

The Beauty Report

The Painted Nail's Latest Stroke

By Rachel Brown

KATIE CAZORLA CAN ATTEST THAT SUCCESS doesn't always happen on the first try.

The 33-year-old upstate New York native arrived in Los Angeles with ambitions of making it big as an actress and stand-up comedian. But Cazorla's career path took an unusual turn in March of 2009, when she decided to open The Painted Nail in Studio City, Calif., to fill a hole she detected in the L.A. nail salon scene for one with middle-of-the-road service prices in a playful, feminine and clean environment that wasn't middle-of-the-road or worse.

"I was a stand-up comic in L.A. for almost 10 years, and I could have horrible roots and wear clothes from three years ago, but my one splurge was manicure-pedicures," said Cazorla. "In L.A., [salon services] were superexpensive or really haggy... Why couldn't there be a fun place where you could have a drink and get your nails done?"

Apparently, other Angelenos were thinking the same thing. In the first three months of operating, The Painted Nail, where manicures cost \$20 and pedicures \$30, recouped the \$150,000 investment Cazorla put into building out its 1,100-square-foot space on the way to \$600,000-plus in first-year sales. She also attracted celebrity customers such as Teri Hatcher, Vanessa Hudgens, Ashley Tisdale, and Hilary and Haylie Duff; landed a reality show tentatively titled "Nail Files" set to air next year on the TV Guide Network, and developed a nail polish line.

The nail polish line, also called The Painted Nail, is a joint venture between Cazorla and Los Angeles-based nail lacquer company Nubar. The initial holiday collection launches at Apothia at Fred Segal this week and is made up of 18 colors each priced at \$12.50, half

of which contain glitter. Along with the colors, the product lineup has a top coat, base coat and cuticle treatment oil priced at \$12.50 as well. At the end of November, a body polish for \$34 and a shimmer cream for \$18 will join the selection.

Expounding on the initial collection, Cazorla said it crosses the color spectrum with pinks, reds, greens, blues, whites and blacks. Celebrities had a hand in naming some of the colors. Hatcher dubbed a gold shade Get Hatched, for example, and the Duff sisters titled a glittery pink shade Silver Screened. Layering is a primary objective of the collection, and the glitter shades are intended to coat shades without glitter, especially on toes. Cazorla stressed that the line doesn't have animal-derived ingredients and is free of formaldehyde, toluene and dibutyl phthalate. The bottles' shape mimics a woman's body and the graphics on the boxes include a chandelier and a cartoon image of Cazorla.

The Painted Nail won over Karen Meena, the buyer for Apothia at Fred Segal, even though she has shied away from picking up nail polish lines in recent years. "Nails have been the focus of some exciting new beauty trends lately, and we wanted to feature a line that was healthy, fashionable and exclusive," she said.

In its first full year on the market, Nubar Abrahamian, founder of Nubar, estimated The Painted Nail could surpass \$1 million in sales in the U.S. and \$2 million to \$3 million abroad. In addition to the polish line, Nubar wants to partner with Cazorla on expanding The Painted Nail salon network. Another salon is planned for London and she is considering opening a male-oriented salon named The Painted Nail Male in West Hollywood.



Katie Cazorla



Arden Gains Momentum in 1st Quarter

By Molly Prior

ELIZABETH ARDEN INC.'S INTERNATIONAL sales growth was a boon to business in the first quarter, helping to boost net sales by 7.4 percent to \$284.8 million, up from \$265.2 million in the year-ago period. Excluding the impact of unfavorable currency translation, sales would have advanced 8.1 percent.

In the three months ended Sept. 30, Arden generated net income of \$4.9 million, or 17 cents a diluted share, compared with \$40,000, or zero cents, in the year-earlier period.

Excluding expenses associated with the firm's Global Efficiency Re-engineering initiative, net income per diluted share for the three-month period was 18 cents.

Arden's chairman, president and chief executive officer, E. Scott Beattie, said international sales rose 14 percent, led by sales in Europe and its travel retail business and distributor markets, which increased by 14 percent and 31 percent, respectively.

Sales in North America gained 6 percent, fueled by Arden's mass market business, which increased 8 percent in the quarter. In the prestige channel, sales ticked up 1 percent for the quarter, aided by strong growth of Prevenge skin care and hampered by a 9 percent decline in the company's U.S. department store fragrance-counter business.

North America, which is comprised of both mass and prestige products, accounts for about two-thirds of Arden's total sales.

Beattie stated, "We are pleased with the performance of our brands and the progress we are making with our global brand-marketing initiatives. Sales of Elizabeth Arden-branded skin care products rose by 12 percent in the first quarter,

and sales of our fragrance business grew by 8 percent overall and 17 percent in Europe. As we head into the holiday period, we are encouraged and expect our key brands and launches to perform well."

Joel Ronkin, executive vice president and general manager, North America Fragrances said, "We're actually seeing a greater investment being made by our key mass volume retailers in advance of the holiday season, which means they believe both in our category as well as their businesses as we head into Christmas."

In some instances, particularly within its Britney Spears and Red Door brands, Arden has been able to take some price increases "with minimal to no impact in the volume," said Kathy Widmer, executive vice president and chief marketing officer.

Beattie said, "The objective here obviously is to improve the overall pricing of the products across all channels of distribution and then reinvest a portion of that back into more of a pull strategy through national media, digital media and some of the other drivers of consumer awareness and consumption."

Arden, along with its peers, is shifting marketing spending away from heavy-handed promotions, like discounts, toward advertising.

"We, like many of our competitors, believe it's healthier to drive demand through pull strategies versus push strategies, and we view promotion and price discounting obviously as a push strategy," said Widmer. "We too are focused on trying to shift more of our marketing resources into what we call [nonpromotional] working dollars, and you'll see in our business that there is a larger proportion that's all focused in fully controllable [spending], particularly in media."



IFF Profits Up 45.9 Percent

FRAGRANCE SUPPLIER INTERNATIONAL FLAVORS & FRAGRANCES Inc. reported Thursday that third-quarter profits increased 45.9 percent to \$77 million, or 95 cents a diluted share, compared with earnings of \$52.8 million, or 66 cents a share, in the same period a year ago.

Results included a 3 cent per share expense from ongoing restructuring in Europe, bringing adjusted EPS to 98 cents, compared with adjusted EPS of 82 cents in 2009, when restructuring and employee-separation costs resulted in a 16 cent per share expense. Wall Street estimated quarterly EPS at 87 cents, according to Yahoo Finance.



For the quarter ended Sept. 30, net sales rose 9.9 percent to \$673.3 million from \$612.6 million in the year-ago period. Sales in local currency increased 13 percent.

"All categories performed at or above expectations, as both flavor and fragrance results were once again supported by strong new win performance," chairman and chief executive officer Doug Tough said.

He noted quarterly margins were greater than they have been in more than five years. The firm's gross margin was \$285 million, a

"All categories performed at or above expectations."

— Doug Tough, International Flavors & Fragrances Inc.

14.5 percent gain from \$248.9 million in the year-ago period. Tough said IFF "expects local currency sales in the fourth quarter to remain strong."

Sales of the firm's fragrances division, which reached \$372.7 million (up 10.5 percent), outpaced the flavors division's \$300.5 million in sales (up 9.1 percent).

In terms of overall fragrance sales performance by region, Latin America led the way with one-quarter of the business. Greater Asia grabbed 14 percent and North America 11 percent.

For the first nine months of the year, profits climbed 40.5 percent to \$208 million, or \$2.58 a share, from \$148.1 million, or \$1.86, in the same period last year. Sales totaled \$1.99 billion, a 14.5 percent increase from \$1.74 billion.

— Matthew W. Evans