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Mr. Pierre Fabre's approach, "from health to beauty", was quite universal and very visionary

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Frederic Charles, CEO of Pierre Fabre Hong Kong and Macau, outlines brand perceptions of Pierre Fabre's dermatological products in Hong Kong, e-commerce, and other emerging skincare trends in Asia.

With the opening of Pierre Fabre Hong Kong affiliate in 2016, what were the main achievements so far?

The affiliate opening allowed us to bring all of Pierre Fabre Dermo-Cosmetic expertise in terms of medicalization, selective distribution and retail marketing "360 degrees". Concretely, several partnerships have been established with Hong Kong health professionals, significant investments have been made to improve our customers' experience both off-line with, most notably, recruitment of exclusive beauty advisers on the point-of-sale, and on-line with the latest example being the launch of our "Eau Thermale Avene Club", a CRM program this year. Results have been quite encouraging so far: Eau Thermale Avene did consolidate its market leadership, its total awareness rose by 40 percent, moreover, the dermo-cosmetics category has been the most dynamic in the industry these last two years, with more than 37 percent growth in value recorded for the first semester of 2018.

What is the brand perception of Pierre Fabre in Hong Kong?

First of all, for most of the Hong Kong dermatologists, they already know our brands, especially Eau Thermale Avene, from previous experience with our products, medical publications or major worldwide dermatological congresses, therefore they have a positive response to the company becoming more active locally.

Indeed, every year we are now sponsoring a major symposium during the Hong Kong Society of Dermatology and Venereology annual scientific meeting. The first year, we had Professor Christos Zouboulis, a German expert who came to discuss acne. In 2017, we had Professor Antony Young, a key expert in photoprotection. This year we received Dr. Vincent Sibaud, a world-leading expert in onco-dermatology.

Every year since 2016, we also bring some Hong Kong dermatologists to discover our facilities and exchange with our medical teams in France. This develops our local credibility by gaining endorsements among local health professionals. It also helps to transfer expertise and to better understand the needs of the local market. Moreover, we involve them in local clinical trials to prove the universal benefits of our products.

Finally, we are working with those local medical partners to develop educational programs for both professionals and patients concerning topics such as photoprotection, atopic dermatitis as well as onco-dermatology.

Then Hong Kong health professionals perceive Pierre Fabre as one of their reference laboratories when they look for medicated cosmetics, but our relationship is very collaborative and goes way beyond just products.

Regarding Hong Kong consumers, they usually come to our brands when they look for naturality, safety, and efficacy, Eau Thermale Avene being the obvious choice when it comes to sensitive skin. Yet we believe we can still convince many more to try and use our products.

What are your most demanded products in Hong Kong?

As for the rest of Asia, our iconic Thermal Spring Water spray is our best-selling product in Hong Kong.

Today we have a very strong local market for hydration. Concerns rise over air pollution, daily stress and skin damage, driving customers to look for high-concentrate facial care including face

masks, anti-agers, moisturizers with a deep-tissue action.

If you looked at markets in Europe, you would notice how our best sellers are related to more medicated skin issues such as atopic dermatitis, acne, and sun protection. However, Hong Kong is much more skewed towards beauty segments. We are working hard to develop those medicated categories, for example, photoprotection which is one of our strongest growing segments at the moment.

What is the need for localized strategies to penetrate the market?

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Therefore, we do have core principles: medicalization, selective distribution, strong customer experience with personalized advice and great product offers. If we keep true to these, we do have benchmark markets to show us the way such as mainland China where Eau Thermale Avene is the top-selling brand in its category, and I am sure all Asian markets can reach the maturity we see in Europe for the Dermo-Cosmetics category.

In France or Italy for instance, dermo-cosmetics contribute for around a quarter of the total cosmetic market. Then in APAC, the highest demand for dermo-cosmetics will be Singapore, with around 15 percent. Our ambition for Hong Kong is to grow from the current 4-5 percent contribution to 10 percent over the next three years.

Nevertheless, this ambition will not be achieved if we don't make our brands relevant locally.

First, Hong Kong consumers are very sophisticated, enjoying a very wide product offer. Then, it is essential for us to meet their expectations in terms of innovations, claims or formulations. For this purpose, Pierre Fabre Dermo-Cosmetique invested 5 years ago in creating an Asia Innovation Center (AIC), based in Tokyo, developing specific SKUs for the APAC market. The Aqua Cream-in-gel, one of our top 3 best-sellers for Eau Thermale Avene in Hong Kong, was actually created by the AIC.

Second, the way people shop keeps changing, with each country having its own specificities. We must then be very consumer-centric in our approach and optimize the touch-points with him through the journey in the respect of our model.

Finally, customers expect from a brand more than just products nowadays. Moreover, our group is detained by a Foundation of public interest, The Pierre Fabre Foundation. Thus, being

environmentally and socially committed is a key part of our local mission. A good illustration will be our recent partnership with WWF Hong Kong to support their activities as part of our Eau Thermale Avene “Protect Your Skin, Respect the Ocean” suncare campaign.

We noticed in Korea you have an e-commerce platform which varies across different age groups. What part does technology play for Pierre Fabre?

Our group has accelerated its digital transformation those last years. We have few successes already: in South Korea as you mentioned, also in a digitally advanced country like mainland China where online sales represent over 25 percent of our total sales and where our customer database has over 6 million members.

In Hong Kong, we are very attentive to consumers and always seeking to establish a more direct connection with them. That is one of the reasons why we just launched our “Eau Thermale Avene Club” so that we can know them better and adapt our relationship with them in a more personalized way.

Take the example of atopic dermatitis (A.D.). We can now see which of our customers are suffering from this condition by seeing who uses the associated products and invite them to specific lectures we conduct with A. D. specialists to provide them with advice & tips about how best to manage this condition and live better. It is all about creating more value for them.

Nevertheless, the reasons for our success today will be the reasons for our success tomorrow. It has for instance never been more important to make innovative, safe and efficient products in a world of constant ratings and reviews.

In terms of the competitive landscape, Asia and the Pacific is a huge skincare market, likely to reach 20 billion dollars by 2022. However, competition is coming not only from the large names, but also local players in Korea and Japan who are specializing in skin care. How expensive is it to stay competitive in such an environment?

Today, especially in Hong Kong, the market is very competitive. If we just consider dermo-cosmetics, all the traditional European players are here, but also firms from Japan, Korea, Australia, and new regional or local ones keep coming. However, as long as those brands respect dermo-cosmetics standards of innovation and quality, we truly don't see them as competitors. On the

contrary, we are quite happy to see them investing locally, build the category together with us and make clean & ethical beauty succeed vs mass and luxury brands.

Besides, digital gives us the opportunity to be more agile, to optimize our investments through the better reach of our consumers in terms of frequency and relevance.

Moreover, we do believe we can sometimes work together with those new competitors rather than against. I would like to mention here Eau Thermale Avene recent partnership with Môme Cosmetics, a French skincare start-up brand targeted at cancer patients. The core objective of this partnership is to provide patients with a complete dermo-cosmetics answer to cutaneous side effects of oncology treatments, to join forces purely for the patient's benefits. Patient first!

What is the strategic significance of Pierre Fabre Hong Kong for the global organization?

In terms of turnover, Hong Kong is still a minor contributor for Pierre Fabre Dermo-Cosmetique.

Looking at other parameters, Hong Kong is geographically strategic with a strong regional influence. We have around 60 million visitors a year. Hong Kong has for the eighth consecutive year been the most visited city in the world and will remain the top destination for Chinese tourists in the years to come.

Hong Kong enjoys the world highest cosmetic spending per capita, far ahead of Japan which ranks second.

Our main regional retail partners are all Hong Kong-based companies.

If we consider international brand presence, retail mix & concepts, customer knowledge, in my opinion, Hong Kong remains the leading skincare market in Asia and the most strategic one in terms of image.

That's why we have a high ambition to establish our brands and thus dermo-cosmetics in Hong Kong as a showcase of our expertise.

That's also why Pierre Fabre group decided to invest in making Hong Kong our regional hub for Asia Pacific gathering local and regional teams as well as corporate functions under the same roof.

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