Beauty Retail Market Preens As Consumers Develop A ‘Skimp And Splash’ Attitude To Beauty

Contributed by Mintel
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While economic uncertainties may have encouraged short term consumer attitude changes, it seems that when it comes to beauty a â€˜skimp and splashâ€™ attitude has evolved out of recessionary attitudes to shape consumer behaviour for the long term, according to latest research from Mintel.

Some 32% of consumers said that they have not changed their beauty shopping habits in 2010 and 26% that they are spending less â€“ indicating that frugal habits established in 2009 remain widespread.

Furthermore, almost 10 million (40%) UK adults say they are shopping around more to compare prices on beauty products, 7 million shoppers (14%) have bought a lot more special offers, promotions and discounts, while approximately 2.5 million (5%) say they use the Internet more to research prices as well as product details.

Despite this, Mintelâ€™s latest research finds consumers are still prepared to pay extra for small luxuries, with a third of consumers prepared to pay more for good quality fragrances and over one in five on skincare (23%) and cosmetics (21%).

Indeed, in the UK, total spend on beauty has risen 8.5%, from Â£15.4 billion in 2009 to Â£16.8 billion in 2010 â€“ going above and beyond pre-recessionary levels.

Hilary Monk, Senior Retail Analyst at Mintel said:
â€œThe recession has encouraged a cost concious attitude to everyday beauty lines in Britain, with consumers looking for value and offers where they can. However, at the same time, as consumers actively manage their budgets they have developed a â€˜skimp and splashâ€™ pattern of shopping behaviour whereby they look for affordable treats to supplement their economising attitudes.â€•

Indeed, the beauty industry has been quick to respond with product innovation at the lower end of the market as consumers maintain some recession-driven habits such as selective down-trading to private label or other cheaper alternatives.

This is especially evident in nail colour where Mintelâ€™s Global New Products Database (GNPD) recorded a four-fold jump of 427% in new nail varnishes for Â£3 or less in the UK standing at 232 in 2010, up from 44 the year before. Likewise in the face/neck care subcategory, there were greater increases in launch activity below Â£15 (27%) than above (13% for prestige beauty (Â£15-Â£125).

According to Mintel GNPD the number of new luxury face creams (over Â£125) remained steady with 28 new product launches in 2010, 31 in 2009 and 30 in 2008 - the previous years indicating the resilience of this end of the beauty market.

And it seems that discerning beauty shoppers in Britain today are targeting different retail outlets for their specific beauty needs. Indeed, one in five adults shop from different retailers depending on which type of beauty/grooming product they are looking to buy.

Just one in ten adults donâ€™t bother to shop around because they feel the offer is much the same everywhere. Supermarkets dominate spend for beauty and toiletries, accounting for an estimated 37.7% of spending in 2010.

However while department store beauty sales could have contracted by as much as 10% in 2009 the back quarter saw a strong bounce back which continued into 2010 so we anticipate that this channel will have gained market share last year. Their shopper numbers did not change in 2010 suggesting that existing customers have spent more.

â€œGiven the broader economic picture, consumers are likely to become more cautious about how they spend in 2011. As far as beauty retailing is concerned this could see shoppers looking to trade down in terms of where they shop - or more likely which brands they buy and how much they buy. Some beauty products and brands have become very commoditised as a result of widespread promotional activity and consumers will continue to seek out lowest prices and best deals here. Future growth will therefore depend more on the treating element and the introduction of beauty and grooming services in outlets besides salons. And this in turn will depend on both consumer confidence and how well retailers and brands can convey genuine innovation and added value on both masstige and premium lines.â€• Hilary concludes.

But it seems online purchasing has still some way to go with persuading consumers. E-commerce beauty sales represent

just 2% of all online retail sales, lagging behind many other product categories.

But although small, sales through this channel are growing rapidly rising by an estimated 20% in 2010 to some Â£420 million.

Source: Mintel Oxygen Reports

Region: UK - March 2011