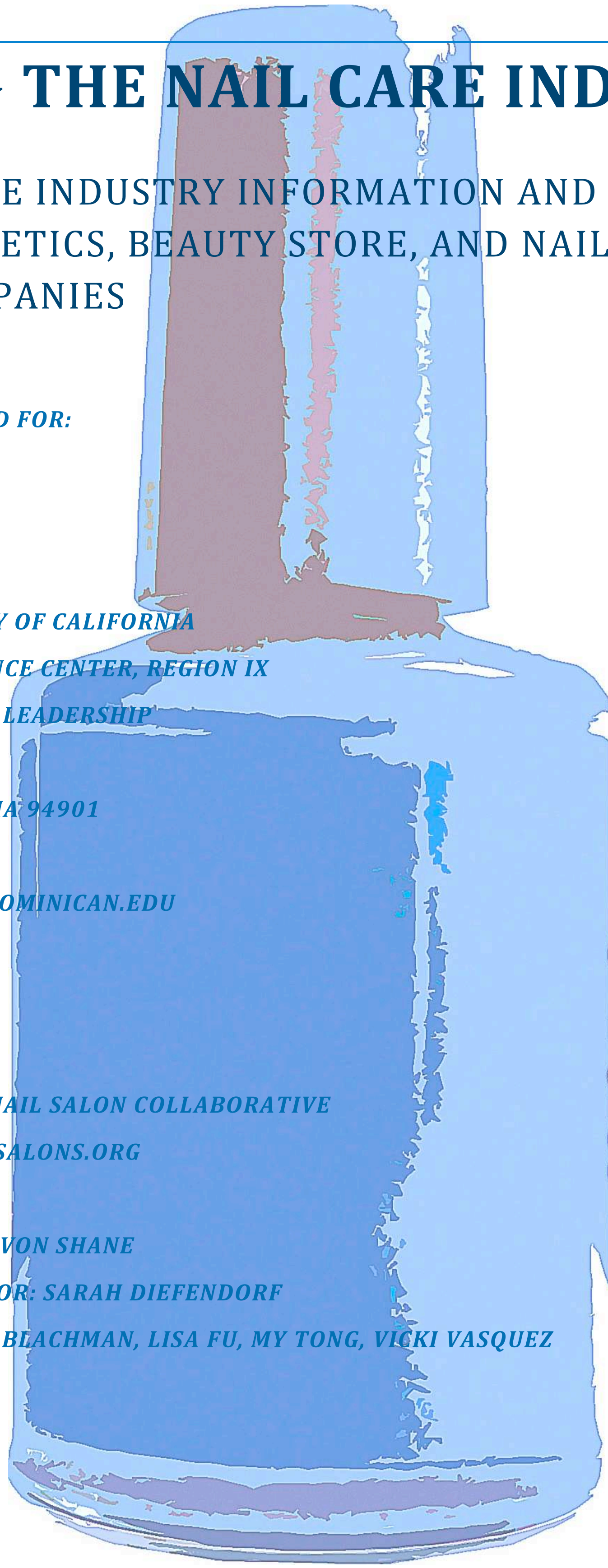
# MAPPING THE NAIL CARE INDUSTRY:

## PERSONAL CARE INDUSTRY INFORMATION AND PROFILES OF LEADING COSMETICS, BEAUTY STORE, AND NAIL CARE PRODUCT COMPANIES



*THIS REPORT PREPARED FOR:*

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*MARCH 2010*

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# EXECUTIVE SUMMARY

Nail care is the fastest growing sector in the beauty industry, generating more than $6 billion annually in sales nationwide. Nail products are one segment in the U.S. personal care product industry; the approximately 750 personal care products companies generated approximately $40 billion in annual revenue. These companies prepare, blend, compound, package and market products ranging from nail products, makeup, shampoo, lotions to over-the-counter health aids, and more. The 50 largest companies account for roughly 70% of industry revenue.

The personal care products industry is closely connected to two other industries, the health care industry and the chemical industry, particularly the petroleum sector. Many raw materials used for making personal care products are derived from petroleum products.

The beauty business, which years ago was dominated by New York City-based operations, has seen a growth in California-based operations, including in the nail products sector. Other trends include an increase in men's foot care products, products labeled as 'natural' and 'organic' as well as cosmeceuticals, cosmetics that purport to have medical or drug-like effects. Efforts are now underway at the federal and state level to improve product labeling and verification of claims.

The purpose of this report is to present information on key stakeholders in the nail products industry, their processes and products, in order to identify barriers and opportunities to developing greener and healthier products.

## METHODOLOGY

Information and data for this report was compiled from industry reports, business journal articles, company executive information, U.S. Securities and Exchange Commission (SEC) filings and interviews. Due to time and financial constraints much of the language describing the companies has been copied directly from their own reports and is therefore laudatory and not necessarily a reflection of the policies, positions, or opinions of the Environmental Finance Center or its partners.

## LEADING PUBLICLY TRADED PERSONAL CARE PRODUCT COMPANIES

This report profiles seven of the leading personal care product companies that sell nail products, Proctor & Gamble, Estée Lauder, Avon, Revlon, Elizabeth Arden, Prestige Brands Holdings and L'Oréal. Their nail products, manufactured in-house and by third parties, target the retail market and are heavily advertised to promote brand recognition. Their 2009 reported earnings from all products ranged from about $300 million to $80 billion.

## LEADING PUBLICLY TRADED BEAUTY STORE COMPANIES IN THE U.S.

Three of the leading publicly traded U.S. beauty store companies include: Limited Brands, Inc., Sally Beauty Supply and Ulta Salon, Cosmetics & Fragrance, Inc. Their products are made by third-party manufacturers, though in most cases using specifications and formulations developed by the companies themselves, and sold through retail stores, websites and catalogues. Reported revenues for 2009 ranged from $1 to $9 billion.

## LEADING PRIVATELY OWNED NAIL PRODUCT COMPANIES

The top privately held nail care product companies have significant influence on the nail salon industry as a whole and include: O.P.I. Products, Inc., American International Industries, Orly International, Inc., Essie Cosmetics Ltd., Creative Nail Design, Inc. and are profiled in this report. All are headquartered in southern California with the exception of Essie Cosmetics Ltd., which is headquartered in New York. Product development and manufacturing are done both in-house and contracted out. Their 2008 reported revenues ranged from $10 to $400 million.

## CONTRACT MANUFACTURERS

Contract manufacturers (CMs) are firms that manufacture products for "hiring" firms which provide the CM with the product formula. The report identified three CMs through surveying products used by nail salons in California and tracking down their manufacturers: Cosmetic Industries, Cali Chem, Inc., and Keystone Research & Pharmaceuticals. Two of the three are based in California.

## KEY CHEMICAL MANUFACTURERS AND SUPPLIERS

Basic information on 17 key chemical manufacturers and suppliers to the Household and Personal Care Products Industry, which may participate in the production of nail products in provided in Figure 2. More detailed supply chain information, such as which chemicals are supplied by which manufactures to which nail care product manufacturers, was difficult to collect due to proprietary concerns.

## INTERVIEW HIGHLIGHTS

Interviews were conducted with Paul Bryson, Director of R&D for OPI Products Inc., Doug Schoon, industry lobbyist and owner of Schoon Scientific & Regulatory Consulting LLC, and Michael DiBartolomeis with the California Department of Public Health who oversees implementation of the Safe Cosmetics Program. OPI Products Inc. is one of the larger privately held nail salon product companies and Schoon Scientific & Regulatory Consulting, LLC provides technological and regulatory expertise to the beauty, cosmetic and personal care industry.

## PRODUCT DEVELOPMENT

Bryson described the product development process at OPI in which the marketing department makes a request, and then the chemists create, test and manufacture the product. Schoon explained that most companies developing products for the salon market "contract the actual development and manufacturing to private label/contract companies. Who they work with is a closely guarded secret or they have their own in-house R&D. Most of the private label/contract manufactures are small entities; some are in China."

## LONG-TERM EFFECTS

Both Bryson and Schoon emphasized that the private sector is focused on developing products that are safe, effective and legal, while DiBartolomeis stated that cosmetic product companies tend to focus on short-term health impacts and he is "not aware of any cosmetics product companies that test for long-term health effects".

## REGULATION

Regarding regulation, Bryson emphasized that paperwork requirements are derailing efforts to develop greener products as "the chemists who could be inventing greener products are stuck doing more and more paperwork with each passing year." He claims that the biggest barrier to greener products is the law of nature, that it is not possible to "develop nail lacquers with no solvents that are also functional" and that there are no safer alternatives to nail acrylic. Schoon reiterated Mr. Bryson's complaint that the laws don't create green chemistry, but that they just take many scientists away from their work and have them filling out paperwork. DiBartolomeis disagreed with claims that the California Safe Cosmetics Act (SB484) requires a chemist to do too much paperwork stating that companies should have the required information readily available – that they should know what is in their products.

## HEALTH AND SAFETY

Schoon believes that worker and health and safety will be best served through improved training of salon employees; DiBartolomeis believes "the main problem is that cosmetics don't require pre-market testing".

# NEXT STEPS

It is recommended that additional research be conducted on large privately owned companies, businesses' supply chains, product manufacturing processes, modes of communication between suppliers, distributors and salons and trade associations. Besides the companies profiled in this report, there are many other large privately-owned companies that control considerable market share in the nail product segment, such as Coty, Inc. and it would be helpful to identify these companies and their processes.

Additional research is needed on the following:

- Supply chain information, including sources of chemicals and distribution channels for both publicly traded and privately held product manufacturers.
- The differences between retail and professional nail products
- How suppliers and distributors communicate with and advertise to nail salons
- Nail care sector trade associations, publications and conferences

**Table 1: Contact Information For Profiled Companies**

| NAME | TICKER | HEADQUARTERS | PHONE/WEBSITE |
|---|---|---|---|
| **Leading Publicly Traded Personal Care/Cosmetics Companies** | | | |
| Proctor & Gamble Co. | PG | 1 Procter and Gamble Plz<br>Cincinnati, OH 45202 | 513-983-1100<br>Fax: 513-562-4500<br>www.pg.com |
| Estee Lauder Co. Inc. | EL | 767 5th Ave<br>New York, NY 10153 | 212-572-4200<br>www.Elcompanies.com |
| Avon Products, Inc. | AVP | 1345 Avenue of the Americas<br># Conc 9<br>New York, NY 10105 | 212-282-5000<br>Fax: 212-282-6149<br>www.avon.com |
| Revlon, Inc. | REV | 237 Park Ave.<br>New York, NY 10017 | 212-527-4000<br>Toll Free: 800-473-8566<br>Fax: 212-527-4995<br>www.revloninc.com |
| Elizabeth Arden, Inc. | RDEN | 2400 SW 145th Avenue<br>Miramar, FL 33027 | 954-364-6900<br>Fax: 954-364-6910<br>shop.elizabetharden.com |
| Prestige Brands Holdings, Inc. | PBH | 90 N. Broadway<br>Irvington, NY 10533 | 914-524-6810<br>Fax: 914-524-6815<br>www.prestigebrands.com |
| L'Oreal USA, Inc. (direct subsidiary of L'Oreal SA in France, a publicly traded co.) | | 575 5th Ave.<br>New York, NY 10017 | 212-818-1500<br>Fax: 212-984-4999<br>www.lorealusa.com |

| Table 1: Contact Information For Profiled Companies | | | |
|---|---|---|---|
| **NAME** | **TICKER** | **HEADQUARTERS** | **PHONE/WEBSITE** |
| **Leading Publicly Traded Beauty Store Companies** | | | |
| **Limited Brands, Inc.** | **LTD** | **Three Limited Parkway<br>PO Box 16000<br>Columbus, OH 43216** | **614-415-7000<br>Fax: 614-415-7094<br>www.limitedbrands.com** |
| **Sally Beauty Holdings, Inc.** | **SBH** | **3001 Colorado Blvd.<br>Denton, TX 76210** | **940-898-7500<br>Toll Free: 800-275-7255<br>Fax: 940-898-7927<br>www.sallybeautyholdings.com** |
| **Ulta Salon, Cosmetics & Fragrance, Inc.** | **ULTA** | **1000 Remington Blvd. Ste. 120<br>Bolingbrook, IL 60440** | **630-410-4800<br>Fax: 630-226-8367<br>www.ulta.com** |
| **Leading Privately Owned Nail Product Companies** | | | |
| **OPI Products, Inc.** | | **13034 Saticoy St.<br>North Hollywood, CA 91605** | **818-759-2400<br>Toll Free: 800-341-9999<br>Fax: 818-759-5769<br>www.opi.com** |
| **American International Industries** | | **2220 Gaspar Avenue<br>Commerce, California 90040** | **(323) 728-2999<br>Fax: (323) 728-1100<br>www.aiibeauty.com** |
| **Orly International, Inc.** | | **7710 Haskell Ave.<br>Los Angeles, CA 91406** | **(818) 994-1001<br>Fax: (818) 994-1144<br>www.orlybeauty.com** |
| **Essie, Ltd.** | | **19-19 37Th St.<br>Astoria, New York 11105** | **(718) 726-5000<br>Fax: (718) 726-7680<br>www.essie.com** |
| **Creative Nail Design, Inc.** | | **1125 Joshua Way<br>Vista, CA 92081** | **760-599-2900<br>www.cnd.com/Consumer.aspx** |
| **Privately Held Nail Products Contract Manufacturers** | | | |
| **Cosmetic Industries** | | **13489 Slover Avenue,<br>Fontana, CA 92337** | **909-428-7225<br>www.cosmeticindustries.com** |

## Table 1: Contact Information For Profiled Companies

| NAME | TICKER | HEADQUARTERS | PHONE/WEBSITE |
| --- | --- | --- | --- |
| Cali Chem, Inc. | | 14271 Corporate Dr, Garden Grove, CA 92843-4937 | (714) 265-3740 www.calibeauty.com/index.htm |
| Keystone Research & Pharmaceutical | | 616 Hollywood Ave, Cherry Hill, NJ 08002 | 856-663-4700 www.krandp.com/index.aspz |

| TABLE 2: KEY CHEMICAL MANUFACTURERS AND SUPPLIERS OF THE HOUSEHOLD AND PERSONAL CARE PRODUCTS INDUSTRY* | | | | | | |
|---|---|---|---|---|---|---|
| **NAME** | **ADDRESS** | **PHONE** | **WEBSITE** | **MAJOR MARKETS** | **MAJOR PRODUCTS** | **NOTES** |
| **ABA Packing Corp.** | 740 Blue Point Road Holtsville, New York 11742 | 631-758-4200 toll free: 800-443-9799 | www.abapacking.com | Cosmetics, Personal Care, Fragrance, Nail Care, Skincare, Pharmaceuticals | packaging vessels and materials | 1000-1,000,000 piece orders |
| **Access Business Group** | 7575 Fulton St. East, Ada Michigan 49355 | 800-879-2732 | www.accessbusinessgroup.com | Contract Manufacturing: Personal Care, Home Care, Nutrition | aerosols, liquids, powders, lotions, gels | High volume manufacturing. for regional and national brands |
| **ActiTech** | 301 FM 1417 West Sherman, TX 75092 | 903-893-2551 | www.actitech.com | Personal Care, Nutrition | shampoos, creams, lotions, gels, nutritional drinks, liquid supplements | Specialize in organic products, meet large and small volume needs |
| **Active Organics, LP** | 1079 Yates Street Lewisville, TX 75057 | 972-221-7500 | www.activeorganics.com | Cosmetics and Personal Care | natural performance ingredients and botanical extracts | Supplies to the world's most recognized cosmetics brands |
| **Botaneco** | 134, 2985 23rd Ave NE Calgary, Alberta, Canada, T1Y 7L3 | 403-668-6685 | www.botanico.ca | Personal Care, Sun Care, Baby Care, OTC Topicals | natural emulsifiers: oleosomes and glycerin | Custom formulations by request |
| **CBI Laboratories, Inc.** | 4201 Diplomacy Road Fort Worth, TX 76155 | 972-241-7546 | www.cbiSkincare.com | Prestige Skincare, Bath and Body Care, Hair Care, Spa and Salon | botanical-based skin and body care, cosmeceuticals, dermatologicals, high-end spa product formulations, nutraceutical beverages | Customized formulation, private label, tech support, copywriting, & export documentation assistance. They meet large/small volume needs & have global capabilities |

| TABLE 2: KEY CHEMICAL MANUFACTURERS AND SUPPLIERS OF THE HOUSEHOLD AND PERSONAL CARE PRODUCTS INDUSTRY* | | | | | | |
|---|---|---|---|---|---|---|
| **NAME** | **ADDRESS** | **PHONE** | **WEBSITE** | **MAJOR MARKETS** | **MAJOR PRODUCTS** | **NOTES** |
| **Ciba Specialty Chemicals, Inc.** | Klybeckstrasse 141<br>CH-4002 Basel<br>Switzerland | +41 61 636 24 14 | www.ciba.com | Home and Fabric Care, Personal Care, Color Cosmetics, Skin/Hair/Sun Care | chemicals that add performance, color, protection, and strength to plastics, paper, auto, home, and personal care products | State of the art research and development. capabilities in US, UK, Germany, Japan, Mexico, Brazil, customers in over 120 countries |
| **Croda, Inc.** | 300-A Columbus Circle<br>Edison, NJ 0883 | 732-417-0800 | www.crodausa.com | Personal Care, Home Care, Industrial Specialties, Health Care, Crop Care | conditioning agents, delivery systems, proteins and derivatives, skin actives, emulsifiers, emollients, botanical extracts, lanolin and derivatives, UV filters, cleansing agents | Worldwide distribution to multinational companies, subsidiary of Croda International Plc, a UK based manufacturer and supplier of oleo and industrial chemicals |
| **Diamond Wipes International** | 4200 East Mission Blvd.<br>Ontario, CA 91761 | 909-230-9888<br>toll-free: 800-454-1077 | www.diamondwipes.com | Cosmetics, Personal/Health Care, Hospitality, Food Service | makeup remover wipes, anti-bacterial wipes, personal hygiene wipes, cleaning wipes, nail polish remover pads | Specializes in packaging and assembly of pre-moistened, non-woven fabric, provides full-service contract packaging solutions |
| **DSM Nutritional Products, Inc.** | 45 Waterview Boulevard<br>Parsippany, NJ 07054 | 800-526-0189 | www.unlimitednutrition-na.dsm.com | Human and Animal Nutrition, Cosmetics/Personal Care | vitamins, UVA/UVB filters, carotenoids, omega-6 oils, emulsifiers, many other chemical compounds | innovative concept and product development, technical and marketing assistance, global capabilities |

| TABLE 2: KEY CHEMICAL MANUFACTURERS AND SUPPLIERS OF THE HOUSEHOLD AND PERSONAL CARE PRODUCTS INDUSTRY* | | | | | | |
|---|---|---|---|---|---|---|
| **NAME** | **ADDRESS** | **PHONE** | **WEBSITE** | **MAJOR MARKETS** | **MAJOR PRODUCTS** | **NOTES** |
| **Grant Industries, Inc.** | 125 Main Ave. Elwood Park, NJ 07407 | 201-791-8700 | www.grantinc.com | Skincare, Color Cosmetics/Lip Care, Hair Care, Textiles, Printing | polysilicone elastomer gels, silicone/active powders, microsphere powders, specialty silicone fluids and formulated cosmetic ingredients | Custom products, distribution, licensing |
| **International Specialty Products, Inc.** | 1361 Alps Rd. Wayne, NJ 07470 | 973-628-4000 | www.ispcorp.com | Personal care (hair, skin, sun, oral), Cleaners and Detergents, | film formers, hair fixatives, waterproofing agents, micro encapsulation systems, dye transfer inhibitors, hydrogen peroxide polymer complexes, bio-functional actives | A world leader in specialty chemicals offering tailor-made solutions and custom-blend preservative systems |
| **Lipo Chemicals Inc.** | 207 Nineteenth Ave. Patterson, NJ 07504 | 973-345-8600 | www.lipochemicals.com | Skincare, Hair Care, Cosmetics, Personal Care | actives & treatments, delivery systems, polymers, powders, exfolients, emollients, emulsifiers & solubilizers, waxes, viscosity, stabilizers and modifiers, preservatives, humectants, naturals | Global supplier offering tech support, formulation expertise, innovative product solutions |

| TABLE 2: KEY CHEMICAL MANUFACTURERS AND SUPPLIERS OF THE HOUSEHOLD AND PERSONAL CARE PRODUCTS INDUSTRY* | | | | | | |
|---|---|---|---|---|---|---|
| **NAME** | **ADDRESS** | **PHONE** | **WEBSITE** | **MAJOR MARKETS** | **MAJOR PRODUCTS** | **NOTES** |
| **Pilot Chemical** | 2744 East Kemper Road<br>Cincinnati, Ohio 45241 | 513.326.0600<br>toll free:<br>800.70.PILOT | www.pilotchemical.com | Personal Care, Household, Industrial Detergents, Agriculture, Textile, Oil Fields, Lubrication, Emulsion Polymerization | oil-soluble sulfinates, amides, performance blends, alcohol/ether sulfates, diphenyl oxide disulfonates, sulfonates and sulfates, detergent concentrates, betaines, hydrotropes | World-wide distribution to multi-national companies, proprietary and patented chemical processes |
| **RITA Corporation** | 850 S. Route 31<br>Crystal Lake, IL 60014 | 815-337-2500 | www.ritacorp.com | Personal Care, Cosmetics, Industrial | anti-microbial preservatives, thickeners and modifiers, natural active extracts, flavinoids, rheology modifiers, thickeners, suspending agents, liposome delivery systems, cosmetics (guars tech), ritafactants, surfactants | Partners with Industrial Quimica Del Centro in Mexico. RITA specializes in product development, tech support, and innovative raw materials for customers worldwide |

| TABLE 2: KEY CHEMICAL MANUFACTURERS AND SUPPLIERS OF THE HOUSEHOLD AND PERSONAL CARE PRODUCTS INDUSTRY* | | | | | | |
|---|---|---|---|---|---|---|
| **NAME** | **ADDRESS** | **PHONE** | **WEBSITE** | **MAJOR MARKETS** | **MAJOR PRODUCTS** | **NOTES** |
| **Ruger Chemical Company, Inc.** | 1515 W. Blancke St. Linden, NJ 07036 | 800-274-RUGER | www.rugerchemical.com | Pharmaceutical, Food & Flavor, Nutritional Supplements, Cosmetics, Personal Care | oleo-chemicals/esters, emollients/humectants, detergents/surfactants, emulsifiers, preservatives, fungicides, quaternary compounds, solvents, vegetable oils, waxes, white oils and petrolatums, active ingredients, excipients, functional botanicals, essential oils | A full-service distributor of manufacturers' ingredients, RUGER offers over 3,000 cosmetic ingredients and pharma chemicals, large and small orders are available |
| **Stepan Company** | 22 West Frontage Road Northfield, IL 60093 | 847-446-7500 tech service: 800-745-7837 | www.stepan.com | Personal Care, Detergents, Agriculture, Institutional, Lubricant, Textile, Coatings, Adhesives, Food, other niche markets | a full line of cationic, nonionic, amphoteric, and anionic surfactants, surfactant blends, specialty esters, phthalic anhydride and polyurethane polyols (for the polyurethane market) | Customers include multi-national consumer product companies and small entrepreneurial ventures, 14 manufacturing plants throughout the world, 150 distribution locations, offers custom blends |

*** All information gathered from HAPPI.com corporate profiles. For full profiles, go to www.happi.com/corporate_profiles. These companies were identified by HAPPI as having a significant presence in the industry and which took out full page ads on the HAPPI website. More can be found in the HAPPI on-line buyers guide (http://www.happi.com/bg) which consists of about 500 packaging and raw materials companies.**

# MAPPING THE NAIL CARE INDUSTRY:

## OVERVIEW OF THE PERSONAL CARE PRODUCTS INDUSTRY

Nail care is the fastest growing sector in the beauty industry, generating more than $6 billion annually in sales nationwide (California Healthy Nail Salon Collaborative, 2009). The U.S. personal care products industry is made up of approximately 750 companies with combined annual revenue of approximately $40 billion. The 50 largest companies account for roughly 70% of industry revenue. According to the *2009 Market Share Reporter*, cosmetics, toiletries, and beauty firms worldwide had combined sales of $290.6 billion in 2007. The top personal care product companies worldwide (in 2007) included Procter & Gamble, L'Oréal, Unilever, Colgate, Estée Lauder, Avon, and Biersdorf (Market Share Reporter, 2009).

The personal care product industry includes companies that prepare, blend, compound, and package personal care products. Products include makeup, shampoo, nail products, lotions, over the counter health aids, and more. Cosmetics are 33% of industry revenue in the U.S. Competitive demand is driven by consumer preferences and population growth. Large companies have advantages of scale in purchasing, manufacturing, distribution, and marketing. Typical customers are mass-market and specialty retailers, department stores, direct sales, and professional salons. Large companies usually have a sales force in-house resources for their own product distribution. Key marketing vehicles include TV, magazine and newspaper advertising, direct mail, and in-store promotions. As brand awareness is important to the success of many personal care products, the industry spends heavily on advertising and promotions. ("Personal Care Products Overview", 2009)

Many personal care product companies have multiple licensing agreements with retailers. Companies generally do not have long-term or exclusive contracts with any retail customers. Sales are usually made in accordance with purchase orders. ("Elizabeth Arden, Inc., Form 10-K" , 2009, p.8). Many personal care product companies hire contract manufacturers to manufacture finished goods.

Raw materials are readily available from numerous sources and are generally bought externally. Raw materials include natural ingredients found in animal and plant sources, and synthetic materials produced and formulated by raw material suppliers. Raw material suppliers continually develop new ingredients and, with advances, polymers and silicones are now becoming cheaper, and allegedly less irritating and more eco-friendly. Production processes are generally highly automated. ("Personal Care Products Overview", 2009)

The personal care products industry is closely connected to 2 other industries, the health care industry and the chemical industry, and is a vital part of the value chain. The personal care products industry is also related to the petroleum industry. Many raw materials used for making personal care products, like Propylene Glycol and PVP/VA Copolymer, are derived from petroleum products. ("Personal Care Industry Overview", 2009)

The beauty business, which, years ago, was dominated by New York City-based operations, has seen a growth in California-based operations. While New York City is still a hub for beauty, business and fashion, some of the most rapidly growing companies in the beauty industry can be found on the West Coast (Branna, 2009).

Within the cosmetics industry there is a recent trend of 'natural' and 'organic' products (Branna, 2009). Products are being labeled as 'natural' when they contain mineral and plant ingredients. Products are labeled as 'organic' when made with organic agricultural products. Many products labeled 'natural' and 'organic' contain synthetic ingredients as well. However, in order for an item to be labeled "100 percent organic", "organic" or "made with organic ingredients" it must meet specific standards set out by the United States Department of Agriculture. "100 percent organic products" must consist of 100% certified organic ingredients, "organic" products must contain at least 95% certified organic ingredients and "made with organic ingredients" products must contain at least 70% organic ingredients. In order to be certified by an accredited certification agent in the U.S., all ingredients must be purchased, produced, and processed in ways consistent with national organic standards laid out by the United States Department of Agriculture. "100 percent organic products" and "organic" products may display the USDA Organic Seal and must include the certifying agent's name and address. "Made with organic ingredients" products may not display the USDA Organic Seal. However, the Food and Drug Administration does not define or regulate the term organic as it applies to cosmetics, body care or personal care products ("National Organic Program", 2009).

In terms of customers, the aging Baby Boomer generation is influencing product innovation as well as demand for anti-aging products and cosmetic procedures. Generation "X"ers are entering their peak earning years and are increasing their expenditures on beauty products. A recent survey conducted by American Express found that Generation X spends 60% more money on beauty products than Baby Boomers. According to the U.S. Census Bureau data, the 20 to 34 year-old age group (Generation Y) is expected to grow by about 10% from 2003 to 2015. As Generation Y enters the workforce, it will have increased disposable income to spend on beauty products. ("Ulta Salon, Cosmetics & Fragrances, Inc., Form 10-K", 2009, p.8)

With a plethora of profitable new products, the hand and foot care product market segment is growing. New hand and foot care products include those labeled as herbal and organic, as well as anti-aging. The men's foot care products market segment has also grown. Foot and hand care products can be classified into cuticle care products, foot scrub, hand and foot cream, and nail care products. ("Personal Care Industry Overview", 2009)

## METHODOLOGY

This report provides profiles of: 7 leading personal care and cosmetics firms based in the U.S. that sell one or more nail products, 3 of the top U.S. beauty store companies, and 5 of the leading nail care product privately held companies based in the U.S. as well as key chemical manufacturers and suppliers of the household and personal care products industry and 4 contract manufacturers. Information and data for this report was compiled from industry reports, business journal articles, company executive information, SEC filings and interviews. Due to time and financial constraints much of the language describing the companies has been copied directly from their own reports and is therefore laudatory and not necessarily a reflection of the policies, positions, or opinions of the Environmental Finance Center or its partners.

## LEADING PUBLICLY TRADED PERSONAL CARE PRODUCT COMPANIES

This report profiles seven of the leading personal care product companies that sell nail products: Procter & Gamble, Estée Lauder, Avon, Revlon, Elizabeth Arden, Prestige Brands Holdings and L'Oréal. Many of the other top conglomerate personal care companies are not included because no nail product offerings were identified. L'Oréal USA is included though it is not publicly traded in the U.S. L'Oréal USA is a wholly owned subsidiary of L'Oréal SA a publicly traded French company and is a major player in the U.S. cosmetics industry. Revlon, Avon, L'Oréal, Estée Lauder, Elizabeth Arden and Procter & Gamble manufacture many products and use third-party contract manufacturers. Prestige Brands Holdings uses contract manufacturers exclusively. These large conglomerates sell mostly through retail outlets, but many have product lines in beauty supply stores and nail salons, such as Revlon. A few of these companies also have their own line of spas or beauty stores, such as Estée Lauder Spas and L'Oréal's The Body Shop stores. Many have products that are sold and used in salons such as L'Oréal's professional line of hair products. Their 2009 reported earnings from all products ranged from about $300 million to $80 billion.

## OVERVIEW OF THE COSMETICS, BEAUTY SUPPLY, AND PERFUME STORE INDUSTRY

The cosmetic, beauty supply, and perfume store (beauty store) industry has a combined annual revenue of around $7 billion globally and consists of approximately 10,000 stores. Foremost companies include Ulta, Sephora, Sally Beauty Supply, and divisions of L'Oréal -The Body Shop International, and Limited Brands (Bath & Body Works). The top 50 companies earn 75% of the revenue in the industry. The ability to generate store traffic and effective merchandising are important to a store's profitability. Some companies specialize in professional beauty products and, due to manufacturer policies, may restrict sales to salons and professional salon workers. Salons may then resell certain products to the public or use the products for the salon treatments. Beauty stores include regional and national chains, franchises, and independent retailers. Beauty superstores can range anywhere from 5,000 to 10,000 square feet. Typical locations include indoor shopping malls, strip malls, and floor space within larger retailers. Companies may provide salon services, including manicures, pedicures, hair styling, or facials. Salon professionals will usually receive special product discounts. Full-service stores carry "professional use only" products for salons and only sell to salons and salon professionals. Beauty stores that offer spa services sometimes rent store space to salon professionals. To meet manufacturer requirements to sell salon-only products, a retailer can place one stylist chair in the store.

A company's target market dictates the inventory mix. Prestige brands, including Lancôme, Estée Lauder, and Clinique are premium-priced products traditionally found in department stores. Mass-market brands, including Revlon, L'Oréal, and Clairol, tend to be priced lower and are found in drugstores, and mass merchandisers.

Beauty stores may carry private-label or controlled-label products, these are products for which a company has exclusive distribution rights. Most beauty stores buy from manufacturers or representatives of manufacturers directly, though some companies use distributors. Suppliers sometimes have minimum purchase requirements, especially for relationships that involve exclusive distribution rights. Some of the larger beauty store companies manufacture their own line of products such as Ulta Salon and Cosmetics and Sally Beauty Holdings. Beauty supply buyers usually attend trade shows in order to spot the latest trends and select merchandise. Inventory movement, and points-of-sale are tracked by scanners and computer systems, and sometimes they restock merchandise automatically. Analyzing sales data helps buyers make decisions regarding purchasing. Computer systems are also used to track and analyze information using customer databases, which can help companies to develop marketing strategies directed towards specific targets.

Women are increasingly shopping across retail channels as well as purchasing a combination of prestige and mass beauty products. ("Ulta Salon, Cosmetics & Fragrances, Inc., Form 10-K", 2009, p.8)

*(Unless otherwise indicated, information above is from "Industry Overview: Cosmetics, Beauty Supply, and Perfume Stores", 2009)*

## LEADING PUBLICLY TRADED BEAUTY STORE COMPANIES IN THE U.S.:

The report provides information on three of the leading publicly traded beauty store companies in the US: Limited Brands, Inc., Sally Beauty Supply and Ulta Salon, Cosmetics & Fragrance, Inc. All of them sell products made by third-party manufacturers, though in most cases the businesses develop the product specifications and formulations. Limited Brands, Inc sells its merchandise through specialty retail stores, websites and catalogues. Sally Beauty Supply carriers a wide range of personal care products and targets both retail consumers and salon professional customers. Ulta Salon, Cosmetics & Fragrance, Inc sells its products in stores, through in-house salons and through department stores, specialty stores, salons, mass merchandisers and drug stores. Reported 2009 revenues ranged from $1 to $9 billion.

## LEADING PRIVATELY OWNED NAIL PRODUCT COMPANIES:

The top privately held nail care product companies have significant influence on the nail salon industry as a whole and include: O.P.I. Products, Inc., American International Industries, Orly International, Inc., Essie Cosmetics Ltd., Creative Nail Design, Inc. OPI is a family-owned business based in southern California and is one of the leading providers of personal nail care products. American International Industries headquartered in Los Angeles sells a wide range of personal care products in addition to nail care products. Orly International, Inc. makes nail lacquers and assorted nail care items that are used internationally in salons and spas is also based in Los Angeles. Essie Cosmetics Ltd., headquartered in New York, is known for its line of nail colors, nail treatments, nail accessories, spa products, and lip-glosses. Creative Nail Design, Inc, also located in the Los Angeles area, is owned by Colomar USA which views chemistry as its core competency. Their 2008 reported revenues ranged from $10 to $400 million.

### CONTRACT MANUFACTURERS

Contract manufacturers (CMs) are firms that manufacture products for “hiring” firms which provide the CM with the product formula. The report identified three CMs through surveying products used by nail salons in California and tracking down their manufacturers: Cosmetic Industries, Cali Chem, Inc., and Keystone Research & Pharmaceuticals. Two of the three are based in California.

### KEY CHEMICAL MANUFACTURERS AND SUPPLIERS

Basic information on 17 key chemical manufacturers and suppliers to the Household and Personal Care Products Industry, which may participate in the production of nail products is provided in Figure 2. More detailed supply chain information, such as which chemicals are supplied by which manufactures to which nail care product manufacturers, was difficult to collect due to proprietary concerns.

## INTERVIEW HIGHLIGHTS

Interviews were conducted with Paul Bryson, Director of R&D for OPI Products Inc., Doug Schoon, industry lobbyist and owner of Schoon Scientific & Regulatory Consulting LLC, and Michael DiBartolomeis with the California Department of Public Health who oversees implementation of the Safe Cosmetics Program. OPI Products Inc. is one of the larger privately held nail salon product companies and Schoon Scientific & Regulatory Consulting, LLC provides technological and regulatory expertise to the beauty, cosmetic and personal care industry.

### PRODUCT DEVELOPMENT

According to Bryson, at OPI the product development process begins with a marketing request describing what they want and what it should cost. Then the chemists work on formulating the products that meet legal, safety and functionality requirements. Chemicals are purchased from suppliers listed on the Personal Care Products Council (PCPC) and Household and Personal Products Industry (HAPPI) websites. In addition, he mentioned that “There is an endless parade of chemical suppliers coming in to the facility and showing us something new. “ Once a product is invented it undergoes further testing to address stability (how well it handles transportation, its shelf life and storage requirements) and skin sensitivity.

Mr. Bryson was evasive about where OPI products are manufactured—on-site or offsite. However he did explain that "Offsite production, particularly out of the country production, is fraught with risk. …Foreign contractors might use cheaper substitutions that would be difficult to detect and could lower quality and it's very hard to do the quality control on that. For this reason, all our formulas are made in the U.S.A."

Regarding the process of marketing products, he stated that, "The lab reviews marketing claims to be sure nothing is exaggerated and overstated, usually by accident. Marketers and chemists speak different languages so it's easy for them to misunderstand each other. This review process happens everywhere." OPI products are distributed through "salons and certain authorized distributors like beauty supply shops."

According to Doug Schoon, "The large publicly traded public companies don't have that much influence in salons and mostly sell in the retail/mass market. It's rare for a manufacturer to sell directly to a nail salon. They usually sell through distributors. Distributors run the market, but they have little influence over the products or their development."

"The true manufacturers and private label/contract companies are the ones responsible for research and product development. Most companies contract the actual development and manufacturing to private label/contract companies and whom they work with is a closely guarded secret. In some cases they have their own in-house R&D. Most of the private label/contract manufactures are small entities, some are in China."

## REGULATION

About the regulation of nail products, Bryson said that "responding to different regulations is logistically challenging requiring multiple inventories to meet them" and that "the preference is always to move to one global formula as soon as you can."

Bryson emphasized that paperwork requirements are derailing efforts to develop greener products as "the chemists who could be inventing greener products are stuck doing more and more paperwork with each passing year. " He claims that the biggest barriers to greener products are the laws of nature, that it is not possible to "develop nail lacquers with no solvents at all that are also functional" and that there are no safer alternatives to nail acrylic.

Schoon reiterated Mr. Bryson's comment that the laws don't create green chemistry, but that they just take many scientists away from their work and have them filling out paperwork.

Michael DiBartolomeis disagreed with claims that the California Safe Cosmetics Act (SB484) requires a chemist to do too much paperwork stating that companies should have the required information readily available – that they should know what is in their products.

## HEALTH AND SAFETY

Schoon emphasized his concern that health advocates are focusing on what he thinks are the wrong issues – product formulations and alleged toxicity rather than technician behavior (proper care and handling of products). This then causes politicians to react by developing regulations that "don't solve anything". His perception is that "Cosmetics are some of the most heavily regulated products in the world. It's a myth to say that cosmetics are unregulated. Every country has different regulations. The EU is perceived as being safer, but I don't think they are any safer than the US; they're just more vocal about their regulations."

DiBartolomeis in explaining how the California Safe Cosmetics Program, which was enacted in response to passage of the Safe Cosmetics Act (SB484) works, stated that "Cosmetics are like the orphan children of consumer products world, they don't receive a lot of attention from regulators. The main problem is that cosmetics don't require pre-market testing. Manufacturers aren't made responsible for testing products for rashes and irritation, etc., let alone cancer, reproductive toxicity, endocrine disruption and other potential long-term effects. Manufacturers only have to tell the Food and Drug Administration (FDA) that it is safe. This is a problem that has existed since the 1940's. There are no strict guidelines for cosmetics." He posited that "Maybe if the nail salon workers knew the potential long-term serious effects of exposure they would be speaking to the industry and demanding healthier products."

He went on to explain that "The Safe Cosmetics Act was unfunded, when the bill was signed. The California Department of Public Health (CDPH) submitted a request for funding and only got about 25% of it….Now only the Division of Environmental and Occupational Disease Control has resources to implement the Act. We are in the non-regulatory part of the Department of Public Health. We are supposed to flag a public health problem based on the data we receive from manufacturers. For example, if a cancer-causing chemical is in a variety of products, we can and should notify the Food and Drug Branch, Cal/OSHA and Cal/EPA, and others. The notified, responsible departments may or may not have the resources to take action; they might have to re-direct funds and manpower from another important program. This is the nature of state government – there are not enough funds to go around so it is like moving chess pieces around the board. …With respect to enforcing the Act, we must take it on good faith that product manufacturers will supply accurate data. "

He said that barriers to regulating cosmetics include the economy (there is no funding to pay for enforcement), the power of large companies to oppose regulations, term limits which result in insufficient time for legislators to write and pass well-written laws and stick around to make sure they are properly funded and implemented (poorly written bills have trouble being translated into regulations). DiBartolomeis warned that the public should not rely on government for protection because there are loopholes.

Regarding claims of natural and organic products, DiBartolomeis regards these as green washing and said, "We don't have the understanding to be able to say there are safe levels of chemicals and carcinogens". He went on to explain that cosmetic product companies tend to focus on short-term health impacts and he is "not aware of any cosmetics product companies that test for long-term health effects". Both Bryson and Schoon emphasized that the private sector is focused on developing products that are safe, effective and legal. Bryson welcomes the opportunity to work with the California Healthy Nail Salon Collaborative to help protect worker and consumer health and safety. Schoon would like advocates to focus on training salon employees to work safely and on sharing scientific studies about product toxicity to evaluate their validity.

## FUTURE PROSPECTS FOR THE COSMETICS/PERSONAL CARE PRODUCTS INDUSTRY

Concerns about the environmental and human health impacts of chemicals used in personal care products have prompted many companies to focus on natural and organic products. In most countries the demand for organic products has been rising. Mintel, a leading research company, estimated the size of the natural and organic personal care products market at about $465 million (in 2008), growing an astounding 35% percent since 2005 (Schwartz). However, there is still debate about the use of the words organic and natural in the cosmetics and personal care product industry. The US Federal Trade Commission is in the process of establishing guidelines for fair and effective green marketing practices. At present, many products labeled as “organic” or “natural” contain synthetic ingredients.

Changes in federal chemical legislation may have an impact on personal care products sector. On September 29, 2009, US EPA Administrator Lisa Jackson “announced a new push to transform the way the nation regulates toxic chemicals that may endanger people and the environment…. (She) called the workings of a 1976 law 'inordinately cumbersome and time-consuming' and said the administration will promote a new chemical law in Congress. In the meantime, the EPA will analyze and regulate six high-profile, widely used chemicals that have raised health concerns, including BPA and phthalates” (Zito, 2009)

Another important trend in personal care is cosmeceuticals, or what Packaged Facts called “beneficial beauty” products in its report *The U.S. Cosmeceuticals Market, 6th Edition*. Cosmetics purport to have medical or drug-like effects, such as anti-aging creams, conditioners that repair damaged hair, moisturizers that nourish skins with vitamins to shampoos with stress-relieving scents, lipstick with sunscreen and over-the-counter microdermabrasion kits. Cosmeceuticals sales were $16 billion in 2007. The report also forecasts that the market will reach $21 billion by 2012. The cosmeceutical skincare products market alone was valued at $8.9 billion in 2007. Baby boomers are the target of the personal care market, however, more promoting of beneficial cosmetics is now geared towards Generations X and Y as well as babies, who are consuming more and more cosmeceuticals. (Schwartz, 2009).

## NEXT STEPS

The nail products industry is large and complex. This report provides an overview, but is nowhere near complete. Therefore, it is recommended that additional research be conducted on a variety of issues that would further develop the picture, specifically -- large privately owned companies, businesses’ supply chains, product manufacturing processes, modes of communication between suppliers, distributors and salons and trade associations. The following are specific tasks that could be undertaken and issues that could be addressed.

- There are many large, privately owned companies that control considerable market share in the nail product segment and cosmetics in general, such as Coty, Inc. Sally Hansen is owned by Del Laboratories that just became a subsidiary of Coty, Inc. It would be worth examining these companies to learn if their processes differ from those of the public cosmetic and personal care product companies and smaller nail product companies.

- The Reference USA Database provides considerable information regarding subsidiaries, segments, and branches of certain companies (both public and private). It may be useful to continue the work started in this report of mapping which smaller companies are owned by which larger companies. Some of this information may be found in Annual Reports of the public companies.

- Supply chain information has been very hard to come by. Specifics are not listed in annual reports, and private companies regard it as proprietary information. An angle worth exploring might be to contact the chemical suppliers identified in this report (Figure 2) to identify their customers.

- Just as staff were wrapping up this report, we learned about three privately held manufacturers of nail salon products engaged in contract manufacturing, three of which are based in California (see Figure 2). Further research about them and others could provide more information on the supply chain and the manufacturing process.

- Specific manufacturing processes (e.g. vat separation and ingredient mixing) for the various companies may be obtained through interviewing company employees. This information is was not available from databases, websites, and financial documents examined for this report.

- Annual Reports provide a wealth of general information about processes of publicly traded companies. To explore annual reports of companies not covered here, visit [http://secfilings.com](http://secfilings.com).

- Profiling the advertising/communication channels of the companies that supply products to nail salons is another area that deserves more research. Privately owned company information is hard to come by, however it may be possible to obtain this information by contacting companies directly and inquiring about their marketing and advertising vehicles and methods. This could perhaps also be examined through communication with nail salons themselves.

- More research could be conducted regarding the differences between the formulation, distribution channels and regulation of retail and nail salon products.

- It may be useful to profile companies that specialize in nail (and other cosmetics) product distribution, such as Helen of Troy, and profile their processes, including the nature of licensing agreements and locations of distribution headquarters.

- Information about the primary trade associations for the nail care sector, as well as in the major trade publications and their websites could be valuable to document.

# APPENDICES

## APPENDIX A: PROCTOR & GAMBLE CO.

**Procter & Gamble Co. (NYSE: PG)**

**Fiscal 2009 Sales**: $79.03 Billion

**Beauty and Beauty Related Sales 2009:** $26.3 Billion

**2007 World Market Share (of cosmetics, toiletries, and beauty sales):** 13%

**Employees:** 135,000

**Executives:**

President, CEO, and Director: Robert A. (Bob) McDonald

Chairman: Alan G. (A.G.) Lafley

**Cosmetics-related Brands**: Pantene (hair care), Olay (skincare), Head & Shoulders (hair care), Clairol (hair care), Herbal Essences (hair care), Nice ’n Easy (hair care), Natural Instincts (hair care), Cover Girl (makeup), SK-II (skincare/cosmetics), Rejoice (hair care), Hugo Boss (Fragrance), Max Factor (cosmetics), Old Spice (deodorant/antiperspirant, fragrance), Secret (anti-perspirant/deodorant), Lacoste (fragrance), Vidal Sassoon (hair care), Aussie (hair care), Infusium 23 (hair care), Noxzema (skincare), Laura Biagotti (skincare), Koleston (hair care), Wella/Wellaflex (hair care), Shockwaves (hair care), Gucci (fragrance), Rochas (fragrance), Escada (fragrance), Puma (fragrance), Anna Sui (fragrance), Ghost (fragrance), Bogner (fragrance), Tosca (fragrance), Max Mara (fragrance)

**Overview**

Procter and Gamble started as a tiny, family owned and operated soap and candle company over 29 years ago and now it provides products to consumers in 180 countries globally. P&G has a notably strong and large portfolio of household brands that are sold primarily through mass merchandisers, drug stores, membership club stores, grocery stores and high-frequency stores in developing markets. P&G is divided into three global units: health and well being, beauty, and household care. The Company also makes water filters, pet food, and produces soap operas. About 25 of P&G's brands are billion-dollar sellers, including Wella, Fusion, and Pantene among others. P&G claims that its focus on product development and product depth and breadth helps it make consistently healthy profits. (“Procter & Gamble and Subsidiaries, Form 10-K” , 2009, p.2-3)

In June 2009, Robert A. McDonald, 55, was elected president and chief executive. He had been chief operating officer. A.G. Lafley will remain Chairman (Branna, 2009).

P&G has nearly doubled in size since 2000. The Company reorganized in 2007 to help maintain resilience and increase adaptability to change. P&G acquired HDS Cosmetics Lab, which makes the DDF skincare brand, in early 2007 to secure its foothold in dermatology-focused skincare (“Procter & Gamble Co., Company Description”). Recently, P&G has been focused on expanding its beauty business through acquisitions to improve worldwide market share. P&G acquired internationally known Wella, achieving 100% ownership in November of 2007.

The Company’s Beauty Segment includes cosmetics, deodorants, hair care, personal cleansing, prestige fragrances and skincare. The Beauty Segment was responsible for $26.3 Billion (33%) of 2009 Sales (“Procter & Gamble and Subsidiaries, Form 10-K” 26). Sales of products labeled organic increased 2%, which is below the Company’s organic sales growth target range (“Procter & Gamble and Subsidiaries, Form 10-K”, 2009, p.34). North America accounted for 43% of fiscal 2009 sales; Europe was responsible for 21% and Japan 4%. Developing markets accounted for about 30% of P&G's 2008 sales (“Procter & Gamble Co. Company Description”). These markets included Latin America, Greater China, Central and Eastern Europe, the Middle East and Africa, and India. Net sales in the U.S. were $31,080 Million for fiscal 2009 (“Procter & Gamble and Subsidiaries, Form 10-K”, 2009, p. 4).

For the most part, raw and packaging materials are purchased from others, some of which are single-source suppliers. P&G produces some raw materials, mostly chemicals, for use in the manufacturing process. The Company owns and has licenses under patents and registered trademarks, some of which cover product formulation and manufacturing processes. Trademarks are important to the marketing and branding of the Company’s products. (“Procter & Gamble and Subsidiaries, Form 10-K”, 2009, p.3)

P&G owns and operates 36 manufacturing facilities in the U.S. located in 22 different states. The Company also owns and operates 105 manufacturing facilities in 43 other countries. Many of the facilities produce products for multiple businesses. 43 of P&G’s facilities manufacture beauty products. (“Procter & Gamble and Subsidiaries, Form 10-K”, 2009, p. 7) The Company’s subsidiaries are too numerous to list here and can be found in Exhibit 21 of their 2009 Annual Report.

P&G is in the midst of its largest capacity expansion in the history of the company. P&G has plans to build 19 production plants over the next four years, according to company officials. The plan focuses on sustainability of new facilities. Solar panels, geothermal energy, rapidly renewable materials, building orientation, premium efficiency motors, passive heating of outside air, recycled asphalt and thermal energy storage are all used in the plans. P&G worked with LEED experts, Herman Miller, Arup, William McDonough (who developed cradle-to-cradle design) as well as other leading design consultants. P&G seems committed to and making progress in improving the environmental profile of P&G's products and operations. (Branna, 2009)

Competitors include Colgate-Palmolive, Church & Dwight, the Clorox Company and Johnson & Johnson.

## APPENDIX B: ESTÉE LAUDER COMPANIES, INC.

**Estée Lauder Companies, Inc. (NYSE: EL)**

**Fiscal 2009 Sales:** $7.32 Billion

**2007 World Market Share:** 4%

**Employees:** 31,300

**Executives:**

Chairman of the Board**:** William P. Lauder

President, Chief Executive Officer, Director, Fabrizio Freda

**Brands**: American Beauty (skincare/cosmetics), Aramis (men's fragrances/grooming products), Lab Series (skincare for men), Aveda (organic cosmetics and fragrances), Bobbi Brown (cosmetics), Bumble & bumble (hair care), Clinique (cosmetics), Darphin (beauty and skincare), Donald Trump (fragrance), Donna Karan (fragrance, cosmetics), Missoni (fragrance), Tom Ford (fragrance), Estée Lauder (beauty and skincare), Flirt! (makeup), Good Skin (fragrance-free skincare and makeup), Grassroots (natural and organic beauty), Jo Malone (bath & body/skincare/fragrances), Kate Spade (beauty and related products), La Mer (skincare), MAC (makeup), Michael Kors (fragrance), Mustang (fragrance), Origins (cosmetics), Prescriptives (cosmetics), Rodan + Fields (skincare), Tommy Hilfiger (fragrance), Kiton (fragrance), Sean John (fragrance), Ojon (hair and skincare)

**Overview**

When Estée Lauder founded Estée Lauder Companies in 1946 they had four product offerings. Today the Company manufactures and markets makeup, skincare, and hair care products and sells their products in over 140 countries and territories and have about 400 scientists working in several corporate research and development centers worldwide. Estée Lauder is a world leader in upscale personal care products and captures nearly half of all U.S. prestige cosmetics sales. (Reference USA Database, 2009)

The Company sells its prestige products mainly through limited distribution channels to complement the images it wishes to be associated with their brands. These sales routes consist primarily of upscale department stores, upscale perfumeries and pharmacies, specialty retailers, prestige salons and spas. Estée Lauder's channels encompass over 30,000 points of sale. Products are also sold on Direct Response T.V. ("DRTV"), duty-free and in-flight shops, websites, stores on cruise ships, as well as freestanding company-owned stores and spas. Estée Lauder is constantly restructuring and evaluating its distribution processes. ("Estée Lauder Companies, Inc., Form10-K", 2009, p. 5)

The Company manufactures, markets and sells a wide array of makeup products, including nail polish. Skincare products accounted for approximately 39% of its net sales, makeup was 39% of net sales, and fragrance made up 16% of net sales, and hair care was 6% of net sales in fiscal 2009 ("Estée Lauder Companies, Inc., Form10-K", 2009). Beauty Bank is the Company's entrepreneurial think tank division.

Brands developed under Beauty Bank include Flirt!, Good Skin, Grassroots, American Beauty, Daisy Fuentes and Eyes by Design. The Company develops fragrances and other beauty products under the Tom Ford brand name and Ojon, a newer acquisition of Estée Lauder, markets hair and skincare beauty products using ingredients found in the world's rainforests. Estée Lauder's Aramis and Designer Fragrances division creates and markets skincare products including the Aramis, Lab Series, Tommy Hilfiger, Donna Karan, Michael Kors, Sean John and Missoni brand names. The Aveda and Bumble and Bumble products are sold principally to salons. ("Full Description, Estée Lauder Companies, Inc.", 2009)

Estée Lauder's marketing, product development and packaging groups work with the R&D group to spot shifts in consumer preferences, create new products, and improve, redesign or reformulate existing ones. The Company's manufacturing system is highly automated. Estée Lauder does not conduct animal testing. The Company uses volunteer panels for clinical testing.

Estée Lauder operates on a global basis, with about 59% of fiscal 2009 net sales produced outside the U.S. (Estée Lauder Companies, Inc., Form 10-K", 2009, p. 13). Product manufacturing occurs primarily in the U.S., Belgium, Switzerland, the U.K., and Canada. Major facilities primarily manufacture one type of product (e.g. eyeliner) for all of the principle brands. Offices are kept in over 40 countries and some key operational facilities are located outside the U.S. that manufacture, warehouse or distribute goods for global sales. The Company also utilizes some third parties for finished goods production on a global basis, including an increased percentage of volume in Asia/Pacific. ("Estée Lauder Companies, Inc., Form 10-K", 2009, p. 6-7)

Facility locations and functions for North America are as follows: Blaine, Minnesota (owned) - Manufacturing and R&D; Blaine, Minnesota (leased) - Distribution; Oakland, New Jersey (leased) - Manufacturing; Hauppauge, New York (leased) - Manufacturing / Assembly; Melville, New York (owned) - Manufacturing; Melville, New York (owned) - R&D; Yaphank, New York (leased) - Manufacturing / Assembly; Bristol, Pennsylvania (leased) - Manufacturing; Bristol, Pennsylvania (leased) - Distribution; Bristol, Pennsylvania (leased) - Distribution; Trevose, Pennsylvania (leased) - Manufacturing / Assembly; Agincourt, Ontario, Canada (owned) - Manufacturing; Markham, Ontario, Canada (leased) - Manufacturing; Markham, Ontario, Canada (leased) - R&D; Markham, Ontario, Canada (leased) – Manufacturing; Toronto, Ontario, Canada (leased) – Distribution.

Facility locations and functions for Europe, the Middle East, and Africa are as follows: Oevel, Belgium (owned) - Manufacturing; Oevel, Belgium (leased) - Manufacturing and R&D; Oevel, Belgium (leased) - Distribution; Madrid, Spain (leased) - Distribution; Lachen, Switzerland (owned) - Manufacturing; Lachen, Switzerland (owned) - Distribution; Hampshire, United Kingdom (leased) - Distribution; Petersfield, United Kingdom (owned) – Manufacturing.

Asian/Pacific facility locations and functions are as follows: Shanghai, China (leased) - Distribution and R&D; Tokyo, Japan (leased) - Distribution and R&D; Tanjong Penjuru, Singapore (leased) – Distribution. (Estée Lauder Companies, Inc., Form 10-K", 2009, p. 15)

Materials for all manufacturing are bought on a global basis through the Company's Global Supplier Relations department. Estée Lauder attempts to source its materials within the region of manufacture to obtain supply chain efficiencies ("Estée Lauder Companies, Inc., Form 10-K", 2009, p. 7). License agreements give the Company rights to manufacture, market and sell beauty and beauty-related products using the licensors' trademarks.  Usually initial terms of the licenses are about 3 to 11 years, and are renewable based to the Company's compliance with provisions of the license. ("Estée Lauder Companies, Inc., Form 10-K", 2009,  p. F-13).

The Company is now aiming to draw potential new customers to the brand at a younger age with its M.A.C. cosmetics line and is targeting teenagers with the Clinique brand.  Along with widening its customer base, Estée Lauder has been expanding its distribution channels to include mass merchandisers and salons and has been shifting business from department stores to stores of their own and other channels.  ("Full Description, Estée Lauder Companies, Inc.", 2009)

Investor Relations, Dennis D`Andrea phone: 212-572-4384.

Media Relations, Alexandra Trower phone: 212-572-4430.

Some major competitors include Coty (owns Del Labs, which owns the Sally Hansen brand), L'Oréal, and Procter & Gamble.

## APPENDIX C: AVON PRODUCTS, INC

**Avon Products, Inc. (NYSE: AVP)**

**Fiscal 2008 Sales:** $10.59 Billion

**2007 World Market Share:** 3%

**Employees:** 42,000

**Executives:**

Chairman of the Board, CEO: Andrea Jung

President: Elizabeth Smith

**Brands:** Avon Color (makeup), Anew (skincare – especially anti aging), Skin-So-Soft (bath products), Avon Solutions (skincare), Advanced Techniques Hair Care, Avon Naturals (bath & body), mark., (cosmetics), Avon Wellness (nutritional/weight-management products)

**Overview**

Avon was founded in 1886 as the California Perfume Company and is now one of the largest retailers of beauty products in the world. Avon is the largest direct seller of any product, with nearly 5.8 million direct sales representatives worldwide handling more than 1 billion customer transactions throughout its history. 457,000 of the representatives are in the U.S. ("Avon Products Inc., Form 10-K", 2008, p. 6)

The Company sells a broad range of makeup and skincare products. Avon Color is the Company's top brand globally and it features makeup for the lips, nails, face and eyes. Anew, the skincare line, is among the leading anti-aging brands globally. Avon Products, Inc. incorporated in 1916 as a global manufacturer and marketer of beauty and related products. (Reference USA Database, 2009)

The Company's segments are based on geographic operations in six regions: Latin America; North America; Central and Eastern Europe; Western Europe, Middle East and Africa; Asia Pacific, and China. The Company conducts international operations through subsidiaries in 66 countries and territories and distributes products through distributorships in 44 other countries ("Full Description, Avon Products, Inc.", 2009). The Company manages Brand Marketing, Supply Chain, and Sales organizations centrally ("Avon Products, Inc., Form 10-K", 2008, p. 20).

Avon's three product categories are: Beauty, including cosmetics, fragrances, skincare and toiletries, which made up 72% of fiscal 2008 net sales, Fashion, including watches, apparel, footwear fashion jewelry, and accessories, which made up 18% of net sales, and Home, including house wares, entertainment and leisure, decorative products, children's and nutritional products, which made up 10% of 2008 net sales ("Avon Products, Inc., Form 10-K", 2008, p. 8). Avon primarily sells its products to the consumers through the direct-selling channel. Avon is sold through consumer websites as well and in some markets the Company also uses satellite stores, decentralized branches and independent retail stores to serve Representatives and other customers.  The Company competes with other direct-selling companies as well as packaged consumer goods companies.

Avon manufactures and packages almost all of its own skincare, fragrance, cosmetics and toiletries. Input from specialists including dermatologists help the Company develop new formulas and bring new ingredients to market. The design and development of new skincare, cosmetic, toiletry, and fragrance products are affected by the cost and availability of materials such as plastics, and chemicals. Raw materials are obtained from third-party suppliers. Almost all products other than cosmetics, skincare, toiletries, and fragrances, are purchased from various suppliers as finished products. ("Avon Products, Inc., Form 10-K", 2008, p. 13)

The global research and development facility is in Suffern New York.  Other research facilities are located in China, Mexico, Japan, Poland, and Brazil ("Avon Products, Inc., Form 10-K", 2008, p. 9). Principal properties include manufacturing facilities used to produce cosmetic, fragrance, toiletry, and skincare products, distribution centers where offices are and where merchandise is packed and shipped to representatives, and the one principal research and development facility in New York. Facilities for domestic manufacturing are located in Morton Grove, IL and Springdale, OH. The U.S. distribution centers are located in Glenview, IL; Newark, DE; Atlanta, GA; and Pasadena, CA.  The Company leases offices in two spaces in New York City and owns executive and administrative office space in Rye, NY. ("Avon Products, Inc., Form 10-K" ", 2008, p. 16)

Main properties outside the U.S. that measure 50,000 square feet or more consist of the following: 2 distribution centers for primary use in North America operations; 3 distribution centers and 2 administrative offices in Central & Eastern Europe; 3 manufacturing facilities, 4 distribution centers, and 2 administrative offices in Asia Pacific; 4 manufacturing facilities, 11 distribution centers and 2 administrative offices in Latin America; 4 manufacturing facilities in Europe; 6 distribution centers and 4 administrative offices in Western Europe, Middle East & Africa; 2 manufacturing facilities and 6 distribution centers in China. ("Avon Products, Inc., Form 10-K" ", 2008, p. 16)

32 of the Company's locations are owned and 33 are leased. Some of the locations serve multiple purposes including manufacturing, distribution and administration.

Avon states in their 2008 Annual Report that compliance with environmental regulations, which impact global operations, has not had any material adverse effect upon the capital expenditures, financial position or competitive position.  No adverse effect is anticipated in the future.("Avon Products, Inc., Form 10-K" ", 2008, p. 9)

Avon's competitors include Mary Kay, L'Oréal, and Revlon.

## APPENDIX D: REVLON, INC.

**Revlon, Inc. (NYSE: REV)**

**Fiscal 2008 Sales:** $1.35 Billion

**2007 World Market Share:** .5%

**Employees:** 8,000

**Executives:**

Chairman: Ronald O. (Ron) Perelman

President, CEO, and Director: Alan T. Ennis

**Parent Company:** MacAndrews and Forbes Holdings, New York, NY

**Brands**: Revlon (cosmetics), Revlon Age Defying (cosmetics), Almay (cosmetics) Mitchum (anti-perspirant/deodorant) Jean Nate (fragrance), Charlie (fragrance) ColorSilk (hair color), ColorStay (hair care), Super Lustrous (hair care), Gatineau (skincare), Ultima II (skincare)

**Overview**

Founded in 1932, Revlon is a worldwide leader in the development of cosmetics, skincare, and fragrance products. Revlon started as a company that solely developed and sold nail products and is now a leading cosmetics company. Revlon sells its many cosmetics products in more than 100 countries, primarily through mass volume merchandisers, drugstores, supermarkets, department stores and specialty stores and has leading market positions in many product categories in several foreign countries including Australia and South Africa. (Reference USA Database, 2009)

Revlon markets and sells a myriad of cosmetics, fragrances, skincare, anti-perspirants/deodorants, women's hair color, beauty tools, and other personal care products through its directly owned subsidiary, Revlon Consumer Products Corporation. Product lines include nail polish, beauty tools, lipstick, eye shadow, hair care items and foundation. Approximately 58% of the Company's sales were U.S. sales in 2008 ("Revlon, Inc., Form10-K", 2008, p. 7). The Company sells consumer products to U.S. government military exchanges and commissaries ("Revlon Inc. Company Description", 2009). The Company also sponsors events that raise awareness and money for women's health issues such as the Revlon Run/Walk for Women.

The cosmetics brands include the Revlon and Almay products. The Company sells a range of cosmetics under the Revlon brand. It sells face makeup, including foundation and blush under the Revlon brand name. Some of the Company's products use patent-pending, patented, or proprietary technology. The Company's core Revlon nail enamel is made using a patented toluene, formaldehyde and phthalate-free formula ("Revlon, Inc., Form10-K", 2008, p. 5). Revlon's nail care lines include enamels, treatments, cuticle preparations and tools. The Company sells Revlon beauty tools, which include nail and eye grooming tools, such as clippers, scissors, files, tweezers and eye lash curlers. Revlon also developed Pedi-Expert, an ergonomically engineered, pedicure tool (Reference USA Database, 2009).

The Company's main customers include large mass volume retailers and chain drug stores, including retailers such as Wal-Mart, Target, Kmart, Walgreen's, and Rite Aid in the U.S., Shoppers Drug Mart in Canada, A.S. Watson & Co. retail chains in Asia Pacific and Europe, and Boots in the United Kingdom. Business customers are not locked into long-term purchase agreements; this is a standard practice in the consumer products sector. Sales representatives as well as independent distributors are employed to serve particular markets and distribution channels. ("Revlon, Inc. Form 10-K", 2008, p. 8)

Wal-Mart is Revlon's largest customer, accounting for about 25% of the Company's annual sales ("Revlon Inc., Company Description", 2009). The Company depends on a limited number of customers for a large portion of its net sales and the loss of one or more of these customers could reduce the Company's net sales and have a material adverse affect on the Company ("Revlon, Inc., Form10-K", 2008, p. 8). Also, it seems that Revlon's power structure may not be stable, the Company seems to have a new CEO about every other year (Branna, 2009).

The Company's sales fell 1.5% last year, yet it reported a net income of nearly $58 million. Net sales of Revlon brand color cosmetics increased about 9% in 2008, driven by fresh product introductions. ("Revlon, Inc., Form 10-K", 2008, p. 27)

Revlon recently announced a restructuring program that will cut approximately 400 positions across the globe, including approximately 325 current employees and around 75 open positions. Also on January 1, 2010, Alan Meyers will join Revlon as executive vice president and chief science officer. He will assume leadership of Revlon's worldwide research and development functions, succeeding Neil Scancarella who will retire in December, 2009. (Branna, 2009)

Revlon has a cross-functional development process including continual development and re-evaluation of product concepts. This development process began in 2007 and is led by senior executives in marketing, sales, product development, operations, law and finance. Revlon's research and development facility is located in Edison, New Jersey. The scientists in Edison facility are responsible for all of the Company's new product research and development worldwide. All the research for new products, ideas, concepts and packaging is done in Edison. The research and development group at the Edison facility also performs the safety and quality testing on the Company's products. Quality control testing is also done at each of the Company's manufacturing facilities. During 2008, the Company's cosmetics and personal care products were produced at the Company's facilities in North Carolina, Venezuela, France and South Africa and at third-party facilities in China and around the world. The Company owns subsidiaries in 14 countries outside of the U.S. and products are distributed through a large number of distributors and licensees around the world. Revlon sources its raw materials globally from accredited vendors. ("Revlon, Inc. Form 10-K", 2008, p. 6-8)

If there is potential for the manufacturer to extend the Company's brand names and image Revlon licenses its trademarks to certain manufacturers (such as Helen of Troy Ltd.) for beauty-related products and accessories. The Company controls its product design and development, product quality, advertising and the use of trademarks. Licensing arrangements give the Company the chance to make money through renewal fees and royalties. (“Revlon, Inc., Form 10-K”, 2008, p. 7)

Competitors include L’Oréal S.A., The Procter & Gamble Company, Avon, and The Estée Lauder.

## APPENDIX E: ELIZABETH ARDEN, INC.

**Elizabeth Arden, Inc. (NASDAQ: RDEN)**

**Fiscal 2009 Sales:** $1.07 Billion

**2007 World Market Share** .4%

**Employees:** 2,550

**Executives:**

CEO, President, Chairman of the Board: E. Scott Beattie

Chief Information Officer, Executive V.P.: L. Hoy Heise

**Brands:** Red Door (fragrance and spa line), Ceramide (skincare), Eight Hour Cream (skincare), Intervene (skin care), and Prevage (skin care), Elizabeth Arden (cosmetics)

Fragrances: Elizabeth Taylor's White Diamonds and Passion, Britney Spears' Curious, Fantasy, and Believe, Hilary Duff's With Love, Danielle by Danielle Steel, M by Mariah Carey, and Usher, Curve, Giorgio Beverly Hills, Lucky, PS Fine Cologne for Men, Design, White Shoulders, Juicy Couture, Badgley Mischka, Rocawear, Alberta Ferretti, Alfred Sung, Nannette Lepore, Geoffrey Beene, Halston, Bob Mackie, Gant, 5th Avenue, Provocative Woman, Green Tea, Pretty, and Mediterranean

**Overview**

Elizabeth Arden, Inc. is a global prestige beauty products company with an extensive portfolio of prestige fragrance, skincare and cosmetics brands and sales in over 100 countries. Elizabeth Arden is primarily a fragrance company with fragrance sales making up 75% of total sales, with cosmetics earning 7% of net sales and skin care earning 18%. The Company owns or licenses trademarks necessary for the manufacturing, marketing, distribution and sale of numerous fragrance, cosmetic and skin care brands. The Company considers protection of its trademarks core to its success. The Company offers a wide range of celebrity, lifestyle and designer fragrances. Elizabeth Arden offers a variety of fragrance products for men and women, including perfume, cologne, eau de toilette, eau de parfum, body spray and gift sets. In addition to owned and licensed fragrance brands, the Company distributes about 300 other prestige fragrance brands. These are distributed mostly in the U.S. through purchasing and distribution agreements. Elizabeth Arden sells products through retail channels. In the U.S. products are sold to mass retailers, such as Walgreen's, Kohl's, Sears and Target, to specialty stores, such as Ulta, and to department stores, such as Macy's, Bloomingdale's, and Nordstrom. Internationally, products are sold to retailers, such as Sephora, Boots, and Hudson Bay, and travel outlets, such as Nuance, and World Duty Free. Elizabeth Arden sells its skincare lines and cosmetics primarily in prestige department and specialty stores, travel retail outlets and perfumeries. In addition, Elizabeth Arden skincare, fragrances, and cosmetics are sold to boutiques, and on the Internet.

The Company is broken into three reportable segments.  The North America Fragrance segment sells fragrances to retail and department stores and other distributors in the U.S., Canada and Puerto Rico. This segment also sells Elizabeth Arden branded products to prestige department stores in Canada and Puerto Rico, as well as to other retailers. The e-commerce business is also included in this segment. The International segment sells the owned and licensed brands, including Elizabeth Arden branded products, in approximately 100 countries outside of North America.  The Other reportable segment sells the Company's products to prestige department stores in the U.S. and through the Red Door beauty salons, which include nail services, hair services and more.  The salons are owned and operated by an unrelated third party who licenses the Elizabeth Arden trademark.

In 2008 the Company became the exclusive, global licensee for the manufacture distribution and sale of Liz Claiborne fragrance brands including Curve, Lucky, Liz, Realities, Bora Bora, and Mambo.  In 2007 the Company entered into a licensing agreement with Procter & Gamble for the Gorgio Beverly Hills fragrance brand.

In 2009, 61% of sales were in the U.S. and 39% abroad.  The Company has a leading market share in the prestige fragrance category (with mass retailers in North America). The Company's largest countries in terms of net sales (besides the U.S.) are the U.K., Canada, Australia, Spain, and China.

The Company's ten largest customers accounted for approximately 48% of net sales for the year ended June 30, 2009.  Wal-Mart accounted for approximately 16% of consolidated net sales.  The loss of one of the Company's largest customers could have an adverse effect on the Company.

Elizabeth Arden generally uses third-party suppliers and contract manufacturers in the U.S. and Europe to acquire raw materials and manufacture finished products.  Cosmetic Essence, Inc. (CEI) is the primary manufacturer of fragrance and skin care products.  CIE is a third party with plants located in New Jersey and Roanoke, Virginia. Third parties in Europe also manufacture some fragrances and cosmetics. The CEI manufacturing agreement expires in January 2010.  Generally, the Company does not have long-term or exclusive agreements with contract manufacturers or suppliers of distributed brands. The Company makes purchases through purchase orders. Elizabeth Arden receives many distributed brands as finished goods directly from fragrance manufacturers.

In 2009 the Company hired personnel for supply chain organization, and consolidated raw materials and manufacturing vendors.  Another new development is that contract manufacturers will now assume responsibility for planning, purchasing and warehousing raw materials and components in addition to manufacturing finished products.

The Company owns a manufacturing facility in South Africa and leases office facilities in Miramar, Florida; Stamford, Connecticut; Bentonville, Arkansas; and New York, New York in the U.S., and in Australia, Canada, China, Denmark, France, Italy, New Zealand, Puerto Rico, Singapore, South Africa, South Korea, Spain, Switzerland, Taiwan and the United Kingdom. The Company also has leased distribution facilities in Roanoke, Virginia and Puerto Rico.  The 400,000 square-foot Roanoke facility handles fulfillment operations for the U.S. and other locations; it houses distribution activities and a large portion inventory. For Europe, fulfillment operations are carried out under a logistics services agreement by CEPL, an unrelated third party in Beville, France.

Competitors include Estée Lauder, Revlon, and Coty.

(Profile information gathered from “Elizabeth Arden, Inc., Form 10-K”, 2009, p. 2-12, 51)

## APPENDIX F: PRESTIGE BRANDS HOLDINGS, INC.

**Prestige Brands Holdings, Inc.** (NYSE:PBH)

**Fiscal 2009 Sales:** $310.5 Million

**2007 World Market Share:** .1%

**Executives:**

President, CEO, Director: Matthew Mannelly

CFO: Peter J. Anderson

**Employees:** 100

**Cosmetics-related Brands:** Cutex (nail polish remover), Denorex (medicated shampoo), Prell (shampoo)

**Overview**

Prestige Brands Holdings, Inc. was formed in 1996 with Medtech Labs and The Shansby Group (a private equity firm) as a joint venture to acquire certain over-the-counter drug brands from American Home Products. Brands have been added to the Company's portfolio mostly by acquiring brands from large consumer products and pharmaceutical companies.

Prestige Brands Holdings, Inc., with its subsidiaries, markets, sells and distributes well-recognized, over-the-counter healthcare, household cleaning and personal care products worldwide. Prestige Brands sells products through many sales channels including mass merchandisers, drug, grocery, dollar and club stores.

The Company is responsible for production planning and overseeing quality control aspects of manufacturing, warehousing and distribution of products. The operating aspects of these functions are outsourced to organizations that have expertise in these areas and offer cost efficiencies because of economies of scale. Prestige Brands concentrates on marketing programs, product development, and innovation. Growth is achieved through increased advertising, new sales and marketing strategies, improved packaging and formulations, and innovative new products.

An independent market research firm, Information Resources, Inc., has found that Cutex is the leading branded nail polish remover with 25.2% of the market share for the nail polish remover segment. The Cutex brand has two main categories of products: liquids and convenience implements, including pads, pump bottles, and manicure correction pens. Denorex has 1.3% market share in the market segment of medicated shampoo.

Sales of personal care products generally fell 9.5% to $19.7 million in spite of increased sales of Cutex. During 2009 and 2008, around 78% of net revenues were from brands with a number one or number two market position.  These brands with high market position include Chloraseptic, Clear Eyes , Chore Boy, Comet, Compound W, Cutex, Dermoplast, The Doctor's, and New-Skin.

Third-party manufacturers manufacture all products for Prestige Brands and the Company generally purchases finished products from manufacturers. As of March 31, 2009, the company worked with more than 40 third-party manufacturers.  The top 10 manufacturers accounted for 81% of sales at that time. Prestige Brands Holdings owns many trademark registrations and applications and the Company competes based on the value and goodwill associated with the brands.  The Company did not acquire full intellectual property rights for certain trademarks it has acquired and so depends on Procter & Gamble among others for intellectual property to manufacture and sell certain products.

The Company has facilities in Irvington, NY and Jackson, Wyoming.  Senior management, marketing, sales, operations, quality control, regulatory affairs, finance and legal are all taken care of at the Irvington facility.  Jackson, Wyoming is an administrative center.  Back office functions, such as invoicing, credit and collection, general ledger and customer service are handled at the Jackson facility.

Competitors include Clorox Corporation, Johnson & Johnson, Coty, Inc., and Procter & Gamble Co.

(Profile information gathered from "Prestige Brands Holdings, Inc., Form-10K", 2009,  p.1-17, F-2)

## APPENDIX G: L'ORÉAL USA, INC.

**L'Oréal USA, Inc.** (Subsidiary of L'Oréal SA)

**Fiscal 2006 Sales:** > $4 Billion

**2007 World Market Share** (of Parent Company): 10%

**Employees:** 9,000

**Executives:**

President & CEO, Frédéric Rozé (as of July 2009)

President of Consumer Products Division: Joseph Campinell

**Brands:** Lancome (cosmetics), Giorgio Armani (cosmetics/fragrances), Shu Uemura (cosmetics/skincare), L'Oréal Paris (cosmetics/hair care/skincare), Garnier (body, skin, and hair care), Vichy (skincare), La Roche-Posay (skincare), L'Oréal Professionel (specialty hair care), Kerastase (hair care), BioMedic (skincare), Biotherm (skincare), Cacharel (fragrances), Drakkar Noir (fragrance), Diesel (fragrance), Viktor & Rolf (fragrance), YSL Beaute (beauty and related products), Paloma Picasso (fragrance), ARTec (hair care), Anais Anais (fragrance), Dermablend (corrective cosmetics)

**American Brands**: Redken 5th Avenue NYC (hair care), Maybelline New York (cosmetics), Soft Sheen-Carson (ethnic hair care), Matrix (hair care), Mizani (African-American hair care), SkinCeuticals (cosmeceuticals), Kiehl's Since 1851 (skin, hair, and body care), Ralph Lauren Fragrances, PureOlogy (hair care for color-treated hair), and The Body Shop (skincare and cosmetics)

**Overview**

L'Oréal USA, was founded in 1953 as "Cosmair". Scientist, Eugene Schueller, established the L'Oréal parent company in 1909. L'Oréal prides itself on progressive research and development, up-to-date manufacturing processes and facilities, quality, and the commitment of its employees. L'Oréal USA, which had 2006 sales of over $4 billion, is a wholly-owned subsidiary of L'Oréal SA, a publicly traded French company and one of the world's leading beauty companies. ("At a Glance", 2009)

L'Oréal USA has Research and Development, Manufacturing and Distribution facilities across eight states in the U.S., including Kentucky, Arkansas, Illinois, Ohio, New York, New Jersey, Colorado and Texas. The U.S. is the hub for the product development, international marketing and advertising for L'Oréal's nine American brands. ("At a Glance", 2009)

L'Oréal USA's salon product distribution strategy was furthered with the acquisition of Maly's West, Inc (the third largest professional salon distributorship in the U.S.) and Beauty Alliance LLC in 2007 and Columbia Beauty Supply in 2008 ("2008 Parent Company Financial Statements"). Maly's West has facilities in Western states, sells to over 30,000 salons, through 340 distributor sales consultants and more than 100 professional outlets. Maly's West like Beauty Alliance and Beauty Alliance LLC, and Columbia Beauty Supply operates within L'Oréal's Professional Products Division.

Over the past few years L'Oréal USA has been acquiring more distributors while remaining committed to the U.S. system of full service distributors. The Company's upscale Lancôme (makeup, skin care) and Biotherm (skin care) lines are sold nationwide in department stores.  L'Oréal is also committed to an eco-responsible approach focused on understanding all the impacts of its business and considers all stages in the research process and selection and procurement of raw materials, from dialogue with the suppliers to the end of the life of the finished products.   (L'Oréal website, 2009)

More comprehensive information about the parent company, L'Oréal S.A can be found in the public documents registered in France with the Autorité des Marchés Financiers [available in English on the Internet site www.loreal-finance.com].

Competitors include Estée Lauder, Procter & Gamble, and Revlon.

## APPENDIX H: LIMITED BRANDS INC.

**Limited Brands Inc. (NYSE: LTD)**

**Fiscal 2009 Sales:** $9.04 Billion

**2007 World Market Share:** 3%*

**Executives:**

Chairman of the Board, Chief Executive Officer: Leslie H. Wexner

Chief Financial Officer, Executive Vice President: Stuart B. Burgdoerfer

**Cosmetics-related Brands:** Victoria's Secret Beauty (beauty, bath and body, lingerie, stores), La Senza (cosmetics, lingerie, stores), Bath & Body Works (beauty stores), C.O. Bigelow (beauty and personal care), and Henri Bendel (specialty stores for women)

**Overview**

Limited Brands, Inc. is a specialty retailer of women's apparel, beauty and personal care products, and accessories. They are headquartered in Columbus, OH and have offices in New York. Limited sells its merchandise through specialty retail stores, websites and catalogues. As of January 31, 2009, it operated 1,638 Bath & Body Works stores in the U.S. and 6 in Canada, 1,043 Victoria's Secret stores in the U.S. and 322 stores in Canada, as well as 5 specialty stores under Henri Bendel brand. ("Full Description, Limited Brands, Inc.", 2009)

The Victoria's Secret segment sells women's apparel, personal care, beauty products and accessories under the Victoria's Secret and La Senza brand names. The merchandise is sold through retail stores, its website, www.VictoriasSecret.com, and its catalogue. Some of Victoria's Secret's merchandise may be purchased worldwide through the website. The Victoria's Secret segment was responsible for $5.8 billion in net sales for 2008. ("Limited Brands, Inc., Form 10-K", 2009, p. 1)

The Bath & Body Works segment sells personal care, beauty, and home fragrance products under the Bath & Body Works, C.O. Bigelow, and White Barn Candle Company brand names in addition to third-party brands. Bath & Body Works merchandise is sold through retail stores, its Website, www.bathandbodyworks.com, and its catalogue. The Bath & Body Works segment was responsible for 2.4 billion of 2008 net sales. ("Limited Brands, Inc. Company Description" 2009)

Beauty Avenues is the Company's personal care sourcing and production company serving La Senza, Victoria's Secret, and Bath & Body Works. Most merchandise for the stores is shipped to distribution centers in Columbus, Ohio.

Products are made by contract manufacturers and importers and purchased directly from third-party manufacturers. The Company develops, designs and sources its own products. The following is a list of the Company's facility locations: Columbus, Ohio – corporate, distribution and shipping, New York, New

York - office, sourcing and product development/design, Montreal, Quebec, Canada - office, distribution and shipping, Kettering, Ohio – call center, Hong Kong – office and sourcing, Rio Rancho, New Mexico – call center, Paramus, New Jersey – research and development and office, and other various foreign locations - offices and sourcing (“Limited Brands, Inc., Form 10-K”, 2009, p. 11)

The Company competes with chain specialty stores, department stores and discount retailers.

*****Market Share was calculated using total net sales for 2007.  However, the company also sells clothing yet does not report beauty-related sales separately. Therefore the world market share for cosmetics, toiletries, and beauty firm sales was lower than the reported 3%.

## APPENDIX I: SALLY BEAUTY HOLDINGS, INC.

**Sally Beauty Holdings, Inc. (NYSE: SBH)**

**Fiscal 2008 Sales:** $2.5 Billion

**2007 World Market Share**: .9%

**Employees:** 18,500

**Executives:**

President, CEO, Director: James G. Berges

Chairman of the Board: Gary G. Winterhalter

**Overview**

Sally Beauty Holdings, Inc. (Sally Beauty) is a distributor of professional beauty supplies in the U.S. and one of the largest distributors of beauty products worldwide. The company incorporated in June of 2006 thus separating from former parent company, Alberto-Culver. The Company provides its customers with a variety of third-party branded and professional beauty supplies, including hair care products, styling appliances, skin and nail care products, and other beauty items. It operates through two business units: Sally Beauty Supply and Beauty Systems Group (BSG). As of September 30, 2008, Sally Beauty Supply had 2,820 Company-operated retail stores and supplied 24 franchised stores (all outside the U.S.), and BSG had 760 Company-operated stores and supplied 169 franchised stores. Sally Beauty Supply stores target retail consumers and salon professionals, while BSG targets salons and salon professionals. The Company uses four distribution channels, Full-service/exclusive distribution, direct and mega-salon stores, and open-line distribution. (“Full Description, Sally Beauty Holdings”, 2009)

The Sally Beauty Supply business unit is an open-line distributor of professional beauty supplies in the U.S. Its stores carry a selection of professional beauty products, ranging between 5,000 and 8,000 stock-keeping units (SKU) of beauty products, including hair care, nail care, beauty-related products, and small electrical appliances. Sally Beauty Supply targets retail consumers and salon professionals. The stores average 1,700 square feet in size and are located primarily in strip shopping centers. It offers an ethnic product selection with specific appeal to the African-American and Hispanic customers. (“Sally Beauty Holdings, Inc., Form 10-K”, 2008, p. 40)

Sally Beauty Supply business unit offers a selection of hair care products, nail care products, beauty supplies and appliances from third-party brands, including Revlon, Clairol, and Conair. It also offers a range of private label and controlled label products, which it generally refers to collectively as private label products. Sally Beauty Supply maintains products in a number of categories, including salon products. Advertising for its own brands is done through in-store promotions and monthly flyers. Sally Beauty Supply targets both retail consumers and salon professionals. (“Sally Beauty Holdings, Inc., Form 10-K”, 2008, p. 5)

The Beauty Systems Group (BSG) business unit's stores carry a selection of branded beauty supplies and a lesser selection of exclusive-label products, ranging between 4,000 and 9,600 SKUs of beauty products. Some products are available in bulk packaging for higher volume salon needs. BSG stores are primarily located in secondary strip shopping centers. Within BSG, the Company has one of the largest networks of professional distributor sales consultants in North America. The Company has 1,000 professional distributor sales consultants who are responsible for direct sales to salons and salon professionals. ("Sally Beauty Holdings, Inc., Form10-K", 2008, p. 1)

Sally Beauty Holdings develops products and buys products. The Company manufactures many of their own products. The Company also contracts with many small, privately owned manufacturers as well as some larger, publicly traded manufacturers, such as P&G and L'Oréal, to manufacture products using the Company's formulas (Brown, Katherine, Employee, 2009).

Sally Beauty Holdings also operates through its many subsidiaries. Subsidiary Cosmetics and Perfume Retail Companies include Armstrong McCall Beauty Supply, Sally Beauty Supply LLC. Subsidiary Beauty Salon Equipment and Supplies Wholesale Companies include Heil Beauty Systems and Beauty Systems Group, Davidson Beauty Systems, Cosmo Professional, Macon Beauty Systems and West Coast Beauty Supply. (Reference USA Databased, 2009)

Sally Beauty Holdings' competitors include CVS, Walgreen's, Wal-Mart, and Ulta.

## APPENDIX J: ULTA SALON, COSMETICS & FRAGRANCE, INC.

**Ulta Salon, Cosmetics & Fragrance, Inc. (NASDAQ: ULTA)**

**Fiscal 2009 Sales**: $1.08 Billion

**2007 World Market Share:** .3%

**Executives:**

President, CEO, Director: Lyn P. Kirby

CFO, Assistant Secretary: Gregg R. Bodnar

**Overview**

Ulta Salon, Cosmetics & Fragrance, Inc. (Ulta) was incorporated on January 9, 1990. Ulta is the largest beauty retailer that has stores that sell prestige, mass and salon products and salon services in the U.S. The Company opened 63 stores during the fiscal year ended January 31, 2009 and as of January 31, 2009, the Company operated 311 stores in 36 states. Its typical store is approximately 10,000 square feet, including about 950 square feet dedicated to a full-service salon. The Company presents over 21,000 prestige and mass beauty products organized by category in open, self-service displays. Ulta also offers a full-service salon and a range of salon hair care products in all of its stores. Ulta staffs stores with professionally licensed estheticians and stylists and well as beauty consultants who educate and advise store customers. (“Ulta Salon, Cosmetics & Fragrance, Inc., Form10-K”, 2009, p. 2-7)

The Company has an extensive product and brand selection, including an assortment of branded and private label beauty products in hair care, skincare, cosmetics, fragrance, bath and body products and salon styling tools. An Ulta store carries over 19,000 basic and over 2,000 promotional products. The Company stores offer over 500 brands, such as Chanel and Estée Lauder fragrances and L’Oréal hair care and cosmetics. The broad span of products in prestige, mass and salon categories appeal to a broad spectrum of women. The products the Company sells can also be found in department stores, specialty stores, salons, mass merchandisers and drug stores, but the Company offers all of these products in one retail-style store. The Company launched a new version of its popular Ulta.com Website which provides access to over 100 brands and more than 11,000 beauty products.

The Company has private label Ulta offerings in the skincare, cosmetics, bath and body, and hair care categories. Ulta itself does not own or operate any manufacturing facilities. The Company depends upon independent third-party vendors to manufacture all products uniquely for Ulta, including Ulta branded products, gift-with-purchase, and other promotional products. Ulta does however make specification and formulation decisions about its line of Ulta products.

The Company operates full-service salons in all of its stores. Its current store format includes an open and modern salon area with 8 to ten stations. The entire salon area is approximately 950 square feet with a concierge desk, esthetics room, semi-private shampoo and hair color processing areas. Each salon is a full-service salon offering haircuts, hair coloring, permanent texture, as well as facials and waxing.

The Company employs licensed professional stylists and estheticians who offer highly skilled services as well as an educational experience, including consultations, styling lessons, skincare regimens, and at-home care recommendations. The Company presents over 21,000 prestige and mass beauty products organized by category in open, self-service displays. It does not offer manicures or pedicures at the in-house salons (Employee). (“Ulta Salon Cosmetics & Fragrance, Full Description”, 2009)

Ulta competes with Macy’s, Sephora, Wal-Mart, Regis Corp., Sally Beauty, Bath & Body Works, CVS/pharmacy, and Target among others.

## APPENDIX K: O.P.I. PRODUCTS, INC.

**O.P.I. Products, Inc.**

**2008 Sales:** $410 Million

**Employees:** 400

**Executives:**

President and CEO: George Schaeffer

COO and General Counsel: Eric Schwartz

**Brands:** Nail Envy (nail treatments), Avoplex (skincare, nail treatments), Feet (foot care), Garden Party (nail polish), Avojuice (skincare), and Nicole (nail polish)

**Overview**

OPI Products was founded in 1981 and has grown to be the world leader in professional nail care. OPI is a family-owned nail care product company. The Company is renowned globally for its nail lacquers, a brilliant, chip-resistant, professional formula available in over 200 colors. No OPI product or service is subject to animal testing and nail lacquers are free of the toxic trio. In addition to nail polish, the Company also makes nail care and skincare products, and color cosmetics sold primarily through salons and specialty beauty stores throughout the U.S. and in over 100 foreign countries (Paul Bryson Interview, Appendix R). (OPI Profile, 2009)

OPI chooses product ingredients by evaluating their functionality, legality, cost, and safety. In-house chemists develop the products. They often start with an existing formula and modify it. Occasionally chemists develop new products and then the Company applies for patents. Whether some product development and manufacturing are contracted out is proprietary information. The products formulated for salons sometimes differ from those formulated for retail; for example salons do not use nail polish pens they are designed for the retail market, while acrylic nail products are only sold to salons and licensed manicurists, and therefore are not made for retail. OPI has a line of products designed specifically for Sephora and a mass retail line that can be found in Wal-Mart (Paul Bryson Interview, Appendix R)

OPI was one of the first in the nail industry to limit sales of product to and through beauty professionals ("OPI Profile"). The Company was also one of the first to realize the importance of education in both the sale and use of the product; OPI has always put instructions, ingredients and batch numbers, on all of the products it sells. OPI markets its products through salons and authorized distributors such as beauty supply shops and does not authorize distribution to mass retailers. (Paul Bryson Interview, Appendix R)

OPI is active in numerous industry associations whose aim is to ensure consumer safety. Products and services are developed to meet and exceed all safety standards. The Company works closely with federal, state, local, and international agencies and scientists towards this end. The Schaeffer Family Foundation, established by Schaeffer (CEO) and his family, has donated millions of dollars to charities, with an emphasis on those that support health-related causes and children's education. OPI works with the Professional Beauty Industry to maintain product and service quality and protect consumers from unknowingly buying tainted unsafe products. ("OPI Profile", 2009)

The Company reviews safety, legality, cost and functionality of all potential ingredients for all product formulations. Whenever OPI makes a new product, or reformulates an existing one (for environmental or other reasons), the product Is run through all tests for safety, legality, cost and functionality, even if the change is minor. In addition, each product (new or reformulated) is evaluated for stability, skin-sensitivity, and shelf life (microbiological testing) and paperwork is filed with the relevant government agencies, which can be extensive. (Paul Bryson Interview)

This year marks OPI's 20th anniversary. This past year OPI opened its first salon in southern California, which offers facials, massages, manicures and pedicures. Their new salon has six semi-private manicure stations, two pedicure stations, rooms for massages and facials and a rooftop patio for private parties. The salon director is Robbie Schaeffer, son of founder George Schaeffer (Branna, 2009).

Top competitors include Del Laboratories (owns Sally Hansen), L'Oréal, and Orly International.

For more information about OPI and their processes see Appendix R, an interview with Paul Bryson, Director of R&D at OPI.

## APPENDIX L: AMERICAN INTERNATIONAL INDUSTRIES

**American International Industries**

**2008 Sales:** $179.3 Million

**Employees:** 600

**Executive:**

President and CEO: Zvi Ryzman

**Brands:** Clubman (men's grooming), Gigi (hair removal wax), Ardell (lashes, brows, hair color, hair removal), Ibd (acrylics, wraps, gels, accessories), China Glaze (nail lacquer), 5-Second (nail glue), Surgi-care (nail removal), Clean and Easy (waxing products), EZ Flow (acrylics, wraps, gels, accessories), Seche (nail care), Body Drench (tanners, skincare), Andrea (lashes, brows, skincare), Youthair (men's hair color and care), Gena Laboratories (skincare, manicures, pedicures), Bye Bye Blemish (acne treatments), ESN European Secrets (nail kits/treatments/tools), Supernail (kits, glues, tools, wraps, gels, accessories), L'Orbette (organic liquid wax), One Touch (hair removal), No-Tweeze (body and brow wax and accessories), DeLore (natural nail care), Gypsy (lashes), 'N Rage (hair dyes/gels/bleaches), Raw (hair color), Pinaud (men's grooming), Water Works (hair color), Fright Night (costume gear), Correstionist (age-correcting system), Purist Naturals (skincare), Checi (personal care), ProLinc (beauty solutions).

**Overview**

American International Industries (AII) is a leading manufacturer and distributor of beauty and skincare products for men and women. Zvi Ryzman, President and CEO, founded American International Industries in 1971, and through the acquisition of quality retail and professional brands, American International Industries has become one of the largest privately held beauty companies in the U.S. ("About Us"). AII sells products through mass-market retailers, beauty supply stores and individual salons. The Company's retail brands include cosmetics, depilatories, skincare products, men's grooming, nail care, false lashes and seasonal offerings. ("American International Industries Profile", 2009)

The corporate headquarters occupy about 250,000 square feet and are comprised of executive and administrative offices, warehousing and on-site manufacturing and distribution facilities in Los Angeles.

With 30+ brands, the Company's niche products reach all segments of retail, beauty-supply, grocery, boutique and specialty markets in over 100 countries. Products are sold exclusively through distributors and wholesalers. ("About Us", 2009)

## APPENDIX M: ORLY INTERNATIONAL, INC.

**Orly International, Inc.**

**2007 Sales:** $40 Million

**Executives:**

CEO: Jeffery Z.  Pink

VP Finance: Veronica Reyes

**Brands**: Rich Renewal (hydrating cream), Sugar Fix (skincare), Sheer Radiance (skincare), Orly  (nail care) Hand Spa (hand treatments), Pedicure Spa (foot treatments)

**Overview**

Orly International, Inc. makes nail lacquers and assorted nail care items that are used internationally in salons and spas in over 65 countries.  Its products also are sold through beauty supply stores, including Ulta and Sally Beauty.  Orly's nail treatment products include the Fungus MD, Calcium Shield, Original French Manicure, and 3 Step HandSpa and more.  The Company boasts the Get a Grip-brand nail polish cap because of ease of use of the patented rubberized design.  Founder and CEO, Jeff Pink, established the Company in 1975.  The Company has a permanent collection of over 105 shades of nail polish. (“Orly International, Inc., Company Description”, 2009)

By creating leading-edge products and tools designed not only to beautify, but to respond to the needs of salon professionals, Orly has influenced nail care and nail fashion.  Orly products have been chosen for nail strength, adhesion, wearability, dry time and shine.  The Company has developed a comprehensive line that includes base and topcoats, strengtheners, quick-dry agents and cuticle care products. (“Who We Are”, 2009)

In 2005 Orly ventured into skincare, creating products such as Sugar Fix one-step spa, Sheer Radiance lotions, and Hand spa and Pedicure spa kits.  Orly’s product line is free of DBP, toluene, formaldehyde and formaldehyde resin. Jeff Pink and Orly work to lead the industry with innovative nail care and beauty products, while delivering the trend-focused nail shades regularly launched in seasonal color collections. (“Who We Are”, 2009)

The Los Angeles headquarters includes the company's 75,000 square foot corporate offices as well as a warehouse and production facility.  The company’s products are not tested on animals.  (“Orly International Inc. Profile”, 2009)

Competition includes Alberto-Culver, Del Laboratories (owns the Sally Hansen brand), and OPI Products.

## APPENDIX N: ESSIE COSMETICS LTD.

**Essie Cosmetics Ltd.**

**2008 Sales:** $10.7 Million

**Employees:** 75

**Executives:**

President: Essie Winegarten

CEO: Max Sortino

**Brands:** Essie Nail Colors, Essie Nail Treatments, Essie Nail Solutions, Essie Nail Accessories, Essiespa (skincare), Essie Smoothies (hand and body lotions), Essie Gloss-e (lip gloss), Naturally Clean (complete nail care system)

**Overview**

Essie Cosmetics, Ltd. Was founded by Essie Weingarten in 1981. Essie is known for its growing line of nail colors, nail treatments, nail accessories, spa products, and lip-glosses. Fun, whimsically named colors, have become a signature of the brand. Essie boasts over 300 shades that are available in over 250,000 salons and spas in 95 countries. Multiple new seasonal nail color collections are released every year. These colors are influenced by the trends of the fashion industry. Essie is constantly developing innovative products to meet the needs of consumers and salon professionals.

Essie continually adds new, cutting-edge products for salon professionals, and timely, user-friendly tools for consumers. Essie claims that nail technicians, consumers and celebrities rely on Essie for its smooth finish and remarkable durability.

Essie grew from just 12 original shades of polish into one of the leading salon brands.

The Company’s first international distribution was to Japan. Essie can now be found in Europe, the Far East, North and South America, Africa, the Middle East and Australia. Essie is also available in highly exclusive spas across the U.S., such as Canyon Ranch, Miraval, and La Costa Resort and Spa.

(All information is from “About Essie: Company History”, 2009)

## APPENDIX O: CREATIVE NAIL DESIGN, INC.

**Creative Nail Design, Inc.**

**2008 Sales:** $6.1 Million

**Employees:** 105

**Executives:**

President and Chief Executive Officer: John Heffner

Senior VP of Marketing, Communications: Jacquie Johnson

**Brands:** Cuticle Eraser (treatment), Scentsations (skincare), Solar Speed Spray (cuticle treatment) SolarBalm (cuticle treatments), SolarOil (cuticle treatment), Spamanicure (manicure products, skincare), Spapedicure (pedicure products, skin care), CoolBlue (hand sanitizer), ScrubFresh (nail cleaner), Stickey, Ridge Out, and Toughen Up (base coats), Super Shiney (top coat)

Creative Nail Design, Inc.(CND) is owned by Colomer USA. Colomer USA is part of the Colomer Group, which is based in Barcelona, Spain. The Company offers consumer and professional products for skin, hair, and nails. CND views chemistry as its core competency. At a time when other companies outsourced research capabilities, CND invested millions in a custom-built R&D facility. CND views nails as part of a more inclusive concept of beauty, backed by ongoing innovation and advocacy for the aesthetic professional. CND has builds alliances with well-known designers and tries to bring new appreciation to the role of the nail in the beauty industry. ("About CND". 2009)

CND sells products directly to salons as well as online and through retailers like Sally Beauty Supply and Ulta ("Creative Nail Design Company Description", 2009).

CND has advanced the industry through training as well as technology, with its Creative Academy and master technician programs. Noted for their high level of consistency, the company's Education Ambassadors work closely with nail techs worldwide not only in its academies, in salons, at tradeshows, but in conjunction with distributors, and retail outlets. Hundreds of thousands of nail professionals have benefited from CND's educational programs. CND has certified 8,000 Masters in Liquid & Powder Enhancements, Gel Enhancements or Natural Nail Care. More than 1,000 are Grand Masters who are experts in all three areas. ("About CND". 2009)

Since 1979, CND has developed pioneering professional products and services. The Company's mission is to provide the salon and spa professional with everything they need - products, services, education and support - for the highest-quality nail services ("Creative Nail Design Profile"). Every product is meticulously researched in the Company's own laboratory and tested in the field before it ever reaches customers. After purchase, CND continues to support the beauty professional with training, answers and inspiration in the classroom, on the road or online. ("About CND". 2009")

The Company collaborates with the world's top designers on runways worldwide “Creative Nail Design Company Description”, 2009).

Competitors include the Forsythe Group, O.P.I., and Orly International.

## APPENDIX P: PROFILES OF PRIVATELY HELD NAIL SALON PRODUCT CONTRACT MANUFACTURERS

The following companies were identified through surveying products used by nail salons in California and tracking down their manufacturers. These contract manufacturers (CMs) are firms that manufacture products for “hiring” firms, which provide the CM with the product formula.

**Cosmetic Industries**

13489 Slover Avenue

Fonatana, CA 92337

909-428-7225

http://www.cosmeticindustries.com/

Cosmetic Industries was founded in 1993 and according to their website, has grown to be the largest contract nail polish filling operation in the West Coast.

**Cali Chem, Inc.**

14271 Corporate Dr
Garden Grove,CA92843-4937
Local: (714) 265-3740

Their website was not operative. According to Manta, an on-line source of information on small companies, Cali Chem, Inc is a private company categorized under Face Creams or Lotions. Current estimates show this company has annual revenue of $630,000 and employs a staff of approximately 7, though the year for which this information pertains was not available. Among the products they manufacture are methyl methacrylate (MMA) monomers for nail extensions. (Manta, 2009)

**Keystone Research & Pharmaceutical**

Keystone Industries

616 Hollywood Ave

Cherry Hill, NJ 08002

(856) 663 – 4700

https://www.krandp.com/index.aspx

Keystone Industries, also known as Mycone Dental Supply Co. Inc, is a privately held group of dental, cosmetic and medical device manufacturing and distribution subsidiaries. Keystone Research & Pharmaceutical (KRP) is the manufacturing division responsible for production of cosmetic, dental, hearing aid and specialty polymer products. They have offices in New Jersey, the Netherlands and

Thailand.  Keystone Industries produces a broad range of nail products including accessories, acrylic systems, coatings and UV gels. More specifically, they make Glass Kote Top Coat, which contains DBP, Titanium Top Coat, which contains Tosyl amide/Formaldehyde resin, Polymer Clear (acrylic), which contains EMA, and Ridge Filler (acrylic), which contains MMA.

| APPENDIX Q: ADDITIONAL COSMETICS AND NAIL PRODUCT COMPANY INFORMATION | | | | | |
|---|---|---|---|---|---|
| COMPANY | TICKER | HEADQUARTERS | PHONE | WEBSITE | NOTES |
| **Leading Publicly Traded Cosmetics/Personal Product Companies** | | | | | |
| **CCA Industries, Inc.** | CAW | 200 Murray Hill Pkwy. East Rutherford, NJ 07073 | 201-330-1400 Fax: 201-842-6014 | http://www.ccaindustries.com | makes Nutri-nail in various small labs throughout New Jersey (Employee) |
| **Alberto-Culver Company** | ACV | 2525 Armitage Ave. Melrose Park, IL 60160 | 708-450-3000 Fax: 708-450-3409 | http://alberto.com | makes beauty products for other US companies under private label agreements (Hoovers) |
| **The Stephan Company** | TSC | 1850 West McNab Road Fort Lauderdale, FL 33309 | 954-9710600 Fax: 954-9710636 | http://www.thestephanco.com/ | manufactures, distributes and sells hair care and personal care products through both wholesale and retail channels, distributes 'Natural' and 'French' nail polish manicure kits to other distributors and salons |
| **Helen of Troy Ltd.** | HELE | Clarendon House, Church St. Hamilton, HM 11, | 915-225-8000 Fax: 915-225-8004 | http://www.helenoftroyusa.com | sells licensed personal care products and accessories under the Vidal Sassoon and Revlon brand names, as well |

| | | | | | |
|---|---|---|---|---|---|
| | | Bermuda | | | as its own brands (Helen of Troy, Karina, Wigo) |
| **Privately Held Manufacturers and Distributors** | | | | | |
| **Mary Kay, Inc.** | | 16251 Dallas Pkwy Addison, TX 75001 | 972-687 6300 | http://www.MaryKay.com | Irene Snachez (employee) says Mary Kay products are made by contract manufacturers in China according to the Company's specifications. (8/19/09) |
| **The Nail Superstore, Inc.** | | 3804 Carnation St. Franklin Park, IL 60131 | 847-260-4000 | http://www.nailsuperstore.com | a full range of nail products sold wholesale to professional nail, beauty salons and spas across the globe |
| **Kiss Products, Inc.** | | 57 Seaview Blvd. Port Washington, NY 11050 | | http://www.kissusa.com | manufacturer and distributor of nail care products, sells through mass retail and beauty store channels (kissusa.com) |
| **Superior Salon Services** | | 322 South Davis Rd. La Grange, GA, | 706-845-7152 Fax: 1 706 845 | http://www.superiorsalonservices.com | professional distribution only |

| | | | | | |
|---|---|---|---|---|---|
| | | 30241 | 7802 | | |
| **Forsythe Cosmetic Group Ltd.** | | 430 Doughty Blvd. Inwood, NY 11096-1363 | 516-239-4200 Fax: 516-239-4745 | www.cosmeticgroup.com | manufactures and distributes nail care products for salons, spas, and beauty retailers and offers private labeling for distributors and salons (Hoovers) |
| **Alticor, Inc.** | | 7575 Fulton St. East Ada, MI 49355-0001 | 616-787-1000 Fax: 616-682-4000 | http://alticor.com | a holding company that operates five businesses including direct-selling giant Amway, Amway Global (formerly Quixtar), upscale cosmetics company Gurwitch Products, and Access Business Group (manufacturing, logistics services) (Hoovers) |
| **Markwins International Corp.** | | 22067 Ferrero Pkwy City of Industry, CA 91789 | 909-595-8898 Fax: 909-595-8820 | http://www.markwins.com | develops, manufactures, and markets cosmetics, personal care products, and accessories, features ethnic-themed cosmetic line, and makes the Wet n' Wild brand (Hoovers) |

| | | | | | |
|---|---|---|---|---|---|
| **Coty, Inc.** | | 2 Park Ave.<br>New York, NY 10016 | 212-479-4300<br>Toll Free: 800-715-4023<br>Fax: 212-479-4399 | http://www.coty.com | a global leading maker of mass-market fragrances for men and women, also offers aromatherapy, foot care, nail care, and sun care items, subsidiary of John A. Benckister (Hoovers) |
| **Del Laboratories** | | 726 Reckson Plz<br>Uniondale, NY 11556 | 516-844-2020 | http://www.dellabs.com/ | owns the Sally Hansen brand and they just became a subsidiary of Coty, Inc (ReferenceUSA) |
| **Sally Hansen** | | Located at Del Labs | | | retail nail products |
| **Colomer USA** | | 5344 Overmyer Dr.<br>Jacksonville, FL 32254 | 904-693-1200 | http://www.thecolomergroup.com | parent company of Creative Nail Design |
| **Sally Beauty Supply** | | 1841 University Dr. #130 Vista, CA 94283 | 760-726-7228 | | subsidiary of Sally Beauty Holdings |
| **Cosmetic Essence Inc.** | | 2182 Rte. 35<br>South Holmdel, NJ 07733 | 732-888-7788<br>Fax: 732-888-6086 | http://www.cosmeticessence.com | a contract manufacturer for the personal care products industry, specializes in product formulation, manufacturing, distribution, |

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|---|---|---|---|---|---|
| | | | | | contract filling of alcohol-based products, and packaging (Hoovers) |
| **Skyline Beauty Supply, Corp.** | | 759 N Spring St Los Angeles, CA 90012 | 213 485 8308 Fax: 213 485 8310 | http://www.skylinebeautysupply.com | a leading supplier of nail care products and salon equipment in the United States, the company is also the sole distributor of one of the most popular and best selling pedicure spas - the Whale Spa - in North America (skylinebeautysupply.com) |
| **Publicly Traded Chemical Supplier** | | | | | |
| **Ferro Corporation** | FOE | 1000 Lakeside Ave. Cleveland, OH 44114 | 216-641-8580 Fax: 216-875-7205 | http://www.ferro.com | a global producer of industrial chemicals including plasticizers, stabilizers, and lubricants used by makers of fuels, foods, cosmetics, pharmaceuticals, and plastics (Hoovers) |

## APPENDIX R: PAUL BRYSON, OPI PRODUCTS INTERVIEW SUMMARY

**Interviewee: Paul Bryson**

**Organization: OPI Products, Inc., N. Hollywood, CA**

**Role: Director of R&D OPI Products, Inc.**

**Telephone: 818-759-2400**

**Email: pbryson@opi.com**

**Date: 8/12/09**

***Q. How are ingredients decided upon?***

We look at functionality - the stuff has to work. We look at cost. Wonderful, exotic ingredients come up but then are often too expensive to even consider. We do a global review of ingredient legality. We don't like to make a product we can't ship to certain countries. We review Material Safety Data Sheets (MSDS), and sometimes decline to use materials on that basis even though they may be legal.

In sum, we look at safety, legality, cost and functionality.

We choose the materials for the products ourselves. We dislike the idea of using contract developers, because we have no control over the formulation. If we were to have something done by an outside firm, it would go through the same safety and legality review.

We seek to avoid situations where an outside contractor makes something and our internal lab guys do a review and say we can't sell this stuff because it's not legal, not safe or both. Nothing goes out without a safety and legality review.

***Q. Are there any differences in your process for products for stores vs. salons?***

Same process, but the products themselves differ for retail vs. salon professional use. Nail polish in a pen style applicator, for example, goes through the same safety, legality, and cost review but salons wouldn't want to buy that so we only sell it retail. Acrylic nail products are only sold to salons and licensed manicurists, and are not made for retail.

***Q. How do you ensure regulatory compliance of your products?***

Through ingredient review of all ingredients including trace ingredients and minor ingredients. We compare them against what is restricted or illegal in various countries. We take a hard look at Europe, Canada, and Japan in particular. If something is legal for those jurisdictions it is usually legal for the world with a few minor exceptions.

The lab reviews marketing claims to be sure nothing is exaggerated and overstated, usually by accident.

Marketers and chemists speak different languages so it's easy for them to misunderstand each other. This review process happens everywhere.

***Q. What are the challenges of getting a green product to market?***

I see a big obstacle to developing greener products as being green-motivated paperwork. In most cases countries are not banning anything; they just need a big dossier about all the ingredients, but the ingredients are already labeled and declared on the Material Safety Data Sheets. We're not keeping any secrets, just read what we already wrote! (This was our objection to SB484, which is costing us hundreds of person hours already).

Unfortunately, the paper work is scientifically detailed enough that it has to be done by a trained chemist. This means that the chemists who could be inventing greener products are stuck doing more and more paperwork with each passing year. There are only so many chemists in the world and the limited supply of chemists gets sucked into a paperwork maelstrom. An unintended consequence of this paperwork is that it is slowing down the development of green products. We hired three full time regulatory people who could have been R & D, and several of our fulltime R&D staff also have much of their time diverted to regulatory work.

However, the biggest barrier to greener products is that the laws of nature are not cooperating – many green products are years and years of development away – IF they are even possible at all. The laws of chemistry and physics are what they are – if there is not an answer out there, you are never going to find it.

For example, we would love to use water-based nail polish formulas, it would be cheaper and easier to handle and to ship. If it worked we'd be selling it, but we just haven't seen any that work well. We have changed our solvent blend significantly -- it is greener, in fact; less smog is generated. But we can't, at this time, make nail lacquers with no solvents at all that are also functional.

Nail acrylic is very popular and smells more harmful than it really is – creating a big perceptual problem. There is also a subset of the population that can become allergic to acrylics. We would love to come up with a workable substitute that avoids the problems of acrylics. I explored other polymers - bullet proof "glass" etc -- and looked for something superior to acrylics. Everything I found was off the charts toxicologically as compared to acrylic – some of those MSDS were downright scary -- so I concluded that of everything out there that could be used, acrylic was the safest option. Many before me have done the same research and there is not a substitute on the horizon.

Money is no object in terms of developing greener products. Even if it were more expensive, the superior marketability of the green product would make that irrelevant. However, in many cases no substitutes are on the horizon. If there were, I wouldn't tell you, I would be developing it in the lab (hint, hint).

***Q. What is the product development process?***

It starts with asking Marketing what they want, and what it should cost. Then we head for the lab. Different individual chemists have different individual pet ingredients they like to start with – perhaps one guy prefers this or that thickening agent, for example. Ultimately ingredients are determined by functionality. The laws of physics and chemistry determine what we ultimately do, though we have our favorite starting points. As I said earlier, we also have to take into account the legality and safety, reviewing the MSDS and other safety info for each ingredient. Really, it is all individualized, sometimes you use an existing formula and modify and sometimes you are in a new realm. That's when we call a corporate lawyer and get it patented.

Once a product is "invented", then the hard part starts. Whenever we make a new product, or reformulate an existing product (for environmental or other reasons), we have to redo all the testing, even if it's only a minor "tweak" to the formula.

We have to do (or re-do) stability testing: products need to survive the journey from factory to customer and thus need a good long shelf life. We perform accelerated stability testing: by storing the product and proposed packaging at elevated temperatures correlated to time-simulation. Heat accelerates chemical reactions so storing under hot conditions for a few months mimics years of normal aging. The new or tweaked product has to go through freeze/thaw testing, which exposes weaknesses in a product and/or package, and U.V. light exposure, which tests the stability of colors. These tests and more are our long-term stability testing.

Any new or revised product, even if just one ingredient is changed, also requires skin sensitivity testing with a skin-patch test in which panels of 50-100 people test the product over a course of 6-8 weeks by putting on their skin. We also have to do microbiological testing to be sure preservatives hold up. If the preservatives are not adequate it can cause bad smells, bad colors and health risk. It's a huge amount of work and micro-testing needs to be verified by an outside lab and the skin test requires medical supervision and is done by an independent certified lab. It all costs $1000's and many man hours. Then there is all the paperwork that has to be done or re-done for the packaging, the Material Safety Data Sheets, EU Dossier, Canadian Ingredient Declaration, Southeast Asian requirements, etc.

Changing formulas is a complete nightmare. If just one ingredient changes, all this testing and paperwork has to be redone, as chemically it's a "new product". It's more work to change a formula than it is to make it in the first place, more hassle. If you are making your product fresh you never get all of the paperwork tracked down and redone, you're just doing it once from scratch.

When we removed the phthalate and toluene, we had 1500 polish colors in our database that had to be changed. It took 1000's of man-hours.

Warehouse logistics are difficult when it comes to changing product ingredients. Say certain ingredients are outlawed in one country and we need certain orders to not have that ingredient then we have to make sure the wrong stuff doesn't get sent to the wrong place. Managing two parallel inventories in an inventory transition is very difficult logistically – the preference is ALWAYS to move to ONE global formula as soon as you can.

***Q. How do you market your products?***

We (the lab) work with marketing during the development phase. Marketing has a better finger on the pulse of what people will actually buy. The marketers will ask for a thicker cream or a mango smell, etc.

They get input from field and tell us and then we go through the process of creating it and we do an ingredient legality, safety, cost and functionality review. Marketing gives us information about the cost so we can be cost effective.

***Q. How do you distribute your products? Are there differences between the products for salons vs. stores?***

OPI markets through salons and certain authorized distributors like beauty supply shops. Some product lines were developed and intended for retail. We do not authorize distribution of our professional products in mass retailers. Mostly our products are intended for licensed salons, or to be retailed through such salons. We do have a few mass-market retail lines now that can be found in Wal-Mart.

***Q. Who are your distributors? Are they exclusively OPI?***

Proprietary cloak right there, I can't tell you and being a lab rat I don't really know most of them.

Some suppliers sell products for many different companies and we have to compete for shelf space.

***Q. How do you pick your chemical suppliers?***

There are a lot of reputable suppliers well known to the cosmetic industry. We go to the CTFA website, which recently renamed itself as the PCPC. They have password access for paying members of the industry so we can find official chemical names of things and see info about where it's legal in the world and can find supplier lists. Usually we know whom to call if we need certain chemicals. There is an endless parade of chemical suppliers coming in to the facility and showing us something new. They come to us. The list of chemical suppliers at the HAPPI website (www.happi.com) covers a large percentage of them but not all of them.

***Q. Who are your primary raw material suppliers?***

That's proprietary.

***Q. What products does OPI provide to nail salons?***

OPI focuses on manicure and pedicure services: nail lacquers, topcoats, basecoats, tools, disinfectant, files, nail nippers, nail hardener, acrylics (OPI's original product), gels, cuticle oil, fast drying products, moisturizers, scrubs, hand and body and pedicure lotions, and so on. We also provide a lot of training in the safe and effective usage of our products.

We don't make hair care products or a facial skincare line.

***Q. Do you own brands besides OPI?***

We have a line named after the owner's daughter called Nicole by OPI, nail polish and nail pen polish. Sephora sells their own line of Sephora by OPI, which we make exclusively for them. We have a line of nail polish, lotions, scrubs, nail polish remover etc. specifically formulated for Sephora.

***Q. Who are some of the major suppliers of tools, gels, removers etc.?***

Some of the others just focus on nail polish. Orly has just nail polish. Creative Nail Design primarily sells acrylics and gels and added polish later like we did; they sell associated products.

***Q. Who are your main competitors? What other privately held companies have the most market share in terms of nail care products-are the top five Essie, Orly, American International Industries, Creative Nail Design?***

I agree with those picks and have spoken with all of them. Creative Nail Design is a major collaborator in the Nail Manufacturers Council's (NMC) salon safety efforts.

OPI is the top company in terms of salons -- globally, we are in over 100 countries now.

***Q. How can we get OPI revenue data and data on your competitors?***

Revenue data is private and proprietary. Only the owners and senior managers have it. OPI is privately owned, there are no stockholders so there is no legal obligation to file any public report.

***Q. Where are your manufacturing facilities?***

A great deal of our stuff is made at the headquarters. I cannot discuss the subject of when or if anything is made offsite. *If* anything were made offsite scientists would drive or be flown there to inspect the operation.

Offsite production, particularly out of the country production, is fraught with risk. A single raw material can be analyzed pretty easily, but a nail polish – a combo of chemicals put together in certain foreign countries that aren't as careful – we would never trust that product. If a foreign contractor uses an outlawed ingredient, the FDA may stop it. Foreign contractors might use cheaper substitutions that would be difficult to detect and could lower quality and it's very hard to do the quality control on that. For this reason, all our formulas are made in the U.S.A.

***Q. What are you doing about salon safety?***

OPI works through the Nail Manufacturers Council (NMC), a subcommittee of the Professional Beauty Association (PBA), to help create and promote safety information for the nail salon industry. This is posted on the PBA-NMC website and includes information on infection control, controlling chemical exposures, and more. Much of it is translated into Vietnamese, Spanish and Korean. We also incorporate safety training into OPI's own corporate education.

The NMC was also asked to assist California in the improvement of their salon sanitation and disinfection regulations, and happily did so.

One of the documents on our site was inspired by then-Assemblyman (now State Senator), Dr. Leeland Yee, who has helped the industry in the past with a push for better disinfection regulations. One day he asked us: How can consumers identify if a salon is safe or not? We interviewed nail technicians, added our own scientific knowledge, and came up with a simple checklist to determine whether or not a nail salon is safe. It is posted on the NMC website as "What to Look Out for in Nail Salons". It can be given to salons and consumers. It can be used as a public safety and marketing tool. Have at it and distribute them freely. The guidelines are mostly infection control related as the biggest danger in salon is infections, not chemical hazards.

However, other documents at the site do address chemical exposure controls. (You can find our site by googling PBA NMC). Simply put, avoid skin contact with products not made for the skin (e.g., acrylics, gels, disinfectants), and ventilate the salon adequately to control vapors and dust. Use ventilation to blow it out into the atmosphere where the U.V. light breaks it down into water and CO2 eventually.

Finally, we (the NMC) are thrilled that we have begun communicating with the Healthy Nail Salon Collaborative, despite some differences in perspective. The Collaborative tends to place more emphasis on reformulation and sees exposure control as a valuable but temporary measure. Our perspective is that reformulation, where it's possible at all, will take years, whereas exposure control is something we can do right now. However we both agree that exposure control is a good thing; accordingly we will gladly join hands and work with them to promote it. And perhaps the future will bring other areas where we can work together.

**Note: answers were compiled from notes taken and are not all direct quotes.*

## APPENDIX S: DOUG SCHOON, SCHOON SCIENTIFIC & REGULTORY CIONSULTING LLC, INTERVIEW SUMMARY

**Interviewee: Doug Schoon**

**Organization: Schoon Scientific, Dana Point CA**

**Role: Industry Lobbyist**

**Date: 7/7/09**

**Telephone: 949-493-3380**

**Email: dschoon@schoonscientific.com**

***Q. How are nail salon manufacturers addressing the concerns about rashes in nail salons?***

Just because something gives you a rash doesn't mean its "toxic" and can't be used or should be "eliminated or replaced". Essential oils can cause rashes, so does wool and grass. Proper education can prevent these problems. These are issues that manufactures are aware of and have worked for many years to better educate end users. We should all be working together on this important issue. The best and fastest way to solve this problem is by teaching nail technicians how to use products in a safe and appropriate way. That should be our focus.

***Q. What are the current hot button ingredient issues as you see it?***

The toxic trio seems to be getting a lot of attention, but this is mostly misinformation and that doesn't help anything. Advocacy groups are trying to do good things and I respect them for that. Still, it doesn't help when they don't give out proper information. It seems that the preferred method of advocating is to needlessly frighten people with overblown claims and try to embarrass manufactures/corporations. Dibutyl phthalate has been phasing out of the industry since 1993 because of the EU CMR Cat 3 listing and formaldehyde is not a cosmetic ingredient, yet both are still being talked about as if they present a prevalent risk. Formaldehyde is a great example, if not even a cosmetic ingredient. This misconception is based on the INCI dictionary requiring that formalin be called formaldehyde, when it isn't! Formaldehyde is gas, formalin is a liquid and not even in the same chemical category. Also there is no conclusive proof of any danger with nail polish… just the fear that it "might" be dangerous, yet some advocacy groups act as if this were well-established fact. The FDA and most reasonable scientists understand that the way nail polish is used prevents toxic effects. Where's the evidence of harm with nail polish? Focusing on the trio is counterproductive and makes it seem that the advocacy groups don't care about the facts and would rather rely on fear.

Nail polish has been used since the 30's with no evidence of "toxicity". How a substance is used also helps determine "toxicity". The duration/concentration of exposure is the real issue, not the substance's name. Acetone can be used safely and to suggest we should just get rid of acetone is wrong. We should teach people how to use it safely.

We live in a risky world.  If you are not prepared for risk you're not prepared for life.  It would be foolish to think we can remove all risks and make the world risk-free.  Instead, we should teach nail technicians how to work safely.  For example, educate nail technicians about the importance of using proper ventilation and to understand ways to avoid skin exposure.  How does it make sense to ignore the fact that many salons don't want to invest in proper ventilation? Advocacy group should be promoting the proper use of ventilation in salons.  Many salon owners don't want to do this because it's expensive, yet proper ventilation is an important part of working safely.

Manufactures and advocacy groups need to build trust between each other.  One important way to do this is to start working to educate nail technicians on safe handling and proper product usage.  Eliminating toxics is an unrealistic mantra to hold on to.  We live in a world filled with naturally occurring toxins and carcinogens.  Eliminating toxics is doomed to fail because many things can be toxic if used improperly, yet perfectly safe if used properly.  That's where things get off track and it becomes a blockade for discussion.  Eliminating all toxics is an impossible dream that sounds good, but how successful will advocacy groups be in telling people they should stop using lavender oil because someone wrote a paper that says it causes boys to grow breasts?

Some advocacy groups claim that "a carcinogen is a carcinogen at any level".  This is NOT true.  For example, 1, 4-dioxane occurs naturally in food at the *parts per billion level*, so does formaldehyde.  Are we going to stop eating?  The precautionary principle can be taken way too far and frequently is.  That kind of logic works against advocacy groups because they insist that manufacturers need to reformulate so there is nothing toxic in the products.  This is an impossible hurdle for manufacturers.  Even salt water can be toxic.

***Q. Do you see manufacturers moving towards greener products?***

People use the word "green" in different ways.  Right now it's mostly a marketing term that sounds cool.  Some are trying to bring meaning to this word, i.e., the EPA.  People think anything "natural and organic" automatically is "green".  We need to respect the words and understand what things like "organic" and "sustainability" actually mean on a deeper level than "marketing clichés".  Scientists everywhere are looking at the issues and looking at them seriously.  They will find long-term sustainable solutions that are truly viable, but it takes time.

***Q. What are the domestic vs. international regulatory demands and how are they changing?***

Cosmetics are some of the most heavily regulated products in the world.  It's a myth to say that cosmetics are unregulated.  Every country has different regulations.  The EU is perceived as being safer, but I don't think they are any safer than the US; they're just more vocal about their regulations.

If you look at the world in general, there are a lot of good ideas out there, but unfortunately many politicians are reacting to the fear-based information being put out by some advocacy groups and marketers.  This is no good at all! We don't need politicians making knee-jerk reactions to incorrect or incomplete information.  We're just going to get regulations that don't solve anything, except to make a politician look good.

***Q. Which companies are pushing back against new and existing legislation and why?***

Haven't heard any of that. It's not in anyone's best interest to push back against legislation and cosmetic companies obey the laws. Instead, we should be working together to steer regulations toward a logical conclusion based on solid scientific information, not speculation or unsubstantiated paranoia. When we get crazy laws, it's everybody's problem and it just creates more paperwork. If scientists are filling out forms, they're not creating green chemistry. It's amazing how many scientists I know who are taken away from their work and just filling out paperwork.

***Q. What are some of the methods for quality assurance and safety?***

We need more training of nail technicians and other salon workers. I write articles about salon safety, as well as safe practices brochures. Safety practices need to get exposure in the Vietnamese community. I would like to work with the Nail Collaborative to develop training programs for salons and teach them how to work safely. I hope to help advocates understand the facts and issues in the salon.

***Q. Who do you see as the major players in the nail salon products industry?***

OPI and CND and lots of smaller companies, i.e. Essie. The large publicly traded public companies don't have that much influence in salons and mostly sell in the retail/mass market. It's rare for a manufacturer to sell directly to a nail salon. They usually sell through distributors. Distributors run the market, but they have little influence over the products or their development.

The true manufacturers and private label/contract companies are the ones responsible for research and product development. Most companies contract the actual development and manufacturing to private label/contract companies and whom they work with is a closely guarded secret or they have their own in-house R&D. Most of the private label/contract manufactures are small entities, some are in China.

***Q. Which companies are the major providers of products to nail salons and do you have any data supporting this or can point us to good sources?***

For sales and other information, *Nails Magazine* or *Nail Pro Magazine* provide a lot of information. They come out with yearly updated guidance that provides nail industry information.

***Q. Where can I find information on chemical suppliers?***

Look at a magazine called *HAPPI*. It focuses on cosmetic, beauty and household products. Their website has lists of manufacturers, ingredients, and contract manufactures.

***Q. Who else would you suggest I talk to in the industry (besides Paul at OPI)?***

From a technical point of view, the only one (besides me) I would recommend is Paul Bryson/O.P.I. Marketing people are not up technical issues. Marketing people and advocacy groups try to understand, but these are usually very technical issues that are easy to misunderstand, unless you have a strong scientific background. What sounds right is often wrong.

That's why scientists do experiments and perform studies. Not just one study, it could be wrong and, and it's very risky to draw conclusions based on one study. That's a big mistake that some advocacy groups make. Scientists look at dozens (sometimes hundreds) of studies before drawing any conclusions. For example, ingredients exposure is not a black and white issue! There is a lot of room between “toxic” and “non-toxic”. Sadly, all those in between areas get ignored. I think that's another mistake that some advocacy groups make. They try to look at science as black-and-white. Those not trained in science don't often understand this.

We should be relying on scientists i.e. toxicology experts. Not just the one or two that confirm our own beliefs, but what toxicologists in general believe to be true. Look into the Society of Toxicology. They've recently issued a report that does not shed a very positive light on the way advocacy groups interpret data and information about "toxicity”. For example, 79% of toxicologists believe that the Environmental Working Group overstates the risks and only 11% believe “phthalates” are a high risk.

We should be talking together and sharing our opinions, but it would be nice if those opinions are based on truthful and valid information. That's how we'll solve our issues, not my making stuff up to scare the public over unimportant issues, i.e. lead in lipstick

**Note: answers were compiled from notes taken and are not all direct quotes.*

## APPENDIX T: MICHAEL J. DIBARTOLOMEIS, CALIFORNIA DEPARTMENT OF PUBLIC HEALTH INTERVIEW SUMMARY

**Interviewee: Michael J. DiBartolomeis, PhD, DABT**

**Organization: California Department of Public Health**

**Role: Chief Occupational Lead, Poisoning Prevention Program &**

**California Safe Cosmetics Program**

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**Date: 9/1/09**

***Q. What new legislation is on the way?***

I know of none. The Breast Cancer Fund (BCF) is exploring national legislation that would piggyback on the Safe Cosmetics Act. Talk to Janet Nudelman, BCF for more information. In the past year or so I have seen no legislation that has to do with cosmetics in any way shape or form and we haven't developed anything.

***Q. What are the enforcement techniques for existing legislation and what is coming?***

Good question. Currently the enforcement action for the California Safe Cosmetics Act (SB484) is poorly written and vague. Cosmetics are like the orphan children of consumer products world, they don't receive a lot of attention from regulators. The main problem is that cosmetics don't require pre-market testing. Manufacturers aren't made responsible for testing products for rashes and irritation, etc., let alone cancer, reproductive toxicity, endocrine disruption and other potential long-term effects. Manufacturers only have to tell the Food and Drug Administration (FDA) that it is safe. This is a problem that has existed since the 1940's. There are no strict guidelines for cosmetics. The U.S. Food, Drug and Cosmetics Act is not particularly strong for food or drugs either. Anytime a bill says "required to" or "must" there is the potential for an enforcement action. The Safe Cosmetics Act is unfunded, when the bill was signed there were zero funds to support it. The California Department of Public Health (CDPH) submitted a request for funding and only got about 25% of it. Four positions came with the funding. One of the positions was supposed to go to the CDPH Food and Drug Branch for enforcement of the bill. This position was to be responsible for verifying if products contain chemicals of concern and see that they are removed from shelves and make sure manufacturers are compliant. This position was cut in response to the State's budget crisis. Now only the Division of Environmental and Occupational Disease Control has resources to implement the Act. We are in the non-regulatory part of the Department of Public Health. We are supposed to flag a public health problem based on the data we receive from manufacturers. For example, if a cancer-causing chemical is in a variety of products, we can and should notify the Food and Drug Branch, Cal/OSHA and Cal/EPA, and others. The notified, responsible departments may or may not have the resources to take action; they might have to re-direct funds and manpower from another important program. This is the nature of state government – there are not enough funds to go around so it is like moving chess pieces around the board. In order to take action in one important program, it might mean reducing attention for another important program. The number of staff can't accomplish all of the mandates. With respect to enforcing the Act, we must take it on good faith that product manufacturers will supply accurate data. There is no time or resources for company-by-company audits; there could be random checks, however, like IRS.

The FDA and the Food and Drug Branch have no data on the number of personal care products manufacturers in the US. Marketing research company databases (like Dunn and Bradstreet) show that cosmetics manufacturers located around the world that had income of over $100,000 number about 16,000 companies. Right now we are about halfway through the initial reporting period for the Safe Cosmetics Act and have only received reports from about 100 companies! I think the trade association/ personal care products counsel may have an idea how manufacturers are making products. They might have better info than marketing databases. So, enforcing the Food, Drug and Cosmetics Act and the Safe Cosmetics Act is resource-intensive and the language in the laws is somewhat ambiguous. They both let things fall through the cracks.

I am not aware of any cosmetics product companies that test for long-term health effects. Soon, when the public database is on-line, we can see what hazardous chemicals are in the products. Manufacturers are sensitive to product safety in the short-term, many test for skin sensitivity (using test animals like rabbits) and such. In the couple of public meeting where nail salon representatives have stood up they don't speak about long-term concerns, they think about rashes and pimples-not cancer and reproductive activity. Perhaps this is because of poor outreach? Maybe if the nail salon workers knew the potential long-term serious effects of exposure, they would be speaking to the industry and demanding healthier products.

***Q. What are the specific barriers to creating legislation regulating cosmetics?***

The #1 barrier is the economy. It trumps everything right now. Certainly state legislation will go nowhere right now if it costs more than $50,000 and that is very little for these activities. There are also more technical barriers. Say we want to have pre-market testing, we have to go back to the original law from 1940 and add that in.

All those companies you are looking at (the big ones) will spend millions defeating legislation like that. That's the second big hurdle - manufacturers are not going to sit on their hands. They become a huge barrier and this is true for pesticides, drugs, and healthcare. When you have companies with deep pockets opposing legislation, it is a huge uphill battle.

The third barrier is that there are term limits. A legislator who is elected has limited time to make laws that stick. It takes years to develop rapport and move up ranks and years to develop bills and get them through. Someone needs to make the case that term limits are hurting California; it's not just a question of where the money is going now. Because he or she might get termed out before legislation gets through. Sponsors are hesitant to support bills. Some worry it might hurt their political chances to support a certain bill and they worry, if getting termed out, what legacy they want to leave. No one was left to pick up the pieces when Carol Migden termed out, she wrote SB484. Nobody was there to fix bugs and put mechanisms in place.

The useful time on a bill after it's passed is 3 or 4 years and resources will usually be cut after that (unless a stable funding mechanism is established). So, a bill has 3-4 yrs to make a splash and make a difference or it will become obsolete. Usually laws are not properly implemented when there is no stabilized funding. If there is no interest from the consumer, worker, or media world, no continued interest, resources to implement bills like SB484 will be cut. Programs get cut, people can't expect them to redirect positions to do this work and take it away from other major problems. The supporters disappear and it is left to federal, state, and local governments to pick up the pieces. The remaining interest in SB484 is the Nail Collaborative, the Breast Cancer Fund, the Environmental Working Group, Breast Cancer Action, and a few other organizations. So, when you guys disappear this program will disappear. The useful time in new legislation without stable funding is 3-4 yrs. I am volunteering my time to do this and I got about a 15% pay cut on top of it. I have 3 positions currently funded (2 are vacant) to run a program like this. It's not enough, two clerical and one technical staff. Staff is dedicated, which is not unusual in the Department of Public Health. When I read comments in the LA times, the Sac Bee, and the SF Chronicle that say state workers are overpaid and lazy it makes me angry-they have no clue what the public health folks do. There might come a time when the Program implementing SB484 will be cut or put on hold because it is difficult to uphold something people aren't interested in. I am extremely limited in what I can do.

I don't think most people realize that when a bill is passed and people walk away it's not over. To be honest it would be better for some bills not to be signed and passed because they have no teeth or are poorly written and we are left to implement bills with problems and when interest starts wavering I will sit in my office and ask myself why do I bother?

Another problem is the effort of writing of a good bill. By the time some bills get to the President or Governor they are so poorly written they can't be implemented. SB 484 is hard to implement because some of the language is ambiguous. I had to spend much time convincing people that it is salvageable. It was a huge barrier. When people write a piece of legislation they need to work on making sure it's clear with no loopholes. Sometimes you need regulations to implement a new law. The administrative process that results in regulations allows the regulated industry some room to help shape implementation and promote compliance. But regulations take years to get through and can weaken the overall intent of the bill. I have been analyzing bills for 20 years and think the quality of new legislation has eroded over this time. Many bills are not being written well. Legislative aides retire and move on and people in the Legislature are not all competent. There is a certain way a bill should be written and a great idea is not enough, it has to be well written or the bill itself will not be good. It's a legally binding document and writing it requires certain skills. I do think now is a really good time for getting policy change but it's a bad time to pass new laws. If you can find a way to get a sponsor and pass a good bill you will make an impact. There is a lot of talk and hardly any action regarding cosmetic products and other chemicals right now. SB484 is an action-oriented bill. But I do feel somewhat alone in state government trying to implement it. Where are the people making sure there won't be budget cuts? For example, when we started the actual reporting there were no news articles about it. Even the department did not issue a news release.

***Q. Who do you see as the major players in the nail salon products industry?***

I have not yet seen enough data to see who is reporting nail products. There is not yet enough info to sort through all of that. Maybe by January 2010, 1 can give you a better answer to that.

***Q. Do you know how producers are dealing with the pressure to green their business practices?***

I think the bad press has put manufacturers a little bit on the defensive, so it is an opportune time to make policy changes in this regard. It doesn't take much for a powerful industry to push back. Right now I think REACH had more of an impact than SB 484 because it is forcing the industry to reformulate.

*(editor's note: REACH stands for the **R**egistration, **E**valuation, **A**uthorization and Restriction of **Ch**emical substances and is a European Community Regulation on chemicals and their safe use adopted in June 2007. The aim of REACH is to improve the protection of human health and the environment through identification of the intrinsic properties of chemical substances.*
http://ec.europa.eu/environment/chemicals/reach/reach_intro.htm)

What do I keep hearing from trade association reps? They say, "our products are safe" over and over again. When they advertise this way, the public buys in. They have nothing new, it's just public relations campaign, and they are good at it. If you go in to any magazine or Internet and look at commercials, 75% of time they are full of crap.

***Q. What do you think of the new terms 'natural' and 'organic'?***

Natural and organic means nothing. The window of opportunity is closing fast because a rich and powerful industry will spin it into a positive thing for them using green washing. Look at tobacco companies and what they have done in the past 60 years. The public should not be relying on the government to keep them safe. It takes 20-25 years in government for change to happen. So when you are thinking that the government will protect us, it is not true. The laws are the laws and there are loopholes in laws.

Many good people I think highly of don't think REACH has the overall future vision.

Many people think it is too embedded in a risk framework. Perhaps we will adopt parts of REACH but include regulation and enforcement. There are way too many chemicals to do a chemical analysis. We know enough about maybe 5-10% of them. It's going to take many years for REACH to catch up. REACH did scare manufacturing into thinking about reformulating. I preach that chemistry reform has to be simple, demanding far fewer chemicals. I'd rather start from ground zero; no chemicals can be used that haven't been proven safe. Start over with 3000 chemicals or so. Of course we would have to give up our cars and TV's so this isn't going to happen. We have gone so far past the point of no return that no law will protect us. All living things are in jeopardy. What one single species (humans) has done to this planet is astounding.  Fixing this is not going to happen in my lifetime.  There is a lot of talk and no action.  I like chemical ban bills because then the chemicals are just gone.  We should ban chunks of chemicals.  Show me one time where a chemical was banned and it stopped something we need or want from happening.

You could easily ban a chunk of pesticides.  The proliferation of pesticides occurred after World War II and now we are addicted to pesticides.  Truth is, the pesticides are an example of how things have gone bad.  People will not want to give up their pretty face but you can grow food without pesticides.

***Q. Is there work being done looking at long-term health effects of chemicals in cosmetics?***

Some work is being done to research the chemicals and their long-term health effects.  Call Peggy Reynolds or Thu Quach they are looking at long-term effects at the National Center for Cancer Research (NCCR). If you haven't spoken with them you should, they are a non-profit.  There is no government-sponsored research that I know of (research is not usually funded for state agencies using public money).  The other problem is the risk assessment model.  Say a company has to do their cancer long-term study.  They get their highly paid pathologist to frame it as safe. We should be able to say, "this product is known to cause cancer so get it out or you can't sell it in California".  I am a toxicologist.  There are so many factors that go into evaluating whether and how a substance causes problems- beyond the scope of this interview

Dose is not an argument.  There has always this thought that there is a safe level for lead, but as we do more and more research we find that lower and lower levels of lead cause problems and there is no safe level for lead.  I am not a believer that we know how most chemicals work in our bodies.  No.  I am at the point where I believe that what we thought we knew but we don't really know.  We should use the precautionary principle.  I am very much in the minority in the toxicology world however.  I frankly believe that we don't have the understanding to be able to say there are safe levels of chemicals and carcinogens.  We don't know, so if there are effects we should take action to remove the bad chemicals from products.  The other part is, shouldn't we actually go back and let things go natural?  We age and get flabby-it happens.  Simplify.  It's sad to me that (Western) consumers are always looking for the newest gadget and technology.

If you don't have information on something you cannot say it is safe to use.  While many products are probably safe, many are not or we just don't know.  Not knowing about the toxic effects of a chemical does not mean its safe.  It's a gap in knowledge and the precautionary approach is to take action until better data are available.  There is a real problem in the world.  If there hasn't been a report of anything it is called "safe".

I can sit there and say show me your cards to both sides—advocates and industry.  Where I get frustrated is when I don't have the knowledge.  The environmental and consumer protection laws are flawed; the government doesn't know, the public doesn't know, and industry doesn't know either.

***Q. What do you think of the complaint about the increasing paperwork taking chemical expert man hours away from developing greener products?***

SB484 doesn't require a chemist to do the reporting. Consultants advertise that they can fill out the forms. I will agree that if you have a big company it is cumbersome because reporting must be done manually. We have no resources to set up an automated importing reporting system. But I do have to ask, shouldn't a company already know what is in the products? If reformulation is required it will be challenging but there could be a reward as a company could be the first out there with a new product that meets a higher level of safety. I suppose a company can create more jobs to help them with developing safer products and just reduce the CEO's take-home pay to $19 million from $20 million.

***Q. Where is the hope in all of this?***

We have a new president and national dialogues are happening about chemical policy change. We have found an equal if not greater partner-the EU. I do think the economy will improve and that will help new legislation get passed with adequate funding. Maybe in a year or so it will get better. I think the new generation of consumers/users will be more inquisitive. If their parents are like me, they are telling their kids to question authority. There is some wisdom out there. I think it will take people who are not sheep to get some important things through. We need change in California and an election is coming up. We need people willing to dodge the tomatoes thrown at them; to stick with to what they believe is right.

What I am going to say now has a lot of implications-I think that the tax structure in California needs to be completely overhauled. The taxation system is broken. It is not keeping up with tax reforms that were passed years ago (Prop 13). We need a new way to fund the state of California. People still look to California for reform. If California can put together reform that makes sense and is tolerable, we will see real reform across the country.

** Note: answers were compiled from notes taken and are not all direct quotes.*

## APPENDIX U: RESOURCES FOR FURTHER EXPLORATION

For up-to-date information on the Household and Personal Products Industry go to the HAPPI Magazine website, http://www.happi.com/.

For a Directory of Contract Manufacturers go to http://www.happi.com/cmpl.

For more information about Beauty Stores and a Beauty Store Directory, visit http://www.beautystorebusiness.com/

International Esthetics, Cosmetics & Spa Conferences information go to http://www.iecsc.com/.

Online Chemicals Data Base-provides synonyms for chemicals as well as associated suppliers and resources: http://www.chemindustry.com/apps/chemicals.

Find chemical information at http://www.americanchemistry.com/s_acc/index.asp

SOCMA, the Society of Chemical Manufacturers and Affiliates is an international trade association serving the small and mid-sized batch chemical manufacturers: http://www.socma.com/.

Chemical Manufacturers Association provides lists of chemical manufacturers, producers, distributors, companies, organizations, service providers list: http://www.chemindustry.com/searches/C/chemical_manufacturers_association.htm

Reference USA Database has data on U.S and International companies, industry reports, business journal articles, company executive information, neighborhood searches of businesses, company financials, and much more

SEC Filings Website provides free access to the annual reports of all publicly traded U.S. companies: www.SECFilings.com.

The Breast Cancer Fund (BCF) is exploring national legislation that would relate to the Safe Cosmetics Act.

White Paper: “APG—A Green Success Story” by Guadalupe Pellón, Patricia Rodríguez Pérez describes how Alkyl polyglucosides (APG) represent a solution for manufacturers to combine efficiency with ecological congeniality and human safety in the final product. http://www.happi.com/articles/2008/04/apga-green-success-story

“The Top 50” by Tom Branna, HAPPI Magazine provides ranked profiles on the top 50 cosmetics companies in 2008 http://www.thefreelibrary.com/Go+West,+cosmetics+industry!-a0205361387

“Greener Alternatives” Beauty and Personal Care Product Companies, from the Teens Turning Green http://www.teensturninggreen.org/get-educated/greener-alternatives.html

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Abstract: Operating sustainable businesses that provide value-added products and services with minimal or no environmental impact has become a top priority for the chemical and process industries. In this article, Cynthia Challener discusses the principles, benefits, and challenges of green chemistry, as well as successful initiatives developed by the chemical industry and the EPA.
http://www.chemalliance.org/Articles/050520.asp

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Abstract: Small chemical companies bear as much responsibility to conduct their businesses in a financially, socially and environmentally responsible way as large manufacturers do. Commitment from top management and a thoughtful and practical approach can enable smaller companies to successfully transform their organizations. http://www.chemalliance.org/Articles/050408.asp

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"Dermelect Takes On Nail And Hand Care" by Alissa Cherry from Women's Wear Daily; 8/19/2009, Vol. 198 Issue 37, p7-1NULL, p1
Abstract: The article reports that the skin care company, Dermelect Cosmeceuticals, is entering the nail and hand care cosmetics arena. The company is launching a five-item line called peptide infused nail and hand care. From Business Source Complete Database

"Coty Smells Success With Del Labs Deal: Focus on Fragrance, Nail" by Alexander, Antoinette, Drug Store News; 6/29/2009, Vol. 31 Issue 7, p68-68, 1p
Abstract: The article reports on the impact of the acquisition of Del Labs by Coty Inc. on the company's market share of cosmetics in the U.S. It states that Coty Beauty's portfolio has been expanded with the

addition of Del's Sally Hansen, N.Y.C. New York Color and La Cross brands. It states that Coty currently holds more than a 30% share of the market in fragrance.
From Business Source Complete Database

"Nutricosmetics: A New Way to Beauty." by Grammenou, Eleni, Global Cosmetic Industry; Sep2008, Vol. 176 Issue 9, p39-44, 4p
Abstract: The article offers news briefs related to cosmetic industry. Cosmetics, over-the-counter (OTC) health care, and food industries have considered that manufacturers extend offerings with high added-value products. Adverse effects of beauty products on the skin and effectiveness have changed the customers' attitudes towards natural products. Companies in the consumer health care market have introduced combination dietary supplements to help better skin, hair and nails.
From Business Source Complete Database

"P & G and Lauder eliminate DBP use in nail polish.", Soap, Perfumery & Cosmetics; May2004, Vol. 77 Issue 5, p5-5, 1/4p
Abstract: Reports that Procter & Gamble Co. and Estée Lauder Cos. Inc. are reformulating some of their cosmetics brands to eliminate the use of di-n-butyl phthalate (DBP) in nail polish, following growing opposition to the compound amid its potential health concerns for women in their childbearing years. Reasons given by each company for their decisions to phase out DBP include prohibition of phthalates in the European Union under the 7th Amendment to the Cosmetics Directive.
From Business Source Complete Database

*Note: Market share in this report was calculated using 2007 world sales for cosmetics, toiletries, and beauty firms as according to the Market Share Reporter 2009.*

Important Industry Codes for Research Purposes:
SIC 2844 Personal Care Products
SIC 2844 98 Toilet preparations (Mfrs)
SIC 6794 Patent owners and lessors
SIC 5999 92 Nail products
SIC 2844 06 Health and beauty aids (Mfrs)
SIC 3999 10 Beauty Salons-Equipment and Supplies (Mfrs)
NAICS 32562 Personal Care Products

## APPENDIX V: CCA INDUSTRIES, INC.

**CCA Industries, Inc.**

**2008 Sales:** $59.39M

**Executives:**

Chairman of the Board, Executive Vice President, and Corporate Secretary: Ira W. Berman

Chief Executive Officer, Director: David Edell

President, Chief Operating Officer, Director: Dunnan Edell

**Brands:** Plus+White (oral health-care products), Sudden Change (skincare products), Nutra Nail and Power Gel (nail treatments), Bikini Zone (pre and after-shave products), Mega-T Green Tea (dietary products), Mega-T chewing gum (anti-oxidant dietary product), Hair Off (depilatories), IPR (foot-care products), Solar Sense (sun-care products), Wash 'N Curl (shampoos), Cherry Vanilla and other Vanilla fragrances (perfumes), Pain Bust-R (topical analgesic) and Scar Zone (scar diminishing cream).

CCA Industries was incorporated in March 25, 1983 and markets health and beauty aids, including Nutra Nail. Nutra Nail is manufactured in small facilities in New Jersey. It also sells dietary supplements, shampoos, and other health and beauty items. CCA's sales channels include some 300 accounts with food and drug retailers, beauty aid wholesale beauty aids distributors and mass merchandisers. It operates primarily in the US, with a small portion of revenues coming from abroad. Several of CCA's products are made and marketed through licensing agreements. Under most of the brand names, the Company markets several different but categorically related products. The Company operates in the health-and-beauty aids industry segment, selling many products in numerous health-and-beauty aids and cosmeceutical categories. CCA creates and/or oversees formulations, chooses colors and mixtures, and uses independent contract manufacturers who make products according to the Company's formulations, terms and specifications. (Reference USA Database, 2009)

Dietary supplements are the company's biggest category at about 33% of sales; skincare and oral care items follow this closely. CCA's biggest customer is Wal-Mart, which accounts for about 44% of 2008 sales (Google Finance, 2009). Other large customers include Walgreen's at about 8%, Rite Aid at about 8%, and CVS at about 6%. (Hoovers, 2009)

Headquarters:

200 Murray Hill Parkway, East Rutherford, NJ 07073
1-800-524-2720 or 1-201-935-3232
**http://www.ccaindustries.com/**

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