

FRAGRANCE AND PERSONAL CARE

Coty focuses on luxury moving forward following earnings results

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Gucci has three new lipstick formulas. Image courtesy of Gucci

By STAFF REPORTS

Despite buzz around luxury beauty, cosmetics maker Coty Inc. has reported lower-than-expected sales with a drop of 10 percent year-over-year in this year's third quarter.

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Coty has stated that it believes the reason for this decline is a change in revenue recognition accounting and moderate supply chain headwinds. Luxury sales revenue also dropped by 3 percent compared to the previous year.

Coty and luxury

Luxury revenues totaled \$729.2 million in the third quarter of 2019 for Coty.

The manufacturer cites that its disruptions in supply chains and the required revenue recognition accounting change affected the luxury segment in its business by 1 percent.

Beauty divisions from Burberry, Gucci and Calvin Klein all showed solid results with the addition of Hugo Boss, whose cosmetics started to bounce back this quarter. The growth in Hugo Boss is due to the launch of its scent Boss Bottled Infinite.



Burberry bottles up the essence of London in Her fragrance. Image credit: Burberry

Coty is also responsible for Italian fashion label Gucci's beauty division. The brand is continuing its unconventional approach with the launch of its new beauty line, the latest endeavor from creative director Alessandro Michele.

Since joining the brand in 2015, Mr. Michele has added his personal touches to Gucci's fragrances, relying on inventive digital campaigns to examine his unique perspective on beauty. The latest iteration of Gucci Makeup is the first cosmetics collection of Mr. Michele's tenure, extending his aesthetic to another entry-level category ([see story](#)).

"Third quarter results clearly indicate that supply issues are largely resolved and we expect very limited impact from supply chain disruption on the business in the remainder of fiscal 2019," said Pierre Laubie, CEO of Coty, in a statement. "Performance this quarter also shows the increased control that we now have over our cost structure, both in terms of general and administrative costs as well as proactive management of non-working A&CP.

"Taken together, these factors have allowed us to deliver solid adjusted operating income in-line with the expectations we laid out last quarter," he said. "Thus, while we have achieved good profit delivery, the weak top-line result demonstrates that there is still much to be done to turn around the business.

"We must capitalize on the solid results of the Luxury and Professional Beauty divisions, and address the weakness of the Consumer Beauty division's performance via shelf productivity, product range simplification and brand investment at scale."

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