

# BW

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### Comment

## Supply and demand



The political and economic climate may be uncertain, emerging markets continue to report slower growth and mature countries still disappoint, but key industry players remain optimistic about the road ahead for beauty. At L'Oréal's annual results conference last week, ceo Jean-Paul Agon said that although he was cautious for the first quarter of 2017 given the ongoing impact of issues such as demonetization in India, a slowing mass market in China, difficulties in Brazil and weakness in the Middle East, the overall market for the year should grow at around 4%—the same rate of growth as last year and as

in 2015.

Agon was even more upbeat when talking about the long-term prospects of the beauty market. "We are at the dawn of a new world of beauty that should translate into a faster-growing market. Digital is bringing a new golden era for appearance, self expression and self-esteem, and a new golden era for beauty," he remarked. He added that with social networks and selfies making appearance more important, consumers will not only look to buy more beauty, but also to pay more for it.

It is true that thanks in large part to digital, the consumer has never had access to so much information on beauty, such a choice of products and brands and so many outlets to buy the category—from traditional perfumeries, department stores and specialty stores to the web and branded boutiques. But while logically this is likely to boost market growth, some analysts ask whether this supply of product could also run the risk of dampening consumer demand.

#### Oonagh Phillips

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### Inside

The buzz News roundup	2
Netwatch Social media monitor	7
Interview Amorepacific senior vice president for Sulwhasoo Jinsoo Jeon	8
Insight France	10
Store visit Tallink Megastar	14

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- Cosmoprof Worldwide, Bologna, March 17-20
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- Duty Free Show of the Americas, Orlando, March 26-29

## News roundup

### At a glance...

- **L'Oréal exploring sale of The Body Shop**
- **Hudson's Bay said to be in talks to acquire Macy's**
- **Prestige beauty sales in US up 6% in 2016 to \$17bn**

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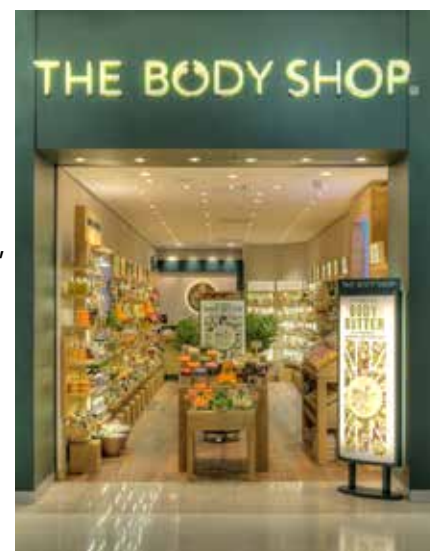
## Strategy

French group **L'Oréal** is exploring a possible sale of The Body Shop, the struggling retailer it acquired in 2006. It is thought the group could sell the chain for €1bn. The Body Shop has more than 3,000 stores, but sales have disappointed the group for years. The Body Shop's sales for 2016 fell 4.8% (+0.6% like-for-like) to €920.8m.

The news came as L'Oréal reported its results for 2016. For the year, the group reported sales of €25.84bn, an increase of 2.3%. On a like-for-like basis, sales rose 4.7%. Net profit excluding non-recurring items after non-controlling interests for the year was up 4.5% to €3.65bn.

The Luxe division fueled growth last year and outperformed the market for the sixth consecutive year. The company said its Yves Saint Laurent and Kiehl's brands passed the €1bn sales mark. The group also highlighted the strong performance of make-up in the Consumer Products and Luxe divisions and singled out the strength of the NYX brand, which saw growth of 125% last year.

L'Oréal ceo Jean-Paul Agon said that the group remains cautious for the first quarter of 2017, given the volatility of the economic and political climate. However, he predicted that the global beauty market would grow at around 4% in 2017, the same rate of growth as last year and as in 2015.



## Results

Japan-based **Shiseido** posted net profit of ¥32.10bn (\$284.4m) for the fiscal year ending December 31, 2016, up 9% on the corresponding prior-year period. The increase was due to the sale of intellectual property rights of the Jean Paul Gaultier fragrance business and the sale of land at the company's former Kamakura factory. The group generated net sales of ¥850.306bn (\$7.57bn) for 2016, a 1.5% decline compared with the previous year, due to foreign currency effects. On a local currency basis, revenues rose 5.2% thanks to additional sales from the acquisition of new brands (in 2016 the group bought Laura Mercier and RéVive and inked a license with Dolce & Gabbana).

For fiscal 2017 as a whole, Shiseido expects net sales of ¥940bn (\$8.37bn), an increase of 10.5%. The group is forecasting net profit of ¥26bn (\$231.4m), a decline of 19%. ■■■



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## News roundup

■■■ **Estée Lauder Companies** (ELC) posted net profit of \$428m for its fiscal second quarter ended December 31, 2016, a drop of 4% from the previous year. ELC recorded charges of \$41m related to its Leading Beauty Forward restructuring initiative for the period. Net sales rose 3% to \$3.21bn for the second quarter. Excluding currency effects, sales were up 5%. ELC said that growth was driven by its small, mid-sized and luxury brands. Its large brands MAC and Estée Lauder witnessed growth at constant currency, the group said, while double-digit growth was seen in the travel retail, online and specialty-multi channels. The group said incremental sales from its acquisitions of By Kilian, Becca and Too Faced contributed 90 basis points to sales growth, of which less than half is attributable to Too Faced. ELC expects sales growth of between 4% and 5% (6% and 7% at constant currency) for fiscal 2017. The global prestige beauty market is expected to grow by between 4% and 5%, the group said.

Luxury group **Hermès'** sales for 2016 exceeded the €5bn mark, despite a difficult economic environment. Sales for the year rose 7.5% to €5.2bn. At constant exchange rates, sales were up 7.4%. The group's fragrance sales increased 8.5% to €261.9m.

Japan-based **Pola Orbis** posted net sales of ¥218.48bn (\$1.93bn) in fiscal 2016, an increase of 1.7% from the previous year. Net profit rose 23.8% to ¥17.45bn (\$153.74m) for the year. This was after recording an impairment loss on goodwill in the Jurlique brand. The company said gross profit increased due to sales growth and cost cutting. The group said it is working to bring its overseas operations back to profit (namely the Jurlique and H2O brands), while building its Pola and Orbis brands. It will also create new brands and make more acquisitions. For fiscal 2017, Pola Orbis is forecasting a 3.9% increase in full-year sales to ¥227bn (\$2bn) and a 14.6% rise in profit to ¥20bn (\$166.2m).

## Retail

Canadian retailer **Hudson's Bay Co** is in talks to acquire US-based department-store chain Macy's, according to press reports. Macy's has been struggling over the past few years as it seeks to stem the flow of traffic from its stores to e-commerce sites, such as Amazon. The company is in the midst of a restructuring plan which involves the closure of 100 stores and almost 10,000 job cuts. Hudson's Bay Co already owns the Lord & Taylor and Saks Fifth Avenue chains in the US, and acquiring Macy's could boost its clout among its suppliers in the country.

Riding the K-beauty wave in the US, South Korea-based **Amorepacific** is aiming to have 100 of its specialty beauty Aritaum stores in the country over the next three years. The Aritaum store concept, which was created in 2004, carries a range of Amorepacific brands, including Sulwhasoo, Laneige, Mamonde, IOPE and Hanyul. There are currently 75 Aritaum stores in North America (65 in the US and 10 in Canada), and the company is looking to expand this number to build brand awareness and as a channel to test products' broader potential in the US. ■■■



## News roundup

■■■ Hong Kong-based health and beauty retail group **AS Watson** is to invest \$70m in big data over the next three years. As part of this investment, the group has signed a partnership with Toronto-based machine intelligence platform for retailers Rubikloud. AS Watson said the move will enable its retail brands to provide the right assortment to the right customers, personalize product offers and improve marketing promotions.

Switzerland-based travel-retail operator **Dufry** has extended its World Duty Free concession in the airside departures lounge at Jersey Airport in the Channel Islands for a further 10 years. Effective March 1, the new contract will increase retail floor space by 260m<sup>2</sup> (2,799ft<sup>2</sup>) to a total of 750m<sup>2</sup> (8,073ft<sup>2</sup>). This extension will see the introduction of new products, more local products and a redevelopment of the retail layout, which is slated to start at the end of summer 2017. Close to 1.6 million passengers used Jersey airport in 2016.

French perfumery chain **Marionnaud** sold 60,000 soft toys dressed by Zadig & Voltaire in its French stores during the 2016 holiday season in aid of the Cosmetic Executive Women (CEW) association. Every year Marionnaud sells soft bear toys dressed by a different designer at Christmas and the proceeds are donated to CEW to fund beauty treatments for cancer patients in French hospitals. The 2016 operation was the most successful to date. The soft toys retailed for €9.90. Some €100,000 is raised each year from the sale of the toys, to which Marionnaud adds €55,000. Marionnaud has been working with CEW since 2002.



## Data

Sales of **prestige beauty products in the US** grew 6% in 2016 to \$17bn, according to data from market-research company The NPD Group. The US prestige beauty industry gained another \$1bn in 2016 for the third consecutive year. The highest sales growth came once again from the make-up category, up 12% compared with 2015. Make-up contributed 82% of the industry's total gains, and four of every five dollars gained in prestige beauty stemmed from the category. Make-up also came out on top for new product launches in 2016, with its sales growing 24% from 2015 and reaching almost \$1bn. By contrast, skincare sales rose just 2% and the fragrance category was up 1%. In skincare, the market drivers were products that help to prepare the skin for make-up, including masks (+24%), lip treatments ■■■

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## News roundup

■■■ (+20%), facial cleansers (+7%) and facial exfoliators (+5%).

In the prestige fragrance category, sales of juices grew 2% in 2016. Flankers were a growth driver for this segment, and generated 21% of total fragrance sales and 161% of fragrance gains. Fragrance beyond the body was a key growth driver for the category in 2016. Home scents contributed over one quarter of fragrance gains.

The prestige market's growth surpassed that in the US mass channel, where sales grew 2% for total beauty in 2016, according to data from Nielsen. In contrast to prestige, mass growth was driven equally by the make-up and skincare categories. While skincare saw greater gains in mass than in prestige, fragrance sales fell for the mass channel in 2016.

**Italian cosmetics exports** grew 12% to reach €4.3bn in 2016, out of a total turnover of €10.5bn, according to Italian beauty industry association Cosmetica Italia. In the domestic market, cosmetics sales rose only 0.5%, compared with growth of 1.5% in 2015. The same trend is expected for the first half of 2017 (+11.5% for exports). Sales in perfumeries, which represent 20% of the total beauty market, increased by just 0.9% in 2016 following last year's return to growth. The channel is forecast to see 1% growth in the first half of 2017. After years of declines, sales in beauty salons (+2.1%) and hair salons (+1%) grew slightly. The direct-sales channel reported 7.8% growth, mainly due to e-commerce. As for mass-market distribution, which represents 40% of the beauty market, sales fell 1.1%.

The decline was marked in the traditional hypermarket and supermarket channel (-4%), while sales grew by more than 6% in specialist stores (home and toiletries). The pharmacy channel saw flat sales in 2016 after years of growth. The channel is expected to record a 0.5% drop in sales for the first half of 2017. Herbal shops saw growth of 1.7%.

## Launches

French brand **Diptyque** is to launch a new version of its hourglass home fragrance diffuser in May. The new version of Le Sablier, French for hourglass, features a different design, improved diffusion technology and a longer diffusion cycle, according to the brand. Scent is diffused when the hourglass is turned over causing the liquid to flow to the bottom, soaking five wicks at the center of the device. The liquid takes around an hour to flow from top to bottom. Diptyque says that the diffuser will last for around three months. It can be refilled once with the same scent. Some six scents are available. Le Sablier is priced at €138, and a 75ml refill costs €40.



The effigies of the spokesmodels for **Paco Rabanne's** fragrance franchises Olympéa and Invictus have been given a place in Paris' waxworks museum, the Musée Grévin. The waxworks of Luma Grothe who stars in the Olympéa ad campaign, and Nick Youngquest, the ambassador for Invictus, were unveiled at an event in the museum at the beginning of February. Puig, owner of the Paco Rabanne brand, signed a partnership with the Musée Grévin at the end of last year. The museum welcomes 800,000 visitors per year.

The unveiling of the wax figures accompanies the launch of an intense version of both the Olympéa and Invictus fragrances. Invictus Intense is a woody scent and was created by Juliette Karagueuzoglou of IFF. Olympéa Intense is an oriental fragrance and was composed by Loc Dong, also of IFF. ■



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## Social media monitor

*BW Confidential* reports on what's being said about beauty on social networks

**Target** has been hailed for trailblazing new initiatives following its collaboration with K-beauty expert Alicia Yoon, the founder of Peach & Lily. The retailer is launching a collection of K-beauty products, such as Caolion (pictured), picked by Yoon, priced from \$7 in select stores and online.



**Diversity** has become a hot topic among bloggers, who appreciate beauty brands' efforts to embrace different cultures, faiths and looks for their campaigns. Maybelline has been singled out for featuring male influencer Manny Gutierrez in its video campaign.

On the back of the growth of the Athleisure trend in fashion, **beauty products targeting fitness and wellbeing** are expected to be big this year and beyond, according to bloggers. Popular brands focusing on this trend include Yuni, a yoga beauty line described as skincare for active lifestyles, and Sweat Cosmetics (pictured), a range of sweat-resistant mineral make-up designed for use by women on the move.



The views expressed in this section are those of bloggers and do not represent the opinions of BW Confidential

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### Beauty in Travel Retail

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Plus all the latest data, industry predictions and listings on the channel's main players





## Amorepacific senior vice president for Sulwhasoo Jinsoo Jeon



### Global ambitions

Sulwhasoo, the leading prestige skincare brand in South Korea and a key focus of Amorepacific's international expansion, has big ambitions both in Asia and the rest of the world. The brand's senior vice president Jinsoo Jeon tells *BW Confidential* about the company's growth plans

#### **Sulwhasoo aims to become the number-one beauty brand in Asia by 2020. How do you plan to achieve this?**

To enhance customer touchpoints, Sulwhasoo will accelerate its penetration into upscale department stores and expand its network of freestanding stores. The brand will put a focus on the Greater China area and the ASEAN region.

Sulwhasoo will also bolster its digital presence by revamping its websites and by staging distinctive digital campaigns to promote holistic beauty, including for customers who may not have access to offline stores.

Through these online and offline efforts, Sulwhasoo will strengthen its position as Asia's luxury beauty brand in the global market.

#### **You want to be the number-seven beauty brand globally by 2020. How will you achieve this?**

For 11 years in a row, Sulwhasoo has ranked as the top-selling brand at department stores in South Korea, and has also recorded continuous sales growth in China and the ASEAN countries since the brand entered [these] markets. Usage and attitude studies from global customers indicate an increasing level of customer satisfaction and brand loyalty.

To sustain the current growth momentum, Sulwhasoo will devote [itself] to developing products that appeal to a larger customer base across climate zones.

We aim to create truly global beauty solutions that are unaffected by environments and conditions.

In line with this, Sulwhasoo has been conducting home usage tests in the ASEAN countries with arid or tropical climates, as well as in various regions of China with diverse climate conditions.

Furthermore, the Sulwhasoo brand will do its best to grow into a leading global luxury beauty brand by developing its business outside of the Asia region, and securing a foothold in international markets, such as France and North America. ■■■

#### **Sulwhasoo**

**Global sales 2016:** KRW1.6 trillion (\$1.4bn), +62% vs 2015

**Market share:** Market leader in premium skincare in South Korea in 2015 with a 21.3% market share (Euromonitor International)

**Bestsellers:** First Care Activating Serum EX, Concentrated Ginseng Renewing Cream EX



## Amorepacific senior vice president for Sulwhasoo Jinsoo Jeon

### ■ ■ ■ What are your plans for China in terms of distribution (online versus standalone stores, department stores)?

Like in South Korea, Sulwhasoo is driving growth and expansion in China with a focus on department stores in major cities. In October 2016, Sulwhasoo opened its 100<sup>th</sup> store in China, its first freestanding location, in the shopping mall located in Taikoo Li in Chengdu.

The brand is also expanding digital channels in an effort to reach out to more customers. China's digital environment has been changing at an astonishing pace. To keep up with Chinese customers' needs, Sulwhasoo revamped its official website and launched an online store within China's largest shopping platform, T-Mall, in 2016. The brand achieved fast growth on [Alibaba-owned] T-Mall, tightening its grip in the online market.

### How do you see the brand's development in travel retail?

The travel-retail market continues to develop, and serves as a channel through which many overseas customers meet Sulwhasoo. To expand the travel-retail market, the brand is placing a greater focus on quality products and genuine marketing activities rather than on one-off events or promotions. Our investment in digital communication is a big part of raising the brand profile among customers in countries we have not yet entered.

### Skincare is currently seeing a slowdown in many markets. How can you achieve your goals in such a context?

Product quality takes on greater importance in tough times. Sulwhasoo has recorded double-digit growth even in sluggish markets. This is attributable to our competitive products. For example, The First Care Activating Serum EX, the world's first boosting serum based on traditional Korean herbal medicine, has changed the beauty routine of women around the world, and Perfecting Cushion is a lightweight foundation that doubles as a skincare solution.

Sulwhasoo has been actively widening the skincare

category with new products including Luminature Essential Finisher EX, the last step in the skincare routine, Microdeep Intensive Filling Cream & Patch, which provides intensive care to smile lines, and Radiance Energy Mask, which purifies the skin overnight with the power of White Jade. ■



▲ Sulwhasoo says its growth is down to key products, such as the Perfecting Cushion and the First Care Activating Serum EX

“ To enhance customer touchpoints, Sulwhasoo will accelerate its penetration into upscale department stores and expand the network of freestanding stores with a focus on Greater China and the ASEAN region

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Amorepacific senior vice president for Sulwhasoo Jinsoo Jeon



## France

# Tough times continue

Beauty put in a poor performance in France last year. *BW Confidential* analyzes what's in store for this year

The French beauty market continues to struggle, with prestige beauty sales falling 3% last year to €2.8bn, according to The NPD Group. All three of the main segments saw sales declines. "It's the worst performance for the past 10 years," comments The NPD Group beauty expert Europe Mathilde Lion. The mass market is also estimated to have been down 3%, while sales in pharmacies were flat. France was highlighted as the most negative market globally last year by L'Oréal.

As well as underlying morose consumer sentiment and competition from other categories and distribution channels, tourist traffic took a hit last year after the series of terrorist attacks that shook the country, impacting the skincare category in particular, which saw a sharp sales decline of 7%.

NPD's data only paints a limited picture of the market, however, as it does not include sales of exclusive brands or online sales, which represent a growing, albeit unquantified, portion of the market. E-commerce is estimated to account for around 6% ■■■

### France prestige beauty sales 2016

Category	Value sales €bn	% change value growth 2016/2015	% change volume growth 2016/2015
Fragrance	1.89	-2	-3
Skincare	0.490	-7	-6
Make-up	0.414	-2	-4
<b>Total prestige</b>	<b>2.8</b>	<b>-3</b>	<b>-4</b>

Source: The NPD Group

## France

■■■ of sales in France. The research firm will add e-commerce to its data later this year. “This will compensate for part of the loss, but not all of it,” Lion believes. “I don’t think 2016 was a good year for beauty in general,” she says, pointing to weak data from the mass and pharmacy channels too.

### More declines for fragrance

Fragrance, still the largest prestige beauty segment in France, continued to decline, with sales down 2% in value, although the leading brands maintained their hold on the market, Lion said, and key launches performed well. Lancôme claims its La Vie est Belle fragrance was the best-selling women’s scent in France in 2016 for the third year running. Dior’s J’adore took second place, while Guerlain’s La Petite Robe Noire came in third. Meanwhile, Groupe Clarins saw 30% growth for its Azzaro brand, thanks to the launch of Azzaro Wanted, but the company’s Mugler brand declined by between 1% and 2%, according to Groupe Clarins managing director Olivier Courtin. Interparfums also saw a significant sales hike, with French sales up 13% to €33.2m, partly thanks to the first full year of integrating the Rochas business and the strength of the Montblanc brand. “The French market is very stable,” observes Interparfums SA ceo Philippe Benacin. “The market size has not changed very much over the past 10 years or so; it is driven by launches and changes in the distribution, but overall, there is little change. We can no longer expect high growth rates.”

According to NPD’s data, EdPs performed better than EdTs in general, and the market for colognes was dynamic, but gift sets were particularly hard hit. Sephora is reducing the space allocated to fragrance in its French stores, according to market observers, in favor of make-up and skincare brands, with some labels seeing their door count with the chain reduced by as much as 30%.

Make-up, which has been the main growth driver in many international markets, also declined by 2% last year, although this is the area where exclusive and private-label accounts for the biggest proportion of sales. “If the exclusive brands and private label were included, the make-up market would be positive,” Courtin believes. “The market is active, with boutique openings, and there are certain segments within the category that are seeing strong growth, like lipstick, but this is not the case for the market overall,” says Lion.

It was skincare, however, that took the biggest hit, with sales down 7% in value. This came after several years of declines in the category. In skincare, Clarins remained the market leader last year, but saw its sales in the category fall 5.2%. “Tourism is one factor, but it only accounted for 1.5% of the decline,” says Courtin. “The rest is the local market, because the selective market is declining, losing share to pharmacy and mass, and there is a general atmosphere that this is driving a drop in consumption, particularly a drop in average spend.”

Despite this, high-ticket items continue to perform better than the market as a whole, notably in categories like niche fragrance and high-end skincare. “Very high-end brands are suffering less; they are still decreasing but less than the core of the market,” ■■■

“  
[2016] was the worst performance for the past 10 years

”

The NPD Group beauty expert Europe Mathilde Lion

### France bestselling women’s prestige fragrance lines 2016

Rank	Fragrance line
1	Lancôme La Vie est Belle
2	Dior J’adore
3	Guerlain La Petite Robe Noire

Source: The NPD Group

### France bestselling men’s prestige fragrance lines 2016

Rank	Fragrance line
1	Dior Sauvage
2	Chanel Bleu de Chanel
3	Hermès Terre d’Hermès

Source: The NPD Group

### Bestselling prestige brands by category 2016

Category	Brand
Fragrance	Christian Dior
Make-up	Christian Dior
Skincare	Clarins

Source: The NPD Group

## France

■■■ Courtin observes.

Overall, consumers continue to struggle to relate to the traditional perfumery channel, according to observers, with an increasing variety of alternative channels to buy beauty available. According to a study by Kantar Worldpanel in June 2016, the number of nameplates where consumers can access health and beauty products in France has grown 10% over the past four years, and shoppers are overall choosing cheaper alternatives to prestige beauty and are buying more on promotions. Nevertheless, the research firm said, last year was the first in several when the pharmacy channel did not lure buyers away from perfumeries. It also observed that while perfumeries continued to attract fewer consumers, this was less the case than in previous years because of their virtual monopoly over the fragrance category and a return of younger consumers to the segment.

### Perfumeries still relevant?

With more than 2,000 doors, perfumeries still account for the lion's share of prestige distribution in France. The market is dominated by three main chains: Sephora, Marionnaud and Nocibé. In fourth position is franchise chain Beauty Success. Despite the channel's dominance, market players remain concerned about perfumeries' perceived relevance to consumers and a lack of retail innovation. "The industry is changing drastically, and we need to change with it," NPD's Lion believes. "The perfumery model we know today no longer makes sense. The French market is extremely mature, but today it needs a completely different approach."

"Mentalities are changing, and consumers cannot relate to the distribution offer," comments Clarins' Courtin. "You have to offer her other channels. Development will come from e-commerce and standalone stores. You need to personalize and follow the consumers, and the internet and standalone stores allow you to do this. We need to find the notion of selectivity again."

Clarins currently has two standalone stores in Paris, and plans to operate a total of around 20 in France over the next two to three years, Courtin says, a strategy being followed by many prestige brands. "There will be a switch in part of the distribution, perhaps 5% or 10%, to [directly operated] retail," he believes.

Standalone stores offer brands the dual advantage of allowing them to express themselves and offer better service than traditional perfumeries, as well as higher margins, he explains, making them more profitable for brands than they were in the past. "Brand margins have dropped [in perfumeries], because distributor margins have increased," he explains. "There is also the phenomenon of service and brand representation. We struggle to show what our brand represents in a perfumery today, and beauty advisors [there] offer more sales than service." In addition, many brands are looking to standalone stores as they will have direct access to data on their consumers—something they don't get from retailers.

Looking ahead to 2017, the outlook for the market is little more positive, with NPD predicting a sales decline of 1.5%. Consumer sentiment is expected to remain lackluster amid a climate of political uncertainty ahead of presidential elections in May. "That said, there could be positive effects this year, like the opening of department stores on Sundays," says Lion. "There are also a lot of major launches planned this year, especially in women's fragrance, which could add attractiveness," she says. "For 2017, I think things will be better," says Courtin. "For us, I am optimistic because we have a lot of launches. I hope tourists will come back and the bleakness will disappear." ■■■

“

Brand margins have dropped [in perfumeries], because distributor margins have increased. There is also the phenomenon of service and brand representation. We struggle to show what our brand represents in a perfumery today, and beauty advisors [there] offer more sales than service

”

Groupe Clarins managing director Olivier Courtin



## France

### ■ ■ ■ France's key perfumery players

#### Sephora

**N° of doors:** 326 (as of June 1, 2016)

**Performance & recent initiatives:** Given that LVMH's Selective Retailing arm saw its estimated sales fall 0.6% to €1.44bn in France last year, and the firm said the Le Bon Marché department store reported strong growth, it is thought that Sephora's French stores are struggling in line with the market. The retailer continues to add more exclusive brands to its offer, with introductions this spring including Korean brands Skinfood and Caolion. At the same time, it is reducing the space it allocates to mainstream fragrance brands, according to market observers.

#### Marionnaud

**N° of doors:** 515

**Performance & recent initiatives:** Business continues to be tough for Marionnaud. But despite this, the chain is implementing measures to get closer to its consumers and offer them personalized services. Its Code Beauté diagnostic tool, introduced in 2015, has been used more than 700,000 times since its launch, proving consumer interest for more personalized beauty recommendations. In 2016, the retailer introduced a recycling initiative that has seen 120,000 consumers bring back empty containers to stores and get a 20% discount on the product of their choice.

#### Nocibé

**N° of doors:** 612

**Performance & recent initiatives:** Nocibé had sales of around €1bn in the year ended September 2016. It has increasingly been focusing on introducing more exclusive lines and private-label products. In February, it introduced Australian mineral make-up line Nude by Nature, and is also the exclusive distributor of Coach fragrances in France.

#### Beauty Success

**No of doors:** 330 (total group: 500)

**Performance & recent initiatives:** The Beauty Success nameplate claims to be France's number-one prestige beauty franchise chain and the number-four chain in the market overall. In 2016, the group raised €18m in funds to boost development. The group's five-year strategy involves diversifying its business in three main areas: perfumeries, beauty institutes and parapharmacies. Last year, the Beauty Success group acquired beauty salon company Esthetic Center, a franchise concept based on the idea of offering accessibly priced beauty services without an appointment. There are around 170 Esthetic Centers.

Beauty Success Group now has six nameplates: Beauty Success, L'Institut Beauty Success, Parapharmacie, Beauty Sisters, Esthetic Center and Beauty Full Nails, and a total of 500 doors. ■



## Beauty first

Tallink's new Megastar vessel puts the focus on beauty at its new store

**B**altic ferry and short-cruise operator Tallink has introduced a two-floor store for the first time on its busiest route from Tallinn in Estonia to Helsinki in Finland, on a new large ship called Megastar. *BW Confidential* visited the vessel before its first sailing at the end of January.

The 350m<sup>2</sup> (3,767ft<sup>2</sup>) beauty category opens the retail offer to passengers entering on the main retail floor. Beauty occupies 16.6% of the total category space of the shop.

Tallink has managed to create the feeling of a modern department store thanks to wide aisles, a curved walkway—whose path is mirrored by the ceiling fittings—and more space per brand than on its other ships.

Customers see cosmetics and color lines on the right led by Dior and Chanel, and fragrances on backwalls to the left. A Kiehl's shop-in-shop, towards the end of the beauty circuit, is also new and is the brand's first floating shop in European travel retail.

Magnus Skjörshammer, director of business development at Tallink Duty Free, told *BW Confidential* that this is the first time that beauty brands have had so much space. "For key footfall drivers such as Dior, Chanel and Lancôme they now have gondolas [for make-up] as well as backwalls [for fragrances]," he notes.

Skjörshammer hopes to see a spend per head increase of about 10% across the whole shop, but he did not specify the potential beauty uplift. However, with more Asians, including Chinese using the route, the prospects for items such as face masks, night and day duo sets and large-size serums are good, he believes. On other ships, brands that have seen good uptake from Asians include Finland's Lumene, Dior, Chanel, Estée Lauder and Kiehl's, as well as L'Occitane for its hand cream sets. Customers numbered 4.7 million on the Tallinn to Helsinki route in 2015.

Tallink Group had shopping and restaurant sales of €500.6m in 2015. ■

### Tallink Megastar

- **Location:** Store on new Megastar ship
- **Opened:** January
- **Size:** beauty area measures 350m<sup>2</sup> (3,767ft<sup>2</sup>)
- **Special features:** More branded gondolas and fixtures, Kiehl's shop-in-shop



Store visit



▲ Chanel and Dior open up the beauty space (left). The store is home to a Kiehl's shop-in-shop (right), the brand's first floating store in European travel retail



▲ A wide choice of fragrances runs the length of the department (left), while the store hosts three round promotion stages (right)

