

HEALTH & BEAUTY

Retail sector overview and key trends

Planet Retail is the world's leading provider of global retail intelligence.

What we do

We provide retailers, FMCG manufacturers, Retail Technology vendors and professional service organisations with actionable retail insights that create competitive advantage. We offer our intelligence via two channels:

- ✓ Flexible online subscription
- ✓ Bespoke research

Why use us

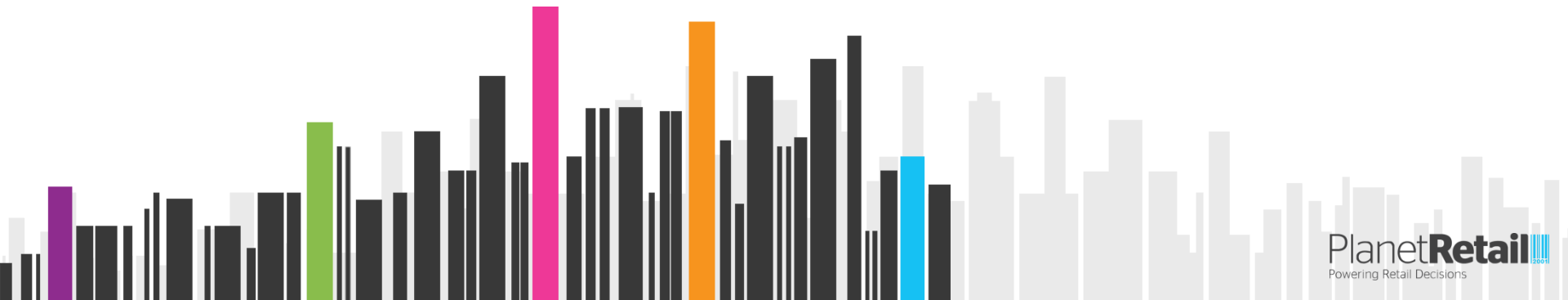
Long-standing relationships with leading retailers mean you get the inside track with our sales, market share and store number forecasts.

- ✓ Identify growth opportunities
- ✓ Benchmark your business
- ✓ Strengthen customer relationships

Contents

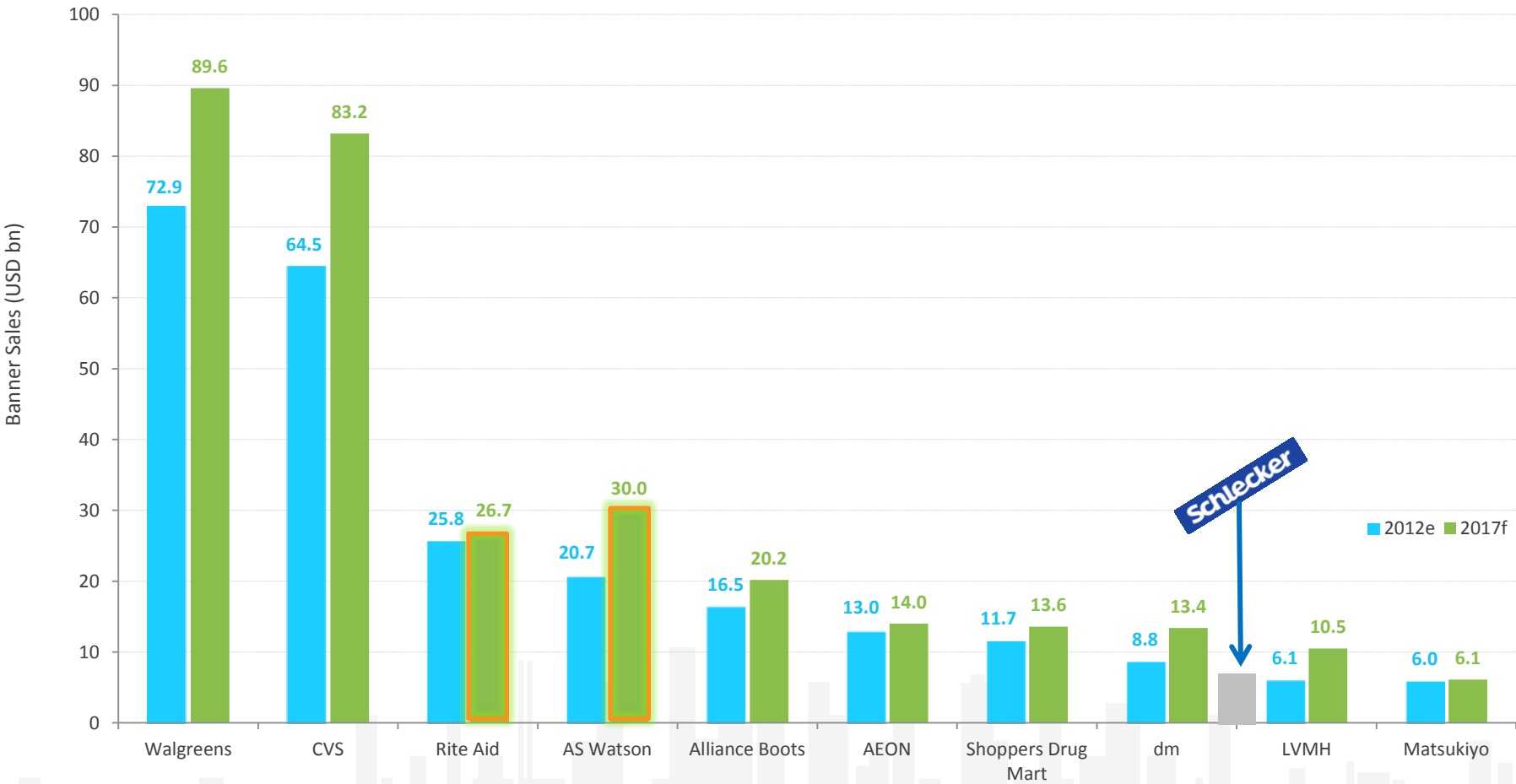
1. Overview
2. The e-commerce challenge
3. The issue with beauty claims
4. Key trends
5. Conclusion

1. Overview



Global: Behind US giants Walgreens and CVS, AS Watson will have become the new #3 in the global ranking by 2017.

Global: Top 10 H&B Retailers by Banner Sales of H&B formats, 2012e-2017f (USD bn)

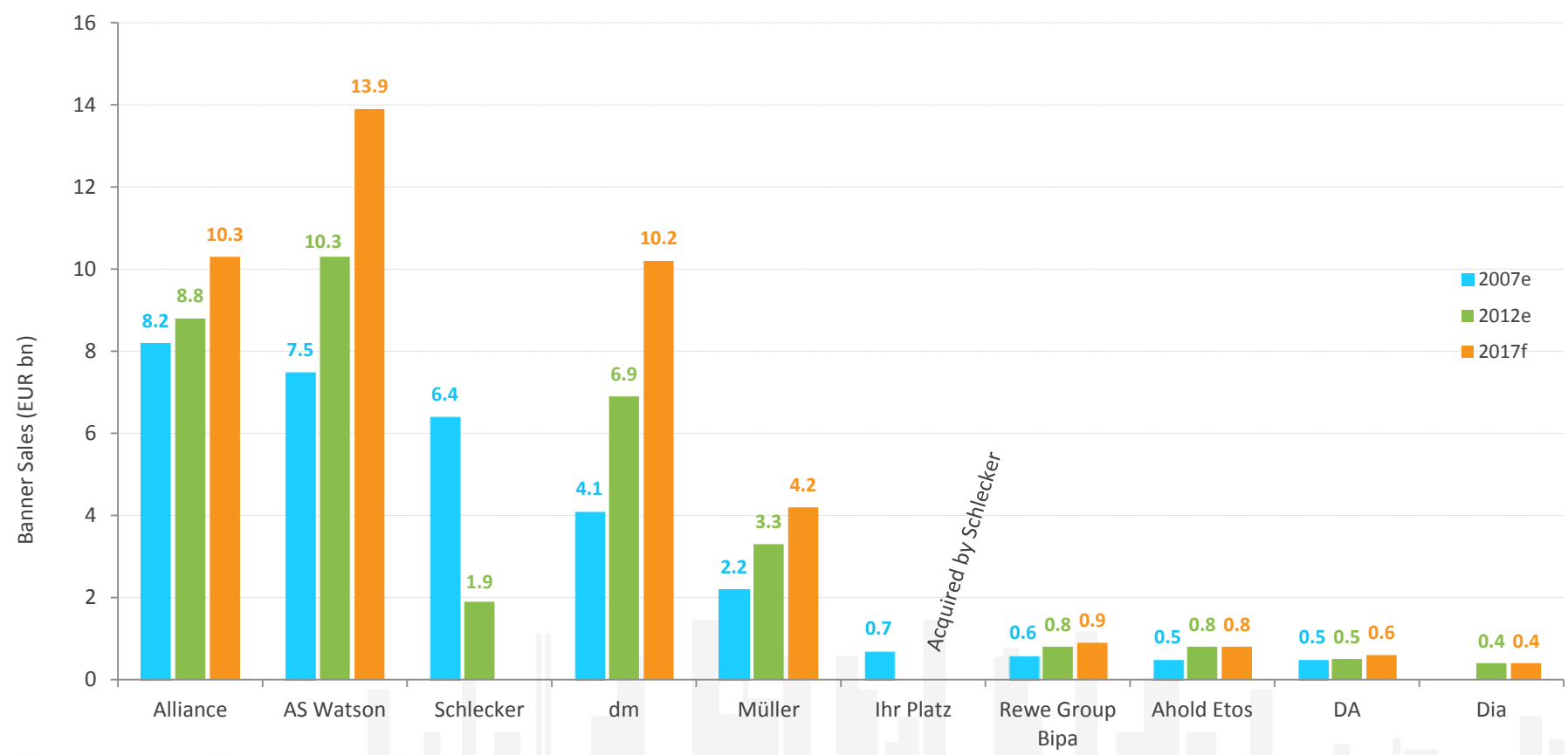


Note: Sorted by sales in 2007; e - estimate; f - forecast
Source: Planet Retail,



Europe: Schlecker's insolvency has increased consolidation in the European drugstore channel.

Europe: Top 10 Drugstore Operators by Banner Sales, 2007e-2017f (EUR bn)



Note: Sorted by sales in 2007; e: - estimate; f - forecast
Source: Planet Retail,

2. The e-commerce challenge



Online will never be able to offer the sensual experience that is crucial for making buying decisions in the beauty category.

“In the cosmetics business, the number one reason people buy a product is because they are sampling it. The physical presence of our store is a role that will never go away.”



Copyright by webpronews.com

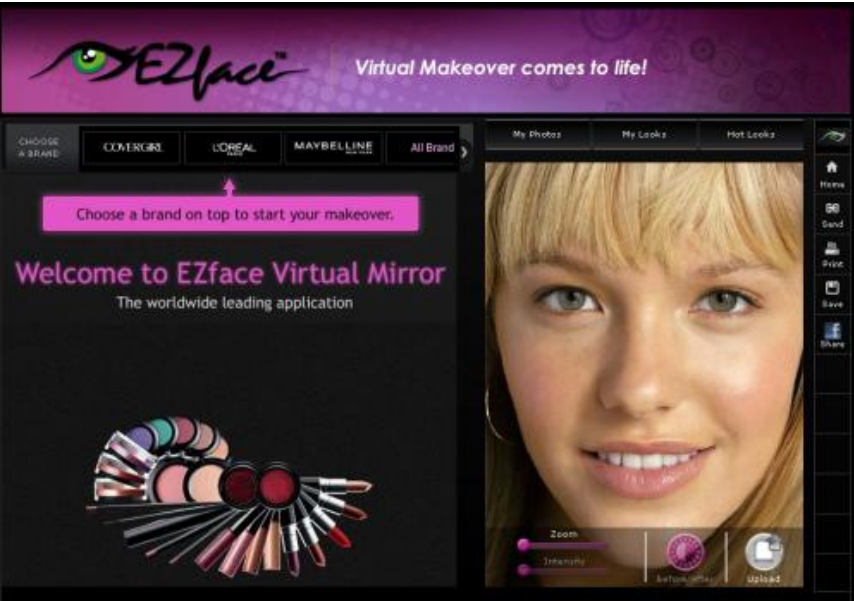
JULIE BORNSTEIN
Chief Marketing & Digital Officer
SEPHORA

	online	instore
<u>1st Step:</u> Get inspirations / consultancy	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<u>2nd Step:</u> Extensive sampling, sensual experience (touch, feel and smell)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<u>3rd Step:</u> Purchasing	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Physical stores are enhancing their competitive edge by further pushing and emphasising the instore experience.

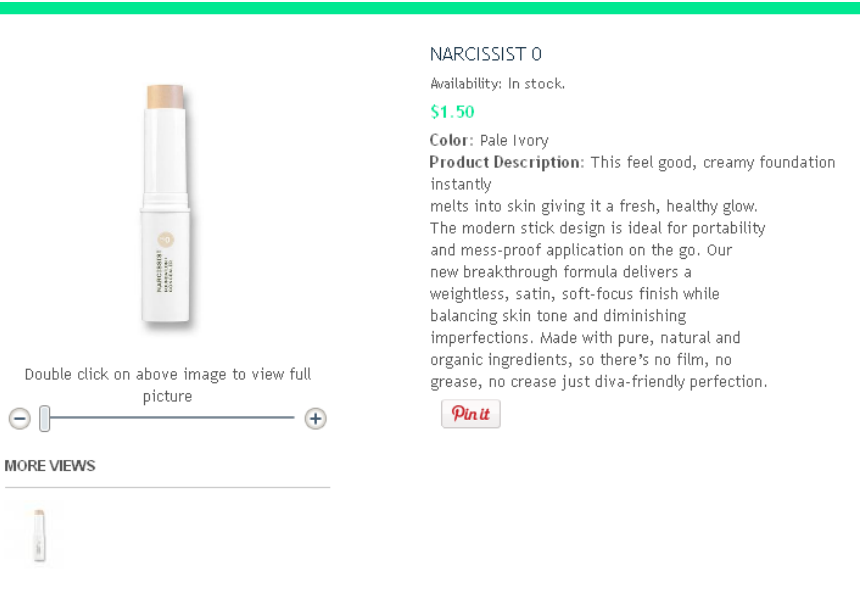


Online retailers still have to find adequate ways to mimic a physical stores' natural conditions.



Screenshot: ezface.com

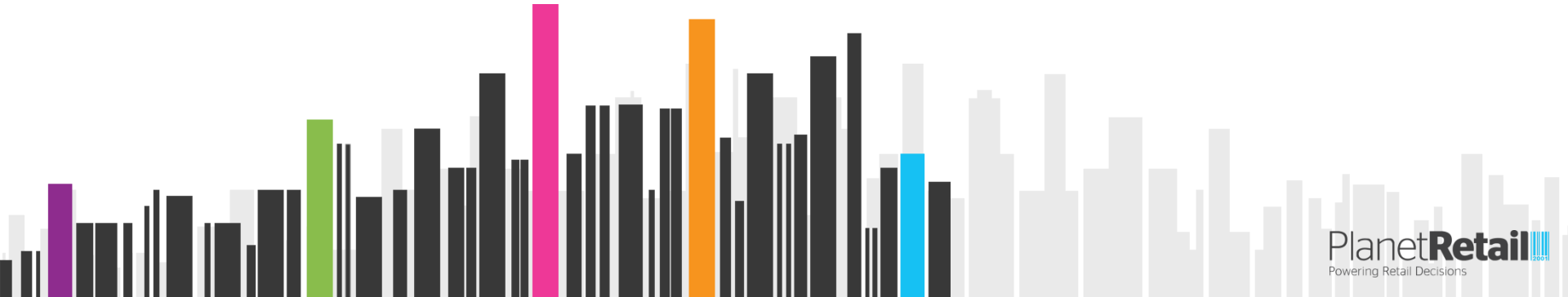
Integrate interactive web apps.



Provide sample sizes online.

Screenshot: www.w3lpeople.com

3. Issues with beauty claims



Educated customers are gaining ground in questioning the need for unrealistic promotional pictures.

- **48%** of young women are less trusting of brands that use airbrushing to change the way women look in ads.
- **76%** of women prefer to see natural images.
- **84%** of women think it's unacceptable for brands to alter the way women look in advertising images.

(According to a report by the Advertising Association and its research unit Credos)



Alliance Boots' Health & Beauty magazine has abolished airbrushing and retouching on its covers.

"Women want honest, realistic images from the beauty industry."

"There's real pressure on the industry from readers who are becoming more discerning about the use of photographic trickery, and who want to look at images that make them feel good about themselves."



Copyright by health & beauty

Updated EU regulations have begun to require far-reaching changes in advertisements and promotions.

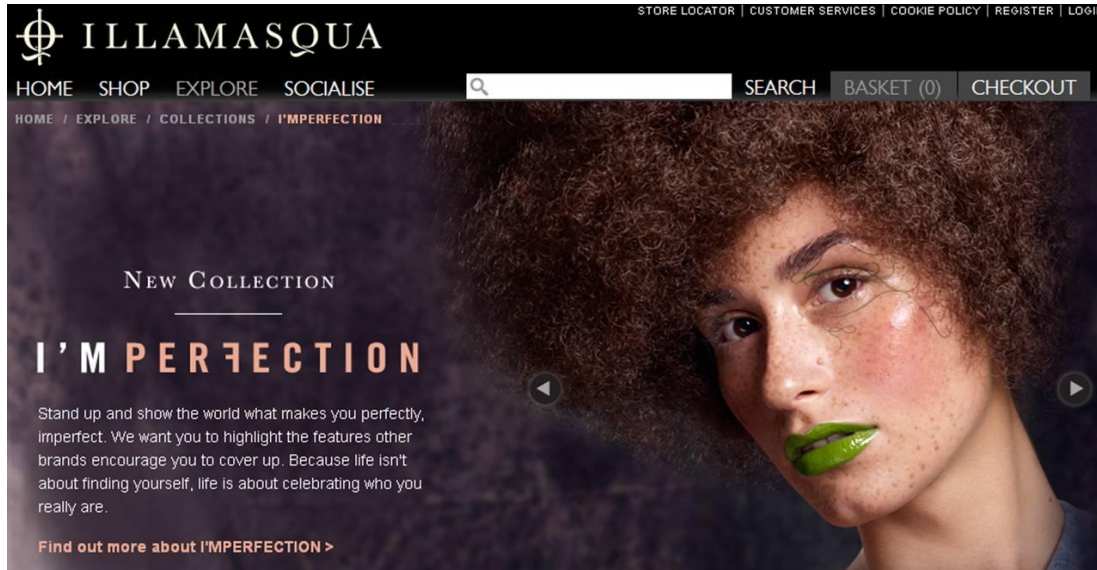
“In the labelling, making available on the market and advertising of cosmetic products, text, names, trademarks, pictures and figurative or other signs shall not be used to imply that these products have characteristics or functions which they do not have.”

The image shows the European Union flag, which is a blue field with twelve five-pointed gold stars arranged in a circle. The flag is waving on a silver flagpole against a background of a blue sky with light clouds. The text 'Part 20 (1) EU Cosmetics Regulation' is overlaid on the flag in a light blue, sans-serif font.

Part 20 (1) EU
Cosmetics
Regulation

As a result of the new criteria list, the number of banned ads will increase significantly.

- Respecting shoppers' flaws is becoming more widespread
- Retailers and manufacturers have the opportunity to turn the tables
- They can push peer recommendations

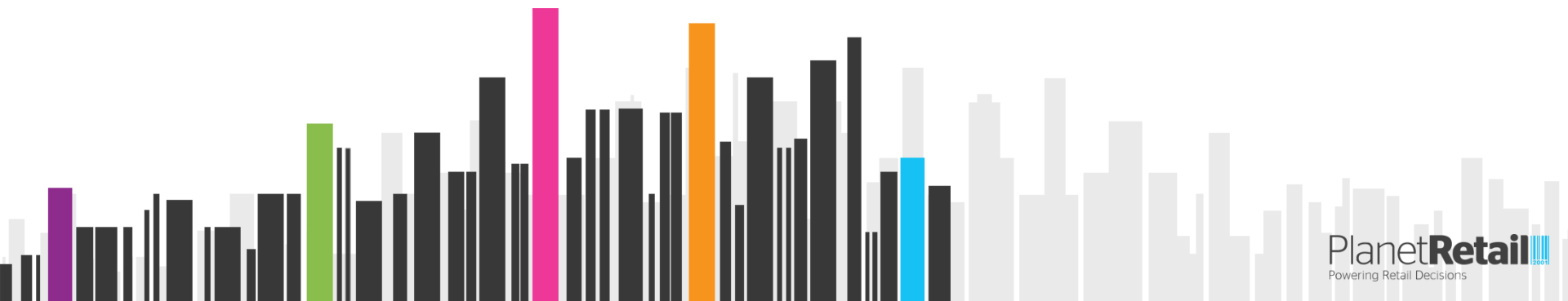


Screenshot from Illamasqua website



Copyright by Make up for ever

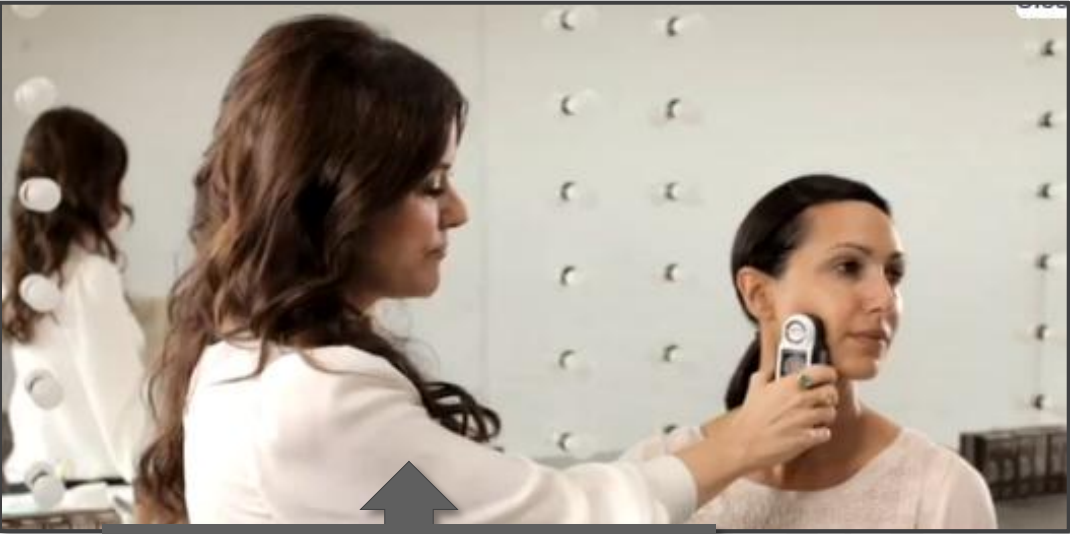
4. Key trends



#1 Instore technology: Finding the perfect product

Technological devices help highlight health & beauty ranges and offer precise, personalised consultancy.

LVMH'S Sephora offers **SkincareIQ** to match personal skin care needs and **ColorIQ** (in co-operation with Pantone) to find the ideal foundation.



Alliance Boots offers **Match Made** to find the ideal foundation (among Boots' No7 private label offering).



©: No7

#2 Beauty electronics: Creating the beauty salon at home

Beauty electronics are high-priced small devices that help lure customers away from professionals.



#3 Erotic products: Daring to try something new

Acceptance of the sub-category has been gradually growing in many markets.



Superdrug 



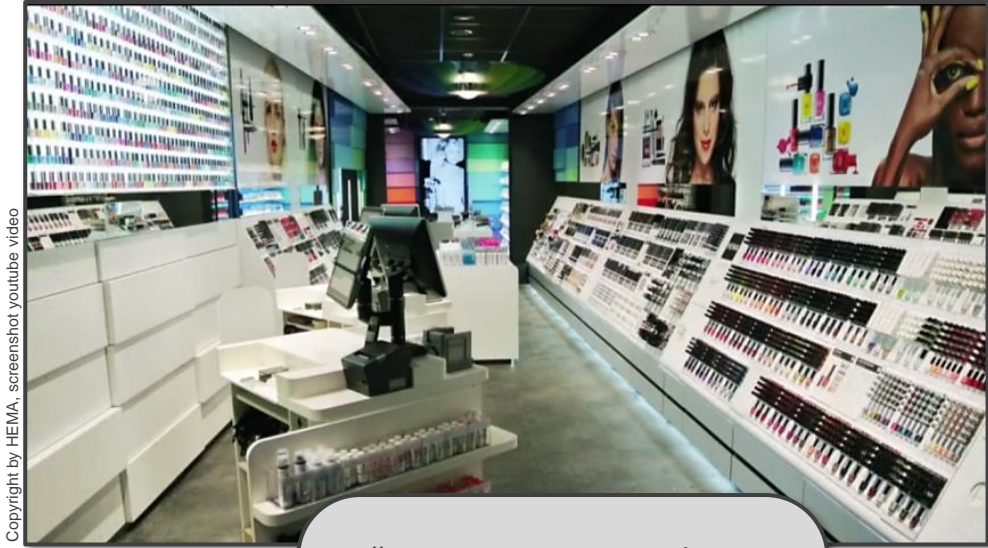






#4 Discount beauty stores: Searching for value

Discount beauty stores are a totally new format, filling the gap between drugstores and perfumeries.



Copyright by HEMA, screenshot youtube video

“Customer surveys have revealed there is an increasing demand for low-priced but good quality make-up and skincare products.”



© HEMA



Dutch variety and beauty store operator

#5 Beauty boxes: Driving shopper feedback

Spurred by the success of subscription services like Birch Box and Glossy Box, retailers have developed their own schemes.



We're excited to announce the first edition of Beauty Box by Target — a new program that ships 5 product samples from our favorite beauty brands directly to your home.

Copyright by Target



Beauty Box by Target

\$5.00 (shipping and tax included)

Try on and try out some of our beauty faves. The Beauty Box by Target boasts beauty, skin care and nail care brands you already know, and a few that may be completely new to you. Shipping is included, plus each order includes a special looking fab while staying on budget. Order now!



Copyright by dm, screenshot YouTube



Screenshot: YouTube

Walgreens

Our Sample Boxes are ALL GONE. Everyone LOVES our Sample Boxes – and they go quickly!

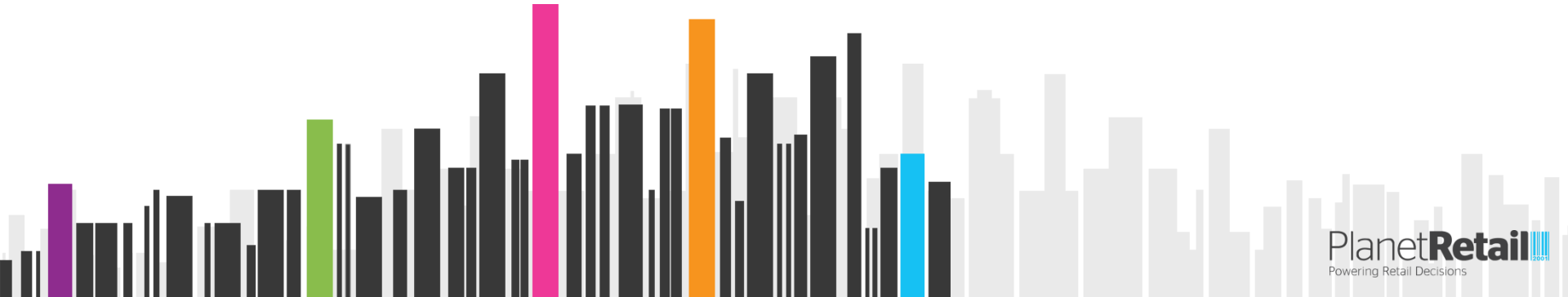


Questions or Concerns? Contact us directly at beautybox@walgreens.com

Promotion is valid only while supplies last. Promotion ends when all boxes are gone.

Copyright by Walgreens

5. Conclusion



- **Going online is to remain challenging.**
 - In H&B, online will never be able to offer the sensual experience that is crucial for making buying decisions
 - Unless technology enables to touch, smell and feel a product via computer, tablet or mobile.
 - Online retailers have to find innovative ways to compensate for this disadvantage.
 - Operators of bricks and mortar stores have to enhance their competitive edge.



- Beauty claims and ads will have to change.

- A general demand for more authenticity will change the messages sent by beauty companies.
- Stricter regulations, such as those seen in the EU, will further raise the bar regarding claims made for products.
- Promoting peer recommendations and reducing photo retouching are among the ways for retailers and manufacturers alike to respond to such changes.



A Bobbi Brown advertisement for "Face" products. At the top, a woman's face is shown with the headline "Confidence is Everything, But a Little Makeup Can't Hurt" and "NEW LONG-WEAR EVEN FINISH FOUNDATION". Below this, the "Face" section features "Sheer Finish Loose Powder", "Creamy Concealer", and "NEW Long-Wear Even Finish Foundation". The "Cheeks" section includes "Medium Bronzer" and "Pale Pink Blush". The "Lips" section features "Sweet Nectar Rich Lip Color". The "Eyes" section includes "Extreme Party Mascara", "Bone Eye Shadow", and "Espresso Ink Long-Wear Gel Eyeliner". The "Brows" section features "Mahogany Eye Shadow".

Copyright by Bobbi Brown

- **Instore technology will reach new levels.**
 - Retailers offering H&B products will further extend instore technology, driven by a need to compete with online players.
 - The market has seen the development of smart skin gauges and there are more innovations to come as retailers and brands alike (e.g. Sephora and L'Oréal) are investing in such solutions.
 - Other companies might follow their example in order to be able to keep up with the technological forerunners.



- **The quest for value has begun.**
 - As shoppers seek for value for money, small discount beauty stores are mushrooming in city centres and shopping malls.
 - Manufacturers can support retailers in keeping costs low while they benefit from high stock turnover.
 - The concept demands fresh and attractive ideas to target young shoppers.



▪ New ways of marketing on the horizon.

- The modern, savvy and social media-aware shopper requires fresh ways of marketing.
- An increasing number of retailers have realised beauty boxes are a cheap tool to gather customer feedback and target opinion leaders like bloggers.
- The future will see many other players copying such schemes and developing new concepts to satisfy this highly influential customer group.



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Author



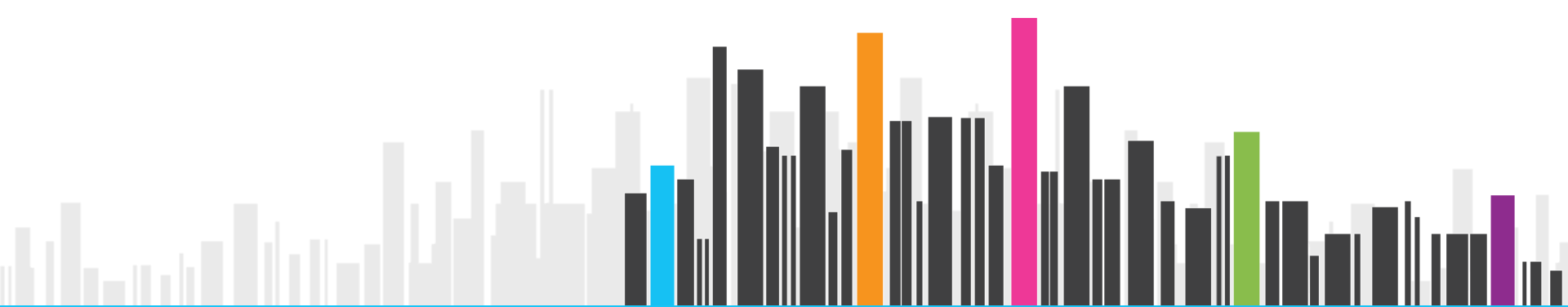
DENISE KLUG
Associate Analyst

denise.klug@planetretail.net



[@Denise_Klug](https://twitter.com/Denise_Klug)

Denise Klug is an Associate Analyst in grocery and health & beauty care based in Frankfurt. Denise specialises in the German and Benelux markets as well as private label. She is also responsible for building and maintaining Planet Retail's database. She writes articles and contributes to reports that deliver insight. Denise has spoken at retail conferences in Cyprus, France and Germany. She is also a regular commentator on grocery and health & beauty retail issues in the German media. Prior to joining Planet Retail, Denise worked as a freelance journalist. She graduated as a foreign language correspondence clerk, focusing on economics and holds a BA in Cognitive Linguistics.



UNITED KINGDOM

AirW1
20 Air Street
London
W1B 5DN
UK

T: +44 (0)20 7715 6000
F: +44 (0)20 7715 6001
E: infoUK@planetretail.net

GERMANY

Dreieichstrasse 59
D-60594 Frankfurt am Main
Germany

T: +49 (0) 69 96 21 75-6
F: +49 (0) 69 96 21 75-70
E: infoDE@planetretail.net

USA

130 Fifth Avenue
7th Floor
New York
NY 10011
USA

T: +1 (212) 201 6700
F: +1 (212) 201 2830
E: infoUS@planetretail.net

INDIA

ICC Chambers
4th floor
Saki Vihar Road
Andheri (E)-Mumbai - 400072
India

T: +91 22 4250 2058
F: +91 22 4250 2034
E: infoIN@planetretail.net

CHINA

10-1-202
88 Tongxing Road
Qingdao 266034
China

T: +86 (0) 532 8598 1272
F: +86 (0) 532 8598 9372
E: infoCN@planetretail.net

HONG KONG

Suite 3201-03, 32/F, Tower 1
The Gateway, Harbour City
25 Canton Road
Tsimshatsui, Kowloon
Hong Kong

T: +852 2730 0831
F: +852 2735 9787
E: infoHK@planetretail.net

JAPAN

c/o INSIGHT INC.
Atami Plaza 1401
Kasuga-cho 16-45, Atami-shi
Shizuoka 413-0005
Japan

T: +81 (0) 557 35 9102
F: +81 (0) 557 35 9103
E: infoJP@planetretail.net