KANTAR WORLDPANEL

THOUGHTS ON...

# MAKING A PRETTY PENNY

## Growth opportunities in health, beauty and toiletries

Kantar Worldpanel's **Thoughts On...**
the health, beauty and toiletries market

# SEARCHING FOR GROWTH

## A challenging market

With the core of the health and beauty market providing consumer essentials, the sector has been largely recession proof. On one level that's good – stability means certainty. But it also means that brands have found it challenging to identify growth opportunities. In 2013, value growth was just 1.3%.

Under seemingly still waters there are shifting currents. The past year has seen older shoppers become more of an influential consumer group within health and beauty; bargain stores grabbing spend from the specialists; and online sales growing by a quarter. This paper sets out the greatest growth opportunities in health and beauty, and how to target them most effectively.

## The grey pound

Shoppers aged 50 and over are a dominant group within health and beauty, accounting for two in five shoppers and making up almost half of all spend. On average, they part with £192 per year compared with £131 for those under 50 – and this spend will continue to grow as the over 50s are predicted to grow by 38% between 2015 and 2035.

Why are they spending more? Firstly, older shoppers tend to be financially secure with half owning their home outright.

Secondly, this group has a greater functional need. Women over 50 have more complex beauty regimes than younger women. They typically use an average of six skincare products per week versus fewer than five for younger women.

Fortunately for product developers, over 50s have clear and distinctive needs. This group, more than other ages, particularly select brands which demonstrate quality credentials and target a specific requirement. To succeed, products should reinforce their high-quality credentials through packaging, messaging and promotion. Toothpaste, for example, must include gum protection properties and should highlight compatibility with dentures. Skincare products should deliver firming capabilities, even if the product is more aimed as a moisturiser. With the audience set to increase in both size and share of wallet, NPD should clearly focus on the needs of the over 50s. While this group is demanding, success can pay long-term dividends: over 50s are more brand loyal than any other age group – half always buy the same brand for their skincare needs.

## Growth channels

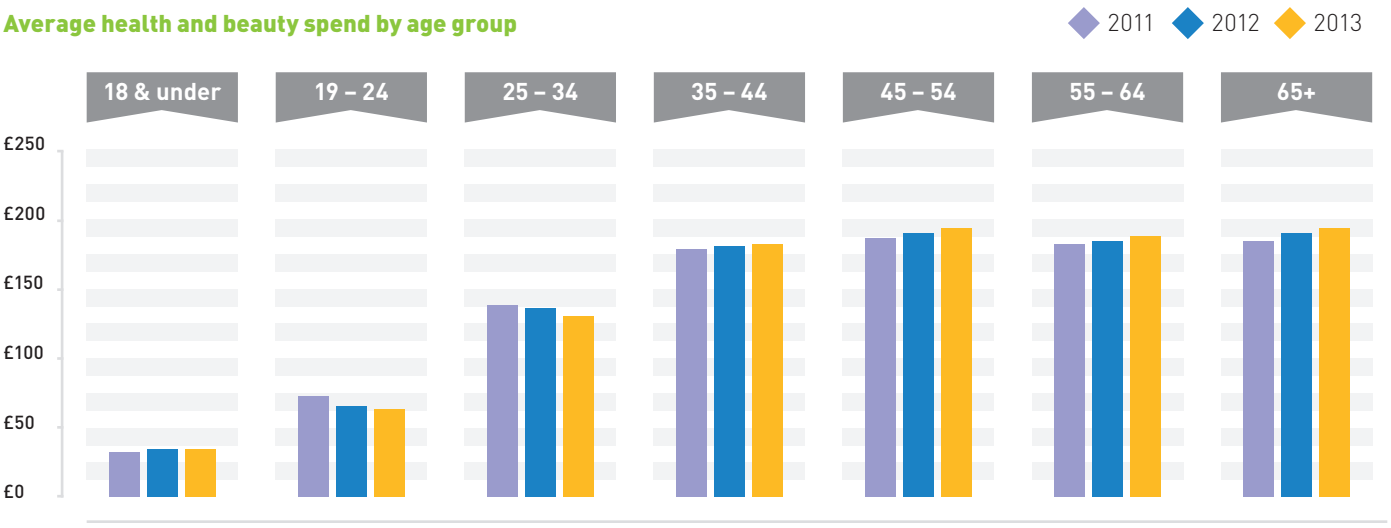
The likes of Boots, Superdrug and Tesco dominate health and beauty sales, with high street retailers and supermarkets claiming 88% of the market.

The growth story, however, is elsewhere. In quarter four last year health and beauty sales grew 17% in the discount retailers such as Aldi, and 9% in bargain stores like Poundland – adding a combined £9 million to the health and beauty market. This compares with the high street which increased just 1%. In fact, 12 million people per quarter now buy health and beauty products in bargain stores compared with 16 million in Boots and this gap is narrowing. To succeed in this new retail landscape, manufacturers must engage with discounters and bargain stores creating dedicated strategies, such as special pack sizes, which capitalise on the opportunity without alienating traditional retailers.

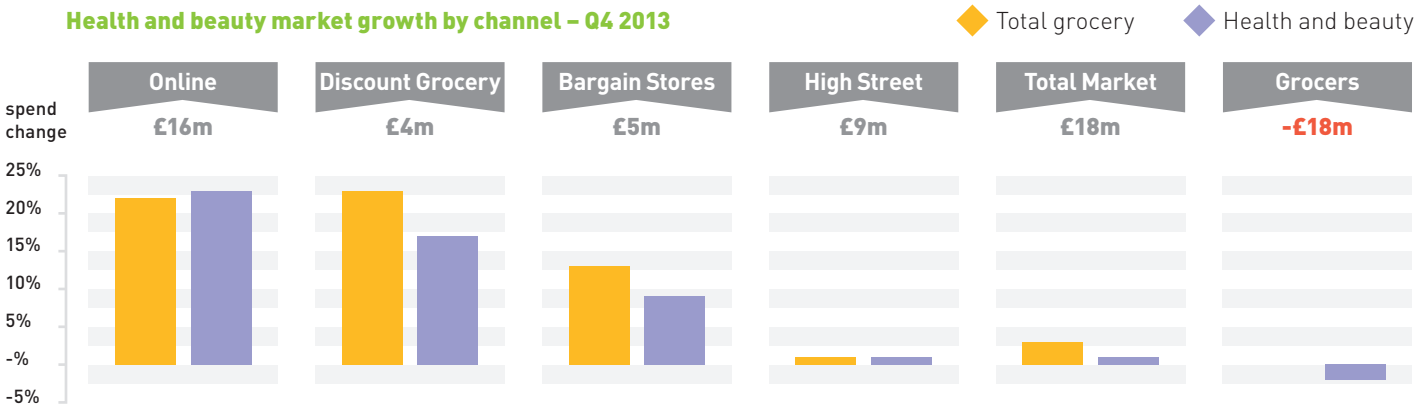
Sales at grocers' main stores, meanwhile, declined £18 million in the fourth quarter of last year. In many ways this is a recessionary trend; shoppers are increasingly savvy so will compare brands and buy them where they perceive they get the best value for money. To address this supermarkets should consider more promotions to win back the 'value' space. They should also look to grow their, typically cheaper, own label ranges which still account for less than a third of all units sold across health and beauty. This is particularly relevant for functional, ingredient-led products in healthcare.

Supermarkets must also leverage their online presence. Even though sales increased by 17% last year, online accounts for less than 6% of health and beauty sales.

**Average health and beauty spend by age group**



**Health and beauty market growth by channel – Q4 2013**




Supermarkets already have dedicated beauty web pages, but need to do more to drive their millions of shoppers toward them and create a more rewarding experience. Grocers should consider making their beauty pages a 'destination' which mirrors the indulgent and luxury attributes of the products. At a functional level, health and beauty offers could be repeated at the check-out stage or discounts personalised according to grocery spend. Shopper concerns about buying high-value beauty products online can be alleviated by offering honest peer reviews. Supermarkets have early-mover advantage but they must develop their health and beauty platforms before the likes of Poundland gain serious traction online.

## Affordable luxury

Value products and retailers may be performing well, but success in health and beauty isn't just about being cheap. Beauty treatments are an area where people still look for affordable luxury – a fact highlighted by beauty salons which continue to be buoyant.

FMCG products can benefit from this trend. Where a salon facial can set you back £50, The Sanctuary Spa's Youth Boosting Facial in a Box retails at just £16.50. By marketing a product as an alternative to professional treatments you effectively widen the shopper's pricing comparison meaning that, despite being priced at well over £10, the cost seems reasonable. Spas have been the first to capitalise on this trend by launching their own FMCG ranges, but any mass market brand should consider doing the same.

## Knowing what ails us

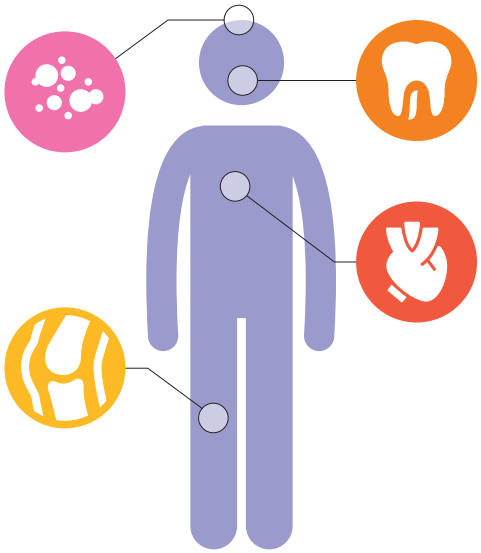
While retailers should think big and broad online, manufacturers need to look at category-level growth opportunities, particularly within healthcare. Britons suffer from a wide range of ailments, but aren't particularly good at treating themselves. Take hayfever – one in three people claim to suffer from it, but only 40% of sufferers buy a product to help. In the same way, one in three shoppers who suffer from gum disease do not buy a mouthwash.

There is a huge potential market here. When shoppers do decide to treat conditions they don't typically choose products designed to cure them. For example, Herbal Essences is the most frequently bought shampoo to treat dandruff. By contrast specialist T-Gel ranks just fifteenth. Similarly, Colgate mouthwash is the most chosen to treat gum disease while Corsodyl is only seventh.

Why is this? Consumers can find an overly scientific look unappealing and may be put off by the higher price tag associated with specialist products. To win back market share from the big brands, specialists must remember the core purpose of the product to widen their appeal and maximise reach. For example, mouthwash specialists should push 'fresh breath' or 'whitening' messages while making packaging more mainstream and less medical.

Beyond this, innovation should continue to address the needs of under-treated ailments. NPD will only be successful when a specialist product can carve out a strong point of difference or is able to establish a strong distribution network combined with competitive pricing and promotion which matches that of mainstream brands.

**Proportion of Britons who treat certain conditions**



**Dandruff**
19% suffer from dandruff, of whom only 18% take a specific product to treat it

**Joint pain**
37% suffer from joint pain, of whom 72% take a specific product to treat it

**Sensitive teeth**
28% suffer sensitive teeth, of whom only 58% take a specific product to treat it

**Heartburn**
24% suffer from heartburn, of whom only 44% take a specific product to treat it

## Looking abroad

Not every new product has to be totally original and manufacturers should look abroad for success stories. Blanx White Shock toothpaste, for instance, comes with an LED light which 'activates' the paste to create visually whiter teeth from first application. This was popular in Italy before entering the UK last year. Caffeine shampoos are hugely popular in Germany and are now on British shelves. Perhaps the most successful global import to UK health and beauty is BB Cream. Popular throughout Asia, it was introduced to the UK in 2011 and has since been bought by 2.8 million consumers. If a product or concept has already been successful in other markets it is worth exploring how well it could translate for British shoppers.

## A woman's touch

There are a number of categories within health and beauty with growth potential. One of these is men's skincare. Only 13% of all health and beauty shoppers currently buy male facial skin products. But if this increased by just 1% £5.7 million would be added to the category, which would present more than enough opportunity for a new facial skincare brand.

Who should these products be marketed to? Interestingly, the answer isn't necessarily men. Men are buying more skincare products than they used to, encouraged by campaigns by Nivea Men and Dove Men+Care, but still just 51% of men's shaving soaps and 57% of moisturisers are bought by men. This means around half of the target market for men's skincare is women, making mothers, wives and girlfriends all important targets for marketers.

Manufacturers need to think about how to attract women to purchase while maintaining an undeniably masculine product image. One approach is 'his and hers' skincare products that sit together on the shelf and can be bought by women in the same shopping trip.

Advertisers should also consider the role of women in adverts; Gillette is a good example where the woman is shown enjoying the benefits of a close shave as much as the man.

## Making the bathroom the store

The importance of appealing to consumers in the home is often forgotten, but it is just as important as attracting shoppers in store. Quite simply, if someone buys a product but doesn't use it they won't restock. The danger for brands is that they get lost in cupboards or on the shower floor.

As with all FMCG, being on display is a critical success factor and design has a huge role to play for health and beauty. Venus, for example, has developed a wall-mounted razor making its product accessible and front of mind when in the shower.

All health and beauty manufacturers should consider how to make their product more accessible, more functional and suitable for in situ display – whether in the bathroom, bedroom or wetroom.

The key is making it easy for the consumer. Some 38% of us buy vitamins, but very few take them daily. Vitamins could be made more accessible by being sold in blister packs, making them available on the go and preventing them from being tucked away in cupboards and out of sight. Wellman has just released its daily vitality vitamins as a drink. Health and beauty is less advanced than the rest of FMCG at marketing in the home and there is still plenty of room for innovation.

## A healthy outlook

Health and beauty continues its resilience, but there is significant potential for future growth. NPD will be paramount for success in the sector and it will be the manufacturers who are the quickest to engage with online and discount channels that will reap the greatest rewards.

Growing groups such as older shoppers present a considerable opportunity. Good-quality innovative products, which convey clear and functional benefits to consumers and deliver what they want, will succeed.

Look for rapidly-growing retail channels such as the internet. Make buying products online as easy and intuitive as possible. Be inspired by products which have succeeded abroad and learn from other FMCG categories that have adapted to sell as well in the home as in the store. There are opportunities out there; you just have to know where to look.

## METHODOLOGY

The primary data used in this report comes from our grocery shopper panel, on which we continually measure the purchasing behaviour of 30,000 demographically-representative households in Great Britain. Data on usage – how shoppers are using their products once they have been bought – and on in-home beauty treatments was collected from our panellists by means of an online questionnaire.

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