

# BW

## CONFIDENTIAL

### Comment

## A pretty picture



Recent data on beauty paints a relatively positive picture of the market. The NPD Group reported that dollar sales in the US were up 4% in 2010 and the category is well-positioned for growth in 2011. In France it stated that the prestige market saw an increase for the first time in two years, with sales up 2.6% in value and 1.6% in units. Meanwhile, Mastercard Advisors *SpendingPulse* report said that luxury sales in the US had increased by 6.1% in January. Company sales and profit reports have been encouraging too. Sales at LVMH exceeded €20bn for the first time in 2010

and showed an increase of 19% from 2009, while Estée Lauder Companies reported a 38% rise in profits for its second quarter. ELC ceo Fabrizio Freda was also upbeat on consumer sentiment: "The luxury consumer is again eager to shop, but is choosy about what she buys."

However, there are still areas for concern. Some players are worried over rising commodity costs and about passing these increases onto consumers at a time when spending has not completely bounced back. P&G has already begun to feel the effects of this. The US-based group, which recently announced its second-quarter results, also revealed that market growth was slower than expected and that there was still weak consumer demand in developed markets.

Indeed, developed markets remain tough, especially in countries such as Spain and Japan, where the decline in beauty consumption was part of the reason for Shiseido's 62% fall in profit for the first nine months of its fiscal year. But while the developing markets continue to compensate to some extent, analysts worry that the increasing cost of doing business in these countries will also begin to take its toll.

**Oonagh Phillips**

Editor in Chief

ophillips@bwconfidential.com

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## News roundup



**LVMH** has acquired Los Angeles-based skincare company Ole Henriksen. The brand will be integrated into the group's selective retailing division, which includes perfumery chain Sephora and duty-free retailer DFS. Ole Henriksen offers bodycare, facial care, haircare, suncare and men's products and is sold at Sephora and in independent retail stores in North America, Western Europe and Asia.

LVMH also announced that sales exceeded €20bn for the first time, reaching €20.32bn in 2010. The perfumes and cosmetics division reported sales growth of 12% to €3.09bn, citing strong results from Christian Dior Parfums. The selective retailing division saw sales of €5.38bn, an increase of 19% over 2009.

On the back of a 38% increase in profits for the second quarter, **Estée Lauder Companies** (ELC) announced that it would increase investment in global advertising, particularly in digital media and continue to focus on its biggest launches in the second half of its fiscal year.

In line with the less-is-more launch strategy, the group said that for Clinique it launched half as many products last fall versus the previous year, but those products generated almost 50% more in sales. Clinique's Even Better Clinical Dark Spot Corrector, which didn't exist a year ago, has now become the brand's top sku.

Similarly the Aramis Designer Fragrance division has reduced its sku count by 57% over the past three years and said that it is keeping its level of newness below the industry average. The division launched two new scents in fiscal 2010 versus three to five in previous years.

In advertising, ELC has been taking a '360-degree approach' with a strong focus on TV, digital and print. It claims that ads in France helped make Even Better Clinical the number-one prestige skincare product in units sold there in 2010. The company will continue to invest more in advertising and less in short-term promotions, as well as pour more resources into new services and merchandising at the point-of-sale. In Hong Kong, for example, the group opened its first beauty center for the Lauder brand with beauty classes and consultations. It also introduced ipads at Clinique counters, where consumers conduct skincare assessments and print or email customized results.

For the second quarter, ELC reported profits of \$343.9m, up 38%, while sales increased 10% to \$2.49bn, driven by strong holiday sales, gains in travel retail and emerging markets and double-digit growth of the group's largest brands—Lauder, Clinique and MAC. Travel-retail sales were up by 45%, boosted by Asia Pacific. Travel retail accounts for 9% of group sales and contributes to 20% of profits. Skincare sales were up by 14%, make-up increased by 8% while fragrance sales rose 11%.

French perfumery chain **Marionnaud** said it saw an increase in sales in France in 2010 and is to open more than 20 stores there this year and renovate existing points-of-sale to create a more harmonized offer. Without releasing total sales or growth, the retailer said its make-up sales in the country increased by 7.8% (the total category was up by 5.3%) and that it is now the leader in prestige skincare, with a share of 26.7% in the segment. The retailer says its total market share in France reached 24.4% last year. Marionnaud operates 567 stores in France.

**Shiseido** reported that net profit fell by 62% to ¥9.01bn (\$109.32m) for the nine months ending December 31, and cut forecasts for the full year. The group said it was hit by the difficult situation in Japan, but that emerging countries such as China and other international markets saw growth. Sales for the period grew by 4.8% to ¥486.97bn (\$5.69bn). The group said it now expects full-year profit to come in at ¥18bn (\$218.35m), instead of ¥25bn (\$303.26m) forecast last year.

US beauty group **Elizabeth Arden** reported net sales of \$690.5m for the six months ended December 31, 2010, an increase of 4.9% on the previous year. Sales of the Elizabeth Arden brand were up by 4% globally, while European fragrance sales grew by 13%. The company is forecasting net sales growth of 4% to 5% for the current fiscal year. In July 2010, Arden reorganized its business into two units: North America and International.

According to press reports, Lindsay Owen-Jones is retiring as president of **L'Oréal**, leaving his position to current ceo Jean-Paul Agon. L'Oréal declined to comment on the news.

Shiseido-owned make-up brand **Nars** is opening its first stand-alone store in New York City. See the next issue of *BW Confidential* for more details.



## News roundup

**P&G** is to regroup its three business units into two, continuing a streamlining process that began two years ago. The group will divide the brands in its global health and well-being units among its beauty & grooming and household care units. P&G's oral and feminine care businesses will join beauty & grooming. The move comes after the departure of global health and well-being vice chairman Robert Steele.

In prestige beauty, P&G also revealed that it has expanded its license with Gucci beyond fragrance to include make-up and skincare. The news came just after P&G announced its second-quarter sales, which saw volume in prestige products down in the low-single digits, due to the divestiture of some small brands. In prestige skincare volume was up by double-digits, led by China where the SKII brand saw an increase of 60%. Total beauty sales for the quarter were up by 1% to \$5.3bn, while net earnings for the unit increased 2% to \$896m.

The group outlined that rising commodity costs were taking their toll, with gross margins falling to 51.8% from 53.7% a year earlier. The higher costs come as P&G said market growth was slower than expected and that there was still weak consumer demand in developed markets.



France-based Interparfums is to launch its first men's fragrance for **Montblanc** since taking over the license from P&G last year. Called Legend, this is the eighth fragrance for the Montblanc brand. "This will be an important launch, especially in markets where the brand is strong, such as Asia and the Middle East. We plan to keep the seven other products and this new fragrance will give the rest of the portfolio a boost," says Interparfums ceo Philippe Benacin. The lavender fougere fragrance was composed by Olivier Pescheux from Givaudan. The fragrance will launch in May in Europe and in July in the US at €34 (30ml EdT), €48 (50ml EdT) and €70 (100ml EdT).



Puig has reworked **Nina Ricci's** classic fragrance L'Air du Temps to create a more modern offer. Called L'Air, the floral fragrance was composed by Michel Girard and Louise Turner from Givaudan. The bottle has been given a shot of youth, with a gradated whitewash effect. The fragrance will be supported by a print and TV ad campaign, created by artist Ryan McGinley. L'Air will launch in April and retails at €45 (30ml EdP), €65 (50ml EdP) and €85 (100ml EdP).



**Clarins** claims it has hit new ground with the launch of its first firming bodycare product since 1997. The Extra Firming Cream acts on the Emilin-1 protein, which contributes to the quality of the skin's elastic fibers and is an area that has so far been overlooked in cosmetics according to the company. Its main ingredient is lemon thyme extract, which is said to increase the production of the Emilin-1 protein. The product comes in two textures: a cream in a jar and a lotion in a tube. It will be backed by print ads, which debut Clarins' new communication campaign. Created by photographer Guido Mocafico, it features a new rendition of the logo, which consists of the Clarins name printed in white on a thick red strip. The line launches in March at €50.70 for 200ml.

UK mass retailer **Tesco** is trialling a new in-store beauty salon service. The concept, which rolled out in two Tesco Extra stores at the end of January in the UK, offers services including eyebrow threading and nail treatments. Following the test period, the concept could roll out to more locations, according to a Tesco spokesperson.

France-based ingredients supplier **Orgasynth** is to change its name to Elixens from March 1. The company said the change in name is to reflect its shift from being a chemical industrialist to a fragrance and flavor specialist. The new name, Elixens, is a contraction of the words elixir and sense. Orgasynth was founded in 1987 and initially focused on fine chemicals and dyes before diversifying into the fragrance and flavor market in 2001.

**BW Confidential**

4 avenue de la Marne  
92600 Asnières sur Seine, France  
contact@bwconfidential.com  
Tel: +33 (0)1 75 51 08 99  
Fax: +33 (0)1 53 01 09 79  
www.bwconfidential.com

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**Publisher:** Nicolas Grob

**Editorial Director:** Oonagh Phillips

ophilips@bwconfidential.com

**Deputy Editor:** Alissa Demorest

ademorest@bwconfidential.com

**Contributors:** Tina Clark, Louise Dury

**Marketing Director:** Nicolas Leclerc

nleclerc@bwconfidential.com

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**Advertising**

advertise@bwconfidential.com

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## News roundup



Australian skincare brand **Aesop** has launched Sage & Zinc Facial Hydrating Cream, its first moisturizer with SPF protection. Geared to all skin types, the product has an IP15 protection factor and contains no chemical filter; the zinc creates a physical barrier to protect from the sun's harmful rays. The cream comes in two formats: 40ml tube (€32) and 60ml glass jar (€46) and launches in March. Aesop, which opened its first Paris store in 2010, is scouting a second location in the city and has plans to open some 14 standalone stores worldwide this year.

Brazilian direct-sales company **Natura** is rolling out a new line in its Ekos bodycare range, which first launched in 2000. The line, called Harvest, is based on a single ingredient, and will be available only for a few months per year following the plant's harvest. The first Harvest line, Ekos Açai, is based on the açai berry. Natura has partnered with local growers to supply the berries for three years, after which a new ingredient will be found for the line. Ekos Açai comprises eight skus: exfoliating soap, shower gel, shower oil, exfoliating body butter, hand cream, leg and foot cream, body cream and body spray. Prices range from €9 to €32.50.



Packaging company **Albéa** (formerly Alcan Packaging Beauty) has acquired Betts Group, a producer of laminate tubes. The acquisition of Betts, which operates six plants in the UK, Poland, Mexico, India and Indonesia, will reinforce Albéa's position in emerging markets.

Switzerland-based travel retailer **Dufry** has signed a concession agreement to operate all airside retail space at Guadeloupe Airport in Pointe-à-Pitre for the next five years. Based on the contract, Dufry opened a 500m<sup>2</sup> (5,381ft<sup>2</sup>) walk-through shop in early February.

## beautyworld

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## The retail view

US-based market research company Unity Marketing founder Pamela Danziger on:



### How beauty retailing will evolve

Beauty is one area where the mass market is coming on strongest. People can afford a \$25 lipstick, but you can also get a good-quality, cheaper product from mass, and so prestige is up against more competition. Brands need to consider mass players as competitors and look at what they are doing; prestige can no longer pretend that they are much better than them anymore. The old ways are dead and they will have to take into account that people are buying products from Walmart, the internet or are now going to their dermatologist for skincare. New and unexpected ideas will come from mass and this will transform the prestige market.

### What needs improvement

It's now less important what you sell and more important how you sell it. As you can increasingly get good products from mass, the reason you go to prestige is for the service. Retail is no longer just a product business, it's a consumer business. Product is everywhere and won't set a store apart. Good retail is about how to better cater to consumers through advice and give her what she can't get elsewhere. Many retailers have gone for exclusive brands to differentiate themselves, but often consumers don't know or care that a brand is exclusive; they want service. Good service is knowing how to interact on a personal level, rather than just giving standard responses. For example instead of asking 'can I get you anything else?', the BA could say that they've got a great lipstick color that would match the customer's jacket. Another thing is taking service to a higher level: if a store doesn't have a brand or product that is right or is what the consumer is asking for, they should recommend another competing product or store that would be better suited.

### Who is doing great retail

Blue Mercury does a great job. Shopping channels QVC and HSN are also great; they are very entertaining and succeed in making accessible products that can sometimes be intimidating. They also have good personalities on air. It is a high-tech and also a high-touch channel.

## Wellness focus

France-based consulting company Tip Touch founder and ceo Jean-Guy de Gabriac



### How can the industry better communicate to consumers?

**JGG:** The issue should be looked at from a different angle: rather than examining how the industry should be more consumer centric, spas should attribute more resources to their staff. There is a certain dehumanization going on. The spa manager wants everything to be perfect when the spa opens every day—the reception area, the lockers and the treatment rooms, but there is often little attention paid to the staff's wellbeing and they are increasingly looked upon as people who are there just to execute a task. In addition, given the economic slowdown, the therapist is often made to do treatments back to back, so there is a real fatigue. Statistics show that on average, a massage therapist stays at a spa for 18 months. But if the staff is the priority and they benefit from proper in-house training—more than just on the treatment and retail

brands on offer—consumers will sense this and it will create more loyalty.

### What do you see as the barriers to growth for the industry?

**JGG:** One issue is the number of discounted services that are now available through websites, such as Groupon. Spas are happy because they are filling up their treatment rooms, but do they want to grow their sales, or increase their operating margin? I'm afraid that for those spas that are on the edge financially, discounting practices could put them out of business. In the end, the spa guest is not buying a treatment, she is buying a price and it's very difficult to create loyalty when the guest is a spa tourist in her own town.

### How do you see the industry evolving?

**JGG:** Spas are beginning to evolve towards more wellbeing and prevention as opposed to pure pampering. Massage, for example, is becoming more therapeutic.

## Beauty blogger review

The products they're talking about

**Argan Magic.** This blogger says that those who like the increasing number of products containing argan oil are sure to fall for this new skincare line. The products are said to contain 100% pure argan oil that is cold compressed (unlike other products that are heat processed), which helps keep the omega fatty acids intact. She particularly likes the Soothing Skin Salve, as it is 'so multi-functional' and can be used on skin, hair and cuticles.

Another multi-functional product that got the thumbs up on this blog was Pixi Beauty's two-in-one Succulent Lip Balm. The product contains a lip balm in the tube and a lip and cheek tint in the cap. [From: <http://www.cybesays.com> ]

**Dermagenics Ultra Intensive Anti-aging Moisturizer.** While deemed expensive at \$85 for 1.7oz/50g, this skincare product is nonetheless recommended to readers and given a rating of four out of five for its moisturizing properties. This blogger also likes the fact that the product is easily absorbed and its claims of wanting to eliminate the toxins and irritants found in most skincare products. [From: <http://cinnamonkitten.blogspot.com/> ]

**ZuZu Luxe** lipstick. This brand claims to offer vegan friendly lipsticks that are lead- and gluten-free. It is liked for being highly pigmented, long-lasting and for its eco-friendly, natural positioning. [From: <http://linahansonblog.wordpress.com/> ]

**Clickr Figure It Out Pearl Wash.** This cleanser is featured for its slightly exfoliating, but milky texture and for effectively removing dust and grime from the face. Clickr is a US-based brand, which claims to be all natural and vegan and uses tea tree leaf oil to work against blemishes and jojoba oil to increase moisture retention. The white packaging with graphic lettering has also been singled out as a plus for the brand. [From: <http://dailycookie.net> ]



### Their comments & conversations

- The **Free Beauty Events** website often comes up in the blogs ([freebeautyevents.com](http://freebeautyevents.com)). It is liked for keeping US consumers up to date about beauty demonstrations and special in-store appearances around the country, as well as for giveaways, coupons and samples. Consumers can enter their zip code and find out about makeovers, gwps and sampling events happening nearby. Another positive for the site, according to the bloggers, are its beauty contents and product reviews.
- Members-only site **Birchbox** is singled out as helping this blogger separate "truly great beauty products from the lackluster duds". Indeed, Birchbox's founders say they created the site to help "cut through the clutter and find products that really work". For the price of \$10 members receive a curated package of four to five samples of beauty products once a month from well-known and emerging brands. After sampling, products can then be ordered from the Birchbox website (the site offers incentives for purchases through points, which can be redeemed for full-size products). This blogger says that the site is ideal, as she rarely buys a product without "pouring over product reviews or playing around with a sample first". [From: <http://www.thisthatbeauty.com> ]

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## Bliss World Holdings ceo Mike Indursky

## Retail world

Spa operator Bliss World Holdings, owner of the Bliss and Remède brands, was acquired by Steiner Leisure from luxury hotel group Starwood in 2009. Ceo Mike Indursky talks about the integration, the company's retail model and his views on today's spa market

**What has being part of Steiner brought to Bliss?**

The company is much better in the hands of Steiner, which is a global spa management company, as they understand and support the spa business. The Bliss brand has now launched on 90 of Steiner's cruise ships.

In terms of synergies, where Bliss has strength, we take on responsibilities for Elemis and where Elemis has strength they do the same.

**How do you explain Bliss' successful retail business when so many spas struggle with product sales?**

The brand has a story and we tell that story at retail. Most spa brands come across just as a 'spa brand', with no real personality. The average consumer sees spa brands as pampering products, and not as being results-driven. It's hard to compete in high-end categories like facial care with something that is pampering, but not efficacious. Efficacy is consumers' number-one concern and that's why some of these brands enter and then leave retail.

A lot of spas, like many hair salons, see products as decoration. We think of ourselves as retail merchants and spa merchants, so how do you make them work together? It starts with design; in some spas you don't even know that there are products on sale.

The biggest challenge to boosting retail is with the therapists. In many cases, the therapists are not working in their mother tongue so it can be uncomfortable for them to sell. Sometimes it's also just not in their culture or in their personality. There may be an extroverted sales person at the reception area, but the sale needs to start with the therapist. Getting around that comes down to training.

**You sell a number of third-party beauty brands alongside Bliss. Is this confusing for the customer?**

It can create confusion, but our challenge is to make sure we don't compete and that these brands fill a niche that Bliss products don't cover. We want to define that much more clearly in the future; it doesn't make sense for someone to trade from Bliss to something that is competitive and similar. We see ourselves as curators for unique brands looking for quality distribution. Our website sells all of our brands [more than 70], our catalog sells most of them and in our spas it depends on the location and the space.

**How much of your retail sales are done outside of your spas?**

We have a very robust business outside of our spas [Bliss is sold in perfumeries, department stores, on TV shopping networks and on cruise ships.] Our spas ■■■

“ Most spa brands come across just as a 'spa brand', with no real personality. The average consumer sees spa brands as a pampering product, and not as being results-driven

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**Snapshot**

● Acquired by Steiner Leisure in November 2009 for \$100m

● Bliss spas: 21  
(US: 16, Europe: 2, Middle East: 1, Asia: 2)

● Remède spas: 10  
(US: 5, Puerto Rico: 1, Mexico: 2, Asia: 2)

● Third-party beauty brands sold at Bliss: more than 70

## Bliss World Holdings ceo Mike Indursky

■ ■ ■ don't compete with other channels—one drives the other. If someone goes into Sephora and tries a Bliss product for the first time, and they find out that Bliss is a great spa, it will encourage them to get a treatment. Once they've had their service they have retail exposure there. The consumer isn't likely to go to the spa just for retail, but she will buy products during a spa visit and will then go back to the perfumery to replenish.

We've been sold on QVC in the US for about a year. There is a misconception about TV shopping; people think of it as an automatic gold mine, but very few companies make it when you look at the number of brands who try to sell their product on the air. If you have a strong proposition it can be great for business. There is also a stereotype about the consumer that is completely misplaced—it is a broader and higher-end audience than people think. Commercial television is a very good avenue for growth and we're in discussions with QVC in other markets.

### Which markets are you focusing on for growth?

The recession has hit the spa industry hard, so we are fortunate to have grown last year. Our partnership with W hotels means that we are growing with them in the markets where they are opening new hotels. [When Steiner acquired Bliss, Starwood's W hotels kept the exclusive rights for Bliss and Remède hotel spas and amenities]. W is looking to expand more globally and there will be a lot of new Bliss locations in hotels in Asia and through retail partners—it'll be a combination of the two.

### Will you focus on China's spa market?

We are present in Hong Kong, but we are examining the opportunities in China. Often the most attractive markets are the most difficult. In the beauty business it's said that if you go to Brazil, Japan, Germany and China you can do very well, but those four markets are brutally hard to get into. Brazil's strong local players and high taxes make it nearly impossible to compete there.

### What is holding back the spa industry in terms of growth?

When the economy went bad a lot of low-end spas came to the market and suddenly you could get cheap massage, facials and waxing. This has been bad for the industry as it is giving consumers a negative spa experience. They go onto discount sites and get a 50% off coupon for a new spa, but can have a terrible experience with low-quality therapists and bad formulas. So why would they then spend twice that much to go to a nice spa? Those are things that kill the business. The key for spas is to get out of this perception that the experience all about pampering. There is strong efficacy behind spas and that's the message that the industry needs to get across. ■

“ When the economy went bad a lot of low-end spas came in with cheap services. But consumers can have a terrible experience with low-quality therapists and bad formulas, so why would they then spend twice that much to go to a nice spa? Those are things that kill the business ”



▲ Bliss retails more than 70 third-party beauty brands in addition to its house brand



credit: stock.xchng TheRivo

## Beauty in fashion stores

# Beauty's fashion step forward

*BW Confidential* analyzes fashion retailers' growing beauty offer

Fashion retailers' beauty offers have moved well beyond the single signature fragrance and these stores are now seen as a burgeoning distribution channel for in-house and third-party beauty brands.

Beauty is high-margin and allows these retailers to increase sales without cannibalizing their core business. As France-based private-label manufacturer Maesa ceo Julien Saada points out, growth of 2-5% in fashion stores is good for a category that doesn't take up much room and can bring a lot in terms of image.

Beauty also allows fashion stores to offer more to their consumers. "Apparel retailers see adding beauty to the mix as a way of expanding the lifestyle and experiential aspect of the brand," comments California-based product development firm Hatch Beauty managing partner Ben Bennett. Marie-Laure de Villers, managing director of France-based MP2 Cosmetic Solutions, which has created beauty offers for retailers including Okaidi and Jules, agrees: "It may not be their core business, but these retailers have legitimacy when it comes to cosmetics and they want to develop their image wherever they can".

### Add-on or turn-off?

A successful beauty strategy in fashion retail starts with a company-wide commitment to the category—from management down to in-store personnel. "In the apparel retailer business there are a lot of cooks in the kitchen and for beauty to succeed, they have to want it collectively," notes Hatch Beauty's Bennett. The reality, however, is that beauty is often treated as an 'add-on', and does not get the financial resources or position in-store needed to draw consumers. "These retailers' beauty programs are the last to get marketing dollars, visual help, fixturing and resources. And if there are problems in the assortment, this category is the first to get its resources taken away," adds Bennett.

UK retailer Topshop buying director Emma Wisden was careful not to fall into this trap with the launch of its cosmetics line last year. The range is given a prominent area in each store and in larger outlets, some 800ft<sup>2</sup> (8,611m<sup>2</sup>) is dedicated to beauty. "We see our make-up as an extension of the Topshop offering, so it sits alongside other products in the range," she says. This front-and-center approach has made its beauty offer a success in-store and given it a good deal of attention in the blogosphere. ■■■

“ Spacing is one of the priorities. If the beauty offer is in a corner with just a couple of skus, the customer will know that it isn't a category the retailer wants to be in

”

Interparfums Inc specialty retail division president Andy Clarke

## Beauty in fashion stores

■■■ Similarly, US upscale retailer Anthropologie makes its beauty offer accessible by placing items on apothecary-like tables that facilitate browsing. "Your customer has to see that you are dedicated to this business and spacing is one of the priorities. If the beauty offer is in a corner with just a couple of skus, the customer will know that it isn't a category the retailer wants to be in. If a retailer goes into this business by just putting a toe in the water they aren't going to succeed," comments Interparfums Inc specialty retail division president Andy Clarke.

Some argue that with proper merchandising and a central position on the shop floor, beauty items in these stores can easily sell themselves. At Interparfums products are designed for self-service, even if they are destined for a well-staffed environment, such as a department store. "You never know what you are going to get in terms of service, so you have to make the product speak for itself," he says.

Interparfums set up a specialty retail division in 2005 to create fragrances for Gap and is now also responsible for fragrances for Banana Republic, Brooks Brothers, bebe, and New York & Company. It will launch beauty collections for US footwear and accessories brand Nine West in 2011.

### Traditional channels beware?

How much of a threat will fashion retail pose to pure beauty retailers? Some argue that if apparel retailers stick to selling their own-name beauty brands, traditional cosmetics retailers have no cause for alarm. However, in a still-fragile economy, lower price points mean more consumers are migrating to their favorite apparel stores for their beauty needs.

In addition, the newness factor keeps the offer fresh. Most major fashion retailers are able to renew their color items in tandem with the changing fashion collections and they are also able to track consumer behavior and shopping patterns to create targeted beauty offers.

Increasingly sophisticated launches are also emerging. Swedish fast-fashion retailer H&M, for example, which began selling cosmetics more than 35 years ago, launched a certified organic bodycare offer last year. And although the offers are becoming more sophisticated, their prices remain in line with the fashion.

The problem for pure beauty retailers is that fashion chains are not sticking to their own brands and several already sell third-party brands in their stores. US apparel chain Urban Outfitters, for example, offers a range of around 50 cosmetics brands, including Philosophy, Stila, and Paul & Joe and more niche names. Victoria's Secret (part of US-based Limited Brands) has some 15 house brands spanning all categories and also sells major names such as Clarins and StriVectin.

Another interesting initiative is from upscale clothing retailer J Crew, which has embarked on a lifestyle branding exercise by adding a growing collection of third-party names. The chain has partnered with iconic fashion and accessories companies to offer exclusive items found only at J Crew. The collection, called In Good Company, has a limited beauty offer, with items from Stila, Essie and Bobbi Brown, but sources say it is set to grow. "Brands are jumping from one distribution channel to the next; all of these streams have turned into a river. They are realizing that there are a lot more distribution opportunities than they had planned for and that they want to go where they can make the most money," says Hatch Beauty's Bennett.

The reverse is also happening with fashion retailers' own brands going into ■■■

“  
Brands are jumping from one channel to the next; they are realizing that there are a lot more distribution opportunities than they had planned for and they want to go where they can make the most money”

”

Hatch Beauty managing partner Ben Bennett

## Beauty in fashion stores

■■■ traditional retail: apparel brand bebe sells its new fragrance at US beauty chain Ulta as well as in Dillard's and Bon Ton department stores, while Gap scents can be found in Sephora.

What's the future? "We are still on the ground floor in this business. There will be successes and some offers that the customer won't take hold of, but this trend will continue," comments Inter Parfums' Clarke. It's a trend that may also bring a fresh set of challenges to traditional beauty retailers. ■

### Fashion retail moves

- UK retailer **Topshop** launched its beauty collection in 2010. It offers a core range for eyes, lips and nails as well as limited-edition items. Its website offers tutorials and a virtual makeover tool. "Our make-up artists in key stores help customers experiment with the trends from Topshop make-up," says buying director Emma Wisden.
- **H&M** launched its cosmetics range in 1975 and today offers make-up, skincare, bath and body items and men's grooming. In March 2010, H&M introduced its first Ecocert-certified organic skincare line. Industry sources estimate that the beauty offer makes up from 3-5% of the company's turnover. In some markets, H&M also sells third-party brands, including Nivea and offers branded collections from Hello Kitty and Minnie Mouse.
- US footwear retailer **Payless ShoeSource** ventured into beauty in 2010 with two brands: Unforgettable Moments (bath and bodycare, make-up and fragrance priced from \$2.99 to \$19.99) and zoe&zac naturals (\$2.99-\$17.99). The offer initially launched in 1,500 pos and will enter an additional 1,500 outlets this year. Sources estimate the beauty offer now makes up more than 1% of Payless' sales.
- **Gap** launched its beauty offer in 2005 with fragrance and bath and body items. Its Close fragrance will be sold in around 5,000 Gap store worldwide by the end of this year.
- Spanish retailer **Zara** re-launched its fragrance offer in July 2010 with 13 new scents—five for men, five for women, two for children and one baby fragrance priced between €10 and €20. The collection is sold in 1,200 stores worldwide.
- **Abercrombie & Fitch** has four women's fragrances (priced between \$40 and \$50) and four for men (\$44-\$77)
- US upscale retailer **Anthropologie** rolled out its house Happ & Stahns fragrance brand and a scent collection in partnership with Le Labo in 2010.
- US retailer **Victoria Secret** has more than 15 own brands, spanning bath and bodycare, haircare, fragrance and make-up and also offers an edited selection of third-party brands including Clarins, skyn Iceland, StriVectin and Too Faced.
- **J Crew** has partnered with a slew of clothing, accessories and beauty brands, including Stila, Essie and Bobbi Brown.
- **Urban Outfitters** has a roster of around 50 beauty brands including Philosophy, Stila, Juliette Has a Gun and Paul & Joe. Some brands and products are available only on the retailer's website.
- German retailer **Pimkie** has EdTs priced from €3.95 to €14.95.
- UK-based value retailer **Peacock's** introduced its first beauty offer to 250 stores last year ranging from £2 for a plumping lip gloss to £4 for an eye palette gift set.



## Viva Las Vegas

Holland-based beauty retailer Skins Cosmetics opens its first overseas store

Husband and wife team Michiel and Marie Poelmans are out to create a new breed of beauty retail with an accent on service through the first Skins Cosmetics store in the US. The store, which opened at the Cosmopolitan Casino complex in Las Vegas in December, is an offshoot of Skins Cosmetics in Holland, a network of seven beauty stores and one institute. "We sold off a portion of our shares of the business in Holland to start our US operation, which is called Skins Cosmetics 6|2. For this market, we wanted to come up with a new identity by offering a new and simple way of presenting and selling cosmetics with close attention to detail," co-founder Marie Poelmans tells *BW Confidential*.

The store, which covers 2,300ft<sup>2</sup> (214m<sup>2</sup>), is designed so that each brand environment is reflected in its merchandising and products are easily accessible. The shelving is similar to how produce is presented at outdoor markets in Europe, says Poelmans, with the product presented at an angle, instead of sitting squarely on the shelf. The store's merchandising fixtures are mobile and most of the furniture has wheels so it can be moved around the space to make room for events, for example.

Service is an important part of the store's strategy. "It is all about giving individual attention; we want our customers to play and relax. Although we won't branch out to treatment services, if a customer wants a quick makeover or to have her nails buffed we are happy to oblige," comments Poelmans. The store also creates personalized sample bags.

Skins 6|2 currently stocks around 45 brands at prices ranging from \$5 to \$300 in a bid to cater to all budgets. Most are niche or hard-to-find names including Diptyque, Rosebud, Santa Maria Novella, Grown, Tokyo Milk and Lash Royalty. Fragrance is the store's bestselling category, followed by skincare and make-up.

Skins 6|2 is taking a slow approach to growth, but aims to open a handful of stores in the US in the long term. ■

### Skins 6|2 snapshot

● **Size:** 2,300ft<sup>2</sup>  
(214m<sup>2</sup>)

● **Location:**

Cosmopolitan Casino,  
Las Vegas, US

● **On offer:** 45 niche  
fragrance, skincare and  
make-up brands

● **Special features:**  
Quick complimentary  
services, customized  
sample bags

Store visit



▲ Skins 6 | 2 was designed to give the brands an environment that suits their personality



▲ Merchandising fixtures were made to be mobile, allowing the store to be re-designed for special events. A couch in the back of the store provides a lounge atmosphere.

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