THINK **RETAIL** THINK **VERDICT**

European Health & Beauty Retailers 2008

Specialists thrive despite increased competition

Published: August 2008

Reference Code: DMVT0449

Report Price: £2,495/€3,610/$4,795

About Verdict Research

Authorative analysis...

Verdict's analysts and consultants work closely with retailers, suppliers, consultancies, investment banks and property companies to identify the key issues, sector and company data and strategies driving the changing retail market.

Our research identifies how retailers can enhance product, store and brand performance as well as the factors that determine future retail success. Our specialist in-store auditing team continuously collects price and product data across locations, brands, fascias, ranges and retail sectors.

> **"Verdict are the company of choice for any research analysis and insight into retailing"**
>
> **Sir Stuart Rose**
> Executive Chairman of Marks & Spencer

Rigorous research methodology...

Our in-house retail expertise and rigorous research methodology ensure our reports provide complete and accurate analysis of the major players, issues and trends together with a detailed examination of the strategic implications for the retail market.

For key players in the retail industry, our reports are the first source of information on sector forecasts, retailer performance, store and product portfolio developments and trading strategy.

Global, European and UK analysis across nine core sectors...

Verdict Research reports covers nine core sectors, five year forecasts, strategic issues, key locations, How Britain Shops consumer surveys and the main European retail markets. Also available are a daily news service, weekly newsletter and tailored consultancy portfolios to suit individual business information needs.

Over 20 years of experience...

Verdict Research is the UK's leading authority on retailing and publishes unrivalled independent analysis of the retail industry. With over 20 years' experience, Verdict has close relationships with major UK retailers and access, at the highest level, to key executives working in the top 300 retailers to hear their first hand views. Verdict reports provide clients with a complete picture of the retail sector and unique forecasts to help UK retailers, manufacturers, service suppliers, city analysts, consultants and the media with strategic planning.

A key source for independent analysis and comment...

Verdict Research is regarded as a key source by the BBC, ITV, Sky News and the UK's leading broadsheets including the FT, Times, The Independent and Daily Telegraph. Leading trade publications often refer to Verdict's opinion and research including Retail Week, Drapers, DIY Week, Cabinet Maker and The Grocer.

In addition Verdict regularly appears in the international media. News sources quoting Verdict analysts and data include CNN, the International Herald Tribune, The Australian, Los Angeles Times, and New York Times.

European Health & Beauty Retailers 2008

Specialists thrive despite increased competition...

While growth rates across the EU15 have been slightly slower than for the EU overall over the past 5 years, the large size of those 15 markets means they still generate the bulk of revenue growth in value terms. The EU15 accounted for €15.2bn in additional health & beauty sales between 2002 and 2007. This accounts for 82.9% of the total growth seen in EU health & beauty expenditure over the period.

This new report published by Verdict Research that provides extensive data of the growing European health & beauty market including insight into the dynamics of the market and authoritative analysis of the leading 6 retailers. The report identifies the key issues in the market and highlights the main opportunities and threats going forward.

6 Key Companies Profiled

Alliance Boots

AS Watson

dm-drogerie markt

Douglas

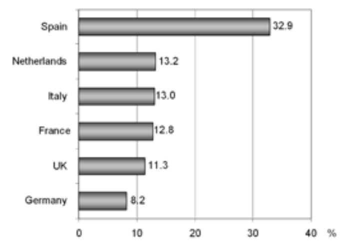
Rossmann

Schlecker

Identify growth opportunities and understand key issues and challenges in the health and beauty sector with this new report...

All of the major EU health & beauty markets have grown over the past 5 years, though there has been significant variation in the scale of this increase...

Health & beauty spending growth in leading EU states 2007e vs 2002



Source: European Health & Beauty Retailers 2008

"Spain, perhaps the least developed health & beauty market of the top 6, has the highest rate of growth. Spanish category expenditure increased by almost a third between 2002 and 2007 - more than twice the rate of any other major market. This has been driven by strong economic growth with Spanish GDP rising 44.0% over the period..."

- **Identify the fastest growing European health & beauty markets** with 5 year historical data for each of the EU27 countries. This includes total and per capita health & beauty expenditure, specialists' sales, store numbers, space and sales densities.
- **Benchmark your performance against the leading European health & beauty retailers** with historical sales, growth rates, space and sales densities data.
- **Understand the key strategic issues facing the market** with analysis of the threats and opportunities to help formulate future strategies.
- **Overview of the European retail market provides essential data for retailers looking to enter or expand across Europe.** Information includes GDP, household sizes and population growth.

VERDICT

European Health & Beauty Retailers 2008

This report answers key questions including...

- Who are the leading EU health & beauty retailers and why?
- What is driving growth across EU health & beauty?
- Which are the fastest growing EU health & beauty markets?
- Which EU countries have the highest health & beauty sales densities?
- What are the key strategic issues facing EU health & beauty retailers?
- Which countries have the highest specialists' sales?

Key Retail Data

2007 market shares

Five years' historical sales data

Store numbers and space

Sales densities

Key issues examined in this report...

The average sales density across the EU in 2007 was €8,195 per square metre, up from €7,287 in 2002...

EU15 health & beauty specialists sales density estimates (€ per sq m) 2007

Source: European Health & Beauty Retailers 2008

"The North European markets of Denmark and Finland have the most productive space. This is attributable to a relatively low number of stores given their population size. Each store serves an average of more than 4,000 people a figure matched only in the UK and Sweden..."

- **The underdeveloped markets of central & eastern Europe have become the new battleground for health and beauty retailers,** with fast growing economies prompting major investments from foreign players. Romania leads the pack for potential economic growth, with GDP expected to increase 188.0% between 2003 and 2009. Even Slovakia is due to increase its GDP by more than 50% in this time.
- **As it looks likely that the pharmacy markets of France, Germany and Spain will become more liberalised, retailers and wholesalers need to be prepared to pounce.** Vertical integration by pharmaceutical wholesalers is an option. So, too, are mail order and Internet chains. However, Verdict believe grocers are likely to be among the most aggressive businesses in pharmacy expansion in the EU.
- **Though health & beauty has been one of the least targeted categories by online retailers,** as penetration of broadband grows pureplay online specialists and bricks and clicks retailers will continue to expand their health and beauty ranges online. This, Verdict believe, will lead to a shift in sales from traditional channels, particularly in categories such as fragrances and cosmetics.

Chapter 16: AS Watson

- 2006 proved to be another successful year for AS Watson's European health & beauty division, with revenue up 10% due to increased contributions from the Rossmann business, in particular a full year contribution from Rossmann in Germany, and a strong performance from Superdrug in the UK and Kruidvat in the Benelux countries, increased revenue from joint ventures with Rossmann and the first year contributions from Spektr in Russia and DC in the Ukraine. However, EBIT declined with intensifying competition in Europe and restructuring costs associated with Savers in the UK and Kruidvat in the Netherlands – both of which underwent significant rationalisation programmes during the year.

Table 55: AS Watson European trading record 2002-2007e

Year to December	EU H&B Turnover €m	Y-o-Y Change %	EU H&B Turnover HK$bn	Y-o-Y Change %
e2002	1,235	---	9,074	---
e2003	3,941	219.2	34,662	282
e2004	4,443	12.7	42,981	24
e2005	6,043	36	58,413	35.9
e2006	6,844	13.3	66,695	14.2
e2007	7,123	4.1	76,032	14

Note: Year average exchange rates applied.
Includes Spektr and DC in Russia and the Ukraine.
Includes JV with Rossmann in central Europe (2002 onwards) and 40% stake in Rossmann Germany from August 2004.

Source: European Health & Beauty Retailers 2008

Year to December 2007

- In the last reported period to December 2007, AS Watson enjoyed the continued fruits of its expansion with health & beauty operators Rossman in Germany and Poland, Kruidvat in the Benelux countries and its luxury perfumeries division all contributing strongly.

- EBIT across the two divisions followed a positive curve, with improved results in the Benelux nations and the perfumeries and cosmetics division in the UK and Europe. That said, strong gains in the Ukraine were offset by weaker performances at the UK health & beauty chains, Savers and Superdrug. Despite the latter achieving a 16% increase in revenue, EBIT fell and Savers also suffered against intense price competition from UK grocers and discount stores such as Wilkinson. The back office functions of the two divisions were merged in the year, along with the transfer of 220 Savers' stores to its sister brand.

- The combined businesses in Europe reported a 14% uplift in sales from the previous year, with Superdrug in the UK and Kruidvat in the Benelux nations outperforming, higher contributions from joint ventures with Rossmann, particularly in Germany and Poland, and a full year's contribution from the health & beauty business in the Ukraine.

- The Benelux division reported overall growth of 11% and an improvement in EBIT for the year, Rossmann in Germany and CEE recorded double digit growth in revenue and an increase in EBIT.

Store Portfolio

- Acquisitions have come to characterise AS Watson's strategy. The sheer volume of acquisitions has catapulted the retailer into pole position in Europe. Acquisitions have varied from French giant Marionnaud to the 24-strong chain, Spektr Group, in Russia.

Table of contents

European Health & Beauty Retailers 2008: Specialists thrive despite increased competition

Table of contents

European Health & Beauty Retailers 2008: Specialists thrive despite increased competition

Fax to: +44 20 7900 6688
or scan and email to marketing@verdict.co.uk

www.verdict.co.uk

THINK **RETAIL** THINK **VERDICT**

*Please refer to our website www.verdict.co.uk for up-to-date prices

I would like to order the following report(s):

Please enter the title of the report(s) below*

Please circle your currency

____(£/€/$)____________
____(£/€/$)____________
____(£/€/$)____________
____(£/€/$)____________
____(£/€/$)____________
____(£/€/$)____________
____(£/€/$)____________
____(£/€/$)____________
____(£/€/$)____________
____(£/€/$)____________
____(£/€/$)____________
____(£/€/$)____________
____(£/€/$)____________

Complete your contact details:

Title: Mr/Mrs/Ms First Name

Last Name

Job Title

Company

Address

City State/Province

Country Post Code/ZIP

Email Address

Telephone Number

Fax Number

ALL FORMS MUST HAVE A SIGNATURE TO CONFIRM YOUR ORDER:

Signature

Complete your payment details:

Please indicate your preferred currency option: ☐ UK£ ☐ EUR€ ☐ US$

Total value of my order is ______________________

☐ I will forward a check payable to Verdict Research Limited

☐ Please invoice my company (please complete invoice address below)

☐ I would like to pay by bank transfer (email address required)

☐ Please debit my credit/charge card: Amex Visa Mastercard

Cardholder/invoice address______________________________________

Cardholder Name ______________________________________

Card No ______________________________________

Expiry Date _______ / _______

Cardholder/invoicee Signature ______________________________________

EU companies (except UK) must supply VAT / BTW / MOMS / MWST / IVA / FPA number :

Purchase Order Number (if required) ______________________________

How to contact us:

Web Order

Verdict Research Limited, 119 Farringdon Road, London, EC1R 3DA, United Kingdom.

marketing@verdict.co.uk

+44 (0) 20 7551 9750