

THINK RETAIL THINK VERDICT



UK Retail Futures 2013: Health & Beauty

Annual forecasts to 2013



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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.

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.

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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.

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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.



"Verdict are the company of choice for any research analysis and insight into retailing"

Sir Stuart Rose
Executive Chairman
Marks & Spencer

About Verdict Retail Futures 2013

Verdict Retail Futures 2013 reports are designed to provide an accurate and detailed five year forecast for each retail sector. Each report complements Verdict sector reports by providing a detailed market outlook for the forecast period by analysing a host of economic, social, political and technological factors that determine demand. In addition they take account of factors like fashion, changing consumer preferences and the influence of the media.

As the only provider of forecasts exclusively for the UK retail industry, Verdict is uniquely equipped to give thorough and reliable projections and analysis on its future development.

Retail Futures 2013

The Retail Futures 2013 series of reports provide a complete overview of UK retail...

It provides 5 year forecasts for 73 categories...

Provides accurate projections of market demand and price pressures...

A unique and reliable forecasting tool...

Categories examined by the Retail Futures 2013 series...

CLOTHING & FOOTWEAR

- Women's Outerwear
- Women's Underwear
- Men's Outerwear
- Men's Underwear
- Girlswear
- Boyswear
- Infantswear
- Accessories
- Footwear

HOMEWARES

- Glassware, crockery, cutlery & silverware
- Lighting
- Non-electric kitchen utensils
- Miscellaneous household items
- Bathroom & table linen
- Bedding/Bed linen
- Furnishing fabrics & curtains
- Other household textiles

FURNITURE & FLOORCOVERINGS

- Upholstery
- Beds/Bedroom
- Kitchen
- Living/Dining
- Home Office
- Other Furniture
- Carpets
- Vinyl & Linoleum
- Hard Floorcoverings

ELECTRICALS

- Audio-visual Equipment
- Games Consoles & Software
- Photographic & Optical Equipment
- Major/Minor Household Appliances
- Information Processing Equipment
- Telephones & Fax Equipment

HEALTH & BEAUTY

- Babycare Products
- Bathroom Toiletries
- Cosmetics
- Dentalcare
- Haircare/Skincare
- Men's Toiletries
- OTC Medicines
- Paper Products
- Perfume
- Other Health & Beauty

FOOD & GROCERY

- Bakery & Cereals
- Dairy Products
- Fruit & Vegetables
- Meat & Fish
- Oils & Fats
- Pets, Petcare & Petfood
- Sugar & Sweet Products
- Other Food
- Alcoholic Drinks
- Beer/Spirits/ Wine
- Soft Drinks/Hot Drinks
- Tobacco
- Non-durable Household Goods

DIY & GARDENING

- Non-decorative/ decorative materials maintenance repair
- Tools, equipment & accessories
- Household utensils & lighting
- Fitted kitchens & bathrooms
- Flatpack furniture
- Floorcoverings
- Garden Structures
- Garden Tools
- Garden Utensils
- Outdoor Living
- Greenstock & Growing Media

BOOKS, MUSIC & VIDEO

- Books
- Newspapers & magazines
- Personal stationery & cards
- Music & Video

UK Retail Futures 2013: Health & Beauty

Health & beauty will be one of the UK's most resilient major retail sectors over 2009...

Health & beauty will outperform despite weak consumer confidence and lower retail spending overall. Core categories such as bathroom toiletries, paper products, haircare and OTC medicines are primarily needs-driven and are typically low value replacement purchases. Furthermore, the growing and aging population will ensure continued market growth regardless of economic pressures.

UK Retail Futures 2013: Health & Beauty is a new report published by Verdict Research that provides a comprehensive insight into sector related issues such as changing demographics and consumer trends and the impact these will have on individual category performance. It combines analysis of channel trends and specialists' performance over five years as well as strategies that can be employed to ensure success in an increasingly competitive market.

Categories Analysed

Babycare	Men's Toiletries
Bathroom Toiletries	OTC Medicines
Cosmetics	Paper Products
Dentalcare	Perfumes
Haircare	Skincare

Identify and understand the key drivers of market growth and gain insight into the channels of distribution...

Year	Growth Rate (%)
2009	-0.3
2010	0.6
2011	1.4
2012	1.8
2013	2.7
08-13	6.3

Source: UK Retail Futures 2013: Health & Beauty

"Volumes remain solid but price sensitivity is strong in this category and Verdict expect deflation to persist through the forecast period. Though its core composition of essential items means bathroom toiletries volumes remain solid, it is an area where consumers are willing to trade down and/or change brands based on promotional offers – impacting value growth and encouraging greater price competition..."

- **Understand the opportunities available to UK health & beauty retailers** due to changing demographics and how strategies can be adapted to take advantage of this.
- **Discover which categories are expected to outperform over the next five years.** Use individual category forecasts to identify which of these offer the most growth opportunity.
- **Identify which sales channels are gaining share** and gain insight into distribution channel performance while fully understanding the reasons behind the projected changes in market share.
- **Understand the key issues, trends and dynamics in the UK health & beauty market,** providing valuable insight to help steer through turbulent times ahead.

UK Retail Futures 2013: Healthy & Beauty

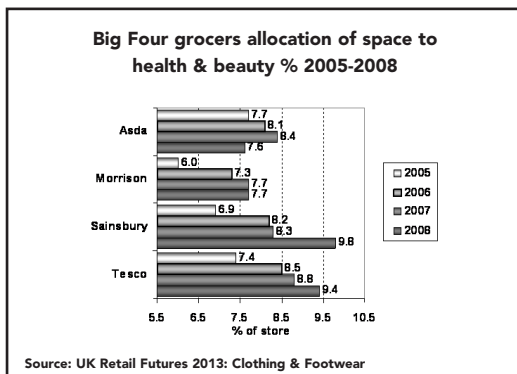
This report answers key questions including...

- What will be the fastest growing category?
- How fast will the health & beauty market grow?
- What impact will inflation/deflation have in each category?
- Which channel is gaining the most market share and why?
- How are specialists set to perform until 2013?
- What is the forecasted space growth for specialists?
- Which retailers will gain or lose market share in 2009?
- How are non-specialists impacting the UK health & beauty market?
- What are the sources of market growth?

Key Market Data

- Total health & beauty expenditure
- Health & beauty forecasted growth until 2013
- Expenditure analysis of the key categories
- Category shares, values and forecasts
- Market shares for the leading 18 retailers by channel of distribution & forecasted changes to 2013
- Specialists' sales densities, total sales, space growth & forecasted total store numbers

Key issues examined in this report...



"Supermarkets are extending their health & beauty offers. Of the Big Four grocers, all but Asda have been increasing the proportion of space devoted to health & beauty over the last four years. This has allowed them to offer a fuller range of products across categories. In larger stores the amount of space devoted to such products can be larger than a typical high street specialist. Grocers are also becoming harder for community pharmacies to compete against..."

- **Private label competition.** There will be greater competition from private labels as retailers meet the need of many consumers to save money. Again, slower value growth will add to deflationary pressure. Regular innovation is needed to encourage consumers to trade up.
- **More restrained spending patterns.** Under the current economic circumstances, many people are being more restrained in their spending – either due to lower incomes (having been impacted by unemployment, reduced bonus levels or lower interest rates), lower asset values or even merely concerns over future prospects. Some of these consumers are now evaluating how important they consider the various items of health & beauty they purchase.
- **Female purchasing power increases.** Women are becoming more affluent with incomes rising steadily over the last five years. Women still make the majority of health & beauty purchasing decisions and account for the bulk of sales, particularly in premium items, so the narrowing gender pay gap is beneficial to this market in particular.

UK Retail Futures 2013: Health & Beauty

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FIGURES 54)

Executive summary

Key findings



Value of health & beauty spend		Growth rates		Market outlook
(2008)	(2013)	(2009)	(2008 - 2013)	
£16,264m	£18,992m	2.7%	16.8%	One of the most robust UK retail sectors

+ Health & beauty will be one of the UK's most resilient major retail sectors over 2009 ...

Despite weak consumer confidence and lower retail spending overall, consumers continue to spend on health & beauty products. Core categories such as bathroom toiletries, paper products, haircare and OTC medicines are primarily needs-driven and are typically comparatively low value, replacement purchases. Furthermore, the core drivers of a growing and aging population will ensure continued market growth regardless of economic pressures.

- ... nevertheless, growth is slowing

Core inflationary pressures in packaging, transport, energy and commodities have eased off and we are seeing greater price competition across a broad range of categories, covering the price architecture from basics to upper-mass market items such as anti-ageing creams. At the upper end we expect higher levels of promotions (such as gift sets and gift with purchase) as retailers seek to add value to purchases without reducing average price points – but volumes may still slip as consumers keep a tighter rein on their finances.

+ Skincare is set to overtake OTC medicines to become the largest component of the health & beauty market by 2013

An aging population and a higher proportion of women in the workforce means women have both the inclination and ability to spend on higher value products. We expect skincare to prove highly resilient to recessionary pressures, with few people willing to cut back on their preferred products in this category.

+ Grocers, already the dominant channel for health & beauty retail, are set to take an even bigger lead by 2013

We expect them to be the channel gaining the most market share over the next five years, driven by larger store estates from the Big Four, making them increasingly accessible to a higher proportion of the population. Additionally, consumer price sensitivity has increased over the last year and grocers are well placed to attract additional sales through their value positioning and value focus.

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Key market issues

Key issues



ISSUE	SUMMARY		IMPACT ON HEALTH & BEAUTY
Non-specialist impacts	Grocers are expanding pharmacy operations	+	We don't count prescription sales in this sector, but pharmacy expansion will ease consumer access to OTC medicines and other health items – which will aid health & beauty sales.
	Department stores are investing further in beauty offers	+	Promotional efforts will help to sustain volumes and values in premium products at the expense of margins.
Changing customer base	Male and older consumers raise demand	+	Opportunities will increase to target men with new products; and demand will rise for age-related products such as skincare, supplements and medicines.
Female purchasing power increases	Women are becoming more affluent and suffering less in downturn	+	Women still make the majority of health & beauty purchasing decisions and account for the bulk of sales, particularly in premium items, so the narrowing gender pay gap is beneficial to this market in particular.
More restrained spending patterns	There is trading down in basic essentials	-	Slower value growth will add to deflationary pressures.
Private label competition	There will be greater competition from private labels as retailers meet the need of many consumers to save money	-	Again, slower value growth will add to deflationary pressure. Regular innovation is needed to encourage consumers to trade up.

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