

# Beauty

## Business News

#273/August 28-September 3, 2006 [www.cosmeticnews.com](http://www.cosmeticnews.com)

## Travel retail: calm after the turbulence

### INSIDE THIS ISSUE

#### STRATEGY

**Perricone to boost international**

page 2

#### ASIA

**All change at The Estée Lauder Companies China**

page 5

### BREAKING NEWS...

#### Jean Coutu's US arm to merge with Rite Aid

Canadian drugstore operator Jean Coutu Group is to merge its US operations Brooks and Eckerd into competitor Rite Aid. The 1,858 outlets will bring Rite Aid's store count close to 5,000, giving it a scale comparable to its major competitors, it said. The Jean Coutu Group, meanwhile, will receive \$1.45bn in cash and a 32% common equity interest in Rite Aid, making it the largest of the latter's shareholders.

After an uncertain two weeks, it seems that the beauty industry in travel retail is settling down almost to business as usual. The unveiling of a suspected plot to use liquid explosives to blow up aircraft traveling from the UK to the US led to turmoil, with all liquids, including cosmetics, initially banned from hand baggage on planes between those two countries as well as certain other destinations. But the rule has since been relaxed. "The Transport Security Administration will allow [gate delivery of duty-paid fragrances], provided [products] are screened again and brought to the gate by an authorized person," Henk Guitjens, chief marketing officer of JFKIAT Terminal 4 at JFK International Airport in New York, comments. He adds that gate deliveries may begin at JFK Terminal 4 within two weeks.

In the days following the August 10 announcement, shares in two of the US's biggest beauty companies, The Estée Lauder Companies and Elizabeth Arden, dropped significantly as analysts speculated on whether their results would be affected by the change. Both companies allowed for the fact that their results could be affected in financial statements issued mid-August.

"When you take [US department store] consolidation, overlay issues related to inventory de-stocking at mass [ie Wal-Mart last quarter], a consumer who may be curtailing spending, and now instability in the travel-retail business coming from changes in baggage restrictions, there is just not a lot of

good news right now," investment research firm Morningstar beauty analyst Lauren DeSanto tells BBN.

While many industry players questioned by BBN were unwilling to comment at this stage of ongoing discussions with security authorities, others were more positive after the initial chaos.

"Our beauty sales are down slightly from the same period last year, but we do not expect a serious impact on operations. Nevertheless, we are being cautious about introducing new brands right now. We want to see how the situation plays out," one US airport duty-free fragrance buyer speaking on condition of anonymity comments.

Indeed, with things seeming to settle back down after only two weeks, and passengers beginning to take the new restrictions in their stride, it seems that the effect may be minimal. "For the past 10 years, terrorist and other phenomena are supposed to be impacting sales, but the industry continues to progress," specialist market research firm Beauty & Business general manager Jean-Marc Alfandari comments. "In 1999, with the end of intra-EU duty free, there was a real reason to worry, but the industry transformed itself, became more dynamic. This is an epiphenomenon, it will smooth out very quickly."

He even suggested that it could have a positive effect on airport business. "With passengers having to come earlier to the airport, they [tend to] spend more in airport shops." It looks like the industry is already beginning to come through this patch of turbulence. ■

## NORTH AMERICA

**Sephora grows in Canada**

LVMH-owned perfumery chain Sephora is set to double the number of doors it has in Canada, with plans to launch three more stores by the fall of 2007, country manager Alexandra Whyte informs BBN. A new store is scheduled to open on October 28 at Scarborough Town Center, located in an east Toronto suburb. Another door planned for March 2007 will be built in the Market Mall in Calgary. Whyte says Sephora also intends to open in October 2007 its Canadian flagship store, which will be built in Toronto's downtown.

## ASIA

**Amore Pacific lands in Tokyo**

Amore Pacific Corp, South Korea's largest cosmetics company, has opened a corner in Tokyo's Isetan department store to secure a foothold in Asia's largest economy. Amore Pacific first entered Japan in July by establishing a shop in a department store in Osaka. The company said it intends to open 12 store-in-stores in major Japanese department stores in the next three years.

**Shiseido closes in Shanghai**

The 110m<sup>2</sup> Shiseido store that opened in September 2003 on the prestigious shopping street Nanjing West Road in Shanghai, China closed on July 25. *"The store started as a model for Shiseido Chain Stores in China. Now that Shiseido has more than 1,000 stores of this type all over the country, the Nanjing West Road store has achieved its mission,"* Shiseido China Co chairman Tadakatsu Saito tells BBN. The Japanese company aims to have 1,700 chain stores by the end of the year and 5,000 by end of 2008.

## TRAVEL RETAIL

**Aelia adds branded areas**

In a new domestic move aimed at boosting turnover, French travel retailer Aelia has been testing a branded concept within its Beauty

## EUROPE

**A Simple approach to the spa**

**U**K-based Accantia Health & Beauty is extending its toiletries brand Simple into the spa market, opening a purpose-built spa in London's Covent Garden early September and launching a dedicated professional range of 26 skincare products called SIMPLE:Therapy. SIMPLE:SPA claims to be the first spa to target women with sensitive skin with a range of treatments that focuses on touch as the primary sensory experience.

*"SIMPLE:SPA has been created in response to our consumers' demands. The brand has a high level of loyalty and we are tapping into an area where our consumers are comfortable for us to go,"* Accantia chief executive Geoff Percy tells BBN. *"The spa is a statement that further underscores the competence of our brand values and in turn will support the growth of the Simple brand overall."*

Percy plans to build a total of 25-30 spas in the UK, targeting working women aged 28+. The SIMPLE:Therapy range is 100% fragrance- and color-free. Products retail from £15/\$28, a significant premium to the brand's core massmarket range, and will be available only at the spa and from [Simplespa.co.uk](http://Simplespa.co.uk). **IM**

## AFRICA

**Smashbox enters South Africa**

**U**S beauty brand Smashbox Cosmetics is set to enter South Africa. The brand should hit shelves in niche, multi-brand retailer Metropolitan Cosmetics' stores by October, Metropolitan founder and managing director Wilfrid Moulin announces.

*"Metropolitan was my choice because the owners understand not only the cosmetics business very well but also why Smashbox is different. They know their customer very well and they have very good beauty assistants in the stores,"* Smashbox vice president international Norman Barsky tells BBN.

Metropolitan started just over two years ago and has already carved a niche for itself in the South African market. Moulin attributes the store's success to its strategy of stocking only exclusives.

For the year ending December 2006, Metropolitan is expecting sales of between R26m/\$3.7m and R30m/\$4.2m, way ahead of original projections, Moulin adds. **NS**

Unlimited store at Terminal F1 at Paris's Charles de Gaulle airport over the last month. The 200m<sup>2</sup> store has given over space to Dior, Chanel and Lancôme. *"We have given them semi-personalized back walls so that awareness of the brand among passengers is there, but within the context of our overall store concept,"* Aelia director of perfumes and cosmetics Béatrice Delorme tells BBN. She adds that the new format is likely to roll out to other Beauty Unlimited airport locations in France, which total around 25, but no timetable was given. ■

## PEOPLE

Canadian drugstore giant **Shoppers Drug Mart** has named **Jurgen Schreiber** as its new president and ceo. Schreiber was ceo, Health and Beauty Europe for Hong Kong based retail powerhouse AS Watson.

US retailer **Saks Inc** has announced the resignation of **Andrew Jennings**, who served as president Saks Fifth Avenue Enterprises. Jennings will not be replaced, and ceo **Steve Sadove** will assume his responsibilities.