

Beauty Retailing - UK - January 2010

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What is this report about?

Beauty retailing is an innovative and dynamic market. Unlike a number of large non-food categories such as clothing, electricals and DIY where specialists dominate the market, non-specialists play a particularly prominent role in beauty.

In the last few years we have seen beauty adopting more of the deals/discounting tactics of the toiletries market and even department stores have, to some extent, been lured into such price-led activity. This is unlikely to abate in 2010 as the consumer economy faces high unemployment and rising taxes, and retailers and brands will have to work even harder to convince shoppers that 'they are worth it'.

What have we found out?

- 2009 was the year of the 'deal-conscious shopper'. Promotions and special offers resonated with very large numbers of shoppers, equivalent to 22 million adults. Retailers have responded to changing consumer needs during the recession by increasing their promotional activity, offering deals like 3 for 2's or buy one get one free or straight discounts.
- Own brands are appealing more to shoppers in the current economic climate. Some 9 million consumers have bought more own brand in the last 12 months with retailers anticipating this demand by stepping up own brand development.
- Loyalty cards do drive repeat business particularly among women, but should be viewed as part of a wider package of competitive tools. Almost three times as many people prefer deals to loyalty card schemes. While deals deliver instant rewards that may or may not be the case with loyalty cards. But loyalty schemes are popular too, with 15% going out of their way to use them.
- Young people seem to be actively managing their budgets, cutting back selectively in order to spend on those 'special extras' deemed to be worth it. This treating element may weaken in 2010 as youth unemployment hits harder.
- The online channel remains very small in beauty. No major change is expected with low levels of buying from fragrance/ cosmetics/ toiletries sites (7% for the period July to October 2009) and limited growth. Nevertheless, more niche online specialists are expected to emerge in the next five years. With current usage skewed to AB consumers and those aged 35-54, these consumers will be the most targeted groups.
- Boots remains by far the most popular destination for beauty purchases with over half of all adults choosing this option. The reasons? Wide choice, loyalty points, good deals and knowledgeable staff.

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