

The changing retail landscape of
the UK C&T market
Review of 2012

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Retail overview 2012

- 2012 was a very busy year on the retail front with lots of retailers, both bricks and mortar and online versions, upping their game and making big changes to their beauty offering
- Key retail brands who made changes in the past year to their beauty offering:
 - Selfridges
 - Harvey Nichols
 - John Lewis
 - Marks & Spencer
 - Topshop
 - Feelunique.com

This presentation will focus on the following retailers and their key developments in the past year

- Mass
- Premium
- Online

Mass market retail

Marks & Spencer – Your Beauty

- Launched a new retail concept called Your Beauty which included branded beauty products for the first time, quite a diversion for the retailer
- 23 new and exclusive brands added to its existing range of own brand products, all of which had also been repackaged and reformulated
- These brands included Dr Murad, Tara Smith, Leighton Denny and Filorga
- Debut took place in High Street Kensington Store and was rolled out nationwide by end of last year

Mass market retail

- Number of additional own brand products launched from August onwards to boost offering
- September saw tie-up with Cowley Manor on spa range while Marks & Spencer also teamed up with perfumer Lyn Harris of Miller Harris on an exclusive range of fragrances
- Your Beauty offer included a virtual makeover counter where consumers can try out new looks and new colours interactively. This service is also available online
- M&S also making use of sampling facilities, testing and non-brand affiliated advisors to help customers

Mass market retail

John Lewis – Beauty Hall

- The beauty hall makeover happened last summer and had taken two years to complete and has cost the company £8m. Aiming for a less corporate feel
- 12,000sq foot space in London's Oxford Street
- Premium brands on individual stands are gathered around the outside of the circular space, so that the consumer sees them first
- Lesser value brands, and John Lewis own brands gathered towards the centre on shared retail units in what the retailer calls a 'Town Hall' concept

Mass market retail

Topshop – Beauty Parlour

- Collection of rooms recently opened downstairs in its Oxford Circus flagship store to include a wide range of beauty services including nail, hair, colouring, waxing, piercing and tattoo services
- Building on the previous runaway success of its Hershesons Blow Dry Bar
- Includes an offering from popular Dalston-founded nail art brand WAH Nails
- Topshop has also introduced the Make up Edit, a collection of premium beauty products exclusively selected by Topshop make-up artist Hannah Murray

Premium beauty retail

Harvey Nichols – The Beauty Bazaar

- Debuted at the retailer's Liverpool One store and covers 22,000sq foot and extending over three floors
- First floor offers premium beauty including skin care and fragrance. Also dedicated to open treatment rooms with the Electric Hair Lounge and Blink Brow Bar along with a lash and nail bar
- Pedicure station has elegant cabanas for consumers to relax in as well as handbag stands to show off their designer handbags, which can be purchased in-store of course!

Premium beauty retail

- First floor also features a champagne and cocktail bar which the retailer hopes will become a destination in its own right
- Second floor offers more 'discreet' beauty services including spray tans, waxing and the Beyond MediSpa offering treatments such as teeth whitening, Botox, permanent make-up and body contouring
- The offer also includes BeautyMART, a boutique shopping space created by beauty gurus Millie Kendall and Anna-Marie Solowij designed to offer a more 'democratic service' to customers. It offers an edit of 100 best selling, iconic beauty products
- This service actually launched in Harvey Nichols's London store before rolling out to Liverpool

Premium beauty retail

Selfridges – The Beauty Workshop

- The prestige retailer has expanded its hugely popular beauty offering on the ground floor to include The Beauty Workshop – a one stop hub for customers to buy the latest brands and products and also to trial beauty services on the shopfloor
- Over 50 new brands have been unveiled as part of The Beauty Workshop which is now part of Selfridge's commitment to beauty which covers 5,000 sq foot, all located on the ground floor
- As well as buying a huge range of beauty products, customers now have the option to book a treatment while they are in-store

Premium beauty retail

- Services on offer include unbranded manicures and pedicures at The Paint Shop – the first nail bar to allow customers choose from a wide range of polishes across numerous brands
- Blowdrys at The Hersheson Blow Dry Bar
- Threading services at Blink Brow Bar
- Tanning treatments at St Tropez Skin Finishing Studio
- Facials and massages at Groom
- Real hair wefts or extensions at Weave Got Style

Premium beauty retail

- In its first week, The Beauty Workshop sold 7,000 nail varnishes, 2,000 lipsticks and 400 blowdrys
- “For years Selfridges has been the most successful beauty hall in the world. It was our founder Gordon Selfridge who revolutionised the way the world retailed beauty by placing this department at the front of the store. With this retailing innovation in our DNA we are always striving to bring new experiences to our customers.”

Jane Demuro, Head of Beauty, Selfridges

Online beauty retail

Feelunique.com – a busy past year

- Feelunique.com has made strides in the past year to secure a hefty share of the online beauty market
- In December last year it was acquired by Palamon Capital Partners, alongside Sirius Equity, for a headline enterprise value of £26m – a move that will mean it can get an even stronger foothold this year
- Website was founded by businessmen Aaron Chatterley and Richard in 2005
- Early in 2012 opened an office in central London to further secure its presence in the capital
- Also took on beauty journalist Newby Hands, who joined feelunique.com as Editorial Director

Online beauty retail

“ It is an exciting time for us – feelunique.com’s increase in growth, a new editorial team and established shareholder groups and key retail partners combined with Palamon’s and Sirius’ excellence in financial resource and strategic approach make them ideal partners and together we have great ambitions for the future. We look forward to working together to realise the brand’s potential.”

Aaron Chatterley, co-founder, feelunique.com

Other retail trends of 2012

Beauty Boxes – Thinking outside the Box

- Last year saw the real trend for Beauty Boxes emerge – subscription service which send customer a regular selection of sample sized beauty products for a monthly fee, direct to their place of choice
- Not just beauty, food industry has also seen the benefits of this approach – Graze Boxes for example
- Now 50+ beauty boxes available across Europe – most popular Glossy Box, Latest in Beauty, She Said Beauty, GlamBox, My Shade of Brown

Beauty Boxes

- Glossy Box – founded by Berlin-based investment company in 2011. Recently collaborated with Roger & Gallet as part of its Exclusive Edition series. Other tie-ups included ESPA last November
- Latest in Beauty – launched in the UK four years ago, broke the 100,000 members count last June and growing at approx 5,000 per month. Recently partnered with You Magazine and The Mail on Sunday which has been a big success
- She Said Beauty – UK company that started out as just a Beauty Box and recently relaunched as www.shesaidbeauty.com – The Social Network for Beauty - an online forum for beauty devotees

Beauty Boxes

- GlamBox – specifically targets the emerging markets including Russia, Brazil the Middle East, China and South Africa, founded in December 2011
- My Shade of Brown – US founded beauty box which claims to be the only service targeting women of colour, launched in February last year
- Selfridges – launched its first bespoke beauty box last August, to herald the launch of its retail concept The Beauty Workshop. Cost £15 and sold out within two hours of going on sale. In January launched its second beauty box ahead of Valentine’s Day, priced at £25, although products said to have a combined worth of £87

Other retail trends of 2012

Private label – a dynamic period

- 2012 saw a lot of retailers up the ante on their own label offerings in order to compete with the increasingly broad offer of the branded lines
- Marks & Spencer embarked on complete overhaul of its own brand products in the past year including the Pure capsule collection of eco friendly products containing a minimum of 95% naturally derived ingredients. Other additions are Pure Mum to Be and Pure Baby
- Boots relaunched and rebranded its naturally positioned Botanics brand into five dedicated skin care lines – Radiant Youth, All Bright, Ultra Calm, Shine Away and Organic

Private label

- Boots No 7 launched its Foundation Match Made Service which it says leads the way in colour matching technology and is the culmination of three years of research. This device allows No 7 advisors to read the precise colour values of a customer's skin in order to match it with one of 80 new No 7 Skin True Foundation shades available in seven formats
- Just this year AS Watson-owned Superdrug launched a huge new skin and cosmetics line – B. The range which comprises a massive 160 products, promises premium products at mass market prices. There is also an emphasis on independent clinical testing

Other retail trends of 2012

QVC – the rise and rise of TV shopping

- QVC now reaches over 200 million homes globally and employs 17,000 people worldwide
- The company had a net revenue of £390.9m by the end of 2011 and in the first quarter of 2012 there was a 4% rise in sterling terms in the UK market
- Now operates in the US, UK, Germany, Japan and Italy and is looking to expand on this
- In 2012 QVC UK opened its first dedicated beauty channel QVC Beauty which broadcasts 24 hours a day on Sky, Freeview and online

QVC

- Typical UK customer is predominantly female and in the 35-50 age group but QVC Beauty draws a younger consumer in
- Brands sold on QVC Beauty have increased in the past year and include Elemis, Balance Me, Leighton Denny, Eve Lom and Origins. Other best selling brands include Decleor, Liz Earle and Gatineau
- Strong influx of nail brands sold on the channel including Ciate, Perfect Formula and Red Carpet Manicure, the latter of which saw exceptionally positive sales results in 2012
- 2013 will bring Penhaligons, Cowshed, Benefit and Stila to QVC

QVC

- Decision to launch upmarket fragrance brand Penhaligons onto the channel is timely as QVC is soon to launch a fragrance side of the business, working with the Fragrance Foundation.
- QVC's online arm is growing, currently 25% of beauty orders are placed through the mobile phone app
- “We've seen a big increase in nails recently and the fashion trends have been a big driver. Nails are really now a fashion item and it is now a very important part of our beauty mix. The customer loves the demonstrations they see on QVC, where they can watch a professional manicure from their armchair.”

Jo Lee, Buying Director for Beauty at QVC

Where next?

- This past year has seen huge outlay on improved beauty services across the board
- Bricks and mortar retailers have dramatically upped their beauty offering to compete with online retailers and shopping channels such as QVC
- Either way the consumer has been the biggest winner as there has been more choice, more accessibility and more innovation as a result
- 2013 will be a year to watch – how can things possibly compete with last year? Watch this space...

Thank you

Thank you very much for your attention today – I hope you have found this presentation informative and interesting

Questions and follow-up

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