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# **Hildur: A new luxury skincare line on the anti-aging market**

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# **Hildur: A new luxury skincare line on the anti-aging market**

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## **ABSTRACT**

The beauty industry is driven by the obsession with maintaining a youthful appearance. For many years women have been concerned with their looks and the frightening fact of aging, whether it is concerning their body satisfaction, aging anxiety, appearances, sociocultural pressures or their self-esteem. Women look for anti-aging products to conceal or reverse the sign of aging. The anti-aging market is a fast growing market, with constant new innovation on anti-aging ingredients, giving a real hard competition to the new brands out on the market. In a recent report the demand for the cosmeceuticals category is arising and is mainly driven by anti-aging products, that offer better results at a higher cost in in terms of time, money and safety. According to results baby boomers are eager to try out new active anti-aging products that give fast results. The main objective of this thesis is to analyze a new luxurious skincare line Hildur, on the anti-aging market and to find out if there is a gap in the market where there was a room for growth. An extensive market research on the European Cosmetics Markets was performed and a detailed competitive analyzes on both the direct and indirect competitors. According to results, there is a potential for a new luxurious skincare line on the anti-aging market to be successful and penetrate the market. There may be some obstacles that a new brand needs to be aware of and that is why a thourough market research needs to be conducted. The main obstacles and threats are the competition in this fast paced environment with consttant new innovation and technology. With a strong and clear brand position a new luxurious skincare line on the anti-aging market can succeed if the market is clearly defined and good preperation conducted.

**Key Words:** Cosmetics, Beauty Industry, Anti-Aging, Cosmeceutical, Skincare, Product, Nano-technology, Market Analyze, 4 P's, Perceptual mapping

## **FOREWORD AND AUTHOR'S STATEMENT**

This Bachelor's thesis accounts for 12 ECTS-units towards a B.Sc. degree in Business Administration at Bifröst University. The author is Hildur Ársælsdóttir, and the thesis supervisor was Einar Svansson, professor at Bifröst University. The processing and writing of the thesis took place in Copenhagen, between August and December 2013.

The thesis' subject is to analyze the beauty industry market to gain a deeper and clearer understanding as well as prepare to launch a new luxurious skincare line on the anti-aging market. A thorough competitive analyze was conducted to understand the market as well intensive research on the European cosmetic and fragrance marketplace. Additionally, the collected data was evaluated and compared to the author's own experiences in the beauty industry to create a conclusion.

The undersigned wishes to thank those who provided essential support and information to the processing of the report. Special thanks goes to Einar Svansson, for excellent guidance and advice and to Linda Björk Ársælsdóttir for reading parts of this thesis.

I, the undersigned have worked on this thesis independently and it is the result of my own research. The thesis is altogether my own work, with clearly referred to sources, where the works of others have been cited. In this, respect the rules of Bifröst University have been followed to the best of my ability.

Bifröst University  
December 17<sup>th</sup> 2013

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Hildur Ársælsdóttir

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## **1. INTRODUCTION**

This chapter will present the methodological framework used for collecting and analyzing the data used in this thesis in order to answer the research question. The chapter starts with an explanation of the research question the research approach and the research strategy. Afterwards, the methodology selected to use in the data collection methods will be presented. Furthermore, a short description of the company and marketing strategies will be looked at to give an insight into the thesis.

### **1.1 Objectives**

The purpose of this thesis is to research and analyze the anti-aging market and see where there is a gap and what segment of the market a new luxurious Icelandic skincare brand could succeed. Research question: *Is there a room for a new Icelandic luxurious skincare brand in the anti-aging market?* To succeed, the analyzes need to be thorough and the market clearly defined. Competitors need to be looked at closely as well as finding the right target market. The competitive analyze will be very important and a big part of the thesis as the competition in the beauty industry is harder than ever and for new brands to reach the market, they need to be constantly aware for their main competitors. The goal is to provide the skincare industry with high quality, scientifically proven products that deliver fast results through nanotechnology.

### **1.2 Methodology**

The methodology that will be used in this thesis is primary and secondary research from industry related articles. Competitive analyses will be very important in the thesis to know how to separate from the competitors and create a competitive advantage. For the competitive analyses, two different methods will be used to collect and analyze the data about the competitors. One of them will be a competitive table where the USP (Unique selling points) of each competitor will be looked at and then there will be drawn a positioning map on the top competitors where conclusions can be drawn from on how to position the brand.

### **1.3 The Company**

Hildur is an Icelandic brand that produces innovative luxurious cosmeceutical products that combines the most advanced naturally based ingredients with science and technology. Hildur is an inviting brand and has an upscale influence which positions itself among the luxurious and prestigious beauty brands that are currently out on the anti-aging market. The products

deliver results that are demanded by the anti-aging focused consumer, through a fusion of natural and fast acting ingredients that penetrates deep into the skin through nanotechnology. By using nanotechnology in the formulation, it enables the products to deliver a wide variety of active encapsulated ingredients to the cell. The brand has an optimistic future in the beauty industry as it's positioned for the luxury market, which is ever expanding and sets the bar high when it comes to product quality, by investing in the newest technology and coming up with innovations that deliver results.

#### **1.4 Marketing Strategies**

The market, in which the brand will reside in, is the luxury anti-aging skincare market. A €63.5 billion market in Europe alone. This is a competitive market but with the right products and positioning there is a room for tremendous growth (Global Insights, 2007). Consumers in today's market are relentlessly begging for products in which will deliver "fountain of youth" fast results. With the baby boomer generation getting not only older, but wiser in age, anti-aging has become a major concern of theirs (Darden. K, 2011). According to the study by Global Insight is the skincare category the fastest growing and it was the only category that showed growth in every country in Europe. They baby boomers are savvy and very intelligent when it comes to the ingredients in which they want in their products. They are familiar with the main anti-aging ingredients, like Hyaluronic acid, Retinol and Anti-Oxidants, and they note the efficacy, and the quality of the overall product and that is the main concern when purchasing a skincare product. "Attempts to control aging have become increasingly linked to science and medicine, and the cosmetic industry is capitalizing on this trend by giving its products a more scientific appearance" (Muisse, Amy, 2010). This is what the beauty industry has named "cosmeceutical" and represents the combination of cosmetics and pharmaceuticals. Cosmeceutical products usually incorporate biologically active ingredients that claim they have medical or drug like benefits, and have anti-aging effects (Muisse, Amy, 2010). This is a trend that has been arising over the past few years and there are already a few market leaders in the cosmeceutical world, f.x. Skinceuticals, an American brand that L'Oréal has acquired under their Active Cosmetic Division. Meaning that the term cosmeceutical is taken very seriously in the industry even though this is a marketing term and was invented by the industry itself, as there are no requirements to prove that the products actually live up to their claims (Muisse, Amy, 2010). The FDA or the European Union does not recognize Cosmeceuticals; "There is no recognized legal definition of a cosmeceutical, as compared to the legal definition of a cosmetic or a drug anywhere in the world" (Steinberg, David. C,

2005). Cosmeceutical skincare products offer an alternative to cosmetic surgical procedures and deliver better result to the consumers. By answering the market demands Hildur will deliver results quickly and effortlessly through nanotechnology with potent and active biological ingredients.

## **1.5 Management**

Hildur, the CEO, founder of the brand, and the author of this thesis will oversee all aspects of the business to begin with. She has over 8 years experience within the industry, from product development to marketing and has worked with some of the biggest international beauty companies. Her education, experiences and networks help with contributing to the brand image, as it will be perceived by coming from a beauty insider. As the brand continues to grow two important positions will be filled for the following tasks to create a strong brand that will have the tremendous opportunity for growth.

- Chief Financial Officer whom will make sure that the business has the proper cash flow and sales to run and grow quickly as well as helping with the budgets.
- Director of sales and marketing, the responsibilities will be to develop business opportunities that will help maximize product awareness, and drive the growth of the brand in Scandinavia. The sales and marketing director will also be in control of the digital platform to maximize brand awareness through SEO (Search engine optimization) using email marketing techniques, handle all social media, research and implement new ways to effectively market products to our target market and lastly prepare and promote in store events.

## **1.6 Outline of the thesis**

This thesis consists of seven chapters including introduction, subject discussion, literature review, methodology, data analysis, and conclusions. The first chapter, Introduction, explains the overall background of the thesis, it's purpose and potential benefits, as well as outlining the thesis' research questions. The second chapter, Definition of the market; Research and Analysis, defines the main facets of the beauty industry, the size of it and the target market. The third chapter, Marketing and Sales strategy, presents relevant theories and research on the thesis topic. In the fourth chapter, Competitors, both direct and indirect competitors are looked at as well as global and local competitors are presented. In the fifth chapter, Business Description and Vision, the company and brand is presented. In the sixth chapter, Finance, the financial numbers are displayed and presented. Finally, in the last chapter, Conclusions, the

findings are discussed and overall conclusions are drawn followed by implementations for further research.

## 2. DEFINITION OF THE MARKET: RESEARCH & ANALYSIS

The purpose of this chapter is to establish a theoretical outline. The literature presented in this chapter outlines with research findings and theories relating to beauty industry and the outlook of the market. Furthermore, the target market is outlined and market share objectives looked at. All the literature is described and explained in order to build a theoretical background for this thesis.

### 2.1 Cosmetics Market

The total European market consumed cosmetics for €63 billion in 2006, where of the five major EU countries, France, Germany, Italy, Spain and the U.K. accounted for almost 70% of the total market. The EU12 (the newest members of the EU) represent only 9% of the total European market while it covers 21% of the total population. This shows that there is a big potential for growth in those market (Global Insights, 2007). What is interesting to look at as the Company is focusing on the European market to start with is that the size of the European market is almost as big as the markets in the U.S. and Japan combined. The cosmetic market in the U.S was €38,2 billion in 2006 while the market in Japan was €23,7 billion (Global Insights, 2007).

The table below represents the size of the cosmetic and fragrance market in Europe in millions of €, also in this table the share of the market is displayed for each country:

2006 Country Market Sizes and their Shares of the Total; Retail Sales Prices, Millions of €					
Country	Market size	Share of Total	Country	Market size	Share of Total
EU15	57,586	90.7%	Denmark	928	1.5%
EU12	5,889	9.3%	Czech Republic	840	1.3%
EU27	63,475		Finland	758	1.2%
			Romania	655	1.0%
Germany	11,713	18.5%	Hungary	630	1.0%
France	10,440	16.4%	Ireland	567	0.9%
United Kingdom	9,993	15.7%	Slovakia	423	0.7%
Italy	8,793	13.9%	Cyprus	179	0.3%
Spain	7,442	11.7%	Lithuania	177	0.3%
Netherlands	2,437	3.8%	Bulgaria	172	0.3%
Poland	2,416	3.8%	Slovenia	162	0.3%
Belgium/ Luxembourg	1,720	2.7%	Latvia	93	0.1%
Sweden	1,552	2.4%	Estonia	85	0.1%
Greece	1,344	2.1%	Malta	59	0.1%
Austria	1,291	2.0%	Switzerland	1568	
Portugal	1,105	1.7%	Norway	1,022	

Source: Euromonitor, COLIPA Statistics Working Group

#### 1. Size of the cosmetic and fragrance market in Europe

If the Scandinavian market is looked at closely, there were some challenges facing Denmark, Norway, Sweden, Finland and even Iceland, mainly that consumers were looking to buy cheaper products than usual (Scandinavia, The Nordic Response, 2009). According to this study, the market was hoping it would cope with the uncertainties due to the lipstick effect.

Since the company is starting the distribution in Iceland, it was interesting to see how Iceland has been coping with the economical shift. According to the article The Nordic Response, international retailers have increased their prices up to 100%, while the local brands have tried to keep the prices down and have not increased the prices much more than 9%. Ásta Kristín Syrusdóttir, a marketing director for a local Icelandic brand said in the article “It used to be the case that Icelanders had to have the most expensive cosmetic product, just because it was fashionable, but now they are more interested in buying Icelandic goods. They used to buy their facial care products from the internationals, now they buy from us. For the time being we are doing really well...” Even with the challenges the Scandinavian market has faced, it has grown almost 0.8% each year for the last decade (Scandinavia, The Nordic Response, 2009).

## **2.2 Business Industry and Outlook Description**

The baby boomer generation is now becoming increasingly interested in anti-aging products and therefore the focus is solely on the specific target market and to make sure that the offering is of the correct products with the most effective ingredients that will help rejuvenate, the skin. The baby boomer generation is predicted to have a higher expendable income, which makes them the ideal target consumer for cosmeceutical skincare products that often have higher prices than usual skincare products (Pitman, Simon, 2013). Wrinkles are the number one concern amongst women between 45-55 years of age according to a study that was done by the European Health and Beauty Survey (Ipsos, 2007).

Currently the anti-aging industry is a fast paced and vitally growing industry. The anti-aging market remains a growth territory, which the brand can use to confirm its position on the market. With the progression of baby boomers becoming more prominent and focused on anti-aging, there is a large opportunity for growth within the beauty business. With the foreseen changes in the industry due to economical shift it looks like the beauty industry is not effected by it at all, because even if consumers can't afford a new house or a new car they

will not give up on their favorite lipstick. When they run out of lipstick or foundation, or even their shampoos, they go out and buy more. This is referred to as the *lipstick effect* (Duronio, Ben, 2012). The beauty industry was one of the few industries that increased in profit when the economic crisis hit in 2008. If the sales go down in the beauty industry it is definitely short term as women will never stop wanting to look their best. The long term effect on the other hand are good as customers are becoming more knowledgeable and interested in their beauty products which is only good for the beauty brands. The net sales have been over \$50 billion in the US alone for the last three years and continue to grow each year (Rufus, Anneli, 2010).

New technology and patents have accelerated over the last decade, which has resulted in a large selection of anti-aging products out on the market. As mentioned before, the new trend on the market is the term cosmeceutical, and will be what the new brand is focusing on. According to an article from MedEsthetics, which is a business education for medical practitioners, there is a tremendous market for anti-aging products even during the recessions, like mentioned before is due to the lipstick effect, as the industry can deliver curative cosmetics and preventative benefits at an affordable “little luxury cost”, which has contributed to a growth during recessions by 2% in 2013 and 4% growth in 2011 according to report from the ReportLinker. The retail sales of cosmeceutical in the US alone countered for \$9.7 billion in 2011 and they are expecting to reach \$11.7 billion by 2016 with ongoing sales (MedEsthetics, 2012).

Cosmeceutical products have a big emphasis on scientifically developed and technologically advanced formulations and often contain active ingredients that can also be found in pharmaceutical products. The continues emergence of increasingly sophisticated active ingredients is said to be the main driving force behind the growth of this segment, which is rapidly evolving from what was a niche market into a still relatively small but significant category (Pitman, Simon, 2013).

According to new research the cosmeceuticals are ranked as the fastest growing beauty category, making it very logic to launch a new anti-aging skincare line in this category. The top five European countries (U.K., France, Germany, Italy and Spain) account for almost 65% of the overall cosmeceuticals market (GCI, 2013). Like mentioned before Cosmeceuticals are not regulated or recognized by the FDA or the European Union, but in

the European Union cosmeceuticals are looked at as cosmetic, while in the United States they are viewed as drugs that have not been approved by the FDA. Japan has always been ahead of the EU and US when it comes to regulations in the cosmetic industry, for example have they banned far more raw materials in cosmetic formulations than the EU and US combined, so it's not a surprise that in Japan cosmeceuticals are regulated as quasi-drugs (Steinberg, David C., 2013). Even though cosmeceuticals are not regulated they must adhere to specific regulations for Good Manufacturing Practices (GMP) and follow a guideline for product marketing to avoid false product claims, which can result in the products being pulled from the shelves (GCI, 2013).

The biggest change in the beauty industry is the movement towards organic and natural products and with that the availability of organic and natural resources is growing. This change will not effect the author's business decision by producing a skincare line with active chemical ingredients as it will remain steady on the market because when it comes down to it the consumer wants a product that works and gives fast results, and your not getting the same results with 100% natural or organic products. According to science expert, Perry Romanowski, companies are claiming that they are more natural than standard cosmetic products "They claim things like 'paraben-free' or 'sulfate-free' as if there is something inherently safer or better. They aren't safer for people. 'Natural' products are not better" (Rufus, A, 2010).

It seems to be the right thing to focus on the Scandinavian market to start with as research has shown that they spend the most per capital. Sweden and Denmark were ranked the highest with €171 per capital while the average spending among the European countries is €128 per year (Global Insights, 2007).

### **2.3 Key Global Players in the Beauty Industry**

There are 10 top global players in the beauty industry that combined have control over half of the cosmetics market. There has been an ongoing trend that the big players are acquiring the smaller brands on the market, which slowly helps them gaining more and more market share.



The table below lists the market share of the top ten global players on the market:

Company	2006 C&T Sales	
	(€ millions)	Share
Procter & Gamble Co*	18,360	12.7%
L'Oréal Group	15,011	10.1%
Unilever Group*	10,264	7.1%
Colgate-Palmolive Co*	5,783	4.0%
Estée Lauder Cos Inc	5,313	3.9%
Avon Products Inc	4,801	3.3%
Beiersdorf AG	4,327	3.1%
Johnson & Johnson Inc*	4,048	2.8%
Shiseido Co Ltd	4,314	2.6%
Kao Corp	3,235	2.5%

Source: market share data comes from Euromonitor<sup>111</sup>

## 2. Market share of the top ten global players

### 2.4 Mass Market vs. Luxury Market

The cosmetics market is divided up in to two main markets, the mass-market and the luxury market. The mass-market brands are usually available in supermarkets, kiosk, pharmacy and some mainstream brands might be available in specific beauty stores. While luxury brands are usually distributed via high-end retail channels, duty-frees and selective spas. The pharmacy market has changed over the years and in many countries luxury brands have started to use pharmacies as their channel of distribution as well. What differs these two markets is usually the prestige price point of the luxury brands as well as the quality of the products. Active ingredients are quite expensive and when a consumer purchases a luxury product, he usually gets a better product with higher concentration of active ingredients that will give faster results. In a study done by the luxury institute, 60% of wealthy consumers reported that the main differentiator between a luxury and mainstream product is the quality, while 55% said that the price is the second biggest point of differentiation (The Knowledge of Luxury, 2013).

The key global players that are competing in the luxury market are L'Oréal, Estée Lauder and Shiseido, but L'Oréal is the second biggest beauty conglomerate with over 27 brands under their umbrella. L'Oréal divides their brands into 4 divisions; Active Cosmetics, which are the pharmacy and cosmeceutical brands, Professional Products which are the hair salon brands, then they have Luxury division where the key players in the luxury market are like, Helena Rubinstein, Yves Saint Laurent, Lancome etc. and the last one is the Consumer Product division where the mass-market brands are like Maybeline, Garnier and L'Oréal Paris

(L'Oréal, 2013). Estée Lauder prides itself on being the leader in luxury market but they as well have over 25 brands and they include some of the most luxurious brand on the market like; La Mer, Darphin, Estée Lauder, Clinique, Bobbi Brown, Smashbox and MAC (Estée Lauder, 2013).

## **2.5 Target Market**

Identifying the target market is one of the essential steps when creating a marketing activity plan. If you want your brand to succeed in the market you need to know your target profile so you can speak directly to them. There are several ways you can identify your target market, but to get the most accurate profile you need to know the geography, demographics as well as psychographics (Kunde, 2012).

The author has analyzed marketing material and webpages from the major market players and identified the target profile to be sophisticated women most likely from the baby boomer generation that are heavy users of face care and are affected by wrinkles, loss of firmness and dehydration in their skin.

- Women
- Age Range: 30- 65 years old
- Ethnicity: Caucasian
- Income Range: \$45,000 and up
- Education: College educated
- Geographic Location: Europe & America
- Values: Luxurious lifestyle

## **2.6 Target Profile**

Based on the target market analyze a target profile has been created: A woman in her mid thirties that has an established career within an international corporation, driving a fancy a car and carries a designer bag. She loves traveling, spending time with the family, and have lovely dinners in the city. She lives in the city and is well educated. Ravishes in the finer things in life, and makes a healthy recognition of her outward appearance. She loves to use the most advanced and current products when it comes to her beauty regimen. She is concerned with aging and all aspects of the topic so she will take the advice of the industry experts, but will do her own research as well.

## **2.7 Summary of the Cosmetic Market**

The market is competitive due to frequent innovation and new technology, but there is a substantial room for growth. The ambition is to meet a more expert audience and match more sophisticated expectations by seizing new opportunities on the anti-aging market. According to the marketing research a new company on the market can recruit sophisticated women with anti-aging as a main concern. The company can possibly gain the desired percent of the market share because of its research and development and for product reliability and efficiency. The company will try to position the brand above others by building a strong brand and ingredient story as well as being in demand as a luxurious product. The aim is also to make sure that the consumers are fully educated on the products and understand exactly how they work. This will help put the company above the competition and to maintain a fair percentage of the market. The beauty industry is very competitive market and it can be threatening to a new brand; market leaders that dominate the cosmetic and fragrance industry can create pressure for the competition. It's therefore important to have a strong brand positioning and know your competitors well.

### **3. MARKETING & SALES STRATEGY**

The literature presented in this chapter deals with marketing and sales strategy of the brand. Presented in this chapter will be the channel distribution and the four P's Product, Price, Place and Promotion will be looked at. Furthermore, a short description of the POS material will be presented.

#### **3.1 Integrated Marketing Communication**

One of the main marketing strategies is the integrated marketing communication (IMC), which is a different approach to achieve success in a marketing campaign. The success is achieved through different promotional methods like one-to-one marketing, direct marketing and mass marketing that are to strengthen each other (Thorson, E, 1996,).

As defined by the American Association of Advertising Agencies, integrated marketing communications " ... recognizes the value of a comprehensive plan that evaluates the strategic roles of a variety of communication disciplines advertising, public relations, personal selling, and sales promotion and combines them to provide clarity, consistency, and maximum communication impact" (Integrated marketing, n.d.).

#### **3.2 Channels of Distribution**

The objective is to operate in high-end retailers & duty-free stores and 90% of the marketing budget will be invested in creating visibility in the stores. The products will be pushed through training, huge event on the POS (Point of sales material) as well as generous and continuous sampling. Our products will be anchored as the reference for all anti-aging consumers. Within the first 6 months on the market the objective is to win market share, especially against Sif Cosmetics (EGF) and Una Skincare as well as recruit from other distributions. The other 10% of the marketing budget will be invested in PR and advertising to recruit more sophisticated women to the brand.

The brand will start with one single distribution and launch the skincare line in collaboration with a well-established company in Iceland that has a steady stream of international consumer, tourist as well as natives. This will ensure a good start up in sales and recognition of the brand since they will be giving exclusive rights on the product line in Iceland for a specific period of time. Since the company has the exclusive rights they will be helping with

marketing and advertising via their website and brochure and can help with positioning the products regarding shelf space and push the sales even further. The focus for the first year will be in Iceland, and as the brand expands other markets will be looked at. The Scandinavian market will be the focus for the first few years as they have been very excited about new Scandinavian beauty products, but the brand will eventually distribute through high-end retail and department stores, selective spas and in duty frees throughout Europe and North America. The brand will have its own sales force made up of industry experts, in which to sell the products through different brick and mortar locations.

As the Internet has become a growing habit of everyday consumer life and we are competing in a fast paced and technology advanced industry the brand will also be present on the Internet market with a viable website and online store for the consumer to shop the products at any time, whenever and where ever. According to the book Storewars, Cosmetics and Nutrition is the 4<sup>th</sup> largest category online with 22% Internet retailing, which is expected to go up to 30% by 2020 (Thain, G, 2012). As the site progresses, there will be included blogs and event updates, beauty styles, trend, information and posts about beauty news. Eventually, there will be establish and nurtured an online social community through beauty blogs and beauty websites as well as the brands own Facebook Fan Page, Twitter page and their own blog where individuals can gather and discuss popular products and share their own recommendations for others to see. The online-based pages will help us promote our video events and latest news of the brand. This will push the sales and give the brand a more important size on the market. The initial goal is to be able to open private stores around the world in cities that have important luxurious traffic and meet with the demographic target. The shop will be selling cosmetic products all created and produced under the brand's name; Cleansers, facial mist, moisturizers, serums, masks & scrub and eventually body products. When the brand has branched out the aim is to set up an exclusive luxurious spa in Iceland that will carry the brand.

### **3.4 The 4 P's of Marketing**

Philip Kotler put forward the model of the marketing mix, which consists of the 4 P's of marketing, they stand for Product, Price, Place and Promotion and are the marketing essential for all marketing strategies when launching a new brand or a product on the market (Kotler, P, 1986).

### 3.4.1 Product

Hildur is an innovative, luxurious and sophisticated active skincare brand that uses natural approach infused with science and technology to help preserve the youth of the skin with nanotechnology. The skincare line consists of four products; Cleanser, Thermal Water, and an Anti-Aging Day and Night Cream. The look of the products is inspired by the raw Icelandic natural forces; volcanoes, geysers, springs and waterfalls. The isolation, darkness and total silence as well as the contrast it brings during the seasons. The colors black and white were chosen for their contrast together, white representing the pureness of the Icelandic nature while black represents the mystery and darkness of Iceland. The product comes in sophisticated heavy black acrylic bottles that are to represent the unique black beaches of Iceland and the sea that caresses the rocks in the ocean. The name of the brand Hildur comes from the owner and means battle. The name fits well with the brand as we are targeting the women who are battling with aging in the skin and has therefor a strong position on the products.



### *3. Packaging of the products*

The products offer the highest concentration of the finest ingredients delivered through nanotechnology to reverse the signs of aging and reserve the youth for years to come. The main objective is for the ingredients to reach deep within the skin for the best results and

doing so by making breakthrough products in collaboration with experts at the cutting edge of science and medicine. Most skincare products remain only on the upper layer of the epidermis, as the molecules tend to be too big and therefore can often not target the problem, which doesn't lead to a desired outcome. Like mentioned before the company has incorporated nanoparticles (nanosomes) in the products, a very small molecules that are measured in the Nanometer range, but the nanosomes are about 3000 times smaller than the pores on our skin. They are up to twenty times smaller than liposomes, which are most commonly used today in the skincare market to deliver the active ingredients deeper into the cell. The nanosomes are composed from high quality phospholipids or up to 40%, which are one of the essential components of the cell membrane and therefore our body does not treat it as a foreign element (Nanoemulsions, n.d.). By using this technology the active ingredients are able to penetrate much deeper into the skin than they normally would and will therefore give better and faster results. The brand will be among the very first to incorporate nanotechnology in a whole skincare range but this is only the beginning as in the coming years many brands are going to incorporate this breakthrough technology into their formula. Like mentioned before even the big beauty empires like L'Oréal and Estée Lauder have started to develop some formulas that incorporate nanotechnology.

The success of a company is not only based on having a good product but also to be one of the first to embrace new trends in the industry and this will create a first movers advantage on the Scandinavian market. All of our formulas contain ingredients from natural resources that have been grown in "The Cosmetic Valley" in France. The Cosmetic Valley has over 550 companies that specialize in the cosmetic sector from formulation but they have all the primary materials like essential oils, principle actives and other active ingredients that they have available to them from their plant resources (Cosmetic Valley, n.d.). They have control laboratories and do fillings and all kind of packaging from plastic injection to glass production and even POS promotion designs. Most of the biggest company's in the industry have set up their facilities there like; L'Oréal, Coty, LVMH (Dior, Guerlain, Kenzo) Shiseido, Sisley Clarins and Chanel but about 80% of the companies are SMEs. The Cosmetic Valley seeks to contribute to the influence of "Made-in France" luxury and encourage cosmetics and perfumery business to come to the region. One study showed that the 50% of the time the buyer's decision to buy a cosmetic product was based on if it was made-in-France product (Cosmetic Valley, n.d.). This will give the brand an advantage on the market by being produced and manufactured in the capital of the beauty industry.

The focus on the products is for the ingredients to penetrate as deep as possible through the epidermis and that's why the products are rich with amino acids as well. Amino acids are known to penetrate deeper into the stratum corneum's cell layers than other ingredients like protein due to their low molecular weight and they are enriched with vitamin E that is one of the most powerful antioxidants that protect the skin from free radicals. All the products have a hypoallergenic calming fragrance and luxurious sensations and have been tested under dermatologist control.

One of the key ingredients in the products is the Icelandic spring water/thermal water and will be present in all of the products. The thermal water segment is growing +8.8% in Europe (L'Oréal, 2009). Thermal water has been proved to have many soothing effects on the skin, and by having access to one of the purest water in the world is something the company will benefit from by including it as a key ingredient in the products. The overall products have an effect on the skin in the following ways. Dehydration wrinkles are reduced and the skin is rehydrated. There is reduction on overall tightness in the skin, which results in a smoother and younger looking skin. The hydration segment of the beauty market is growing and is the number one daily care segment that represents 60% turnover of the daily care (L'Oréal, 2009). Other product features are as followed:

- Hydrating
- Anti-Oxidant
- Hypoallergenic
- Paraben-free
- Soothing



#### *4. Hildur's Thermal Water Spray*

All the products go through intensive clinical testing under dermatological control for strong and reliable claims.



**Anti-Aging Gentle Foaming Cleanser** – A rich, foamy and effective cleanser that will remove even the most stubborn makeup, dirt and grime without drying your skin and respecting its physiological balance. Anti-aging active ingredients will exfoliate and stimulate the skin leaving it radiant and silky smooth.

**Thermal Water Spray** – A facial mist with Icelandic spring water/thermal water that will invigorate and rejuvenate your skin after cleansing. This is also ideal to refresh and hydrate your skin any time of the day.

**Cellular Anti-Aging Day Cream** – Luxuriously textured and light weight anti-aging day cream that will reverse the signs of aging through nanotechnology. Enriched with hyaluronic acid that can lock up to 1000 times its weight in water and is naturally present within the skin. This active ingredient creates a long lasting and immediate hydration. Filled with antioxidants to prevent damage from the free radicals and it will improve circulation in the skin. UVA/UVB SPF 15

**Cellular Anti-Aging Night Cream** – Soothing and relaxing anti-aging night cream that will protect your skin's youthful appearance with nanotechnology. Fine lines and signs of fatigue fade away after each application leaving your skin looking smooth and radiant.

### **3.4.2 Place**

Like mentioned in the chapter 3.2 the products will be sold in high-end retailers and duty-free stores. Since the Internet has become a dominated marketplace the products will also be available online as the consumers tend to look for products via the Internet. The company will have a sale force that is build by industry experts that will go to the stores and promote the products. As some of the competitors are only available via medical spa's the brand has an advantage by differentiating themselves from the competitors by offering luxurious cosmeceutical products at high-end retailers where the luxurious and sophisticated consumer can be reached.

Presently, the company does not have a location or building. However, the company has identified an ideal spot in Reykjavík, Iceland. This popular spot includes many well-known companies in Iceland and is near numerous restaurants, hotels, and touristy spots. Reykjavík is one of the top desirable locations to have a shop or an office since it has a good location from the airport.

The idea is to rent a spot that can be used for a show room where all the products can be placed, as well as an easy and good address to be visited at. There will be taken care of putting in place a special decoration to the show room that is linked to the environment of the company, the nature of Iceland and it will be a place for all the team members to work at and give their best. It's a necessity that a creative floor plan will be selected so that the brand image can be displayed, to support the future growth of the company and ability to conduct all aspects of the business, pertaining to deliveries and shipments, inventory management and administrative duties such as finance, purchasing, and marketing.

### **3.4.3 Price**

The pricing in the cosmetic markets is relied on huge mark ups, according to Perry Romanowski the author of *Beginning Cosmetic Chemistry* and the site *BeautyBrains.com* where you can ask questions about science and cosmetics. Furthermore, Romanowski explains that "Some skin-care products you can buy in Sephora cost about \$2 to make, but then are on sale for \$300. Other skin-care products can be made for 50 cents and are sold for \$2" (Rufus, A, 2010). Romanowski goes on that with that in mind, the price of a cosmetic product is essentially directly related to the image of the brands, "Premium brands demand premium prices".

According to the article *The Cosmetics Racket* marketing cost is what dominates the mark up, as all of the advertising the consumer sees is paid for by the product markups and of course the packaging can also be expensive. Another beauty expert Paula Begoun, says that cosmetics companies are aware of the anxieties consumers have about aging and other skin concerns and therefor they know what the consumer wants to hear. "...People are willing to pay a lot more than is necessary for a product that promises to fix whatever bothers them" (Rufus, A, 2010). Begoun also says in the article that cosmetics consumers actually believe "more expensive" means "better".

The pricing of the products is determined solely on the cost of ingredients and packaging, and is priced to compete with its top competitors. Iceland has a fast growing economy and a lot of people that are willing to pay premium price for luxury products. The products are priced at a higher-end, yet the consumer is paying more for a product that performs and is backed by technology, which increases their credibility. The profit margin is high on the products, but the mark up is 400% allowing for good, healthy business growth. The company feels as though their target consumer will not face an issue in regards to the price point, and will not

demand a regular discount or gift with purchase. They believe in luxury, and will pay for the product as such.

**Cleanser** €35,63

**Thermal Water spray** €39,38

**Day cream** €71,38

**Night cream** €77,38

#### **3.4.4 Promotion**

An integrated marketing plan will be used to position the brand. The brand plans to market extensively upon brand launching. Getting the word out and creating a buzz early will generate a long lasting clientele and the aim is to seek to have a strong word of mouth marketing tactic. There will be a magazine and newspaper promotion in the months prior to the brands grand opening to establish a strong presence on the market the brand resides. After the initial opening, magazine ads will run once a month to maintain brand presence with the magazine and newspaper readers. There will also be a resilient presence on Facebook and Twitter as well as website blog to keep the clientele up to the minute on our products and industry related issues. In future ventures the brand will sponsor community events to maintain a community driven brand image.

A grand opening party will be hosted in Iceland, Scandinavia. There will be created buzz through the media in the upcoming months leading to the big release party. This will create an awareness of the new luxurious skincare brand within the community. The event will be lavish and luxurious like the brand with the red carpet rolled out, and VIP invitations will be sent out to the key figures in the entertainment industry in Iceland. There will be an esthetician working the event giving mini facial treatments as well as giving information on the products and the products will be on display available for purchase. There will be live music and throughout the event, fine wines and decorated champagnes will be flowing, and paired with catered h'orderves from a top chef in the area. Gift bags will be handed out at the end of the party with deluxe samples of all the products.

The promotion of the brand will include social media buzz through Twitter and Facebook; ads in local magazines and papers such as Nýtt Líf, Vikan, Morgunblaðið, Fréttablaðið; gorilla marketing flyers within the direct community and mailers to all consumers fitting the target market within the direct and close surrounding community. We will advertise for one full month prior to the grand opening in all listed magazines and newspapers. After the grand opening, advertising in magazines listed above will run once a month and the brand will

continue to use Facebook and Twitter as a main source of advertising as well as word of mouth marketing. Facebook and Twitter will also be connected to our website which will have a blog updated daily with new information in regards to the anti-aging industry. It will keep the followers and clients as well as the staff up to date on the current news in the industry. Also available through the website will be an email sign up in which the daily blog will be sent out, and occasional email exclusive services and coupons will be sent out. They will be considered as the brand VIP's, creating a loyal and repeat clientele.

Through advertising in the listed magazines and newspapers, the company feels as though they will reach a strong portion of our target market. They also feel as though by setting the standard with our grand opening event it will generate a strong word of mouth marketing campaign. The word of mouth marketing will create a strong buzz within the local and surrounding communities.

### **3.5 POS Material**

Point of sales material will be developed to create a visibility in stores. POS stands for the material that is created to communicate about a product or even products when the consumer is at the point to make a decision to buy a product. POS material can be displayed at the check out counter, as well as on a sale island, which is usually a big table placed in the middle of the stores, but POS material can also be displayed in the windows and on a floor stand. Every communication that is directly related to the products that trigger the consumer to make a purchase can be looked at as a POS material. POS material is used to execute marketing campaigns, attract consumers and promote the brand (Smith, P.R, 2011). The whole product range will be starified by the use of aisle stoppers to trigger sales. Material that will be developed is as followed:

- Counter display
- A4 poster
- Table soldiers A5
- Glorifiers A5
- Cubes 30x30cm
- Window posters 100x100cm /50x100cm
- Ellipse
- Mobile
- Shelftalkers

## 4. COMPETITION

The literature presented in this chapter deals with research findings on the social web and theories relating to competitors. Furthermore, competitors are divided up in local and global category to get a clearer vision on how to position the brand in different markets. All the literature is described and explained in order to build a theoretical background for this thesis.

### 4.1 Global Competitors

The brand has both direct and indirect competitors. The indirect competitors are brands that dominate on the anti-aging market like Helena Rubinstein, which is a luxurious brand that is big on technology and innovation in the anti-aging category (HR, n.d.). La Prairie, which is a very prestige brand known for using caviar in their products (La Prairie, n.d.). Then there is the direct competitors that are using the same concept as Hildur with cosmeceutical products and that is Skinceuticals, one of the biggest cosmeceutical brand on the market, their formulas are concentrated in pure actives and penetrate deep in the skin (Skinceuticals, n.d.). They work very close with dermatologists, plastic surgeons and Medi-Spas while Helena Rubinstein and La Prairie work mostly with luxury retail stores. Peter Thomas Roth is a clinical skin care line that also combines scientific skin solutions without giving up the luxuriousness of the skincare (Peter Thomas Roth, n.d.).

### 4.2 Local Competitors

There are two main competitors on the Icelandic market that the author has looked at closely to compare to the brand. These two brands are the closest to luxury brands out of the handful of brands on the Icelandic market, and both are focused on new technology and innovations. The first one is *UNA Skincare*, produced by an Icelandic innovation company. The products are very technical and are developed in cooperation with an independent research and development institute in Iceland, Matís. The products are rich with bioactive ingredients and are all produced in Iceland and their main active ingredient is a local Icelandic seaweed (Una Skincare, n.d.). Their marine bioactive line consists of three products:

- UNA day cream
- UNA night cream
- UNA eye cream

The other local competitor is Sif Cosmetics, they have developed EGF cellular activator which is the main ingredients in their BIOEFFECT products. All of the products are

developed in collaboration with specialist in biochemistry and dermatology. They are highly focused on pure and minimal ingredients (Sif Cosmetics, n.d.). The BIOEFFECT line consists of 4 products;

- BIOEFFECT EGF serum (Anti-aging serum)
- BIOEFFECT 30-day treatment (Intensive anti-aging boost)
- BIOEFFECT daytime (Anti-aging day cream)
- BIOEFFEECT body intensive (Age-defying body serum)

If Hildur is compared to the two Icelandic brands, Sif Cosmetics and UNA Skincare there is not hard to find the competitive advantage. Hildur is offering 4 SKU's to start with while both of the brands only started out with one product on the market. This will ensure a good spacing to begin with in the stores and will therefore create more visibility for the brand. Neither of the Icelandic brands offers cleansers or a thermal water spray in their line of products. All of the brands have a day cream in their skincare line, while only UNA and Hildur are offering a night cream as well. Sif Cosmetics started out with a Serum and that is their star product that performs the best and is driving the brand and they have built on the Serum's success and come out with at body serum as well as a 30-day treatment. Sif Cosmetics has very specialized products, and the authors prediction is that Sif Cosmetics will continue to build on their serum and come out with more specialized products instead of building a solid franchise that includes, cleansers, day and night creams, eye creams and lotions. It looks like UNA Skincare is however trying to build a solid franchise category with their day and night cream as well as the eye cream. The author prediction is that UNA skincare will come out with a cleanser in the near future.

#### **4.3 Competitive pricing / Price Comparison**

Based on the price strategy in this plan, Hildur turns out to be the most expensive of the three Icelandic brands. This does not come as a surprise as the company has set a prestigious price point for a rapid growth. As the brand is entering the luxurious market the price means a lot, as consumers perceive expensive products to be better quality and more unique. The prices displayed for the local competitors are based on the average sales price. UNA's day cream is the cheapest at an average price of €37,30 in Iceland, while EGF's day cream is priced at an average €40,47 euros. The price of Hildur's day cream is €71,38 euro which is almost double as high than the other two Icelandic brands. Again Hildur is offering more luxurious product than the other Icelandic brands, that both has an appealing different packaging as well

as high concentration of active ingredients. What was surprising when the author was doing the price analyze is that on both of the brands international websites the price for their products is increased in their webshop. UNA's day cream bumps up in price by 45,9% to €69,00 and the EGF day cream is increased by 37,7% to €65,00. The author believes that the reason for the price difference is for the brands to gain a fast market share in Iceland, while being able to increase the price for the international market. In the market research in chapter three, it was also clear that one of the main reason the Icelandic brands are cheaper is because they only increased their priced about 9% while the international brands have increased their priced up to 100% which is mainly due because of the currency exchange rate and the effect it had on imported finished goods.

When the global competitors and the big players are looked at, the page turns around as Hildur is now positioned in the middle and offers a competitive pricing. All the global competitors offer a cleanser in their range. Hildur's cleanser is priced in the middle at €35,63 while both of the direct competitors are priced below, Skin Ceuticals cleanser is priced at €24,77 and Peter Thomas Roth cleanser is priced at €27,69. The indirect competitors have a very high price points especially La Prairie, their cleanser is priced at €64,34 while Helena Rubinstein is a bit closer to Hildur's cleanser priced at €41,55. The direct competitors are the only ones offering a face mist, which can be compared to Hildur's thermal water spray that is priced at €39,38 euros. Skin Ceuticals and Peter Thomas Roth face mists are both priced around €24,00 which is relatively cheaper than Hildur's product.

As Hildur has only four products to start with the day and night cream are basic moisturizers with anti-aging benefits. This means that they are not competing with the premium creams in each of the global competitors range. The day and night creams have been compared with the most basic anti-aging creams that the competitors are offering and this was the results of the price comparison. Peter Thomas Roth, Intensive Anti-aging Cellular crème 50ml is the cheapest at €61,93, Hildur follows with the day cream priced at €71,38 and like before Helena Rubinstein is priced very closely to Hildur with their Hydra Collagenist cream at €75,73. Skin Ceuticals was surprisingly expensive with their basic face cream for €102,00 and La Prairie's Cellular moisturizer is priced at €162,18. The night cream was hardest to compare prices and the only night cream that was similar to Hildur's night cream was the Cellular Night Repair from La Prairie, which is priced at €207,75 while Hildur's night cream is priced at €77,38.

The aim is to position the brand close to La Prairie while offering them at a better price. The price is still in the luxurious range and as seen from the price comparison Hildur is very similarly priced as Helena Rubinstein while having the added cosmeceutical to the brand which gives it more value for the consumer. Below is a positioning map that shows where Hildur will be positioned on the market after analyzing the data from the competitive analyze. A positioning map refers to the perception of a product in relation to the competitors and is used to see the perception of a product in the mind of the consumer (Kotler, P, 1986).



5. Perceptual mapping (Authors Vision)



## 5. BUSINESS DESCRIPTION & VISION

This chapter will give a background to the concepts of the company, a description of the business and the vision. Furthermore, the business model will be looked at and divided up and presented with the help of the Business Model Generation tool.

### 5.1 Company Description

Hildur is a new luxurious skincare brand that offers innovative cosmeceutical products that will have a strong presence on the market among the prestige beauty brands. The brand offers a skincare line with four essential products, cleanser, thermal water spray and an anti-aging day and night cream that has new and advanced technology that will deliver outstanding result through potent active ingredients. The beauty industry is now more demanding than ever for a luxurious lifestyle, and that is what the company is taking advantage of by bringing a lavish experience that the skin deserves.

### 5.2 Mission Statement

The mission is to bring you the ultimate luxurious lifestyle by holding on to your skins youth with only the finest ingredients and the best technology available.

### 5.3 Business model

The business model canvas has been implemented from the global best selling phenomenon Business Model Generation. The business model is divided into nine building blocks that will display how the company will make their money. This business model can be used for laying out the strategy for the company for the next 2, 5 or even 10 years. “A business model describes the rationale of how an organization creates, delivers, and captures value” (Osterwalder, Alexander, 2010).

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#### 1. Customer Segments – An organization serves one or several Customer Segments.

<b>Niche Market</b>
<b>Age Range: 30- 65 years old</b>
<b>Ethnicity: Caucasian</b>
<b>Income Range: €35,000 and up</b>
<b>Education: College educated</b>
<b>Geographic Location: Europe &amp; America</b>
<b>Values: Luxurious lifestyle</b>

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- 2. Value proposition – It seeks to solve customer problems and satisfy customer needs with value propositions.**

**We deliver measurable results that are demanded by anti-aging focused, through fast acting and active ingredients that penetrates deep into the skin through nanotechnology.**

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- 3. Channels – Value propositions are delivered to customers through communication, distribution, and sales Channels.**

**Answer to our customers demand, they want to be reach out through:**

- **High-End Department Stores**
  - **Selective Spas**
  - **Duty-Free Stores**
- 

- 4. Customer Relationship – Customer relationships are established and maintained with each Customer Segment.**

**Dedicated Personal Assistance**

- **Creating dedicated, motivated and well-trained staff will create pride in the brand certifying confident and lasting sales.**

**Communities**

- **Establish a strong presence in the community in which the brand resides.**
  - **Sponsor community events to maintain a community driven brand image.**
- 

- 5. Revenue Streams – Revenue streams result from value propositions successfully offered to customers.**

**For what value are our customers willing to pay?**

- **They believe in perceived value, and are willing to pay premium price for technology & luxury products**

**Price p. unit**

- **Cleanser: €14,25**
  - **Thermal Water Spay: €15,75**
-

- Day Cream: €28,5
- Night Cream: €30,95

#### **Revenue Streams:**

- Cash Flow €44,585
- Projected Income Statement €43,826
- Revenue: €77,965
- Units Sold: 3520

### **6. Key Resources – Key resources are the assets required to offer and deliver the previously described elements...**

#### **Types of resources:**

- Physical **Material investment (People, machines...)**
  - Intellectual **Technology investments to develop our custom made complex and file for new patents**
- Financial **Finance for continuing research on new break-through technology**

### **7. Key Activities – ...by performing a number of Key Activities.**

#### **Research & Technology**

#### **Intellectual Property Management**

#### **Purchasing Activity of Raw Materials**

#### **Manufacturer Relationship**

#### **Marketing**

### **8. Key Partnerships – Some activities are outsourced and some resources are acquired outside the enterprise**

#### **OEM Manufacturers in the Cosmetic Valley**

- Manufacturer: **Cosinus - Laboratory & Production**  
**Servicosm - Filling Suppliers: Raw Materials & Packaging**
- Advertising & Design Agency

### **9. Cost Structure – The business model elements result in the cost structure.**

#### **Value Driven - Premium value proposition**

**“Our customers note the efficacy, and the quality of the overall product and it is a main**

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concern when purchasing a skincare product.”

**Most important cost:**

- **Raw materials, Technology & Packaging**

**Variable Cost: €14,748**

- **Research: P. Unit €0.12**
- **Regulations: P. Unit €1.6**
- **Raw Materials: P. Unit €0.31**
- **Testing: P. Unit €0.04**
- **Productions: P. Unit €1.18**
- **Packaging: P. Unit €0.58**
- **Design: P. Unit €0.19**
- **Transport: P. Unit €0.61**

**Fixed Cost: €19,390**

- **Salary: €10,800**
- **Marketing & Media Expenses: €3,659**
- **Office Expenses: €360**
- **Telephone & Utilities: €530**
- **Interest: €1,080**
- **Insurance: €720**
- **Other: €2,250**

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*6.The business model*

#### **5.4 Business Goals & Objectives**

Consumers are aware of the quality of cosmeceutical and they expect it to perform, the faster the better (MedEsthetics, 2012). The aim is to have a healthy and successful company that is a leader in the market with a loyal customer following. With well informed staff on the importance of skincare so that each customer can be satisfied with the results by using the products that are right for them. The objective is to generate the projected revenue during the first 5 years with highly successful marketing techniques and sponsored events. Awareness of our brand will be created via media to prospective customers and to increase our clientele.

## **5.5 Business Philosophy**

The business philosophy is straightforward; “We aim to keep our customers satisfied by delivering them products that give results.” The company wants to maintain satisfaction of the customers first and foremost. To be able to take care of their customers the company will need to generate a healthy cash flow income so they can invest in further research to come out with the best products available on the market, and they will do so by building a loyal clientele. To maintain the loyal clientele the company offers high quality scientifically proven skincare products and a customer service with well-educated and motivated employees and the brand will continue on building a strong foundation in which will constantly grow the business in new and innovative ways.

## **5.6 Company’s Strength and Core Competences**

The company strengths and core competencies will be based on the research and technology as well as innovative ingredient design and the demand for new products in the luxurious market. There was a gap in the industry for a scientifically proven anti-aging skin care that still offers the luxuriousness of a spa, skincare line that is delivered to the consumer with a different story and look and that is what the brand is offering. There are many skincare brands out there but only very few that compete in the luxurious market with trendsetting ideas. A result-oriented brand delivering instant and long-term results with a prestige price point for rapid business growth has a strong presence on today’s market.

The company founder has over 8 years of prior experience within the beauty industry in various aspects of it such as business and marketing, product development, management, public relations, visual merchandising, design, education and as a medical esthetician. This is an advantage as an entrepreneur as the company doesn’t need to reach out for a lot of assistance to begin with.

## **6. FINANCIAL MANAGEMENT**

The literature presented in this chapter deals with financial numbers. Furthermore, the break-even analyze, projected income statement and forecasted cash flow will be presented. All the literature is described and explained in order to build a theoretical background for this thesis.

### **6.1 Finance**

The company is asking for a €36,000 loan with a 10% fixed interest rate to be paid over the course of 10 years in monthly installments that includes interest payments. The owner is placing 10% of the loan as an investment in the brand so the total initial investment into the brand is €42,000. The loan will be used solely on the production cost and the funds should be transferred directly into the account of the manufacturer. With these funds, the brand will come to life and will strive to maintain a strong brand image that has a grand opportunity for growth.

In this chapter in the thesis the financial numbers will be displayed, they are estimates based upon the primary and secondary research conducted prior to doing the financial plan. In those pages important information will be presented, the forecasted cash flow and the projected income statement. The company is asking the bank for €36,000 and these numbers have been calculated into the financial plan and it will be paid back within 10 years with 10 percent interest charge. The founder is contributing 10% of what the company is asking the bank for. 85% of the total loan will cover the manufacturing and developing cost, 10 % will be used for marketing and advertising material and 5% will be for initial start up cost like computer, printer, phone etc. The reason for the low percentage in marketing & media expense is due the company decision to market the products without investing in the media. PR will be used to get the products out to the magazines for reviews in the paper without buying space in the magazine. The CEO of the company has a large network in the beauty industry in Scandinavia that will be used to market the products as well as the integrated marketing plan that was presented in chapter 3.1.

### **6.2 Break-Even Analysis**

Break-even analysis was done with the average unit price of the four products in the skincare line which is €22.38, the unit contribution margin came down to €18.19 after deductions of the unit's variable costs which is €4,19. The break-even point for the company is 1,065.97 units, and displayed in the projected income statement, it is forecasted 3,520 units to be sold

over the first twelve months which has led the author to conclude that the expected profits over the first year will be €44,638.

- **Fixed cost** €19,390
- **Variable cost** €14,748
- **Average Unit Price** € 22.38
- **Unit Contribution margin** €18.19
- **Break Even point** = 1,065.97 Units

A sensitivity analyzes was also conducted to see where the company stands in terms of profit if the sales price would increase or decrease by 10%. If the average unit price would go up to €24.62 the unit contribution margin would be €20.43 which would increase the profit to €50,135. If the average sales price would decrease by 10% the unit contribution margin would go down to €15.95 and turns the profit into €39,141.

### **6.3 Cash Flow**

Assumptions for collected sales are that 50 units of each product will be ordered in the beginning. 40% is paid when the order is placed and 60% is paid when the products are delivered. The buyer gets 30 days deadline to deliver the payment for the finish goods for every order he places. It is therefore assumed in the cash flow that the sales for one month are collected one month later. It has also been calculated in the cash flow that the company will get €36,000 loan from the bank to start production on the finish goods. To have a healthy and positive cash flow the owner is without a paycheck throughout 2014.

### **6.4 Projected Income Statement**

The price mark-up is 250% in the stores and the sales figures are based on resources from the channel of distribution. The sales are higher on the first three months as the products are new on the market. The sales will then dwell a bit in January, February and March and will again arise in April. The cleansers will always perform the best as they are both cheaper and it's easier to sell a cleanser than a cream. The Eau Thermal Water Spray will climate during the summertime as the sale increases on them when its warm outside, as it is refreshing and cooling to mist with. Lastly the day cream sells better than the night cream as many consumer tend to use their day cream in the nighttime as well. The night creams do also not perform as well in the summer time as they are heavier and consumers want lighter texture in their creams during the summer time.

<b>Cash Flow Forecast for 2014-2015: HILDUR</b>														
<b>Month</b>	<b>Start-up Cost</b>	<b>Okt'14</b>	<b>Nov'14</b>	<b>Des'14</b>	<b>Jan'15</b>	<b>Feb'15</b>	<b>Mar'15</b>	<b>Apr'15</b>	<b>May '15</b>	<b>Jun '15</b>	<b>Jul '15</b>	<b>Aug '15</b>	<b>Sep '15</b>	<b>Total</b>
Sales	€ 0,00	€ 7.674,75	€ 9.983,75	€ 13.575,00	€ 4.097,50	€ 4.673,75	€ 3.548,50	€ 4.069,25	€ 4.497,75	€ 7.058,75	€ 5.688,75	€ 6.943,75	€ 6.153,50	€ 77.965,00
Sales collected	<b>€ 1.790,00</b>	<b>€ 2.685,00</b>	<b>€ 5.884,75</b>	<b>€ 9.983,75</b>	<b>€ 13.575,00</b>	<b>€ 4.097,50</b>	<b>€ 4.673,75</b>	<b>€ 3.548,50</b>	<b>€ 4.069,25</b>	<b>€ 4.497,75</b>	<b>€ 7.058,75</b>	<b>€ 5.688,75</b>	<b>€ 13.097,25</b>	<b>€ 80.650,00</b>
Owner´s contributions	€ 3.600,00													€ 3.600,00
Investers/bank loan	€ 36.000,00													€ 36.000,00
<b>Total Cash in</b>	<b>€ 41.390,00</b>	<b>€ 2.685,00</b>	<b>€ 5.884,75</b>	<b>€ 9.983,75</b>	<b>€ 13.575,00</b>	<b>€ 4.097,50</b>	<b>€ 4.673,75</b>	<b>€ 3.548,50</b>	<b>€ 4.069,25</b>	<b>€ 4.497,75</b>	<b>€ 7.058,75</b>	<b>€ 5.688,75</b>	<b>€ 13.097,25</b>	<b>€ 120.250,00</b>
<b>Cash Disbursements</b>														
Salary		€ 0,00	€ 0,00	€ 0,00	€ 1.200,00	€ 1.200,00	€ 1.200,00	€ 1.200,00	€ 1.200,00	€ 1.200,00	€ 1.200,00	€ 1.200,00	€ 1.200,00	€ 10.800,00
Media & Marketing Expenses	€ 3.000,00	€ 0,00	€ 300,00	€ 200,00	€ 0,00	€ 0,00	€ 0,00	€ 0,00	€ 150,00	€ 0,00	€ 0,00	€ 0,00	€ 0,00	€ 3.650,00
Office Expenses	€ 1.030,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 1.390,00
Loan Payments(10yrs@ 10% annual interest)		€ 3.848,50	€ 515,15	€ 515,15	€ 515,15	€ 515,15	€ 515,15	€ 515,15	€ 515,15	€ 515,15	€ 515,15	€ 515,15	€ 515,15	€ 9.515,15
Interest		€ 90,00	€ 90,00	€ 90,00	€ 90,00	€ 90,00	€ 90,00	€ 90,00	€ 90,00	€ 90,00	€ 90,00	€ 90,00	€ 90,00	€ 1.080,00
Insurance		€ 60,00	€ 60,00	€ 60,00	€ 60,00	€ 60,00	€ 60,00	€ 60,00	€ 60,00	€ 60,00	€ 60,00	€ 60,00	€ 60,00	€ 720,00
Productions	€ 30.300,00	€ 0,00	€ 0,00	€ 0,00	€ 0,00	€ 0,00	€ 0,00	€ 0,00	€ 0,00	€ 0,00	€ 0,00	€ 0,00	€ 0,00	€ 30.300,00
Freight/Delivery		€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 360,00
Telephone & Utilities	€ 180,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 540,00
Other	€ 600,00	€ 150,00	€ 150,00	€ 150,00	€ 150,00	€ 150,00	€ 150,00	€ 150,00	€ 150,00	€ 150,00	€ 150,00	€ 150,00	€ 150,00	€ 2.400,00
<b>Total Cash out</b>	<b>€ 35.110,00</b>	<b>€ 4.238,50</b>	<b>€ 1.205,15</b>	<b>€ 1.105,15</b>	<b>€ 2.105,15</b>	<b>€ 2.105,15</b>	<b>€ 2.105,15</b>	<b>€ 2.105,15</b>	<b>€ 2.255,15</b>	<b>€ 2.105,15</b>	<b>€ 2.105,00</b>	<b>€ 2.105,15</b>	<b>€ 2.105,15</b>	<b>€ 60.755,15</b>
<b>Cash Surplus/(Deficit)</b>	<b>€ 6.280,00</b>	<b>-€ 1.553,50</b>	<b>€ 4.679,60</b>	<b>€ 8.878,60</b>	<b>€ 11.469,85</b>	<b>€ 1.992,35</b>	<b>€ 2.568,60</b>	<b>€ 1.443,35</b>	<b>€ 1.814,10</b>	<b>€ 2.392,60</b>	<b>€ 4.953,60</b>	<b>€ 3.583,60</b>	<b>€ 10.992,10</b>	<b>€ 56.994850</b>
Cumulative cash	€ 6.280,00	€ 4.726,50	€ 9.406,10	€ 18.284,70	€ 29.754,55	€ 31.746,90	€ 34.315,50	€ 35.758,85	€ 37.572,95	€ 39.965,55	€ 42.419,15	€ 46.002,75	€ 56.994,85	

## 7. Forecasted cash flow



**HILDUR**
**Projected Income Statement** Oct 2014-Oct 2015

Projected Income Statement														
	Price in Euro	Okt'14	Nov'14	Des'14	Jan'15	Feb'15	Mar'15	Apr'15	May '15	Jun '15	Jul '15	Aug '15	Sep '15	Total
Gross Sales														
Cleanser		80	100	125	40	75	45	50	75	125	90	75	50	930
Thermal Water Spray		50	75	50	20	40	35	25	50	150	140	135	75	845
Day Cream		120	150	250	80	50	50	55	60	75	50	50	95	1085
Night Cream		75	100	125	30	50	30	45	30	25	25	75	50	660
		<b>325</b>	<b>425</b>	<b>550</b>	<b>170</b>	<b>215</b>	<b>160</b>	<b>175</b>	<b>215</b>	<b>375</b>	<b>305</b>	<b>335</b>	<b>270</b>	<b>3520</b>
Unit price cleanser	€ 14,25	€ 1.140,00	€ 1.425,00	€ 1.781,25	€ 570,00	€ 1.068,75	€ 641,25	€ 712,50	€ 1.068,75	€ 1.781,25	€ 1.282,50	€ 1.068,75	€ 712,50	€ 13.252,50
Unit price thermal water spray	€ 15,75	€ 787,50	€ 1.181,25	€ 787,50	€ 315,00	€ 630,00	€ 551,25	€ 393,75	€ 787,50	€ 2.362,50	€ 2.205,00	€ 2.126,25	€ 1.181,25	€ 13.308,75
Unit price day cream	€ 28,55	€ 3.426,00	€ 4.282,50	€ 7.137,50	€ 2.284,00	€ 1.427,50	€ 1.427,50	€ 1.570,25	€ 1.713,00	€ 2.141,25	€ 1.427,50	€ 1.427,50	€ 2.712,25	€ 30.976,75
Unit price night cream	€ 30,95	€ 2.321,25	€ 3.095,00	€ 3.868,75	€ 928,50	€ 1.547,50	€ 928,50	€ 1.392,75	€ 928,50	€ 773,75	€ 773,75	€ 2.321,25	€ 1.547,50	€ 20.427,00
Total Net Sales		<b>€ 7.674,75</b>	<b>€ 9.983,75</b>	<b>€ 13.575,00</b>	<b>€ 4.097,50</b>	<b>€ 4.673,75</b>	<b>€ 3.548,50</b>	<b>€ 4.069,25</b>	<b>€ 4.497,75</b>	<b>€ 7.058,75</b>	<b>€ 5.688,75</b>	<b>€ 6.943,75</b>	<b>€ 6.153,50</b>	<b>€ 77.965,00</b>
Operating Expenses														
Variable Cost														
Cost of Goods Sold														
Production cost p. Unit														
Research	€ 0,12	€ 39,00	€ 51,00	€ 66,00	€ 20,40	€ 25,80	€ 19,20	€ 21,00	€ 25,80	€ 45,00	€ 36,60	€ 40,20	€ 32,40	€ 422,40
Regulations	€ 1,16	€ 377,00	€ 493,00	€ 638,00	€ 197,20	€ 249,40	€ 185,60	€ 203,00	€ 249,40	€ 435,00	€ 353,80	€ 388,60	€ 313,20	€ 4.083,20
Raw Materials	€ 0,31	€ 100,75	€ 131,75	€ 170,50	€ 52,70	€ 66,65	€ 49,60	€ 54,25	€ 66,65	€ 116,25	€ 94,55	€ 103,85	€ 83,70	€ 1.091,20
Testing	€ 0,04	€ 13,00	€ 17,00	€ 22,00	€ 6,80	€ 8,60	€ 6,40	€ 7,00	€ 8,60	€ 15,00	€ 12,20	€ 13,40	€ 10,80	€ 140,80
Productions	€ 1,18	€ 383,50	€ 501,50	€ 649,00	€ 200,60	€ 253,70	€ 188,80	€ 206,50	€ 253,70	€ 442,50	€ 359,90	€ 395,30	€ 318,60	€ 4.153,60
Packaging	€ 0,58	€ 188,50	€ 246,50	€ 319,00	€ 98,60	€ 124,70	€ 92,80	€ 101,50	€ 124,70	€ 217,50	€ 176,90	€ 194,30	€ 156,60	€ 2.041,60
Design	€ 0,19	€ 61,75	€ 80,75	€ 104,50	€ 32,30	€ 40,85	€ 30,40	€ 33,25	€ 40,85	€ 71,25	€ 57,95	€ 63,65	€ 51,30	€ 668,80
Transport	€ 0,61	€ 198,25	€ 259,25	€ 335,50	€ 103,70	€ 131,15	€ 97,60	€ 106,75	€ 131,15	€ 228,75	€ 186,05	€ 204,35	€ 164,70	€ 2.147,20
Total Variable Cost	<b>€ 4,19</b>	<b>€ 1.361,75</b>	<b>€ 1.780,75</b>	<b>€ 2.304,50</b>	<b>€ 712,30</b>	<b>€ 900,85</b>	<b>€ 670,40</b>	<b>€ 733,25</b>	<b>€ 900,85</b>	<b>€ 1.571,25</b>	<b>€ 1.277,95</b>	<b>€ 1.403,65</b>	<b>€ 1.131,30</b>	<b>€ 14.748,80</b>
Fixed Cost														
Salary		€ 0,00	€ 0,00	€ 0,00	€ 1.200,00	€ 1.200,00	€ 1.200,00	€ 1.200,00	€ 1.200,00	€ 1.200,00	€ 1.200,00	€ 1.200,00	€ 1.200,00	€ 10.800,00
Marketing & Media Expenses		€ 3.000,00	€ 300,00	€ 200,00	€ 0,00	€ 0,00	€ 0,00	€ 0,00	€ 150,00	€ 0,00	€ 0,00	€ 0,00	€ 0,00	€ 3.650,00
Office Expenses		€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 360,00
Telephone & Utilities		€ 200,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 30,00	€ 530,00
Interest		€ 90,00	€ 90,00	€ 90,00	€ 90,00	€ 90,00	€ 90,00	€ 90,00	€ 90,00	€ 90,00	€ 90,00	€ 90,00	€ 90,00	€ 1.080,00
Insurance		€ 60,00	€ 60,00	€ 60,00	€ 60,00	€ 60,00	€ 60,00	€ 60,00	€ 60,00	€ 60,00	€ 60,00	€ 60,00	€ 60,00	€ 720,00
Other		€ 600,00	€ 150,00	€ 150,00	€ 150,00	€ 150,00	€ 150,00	€ 150,00	€ 150,00	€ 150,00	€ 150,00	€ 150,00	€ 150,00	€ 2.250,00
Total Fixed cost		<b>€ 3.980,00</b>	<b>€ 660,00</b>	<b>€ 560,00</b>	<b>€ 1.560,00</b>	<b>€ 1.560,00</b>	<b>€ 1.560,00</b>	<b>€ 1.560,00</b>	<b>€ 1.710,00</b>	<b>€ 1.560,00</b>	<b>€ 1.560,00</b>	<b>€ 1.560,00</b>	<b>€ 1.560,00</b>	<b>€ 19.390,00</b>
Total Operating Expenses		<b>€ 5.341,75</b>	<b>€ 2.440,75</b>	<b>€ 2.864,50</b>	<b>€ 2.272,30</b>	<b>€ 2.460,85</b>	<b>€ 2.230,40</b>	<b>€ 2.293,25</b>	<b>€ 2.610,85</b>	<b>€ 3.131,25</b>	<b>€ 2.837,95</b>	<b>€ 2.963,65</b>	<b>€ 2.691,30</b>	<b>€ 34.138,80</b>
Net Profit		<b>€ 2.333,00</b>	<b>€ 7.543,00</b>	<b>€ 10.710,50</b>	<b>€ 1.825,20</b>	<b>€ 2.212,90</b>	<b>€ 1.318,10</b>	<b>€ 1.776,00</b>	<b>€ 1.886,90</b>	<b>€ 3.927,50</b>	<b>€ 2.850,80</b>	<b>€ 3.980,10</b>	<b>€ 3.462,20</b>	<b>€ 43.826,20</b>

*8. Projected income statement*

## 7. CONCLUSIONS

This chapter will go over the data previously presented in the thesis. It will start with a short summary of the results from the market research and the information that is most essential to this thesis. The chapter will then present the conclusions and findings that the author of this thesis found when the gathered data was analyzed. This will lead to the authors' answer of the research questions and thereafter recommendations and implications for further research will be presented.

After doing a comprehensive research within the beauty industry, it has lead the author to believe that there is an opportunity in the market place to offer new luxury cosmeceutical products. For example, according to the business magazine Inc. (Donelly, Tim, 2011) the beauty industry is one of the best to start and grow a business today. As already stated before the baby boomer generation is constantly on the look out for new and improved products when it comes to aging and wrinkles is their top concern. Building on this fact as well as the results from the market research that the cosmeceuticals are ranked as the fastest growing beauty category, it is a possibility that a new luxurious skincare line can penetrate into the market with success. The results from the research has reaffirmed the authors decision, that it is good to focus on the Scandinavian countries to begin with and launch a new luxurious anti-aging skincare line on the Scandinavian market, as they are spending the most per capital and they are very open to new local brands.

As natural and organic products have been very trendy lately, and the company has been debating if it should move towards organic or natural ingredients, the author is happy to conclude that the research has shown that the consumer wants active products that give fast results. Natural products are just not performing as well as, which still leaves a lot of room for growth for cosmeceuticals products that are backed up by medicine and science.

Hildur has an advantage over the competitor's by combining the strengths of having a luxurious scientifically proven cosmeceutical that is offered at high-end retail stores and selective spas at a competitive price. Peter Thomas Roth has a very similar concept as Hildur, but the difference and advantage Hildur has over Peter Thomas Roth really lies in the packaging and the positioning of the products. There are always some obstacles and threats to

a new brand on the market, but with a secure channel of distribution, the company can expect a positive cash flow as already was presented in the finance chapter.

The author has gained a better insight into the anti-aging market in Europe, and especially in Scandinavia. The author has a clear understanding of the competitive marketplace and is ready to take on the next steps that need to be taken in order to successfully launch Hildur, a new luxurious skincare line on the anti-aging market.

This thesis was only the beginning on a further research for setting up a business plan for the new skincare line. Further market research will be conducted with focus groups to strengthen the results and a deeper analyze will be performed on the Scandinavian market.

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