

FRAGRANCE AND PERSONAL CARE

Shiseido profitability suffered despite unprecedented sales growth

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Shiseido sees significant sales but decrease in profitability. Image credit: Shiseido

By STAFF REPORTS

Japanese beauty manufacturer Shiseido reached a milestone sales record for 2017, hitting 1 trillion yen in net sales, or \$9 billion at current exchange, but its profitability suffered.

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Shiseido's earnings for the year 2017 revealed the beauty group exceeded its expectations, which the company attributed the success to structural reform and bold marketing. Due to its Bare Escentuals division, however, reports show that Shiseido saw a 30 percent drop in annual profit.

Beauty sales

The beauty group's net sales saw an increase of 16 percent year-over-year in its local currency to a total of \$159 billion at current exchange.

Shiseido's existing businesses saw an increase of 11 percent.

Store sales saw a 17 percent jump, while sales from Japanese consumers only saw 6 percent. Market growth saw an increase of 2 to 3 percent.

While the manufacturer is concentrating on its net sales growth, its business has been strongly impacted by the poor performance of Bare Escentuals, which saw a 55.2 billion yen loss, or \$508 million at current exchange.

Shiseido saw a total of 22.8 billion yen, or \$209 million at current exchange, in annual net income. The 2017 income was a decrease of 29.1 percent, despite its 16 percent sales growth.

The Bare Escentuals brand also impacted the beauty group's performance in the Americas, with the region seeing a drop of 6.6 percent.

China, however, saw even more growth for Shiseido than in Japan. The country saw a 20.1 percent year-over-year increase thanks to its high-end CI de Peau Beaut and IPSA brands.



Cl de Peau Beaut recently named Felicity Jones its new face. Image credit: Cl de Peau Beaut

Asia as a whole saw positive results with a jump of 11.2 percent to 54.2 billion yen, or \$491 million at current exchange.

Last year, Shiseido also reported growth in categories such as prestige and travel retail, making up for unforeseen challenges in 2016.

Shiseido's 850 billion yen in net sales, around \$7.5 billion at current exchange, was up 5.2 percent from 2015 when measured in local currency. After adjusting its forecast in the first half of 2016, cost-cutting tactics and efficiency measures helped the company come out ahead of its fiscal year predictions in November ([see story](#)).

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