

# BW

## CONFIDENTIAL

### Comment

## Changes in store



A lot of questions are being asked about how the internet will change retailing. There is little data about how much of a brand's sales have made the transition from brick-and-mortar stores to online, and most suppliers say that their own websites still only represent 1 to 2% of sales. But online sales are definitely growing. For some retailers the internet is the only part of their business that is seeing increases (in part because growth is coming from a small base) and many perfumery chains now count their web

stores as their biggest door in some markets.

As this business grows it is set to change how physical stores look and serve their customers. Will retailers reduce their stock or offer just the best-sellers in-store and use their website to present the full catalog? Will stores become more of a showroom? (Some retailers are already asking consumers to use online kiosks in their stores to find various sizes and colors of product rather than stock everything).

This may leave room for more edited or curated assortments and lead to greater focus on new types of service, advice or events. What's certain is that brick-and-mortar stores will need to go beyond the basics of convenience and price, which is so expertly done by the pure player internet retailers, if they are to bring in shoppers.

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## News roundup



credit: stock.xchng

The 2010 edition of the **Global Spa Summit**, which took place from May 16-19 in Istanbul, Turkey, highlighted the importance of the wellness market. According to research company SRI International the wellness market is worth \$2 trillion globally and within that the spa industry accounts for \$60.3bn of revenue. (The wellness market spans numerous industries including alternative medicine, medical tourism and fitness).

Delegates were polled on how their spa business has performed in the past year and the impact of the recession.

- 21.6% said their revenue was "down significantly" in 2009.
- 32% believed their year-end profit for 2010 would be "up significantly", while more than 21% predicted profit would be on par with 2009.
- 61% stated that the economic recovery has caused a turnaround in their business so far this year, while 17% reported no effect.
- 14.3% of delegates said they expected a full global economic recovery in 2011 versus nearly 33% in 2010.

The survey also polled delegates on issues facing the spa industry.

- The number-one problem for 27% of respondents was a lack of industry standards and best practice issues; 14.7% of delegates claimed training, education and lack of professionalism were problems, while 10.7% believed a lack of benchmarks were the biggest challenge. Only 9.3% said low margins were the main issue.
- More than 60% stated that education was the number-one barrier to improving retail sales in spas, versus 25% for marketing.

US-based retailer **Whole Foods Market** has told its personal-care and cosmetics suppliers that all products making an organic claim and sold in its US stores must be third-party certified by June 1, 2011. Under the new guideline, brands making an organic product claim must be certified by the US Department of Agriculture National Organic Program (USDA NOP) standard, the same standard that certifies organic food in the US. Products making a 'made with organic ingredients' claim must be certified to the NSF 305 ANSI Standard for Organic Personal Care products.

**Estée Lauder Companies** (ELC) has appointed Caroline Geerlings president of Tom Ford Beauty and New Business. Geerlings was formerly svp and gm of the Prescriptives brand, which ELC closed early this year. As head of new business she will also be in charge of the group's recently acquired Smashbox brand. ELC also appointed Beth DiNardo as global gm of Smashbox. DiNardo, who was previously svp and general manager of Darphin North America, will report to Geerlings.

**L'Oréal** has appointed Alexis Perakis-Valat ceo of its China business, replacing Paolo Gasparrini who will become chairman of the group's Chinese subsidiary. Perakis-Valat is currently head of the consumer products division for the Greater Europe Zone. Vianney Derville will replace Perakis-Valat. The company also announced that Hervé Navellou will take charge of consumer products division in France following the retirement of Alain Ducasse this summer. Navellou was managing director of the group's Mexican subsidiary.

**BPI's** US subsidiary is to distribute Annick Goutal fragrances in the US from July. The France-based brand is distributed in around 200 department and specialty stores in the US including Barney's, Bergdorf Goodman, Bloomingdale's and Neiman Marcus. The US is Annick Goutal's first export market.

**Beiersdorf's** US arm (BDF) has named Nicolas Mauer corporate vp, global business unit skin-care. He will be responsible for BDF's global skincare business and will report to Markus Pinger, executive board member responsible for brands and supply chain. Mauer was previously vp of marketing for BDF in the US.

European cosmetics association **Colipa** has elected Fabio Franchina as president. Franchina is the ceo of Italian beauty company Framesi and is president of Italian cosmetics association Unipro. He replaces Françoise Montenay.

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## News roundup

**Inter Parfums** is to launch its first make-up line for Burberry in July.

"Burberry fragrances now has annual sales of €180m, and to bypass the €200m-\$250m mark we needed a second category. A new designer make-up line may be a risky project, but Burberry Beauty gives the brand an added dimension," says Inter Parfums president Philippe Benacin.

The company aims to focus resources in department stores. In its first year Burberry Beauty will roll out to 30 department stores—one retailer per major city—including Galeries Lafayette Hausmann (Paris), Harrod's (London), five Nordstrom outlets in the US and La Rinascente (Milan). In Asia the line will launch in Lane Crawford (Hong Kong), at CK Tang (Singapore) in Japan at Takishimaya and will roll out to China in 2011. "Burberry will no longer be on the back wall in department stores, this strategy gives the brand much more exposure," notes a Burberry spokesperson. The line will be sold on counters featuring merchandising fixtures designed by Burberry chief creative officer Christopher Bailey. By the end of 2012 the line will be present in 150-200 points-of-sale worldwide.

A Burberry Beauty online store will go live at the end of this year.

The 96-sku Burberry Beauty line includes a subdued color palette with products for eyes, lips and face, and prices range from €18 to €45. It is housed in gunmetal grey packaging featuring a tartan motif, harking back to the brand's trench coat heritage. The ad campaign was shot by Mario Testino.



**Coty** is rolling out a new fragrance for its Chloé brand this fall called Love Chloé. It is thought that the new scent could do up to \$100m at retail and the company has high expectations for the line in Asia and in France. Given the success in Japan of the first Chloé fragrance launched by Coty in 2008, the group tested Love Chloé for Asian tastes before the launch. The new fragrance is a powdery floral created by Givaudan perfumers Louise Turner and Nathalie Cetto-Gracia. It comes in a pink bottle with a metallic gold colored base and a gold chain accessory at the top. Love Chloé will be supported by ad campaign, which will have a similar level of investment as the signature fragrance, and will include print ads and a TV spot featuring Raquel Zimmermann and directed by Roman Coppola. The fragrance will roll out in Europe in September and a US launch is scheduled for spring 2011. Love Chloé will retail at €53 (30ml EdP), €72 (50ml EdP) and €91.80 (75ml).



**Chanel** is to launch its first major men's fragrance since the introduction of Allure pour Homme 11 years ago. Called Bleu de Chanel, which was the name of one of the brand's fragrances in the 1930s, the scent by in-house perfumer Jacques Polge is a woody aromatic with top notes of vetiver, a heart of grapefruit and a base of ginger and incense. The bottle is a simple square block of slate colored, night blue glass. The launch will be supported by a major ad campaign, which includes a spot directed by Martin Scorsese and featuring French actor Gaspard Ulliel. The fragrance rolls out in August and retails at €54 (50ml EdT) and €74 (100ml).



## News roundup

**Givenchy** will introduce a new serum which it likens to an anti-aging vaccine. Called Vax'in for Youth, the serum is based on the principle of hormesis, which states that small levels of stress to the body or skin enables cells to better defend themselves and become stronger. The company claims that the serum contains an ingredient complex containing hormetic properties. The serum comes in a silver tube with a dropper applicator and will roll out at the end of August retailing at €85 for 30ml.

Givenchy will also launch a women's counterpart to the Play fragrance, which debuted for men in 2008 with singer and actor Justin Timberlake as its spokesperson. As with the men's line, the brand has introduced two scents for women in the franchise: an EdP and an EdP Intense, both of which have amyris wood at the heart. Both come in bottles designed by Serge Mansau that take their inspiration from hi-tech gadgetry. The women's line will be supported by an ad campaign featuring Timberlake and Canadian model Noot Sear, which was filmed at the Eiffel Tower. Play for her rolls out in August and retails at €70 (50ml), €85 (75ml) and €75 (50ml) and €91 (75ml) for the EdP Intense.



In October French natural beauty company **Yves Rocher** will launch Elixir 7.9 Youth Intensifier, a serum featuring seven plant actives and nine anti-aging patents (thus the name 7.9). The serum is presented as a "botanical alternative" to other serums available on the market. Elixir 7.9, which the company claims is not an anti-aging product, but rather a "youth booster", is to be applied under the consumer's everyday facial cream, no matter what the brand. The 15ml serum comes in a heavy green glass bottle with a metal dropper, and retails for €30.

Yves Rocher has also retooled its haircare line, which now features silicone-free formulas. The 12-sku range launches in August.



Switzerland-based Art & Fragrance is to launch a fragrance and sun care line for US-based club operator **Nikki Beach** in September. Two EdTs, Beach Party for Her and Beach Party for Him come in 50ml (€55) and 100ml (€75) versions and will be sold in Nikki Beach locations and in selective perfumeries worldwide beginning in September. The sun care line features six sun-protection creams and one after-sun product.



## The retail view

France-based consultancy The Scriptorium Company founder Michel Gutsatz on:



### How beauty retailing will evolve

Beauty retail will have to change, and that concept will be click and mortar—it will link things that can only exist on the web to things that can only be given on the sales floor. We will also see standalone stores from big players, in the same vein as BDF's Nivea Haus and the L'Oréal Paris stores. Mass players are taking the initiative, but I can also see luxury brands, such as Dior, opening their own beauty stores. They've done it with jewelry, so why not with beauty? They could mix it with a spa concept, for example.

### What needs improvement

There have been no interesting retail concepts since Sephora, except perhaps the Biu Beauté organic beauty stores in Paris, but that is a niche. Retailers don't pay their staff enough, and they don't understand that because of the internet, consumers are looking for informed advice, and for a personal relationship; if they don't get it in the store, they'll find it online. This isn't specific to beauty, it goes for the entire luxury-goods industry. There is much better service outside the luxury industry. It's not just a question of training, but of motivation. How can someone be motivated for 10 or more different brands?

### Who's doing great retail

Apple, Apple, Apple. Everyone says the same thing, but the bottom line is that you get a real shopping experience in their stores. I visited a mall in New Jersey with a small-format Apple store—not the standard two-story outlet. Despite its size it wasn't cluttered with product, the number of staff on-hand was incredible and they had a lot of insight into the brand. But in beauty, advisors generally don't know the products they are selling. The only novelty I saw in beauty at this same mall was at Neiman Marcus where there were tables in the beauty department targeting consumers by age group—product specifically for 30-, 40- and 50-somethings featuring a mix of brands and brochures explaining the products.



credit: stock.xchng/xp0se14

## Wellness focus

### US luxury hotel spa snapshot

Statistics from market research company STR show that in the first quarter of this year hotel spa operators may have discounted less compared with the same period in 2008, but treatment room use, average treatment sales and retail revenue continued to stagnate in the sector. The figures from STR's most recent Spa Star report on the state of the luxury hotel spa industry in the US were revealed at the

2010 Global Spa Summit, which took place in Istanbul, Turkey from May 16-19.

- Average treatment price continued to fall, from \$149 in 2008 to \$142 in 2009 to \$136 this year. (Luxury hotel spas in New York City saw average treatment price decline from \$180 in 2009 to \$166 this year.)
- Hotel spa operators in the US have discounted less on spa treatments, with just more than 4% discounts this year versus 4.7% in 2009 (New York hotel spas gave 7.5% discounts on treatments this year.)
- Treatment room use has hardly increased since 2009, and still hovers at around 34%.
- Average spend on retail products lags behind 2008 and 2009 figures, but has increased since the beginning of this year to reach \$22 in March.

## Beauty blogger review

The products they're talking about

**Senna Lip Sync Duo.** Beauty bloggers tend to get excited by two-in-one products that offer convenience, and the Lip Sync Duo by California-based Senna Cosmetics is no different. This blogger loves the "convenience of having a lipstick on one end and a gloss at the other, which minimizes the number of tubes I need to carry around in my bag." She also likes that the formula is made with 'natural ingredients', such as shea butter, almond oil and green tea extract.

[From: <http://www.beautyhobby.com> ]



**Coola Total Body Unscented SPF 30 Organic moisturizing Suncare.** This blogger complains that the disadvantage with most natural or organic sunblocks is that they leave skin looking chalky white. Coola, however, she says doesn't as it is absorbed right away without being greasy, and spreads easily and evenly. She is also at pains to point out that the product is paraben and petroleum-free and incorporates certified organic ingredients; she even provides the full ingredient listing for readers.

[From: <http://bionic-beauty.com> ]

**Ramy Beauty Therapy Lip Oils.** This product is described as "something new, oil for lips", Although the blogger says that she was 'not crazy about the feeling of oil on her lips', she likes the idea of using the product at night as a deep conditioning treatment. She also says the products, which are made with almond oil, jojoba oil and freeze-dried marine collagen, can be layered on top of lipstick for extra shine.

[From: <http://www.mybeautybunny.com> ]

**Elemental Herbology Flower Harmonising Mist Facial Tonic.** This blogger praises everything about the UK-based Elemental Herbology facial mist, from its scent (the water is infused with rose damask petals) and refreshing properties, to the square glass bottle which 'looks perfect on my vanity'. She doesn't even complain about the \$32 price tag.

[From: <http://www.thebeautyoflifeblog.com> ]



### Their comments & conversations

- There is currently a wealth of reviews and comments on **make-up primers** on the beauty blogs. This blogger says that as well as primers having 'become all the rage', more brands are adding them for the face and eyelids. The two brands she has singled out as offering the best in this category are **Smashbox's** Photo Finish Lid Primer in the Naked Beauty Collection and **L'Oréal Paris'** Studio Secrets Professional Magic Perfecting Base. Smashbox makes the list as in addition to helping shadow stay on longer, it is said to keep the skin moisturized and diminishes lines on the lid, while the L'Oréal Paris product is said to make the skin soft and create a 'smooth canvas'. However, she would like to see L'Oréal add a tube or wand given possible contamination from putting her fingers in the jar to apply the product. [From: <http://www.cybelesays.com> ]
- There are an increasing number of references on the blogs to invitation-only, limited-time shopping sites offering fashion, luxury and beauty brands at a discount, sometimes of up to 70% off retail prices. Sales on branded beauty products from Gilt Groupe, **www.gilt.com** (shoppers must be a member and each sale lasts no longer than 36 hours) was featured in a range of blogs. Gilt also had banner ads on numerous blogs, as did other sites based on a similar model, such as Hautelook (**www.hautelook.com**), Ruelala (**www.ruelala.com**) and Ideeli (**www.ideeli.com**).

## Clarins ceo Philip Shearer

### Servicing retail

French group Clarins ceo Philip Shearer talks about developing the brand in the US and Asia, the need for better service and demonstration at retail and why European perfumeries are losing out in skincare

#### What is your outlook for the market?

This year the market is uneven in Europe, with growth in some countries. I'm optimistic as people buy skincare at reasonable prices, which is our positioning. We came out of 2009 okay as we have an established brand at affordable prices. We gained market share everywhere in Europe except Spain. In terms of basic skincare we lost some people to mass, but we've gained consumers shifting from high-priced products.

#### The US is a key market for expansion for you. How can you grow there?

We are re-engineering the US business. We don't have awareness and we aren't where we should be. In Europe, which accounts for 65% of sales, we are number one in skincare with market share ranging from a low of 9% to a high of 25-30%, with an average of 17%. In the US we have market share of about 4%. It'll take between three to five years to get where we should be, which in skincare is a share of 15 to 16%. We are thin on too many fronts in the US, in communication or points-of-sales, and our price points have been a bit high. We've lowered some prices in basic skincare and our new launches are more reasonably priced. We have reduced prices in around 25% of the business.

#### Was this change in pricing policy due to the crisis or a readjustment?

It was both. We need to offer the best quality at the 'best deal', and we weren't perceived that way in the US. We also had too many doors there, meaning that we were not very strong where we were, and in this business you have to be important to your retailer. So the goal was to refocus on key doors. We have cut some distribution and are walking away from some. The real issue isn't distribution as such; we have to be able to explain the brand through demonstration. A person behind the counter has to produce so much money to justify her presence and you can't do this if you're spread too thinly. I am one of the few people that love department stores, because there is the opportunity to build and differentiate the brand from the others.

#### You are upbeat about department stores, but the footfall is still on the decline and aren't they increasing pressure to be more promotional?

People come to the store for the brands. One make-up brand has seen extraordinary success for past 20 years solely based on demonstration, and that brand never listened to what the retailers wanted—they don't advertise and they don't open doors like drunken sailors, they just focus on what they're good at.

Retailers are simple: you're as good as yesterday's sales, so in a way they push you to commit crime [in terms of promotions], and you need to resist. The brand must be stronger than its retail channel; the channel is a means to an end. You have to play with the retailers. Some play and others don't and those that don't will die anyway. ■■■



“

My approach is to try to convince existing retailers to do things differently—that is not to hide skincare at the back end of a store and just throw samples into a bag

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#### Snapshot

- Sales: €1bn\*
- Sales by region:
  - Europe: 65%
  - Asia: 12%
  - US: 13%
  - Other: 10%

*\*Last published figures from Clarins in 2008, before stock market delisting*

## Clarins ceo Philip Shearer

### ■■■ How can you convey demonstration and explain the brand in open-sell led retail markets like Europe?

In Europe, there used to be a lot of small independent perfumeries, then it moved into chains, and what happened? Skincare moved away from that channel into pharmacies because customers need service. Retailers realize this, but instead of saying to us 'you seem to do service well,' they don't want to change their model. If that is the case I have to do something else. People will buy skincare and Clarins, so I'm not worried about that. We are coming up with new ideas at retail. I'll give more details later this year, but it will be a combination of merchandising, store animation, price points, sampling and helping retailers create enough of a difference in-store to bring people in.

### Are you considering selling to other channels, such as pharmacies?

At this stage no. It is hard to play in two different channels as there are different merchandising programs. My approach is to convince existing retailers to do things differently—not to hide skincare at the back of a store and just throw samples into a bag.

### Will your Skin Spas become a more significant retail channel?

At this stage it isn't a real option and I don't want it to become one as that would mean that I have failed with the existing retailers. It's a different business model—you pay rent and manage people differently. However, a whole digital world is exploding and the question is how big this will be. In electronics it has reached a plateau of 25% of business and has stayed there for a couple of years. In beauty the internet today is around 3 or 4% of business and maybe it will reach 10 or 15%. It will grow at a fast rate and then plateau, as we have seen in many other businesses.

### Asia is also a big priority for Clarins. How can you develop the brand in China given the strong presence of some of the major players there?

We are a bit late in China and we're looking to be more efficient there. Being a challenger in a market is very different from when you are the dominant player. We have to refocus on some of Clarins' key points of difference as we are not known there. We have 60 doors in China and the market is growing quickly. In the US there are 300 million people and around 2,000 doors, of which 1,200 are very strong. There will never be the same ratio of doors to people in China. The doors that can afford the price points and the store volume needed are limited at this stage—today there are about 100 strong doors in China. Around 10 years ago there were about 20, and in 10 years there will easily be 300. Sephora in China has adapted its model there and most brands have their own stands in-store. I wish we had that format in Europe!

### Will you be adding new brands to the portfolio?

Yes, depending on the opportunities. What would make the most sense would be to build our competitive advantage with products from nature. We developed organic brand Kibio partly to know how to do those products better. If we were to buy something it would be more in that range. Then the question is finding the right opportunity in terms of the geography of the brand. ■

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In electronics, online sales have reached 25% of business and it has stayed there for a few years. In beauty the internet is around 3 or 4% of business; it may reach 10 or 15%”

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▲ Clarins is working with retailers to improve service and demonstration in-store



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## Retail trends &amp; strategies

## Outside the box

What's going on outside beauty? *BW Confidential* analyzes 10 new strategies and ideas from non-beauty retailers

### 1. Mobile commerce

More retailers are now using digital interactive windows and shop fronts where consumers can purchase goods from outside the store by using a mobile device (apparel stores, such as Ralph Lauren and Columbia Sportswear have done this well). However, what may be more interesting for retailers are mobile apps that drive consumers in-store and get them closer to more products. This is the thinking behind the Causeworld mobile application (pictured), developed by California-based company **Shopkick**. The application lets consumers earn 'karma points' simply by walking into a store and 'checking in' on the application. As consumers collect enough karma points they can donate them to one of 12 good causes or charities (capital for the donations comes from corporate sponsors). The company says that people like the idea of being able to "do good by just walking into a store"—in its first four months Causeworld was downloaded 500,000 times and when the app offered double karma points for checking in with a particular retailer the number of check-ins quadrupled. Causeworld is also testing an offer of extra karma points for shoppers who scan the bar codes of certain products.

Shopkick has also signed up electronics retailer **Best Buy** and department store **Macy's** as launch partners for a new app that detects when shoppers are in or near stores and offers targeted rewards. The idea is to lure consumers into the shop, but also to create a more interactive experience in store, and so to bridge the gap between brick-and-mortar and online, where shoppers can usually find more information about products.



### 2. Social media shopping

Making online shopping more interactive and social is said to be one of the keys to increasing conversion rates. US-based fashion retailer **Charlotte Russe** (pictured) has been using a tool called Shop Together, owned by social media company DecisionStep to do this. The tool lets two or more users shop, talk about and browse merchandise in a chatroom-like environment. The company claims that since using the tool it has seen an increase in transaction size and conversion rates and that shoppers are bringing in new visitors that had not heard of the brand before.

**Sears** also tried to get interactive to promote sales of prom dresses in the US. The retailer developed a micro site to help teens find the perfect dress, which includes a 'find out your dress personality' quiz, make-up tips and a list of trends. The experience is a lot less social than that of Charlotte Russe, but those taking the quiz were able to share and post results on Facebook and Twitter. ■■■



## Retail trends & strategies

### 3. In-store kiosks

More kiosks inside stores are cropping up to provide product information and even to order, buy and pay for goods, thereby bringing the offline and online worlds together. **Kohl's** department store (pictured) has kiosks that allow shoppers to search for out-of-stock items (colors, sizes), order them online and have the item shipped home for free. It means that the retailer can provide a larger choice without taking up space in store or sell riskier lines of merchandise that never have to be handled at the store.

**JC Penney** also plans to roll out this type of kiosk in its stores.

The kiosks could also be a replacement for staff: instead of trying to find a sales assistant, who perhaps would not have all the information the consumer is looking for, shoppers could go to the kiosk and connect to an expert by video who explains the product and answers questions.



### 4. The best of

Concepts such as the **Ranking Ranqueen** store in Japan may take on new importance due to the crisis and the need to cut stock and reduce skus. The retailer (pictured) now has 10 stores, only proposes the top three, five or 10 items in each category based on sales data from department stores and independent research. The internet may accelerate the expansion of this type of curated store. Thanks to the internet, retailers don't need to showcase every product they sell—it's more cost-effective to present the catalog online where there are fewer space constraints and less of a need to stock inventory. The brick-and-mortar store could instead be used as a showroom for the best products or perhaps for more creative consumer experiences and events.



### 5. Greentailing

Going green is as much a concern for retailers as for brands. **Gap** is one company that has initiated interesting green initiatives. It introduced a short-term program whereby consumers could exchange their old Gap denim for a 30% discount on their next purchase at the store, providing a strong incentive to shop there. Electronics store **Best Buy** also rolled out a program whereby it takes in old TVs or computers and other electronic goods to be recycled, which is not only proving to be good PR but is driving traffic to the store. Other retailers are looking to create sustainable stores.

**Office Depot**, for example, is seeking Leadership in Energy and Environmental Design certification (LEED) in all of its new locations. Wal-Mart too has pushed its suppliers to reduce packaging materials in certain categories, such as laundry detergent.



### 6. The dis-loyalty card

This is a new take on the classic loyalty card and was introduced by an independent UK coffee shop run by Gwilym Davies. The card features the names and addresses of eight rival coffee shops and the idea is for consumers to buy a coffee at each of these stores, have the card stamped to prove it and then return to Davies' store for the reward of a free coffee. The aim is for consumers to experience quality coffee at local independent stores as opposed to what is sold at some of the big chains. Davies says that the initiative will promote quality and consumer appreciation for real coffee, and that rather than compete directly for market share it's more effective to grow the entire market. The card also works to bring people into the store and create an 'engagement with consumers'. In addition it's likely to encourage customer feedback about the rival companies. Cafes in the US and Canada are now also looking to roll out the card. ■■■



## Retail trends & strategies

### 7. Sample stores

The 'trying instead of buying' concept is making greater inroads in retail. In Asia there are already a number of stores based solely on consumers sampling a product as opposed to shopping or buying. **Sample Lab** (pictured) in Japan for example, asks consumers to pay a modest registration fee and they are then allowed to try up to five products in the store. This tryvertising concept creates buzz and gets consumers familiar with new product. The store also asks those who have signed up to give feedback on the items they have tried. A similar model is the **Esloutimo** store in Barcelona. Consumers pay a bi-annual fee of €5 and can try five new products every two weeks. A different take on this theme is **Macy's** initiative to create sampling partnerships with product companies that are not sold in their stores, such as Ocean Spray, Dell and Q Tips. This type of partnership adds customer interest and builds traffic.



### 8. Monetizing the web

Retailers could be generating additional revenue streams from their online business by capitalizing on their site traffic to sell ads. Most e-commerce sites have avoided ads for fear of distracting visitors and driving traffic to competing sites. However, retailers such as **Wal-Mart** and **Target** have added sponsored links to their websites to earn revenue via clicks from their visitors. With analysts saying that 97% of visitors don't convert to sales, web ads could be a way for retailers to monetize this non-buying traffic. It's also said that display ads offer an added service to consumers by directing them to other sites if they don't find what they are looking for.



### 9. Lifestyle stores

A store is no longer just a store. Stores are becoming hybrid, and offering more than just products, but entertainment, a place to meet, relax or learn to drive traffic and encourage people to stay for longer. New York fashion store the **Dressing Room** (pictured) features a boutique area on its first floor, a vintage clothing exchange downstairs and full bar. It also hosts DJ sessions and movie projections. In a similar vein French clothing retailer **Agnès b.** opened a concept store in Hong Kong with a florist, restaurant and chocolate counter. Taking this idea further is the concept of a store that focuses on and is defined by selling a type lifestyle or culture (or age or gender) rather than a particular product category. **Urban Outfitters** has an eclectic mix of merchandise and says that it is open to any product category; while music stores, in light of declining CD sales, have been forced to add different products.



### 10. Customizing consumer offers

Offering customized products or services is nothing new, but it's becoming a more important differentiator for retailers. Coffee retailer **Starbucks** recently began to offer customized frappuccinos, the only drink it serves that hasn't yet been personalized. The company hopes to attract a new younger consumer, "given that 18 to 24 year olds want to personalize everything". The web is also making customization easier. Apparel company **Blank Label** (pictured) for example, lets consumers custom design a shirt on their website at a modest price and then has it shipped. Consumers feel that they have something unique and the advantage for the retailer is little investment in inventory. US apparel retailer **Brooks Brothers** also offers this service on its website, and more internet ventures focusing on design your own product are sprouting up, for example **gemvara.com** for jewelry and **createmychocolate.com** for chocolate. ■





## Mother nature

E-tailer My Sweet Bio's first store in Paris

Four years after opening her online retail boutique devoted to organic beauty, My Sweet Bio founder Camille Fleck has inaugurated her first store in Paris. The boutique is designed to attract ecologically minded mothers (and their offspring), and includes an eclectic mix of organic beauty and toiletries, clothing for baby and nursing mothers, housewares as well as practical items, such as washable diapers and baby bottles. The 20 or so beauty brands include Santa Verde, Dermatherm, and Coslys

The offer goes beyond just product. Workshops are given on issues such as how to massage baby (a professional from the International Association for Baby Massage presiding.) There is also treatment room for massage and facials using products by French company Doux Me for expectant and young mothers, and a corner is reserved for mothers to nurse their babies. ■



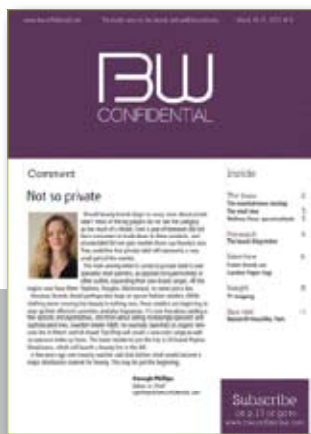
▲ Treatments include massage, facials, manicures and pedicures

### Snapshot

- **Location:** Paris, France
- **Offer:** Organic beauty for mothers and children, massage for baby and mother, facials, manicure, pedicure
- **Special features:** Workshops, nursing corner

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