qualified Non-Executive Director who was awarded the prestigious Financial Times Post-Graduate Diploma, Valerie Kaminov is highly trained in corporate governance and is an experienced NED and Director enabling her to have an holistic understanding of boards. She advises both as a consultant and an NED. Valerie's experience earned her a reputation with major players in the industry who hired her to establish them globally.

Her expertise in brand evaluation, acquisition due diligence, risk assessment and commercial growth has been highly valued by Private Equity Funds, multi-national organizations and financial investors.

She is also dedicated to passing her knowledge along through a range of conferences and events.

Valerie has been a guest speaker at the non-profit organization CEW's Mentoring Services where leading executives offer insights into beauty industry issues and inspiration for professional growth.

As the International Manufacturers & Distributors Forum (IMF) Master of Ceremony, Valerie organizes one of its kind conference in Europe, key global gathering for manufacturers, brand owners and distributors to come together and discuss the challenges facing the industry and their businesses by giving the attendees unlimited networking opportunities.

# BUSINESS CASE: HOW TO GET A GOOD DEAL AND WIN AT RETAIL EXAMPLE OF FRANCK PROVOST IN THE MIDDLE EAST

## Question & Answers with Beauty Expert Valerie Kaminov IL Brand Consultancy Ltd

*In the beauty sector, the physical, in-store interaction has always been the most important. But in recent years, the digital landscape has offered equally important touch points. In a crowded and highly competitive sector, standing out means expanding your brand's digital presence in order to get closer to the consumer, moving beyond the single point of sale. However, it is important to keep in mind that in-store beauty sales still represent 80% of total sales. In other words, working with the right retail stockist is essential but tough. With more than twenty years of experience in the industry under her belt, Valerie Kaminov, Managing Director of IL Brand Consultancy has put together a selection of top tips on how to get brands into retail including the long sought after BOOTS.*

### What are the biggest challenges that brands face in the industry today?

Building a successful beauty brand can be tough in such an aggressively competitive and saturated market. The biggest market shares are owned by the Big 5: Procter & Gamble, Unilever, L'Oréal, Coty and Estée Lauder. They have an incredible buying power and spend huge amounts of money to be able to keep their market shares. Setting your brand aside from the crowd, which encompasses hundreds of thousands of brands, is an absolute necessity in today's overly crowded

market. Over the last few years, there has been a shift in consumers patterns: people are getting tired of always seeing the same old stuff and are willing to get out of their comfort zones to experiment new products, even if it means spending more money. The point of sale is essential, even more so in the beauty industry because there is an increased competition from new entrants, more distribution channels and more touch points. Cosmetics and beauty products are hard to sell in the sense that the costumers are not intrigued by the brand alone anymore and cannot feel the product, as one would do in Fashion (feeling the fabrics, the texture). Hence, experiences are essential. Through sensations, emotions and cognitions, they engage the customers and create memorable events connecting the costumers to the brand on an emotional level. New is one of the biggest sales drivers in the beauty industry. The big questions for retail buyers is whether a new product is distinctive and one that the customer really need and want.

### Why is it important for a brand to get stocked in the right retailer?

The POS is extremely important because it is where the sale is either won or lost, where the seeds of loyalty are planted and where the interaction with the brand comes to life. Distribution defines

your brand and contributes to customer brand insistence in two ways. First, it increases brand accessibility so that brand preference is more likely to be converted to brand purchase. But, more importantly, it increases brand exposure, which increases brand awareness. Choosing the right distribution channels means ensuring that your brand is available in the right locations, at the right times and in the right amounts for the intended customer to purchase. Choosing an appropriate channel of distribution where the product is moved from the manufacturer to the end customer as efficiently as possible is therefore a *conditio sine qua non*.

**Earlier you mentioned the absolute necessity of setting your brand aside from the crowd. Could you tell us more on how a brand can successfully stand out?**

Retailers are constantly looking out for products and brands that possess a unique selling proposition in order to be able to offer to their customers' innovative ideas. "New" is one of the biggest drivers of beauty. Another great way of standing out from competitors is exclusivity. If you retail a brand or a product nobody else has, customers will have no other choice than buying it from you. Brands must keep in mind that their retail price should fit the retailers' customer profile. Moreover, to set yourself apart from the crowd, make sure that you have a well-marketed and well-communicated strategic plan. Last but not least, bear in mind that as a brand, you must be able to competently supply goods to the retailers' requirements. This might not be obvious at the early stages when your brand starts selling at a given retailer but it is extremely important. Never forget that if you have bad reputation, retailers might delist your products and/or brand.

A great example of a brand that was successfully able to set itself apart from its competitors is Franck Provost through the launch of its new range *J'aime my*, currently retailed in Boots Middle East. The idea behind it was to create an elegant and iconic hair

care range for the French leading professional styling & hair care brand. The range has been critically acclaimed. The packaging graphics is audacious and different and has been created by Raison Pure. The heart key visual embodies the designer's passion for women. The range name, *J'aime my*, reinforces the idea of spontaneity & the French touch, core of Franck Provost's identity. Overall, the clean, balanced graphic layout brings an expert feel with a contemporary personality. Apart from the adored innovative packaging, *J'aime my* has taken retailers and clients by storm because of its outstanding quality (Franck Provost is, after all, the professional expertise of France n°1 salon brand). The professional formulas guarantee a high concentration of active ingredients adapted to each hair typology. You would never find such thing in a regular hair care product, except Professional ones. Moreover, the *J'aime my* line is highly appreciated for its unique perfumes and subtle sensorial touch developed for each range:

- Keratin: A subtle combination of notes of lemon, jasmine and cedar wood.
- Colour: Fruity and woody notes over a floral fragrance.
- Oleo: A vanilla fragrance with woody and floral notes.
- Volume: A spicy fragrance with Oriental notes of mandarin, pepper, orange blossom and Cashmere wood.
- Blond: A fruity fragrance with green floral notes.

Shampoos do not have any silicone in order to preserve, leave hair care breathe and prepare them to welcome the treatments and masks. Today, it is extremely hard to find a shampoo without silicone. Last but not least, the products are highly innovative. The Blond-Silver Shampoo includes active pigments to neutralize yellow glints. This is absolutely unique in the hair care industry. *J'aime My* also offers a CC Cream, never seen before in the hair care market. The fluid texture will melt instantaneously in the hairs without making them heavier similarly to what one would find in the skin care industry.



**How should a brand approach beauty buyers?**

There is no right answer. Sometimes brands should approach the beauty buyers themselves. Other times, the retailers will approach the brand themselves. The latter are always looking for new brands at international fairs and exhibitions so watch out! They also regularly surf the Internet to scout innovative brands. Big established houses usually have a strong understanding of the retail structure and feel like a fish in water when it comes to finding the right strategic retailer but unfortunately that is not the case for the hundred of thousands of smaller brands. They might be lost and missing from a strategic distribution strategy. Hence, they target the wrong buyers at the wrong time and fail to realize their potential. Remember: TIMING IS KEY.

**If a brand wants to get sold at a specific retailer, what should it do? What should be avoided?**

I would highly recommend the brand to really look out for the perfect buyer. Then, the brand should approach that specific buyer and tell them that they have a product that would appeal to their customers thanks to its USP. The brand and the products need to be new and innovative. Exclusivity is a highly appreciated. Show the buyer why your brand is a must-have and how you will be able to sell the "wow" factor.



# HOT MARKETS: IRAN

## The Beauty Market in Iran: Challenges, Opportunities and How to Avoid Pitfalls Prepared by Valerie Kaminov, IL Brand Consultancy Ltd

Moving forward, the brand should set a meeting with the potential buyer at a professional trade show they will attend. Show the buyer that your brand will help generate more sales and help them have a bigger profit than their competitors. Show the buyer that you have an effective action plan for the marketing launch campaign through thoroughly planned PR events, press releases, promotions and so on.

### Could you tell us what are the pitfalls to be avoided in order to navigate in clearer waters?

Winning at retail can be a major battleground, especially for smaller brands. Avoiding the following pitfalls will help you and your business navigate in clearer waters. Never agree to a retail margin or marketing investment you cannot afford. Never agree to brand-destroying retailer marketing activity. Try to understand the retailers' agenda by telling them what you want to say, not necessarily what they want to hear. Most importantly, never leave a retailer with empty shelves by failing to deliver an order in full and on time!

The future success of a business depends, in part, on its ability to continue expanding in developing markets. There is currently not a larger untapped market in the Middle East than Iran. Known as the jewel in Islam's crown, Iran combines a mixture of glorious architecture with a warm-hearted welcome. The country, could quite possibly be one of the friendliest and most amazing places on earth yet a very challenging market to enter. However, believe me when I say that it can also offer huge opportunities if dealt with successfully, Iran's ideal location between Europe,

Russia and the Persian Gulf States makes it a very important trading hub.

Understanding a market is key to a successful expansion so here are a few tips that will help you and your business avert any potential obstacles encountered along the way.

### I. GENERAL TRENDS OF THE IRANIAN MARKET

As one of the top 20 economies in the world and the largest country in the Middle East with over 80 million



inhabitants, Iran offers a great potential for beauty brands from all over the world as it slowly opens up to the West. More than half of the population is aged under 30 years old and today Iran forms the second biggest beauty market in the Middle East, followed by Saudi Arabia. It is also the seventh largest beauty market in the world. This might come as a surprise to many as it is well-known that make-up is officially forbidden by the government and women are required to cover up their bodies and hair when going leaving the home. However, as observed in the picture above, it is quite clear to see the care this woman takes on her skin makes for a strong market in make-up and fragrance. Young women are keen beauty consumers, spending up to 30% of their disposable income on beauty products. Moreover, Iranian beauty consumers are big spenders, purchasing an average of 23 bottles of fragrances a year. According to Euromonitor, Iran's total beauty market is estimated at \$4bn in 2016 and it is believed that it could double its size over the next five years. In other words, thanks to young consumers, the beauty market is set to blossom as well as the possibilities of economic growth that are offered by a more stable economic situation and better relationships with the West. After a recent agreement over nuclear ambitions from the Islamic government, suppliers and consumers are starting to see an improvement in the business environment. Prices are less volatile and the supply chain encounters fewer interruptions. Sanction reliefs from the West also mean that transferring money to and from Iran has been made easier, which has improved trade greatly. A more stable economy has had a positive impact on the consumer's purchasing power, which has also grown considerably. Hence, the demand for premium beauty and personal care products has also improved. As a consequence, importing raw materials and finished products will become much easier and the re-entry of companies that left the Iranian market due to sanctions will very likely happen. Other key drivers of the blossoming of the Iranian beauty market can be

easily identified. Consumer patterns are rapidly changing with Iranians shifting from functional products to more sophisticated ones that provide them with multifunctional benefits. According to Euromonitor, « the conversion from bar soap to liquid soap or body wash/shower gel, from double-edge blades to razor systems and from simple moisturizers to anti-ageing creams are examples of how increasing awareness resulted in higher values sales during the last five years». Last but not least, there has been a shift in advertising, which has promptly helped both international and domestic beauty brands to successfully grow due to increasing brand awareness among potential consumers.

The main markets in Iran appears to be colour cosmetics, fragrances and skin care, respectively. According to Euromonitor figures, Iran's total growth between 2014-2019 is projected to stand at \$86 million in fragrances and \$210 million in colour cosmetics, with both categories expanding at around 6-7 CAGR in real terms. Iran is characterized by a young demographic with a strong appetite for conspicuous consumption: Western designer brands fuel the aspirations of Millennials who see them as a way of asserting their social status. Korean cosmetics are also increasingly popular among young Iranian consumers, suggesting that Iran will very likely be keen to reduce barriers that prevent them from trading with Korea. In recent years, applying make-up on a daily basis has become a ritual for the 15.5 million women in Iran, especially in urban areas. Today, Shekofa Kish, local brand owner of Nivea and Max Factor is the leading player in the highly fragmented category of colour cosmetics in Iran. The company benefits from a very strong distribution network and very high levels of consumer brand awareness.

The key factor for a product's success in Iran is that it must have multifunctional benefits. Multinationals wishing to expand in Iran should emphasize their New Product Development on skin care, cosmetics and fragrances because on

the contrary to toiletries, the competition from cheap domestic brands is less severe and the potential for growth is more obvious. There is still a lot of room for substantial growth in many categories over the next decade as the market is still immature and growing from a very low base. Multinationals are expected to increase their spending on advertising, helping them to also increase their brand awareness. At the same time, domestic companies will try to improve the quality of their products and packaging to survive in an increasingly competitive environment.

## II. OVERCOMING THE CHALLENGES

If you wish to expand your business into the Iranian market, it isn't necessary to say that a few major obstacles will most likely be encountered along the way.

One of the major pitfalls of Iran is that the majority of branded colour cosmetics sold are counterfeit products imported from China, South Korea and Turkey. Back when Procter & Gamble decided to pull out of the country, the gap in the market left by its razor brand Gillette was almost instantly filled by illicit goods. Whilst there are no official statistics, it is believed that Iranian women are the biggest consumers of counterfeited cosmetics carrying famous European and U.S. brand names.

Other main factors that are currently making trading difficult for companies are:

- Barriers to enter
- Arduous registration and licensing of products
- Customs clearance
- High import duties
- Illegal importation/non-compliance
- Local agency requirements and registrations
- International sanctions and embargos
- Complications with financial institutions and payment terms

It is currently extremely difficult to import products as each of them must be registered by the Ministry of Health. Moreover, businesses face extremely tight regulatory controls and high import duties. There is also a very strong presence of grey-market beauty products meaning that success in Iran is anything but guaranteed.

The retail environment despite being of high quality is also saturated and high rental prices mean that brands face fierce competition. Culturally, Western companies should expect some pushback. For instance, some American products are still prohibited from entering the market (although many are present unofficially on the grey market). Despite the under-going reconciliation, conservatives in the country continue to perceive western brands as suspicious. Without a doubt, Iran presents great opportunities that one can simply not ignore. At IL Brand Consultancy we know that choosing where and how to expand your business can be a tough decision, especially if expansion and growth is new to you. We work with our clients so that we can provide them with clarity, backed with years of experience, expertise and knowledge. With our understanding of the market, we have put together a selection of options that we believe will help you and your business enter the market as smoothly as possible:

### 1. The United Arab Emirates Free Zone



Thanks to its proximity with Iran, the UAE can be seen as a strong partner. The country is consistently considered the best Middle Eastern Country to do Business with. It has also been ranked 27th by the World Bank as the Top Countries To Do Business With and 8th worldwide in the 2017 Index of Economic Freedom, released by the US-based Heritage Foundation. The UAE possesses a strong network of Persian

retailers and is one of the major logistics hubs in the Middle East. As organiser of the International Manufacturer and Distributor Forum, which took place during the Professional Beauty Exhibition in London last February, I had the chance to invite a panel of guest speakers to debate on Iran and its opportunities for the beauty market. After thoughtful consideration, my recommendations go to the Dubai-based distributor, Luxuria Trading, who I well versed in the peculiarities of distributing high-end products in Iran. Its founder and CEO, Bechara Sleiman, has long understood how to avoid the usual pitfalls of this promising yet challenging market thanks to his 25 years of continuous presence in the Middle East. As long as the Iranian legal framework remains unstable, Mr. Sleiman recommends relying on a strong UAE partner. With its business-friendly regulatory environment, the UAE is consistently ranked the best MENA country in which to do business. This, coupled with its geographical proximity to Iran, makes it a good point of entry for those luxury brands wishing to penetrate the Persian market. In particular, choosing a distributor established in a free zone offers many advantages such as the absence of custom duties, the possibility to register the items for their re-export together with the existing infrastructures of a logistics hub. According to Mr. Sleiman, "items can be shipped from Dubai since Iranian authorities rarely raise issues with deliveries and invoices originating and issued from the UAE. In addition, most financial institutions operating out of the UAE are used to working with Iranian businesses, contrary to some Western banks which may be reluctant to process transactions involving this country.

### 2. Direct Presence in Iran

Another option could be to establish a direct presence in Iran. This would mean choosing the right form of entity for your

business either as a limited liability or as a private joint stock company. However, this would imply complying with strict local ownership requirements and paying 25% corporate tax. A business that sets up directly in the Iranian market would have to be transparent (e.g. Foreign Investment Promotion & Protection Act FIPPA) and employing locals would be an added-value as they would have a better insight and understanding of how the market works and what consumers really want.

### 3. Iranian Free Zone

There are 6 free zones in the Islamic Republic of Iran with the most well-known being Kish Free Zone, Qeshm Free Zone and Chabahar Free Zone. The benefits of establishing in an Iranian Free Zone are as follow:

- No tax corporation
- No visa requirements for entry into the zone
- No customs duties on exported raw materials, semi-finished goods or machinery
- Land purchase for foreign investors inside the free zones

Entering the Iranian market can be extremely tough for many reasons, one being the highly complex political and financial structure of this market and in turn, the country. Many brands get easily scared when seeing the pitfalls and avoid entering the market altogether. However, the Iranian beauty market is one to watch in the near future because it is rich, diversified and growing at a fast-pace. According to the Food and Drug Administration (FDA) of the Islamic Republic of Iran, almost 50,000 different brands of beauty, toiletries and health care products were imported and authorised for sale in 2016. Foreign companies need to keep in mind that it is no easy task to expand in Iran and that it is essential to have the right strategic plan. By choosing the adequate partner, Iran could and should definitely be the next stop on your agenda.



For more information on how **IL Brand Consultancy** can help you expand your brand into different markets such as China, please contact us on [info@ilbc.co.uk](mailto:info@ilbc.co.uk) or visit our website at [www.ilbc.co.uk](http://www.ilbc.co.uk)