



SPECIAL REPORT
WELLBEING

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Lévy talks shop

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a retail roundup

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Natural beauty

Green and spa sales surge

by **Alissa Demorest**

The wellbeing category looks well on its way to becoming beauty's fourth axis after fragrance, skincare and make-up. US-based Packaged Facts forecasts that the American natural and organic personal-care market will grow by more than 50% to reach sales of \$6.6bn in 2010. The category is the major driving force in the US beauty industry in 2007, reports the Euromonitor study *Top Predicted Trends for Cosmetics and Toiletries in 2007*.

Growth is also on the cards for the spa market: the global spa industry is now estimated to be worth \$40bn annually, according to US firm Spa Finder, and industry sources claim the business has grown by 40% in the last three years. A study conducted by US-based spa association ISPA estimates that the global number of spa-goers today is 100 million. Indeed the number of spas and spa goers is set to increase. As of August 2006, there were 13,757 spas in the US alone, according to ISPA, with 15% of the US population receiving services from a spa in the past 12 months.

The industry is beginning to wake up to the market's potential. French group L'Oréal made a move into this area with the acquisition of ethically minded UK retailer The Body Shop in March 2006, followed by the purchase of French Ecocert-certified brand Sanoflore in October (Sanoflore ceo Stéphane Richard predicted a sales surge of 60% in 2006 due to the rising demand for organic products.) Meanwhile, Estée Lauder Companies (ELC) acquired natural haircare brand Ojon in July.

Backing product promises with ecological actions

Also from ELC, Origins announced that it will launch its first organic range, Origins Organic, in October. YSL Beauté's Stella McCartney

also rolled out an organic facial-care line called Care, targeting spas as well as traditional distribution channels this spring. Even the fragrance market is going green: French brand L'Artisan Parfumeur introduced its first organic fragrance line in May.

"We'll see massage and facials on offer in Wal-Mart in the next five years"

Wuttker Group principal Mark Wuttker

Wellbeing is also giving brands additional exposure via their positions and programs on sustainable development. Aveda operates a 100% wind-powered plant in Minnesota, US, and a solar-powered unit in Los Angeles will open in the coming months. L'Oréal-owned Lancôme, in conjunction with US-based Carbonfund.org, is offering to plant a tree for each of the first 10,000 bottles sold of Primordiale Cell Defense skincare.

Manufacturers may be launching more natural and green products, but what are

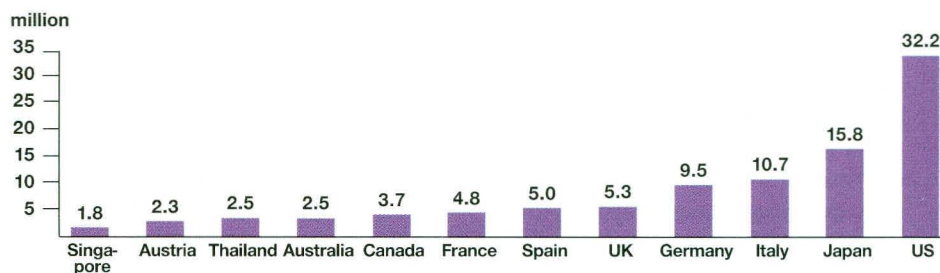
retailers doing? Not nearly enough, according to some industry watchers. They argue that as a new category in beauty, wellbeing-based products require a new type of retail environment to prosper. However, traditional perfumeries and department stores seem unsure as to how to stock a perishable face cream, for example, or how to advise consumers on natural ingredients (see article p. 31). The danger however, is that if they don't move to better sell this category, other non beauty retailers will. In France, for example, leisure chain Nature & Découvertes claims that a third of its sales now come from personal-care products. Similarly, former home décor retailer Résonances now specializes solely on wellbeing, as it was the best-selling category throughout the chain's European network.

Treatments no longer just a luxury

Non-beauty retailers are also moving into the spa market. US natural-food grocery chain Whole Foods offers massages and facials at their in-store spas, while staff take care of the

Active spa goers

by country million* March 2006–March 2007



Survey results (except for Canada and US, which come from 2006 ISPA Spa-goer Study conducted by the Hartman Group) are based on the 2007 ISPA Global Consumer Report.
*Results for Thailand weighted to be representative of the adult online population in Thailand.



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shopping list. This trend is set to continue as consumers begin to see spa treatments as less of a luxury for the privileged few and more of an affordable treat. "I believe we'll see massage and facials on offer in Wal-Mart in the next five years," forecasts business consultancy Wuttke Group principal Mark Wuttke. French beauty-institute chain Esthetic Center now offers "express" treatments for less than €13 for both women and men, which include 10-minute detoxifying or anti-aging facials.

The terms 'natural' and 'organic' may become so commonplace that they will no longer resonate with the consumer

The demand for high-end spas also continues to grow. For example, luxury-goods group LVMH signed a partnership in June with US chain Hilton Hotels and spa operator Spa Chakra. LVMH will supply the brands (Guerlain and Acqua di Parma in the first phase), the spas will be housed in Hilton hotels and will be

operated by Spa Chakra. Hilton will invest an estimated \$200m to develop 70 new spas with LVMH brands.

Everything can't be organic and natural

The demand for spa treatments lies in today's consumer desire for services and pleasure. "People are paying for experience," affirms Wuttke. But spas are missing an opportunity if they offer just the experience. Spa owners should also be focusing on product sales—especially if they want to increase profitability.

How will the development of spas and well-being products affect beauty? If brands and retailers play their cards right, it could usher in a new era of service across all channels and expand the market's sales. However, there are risks involved. The terms 'natural' and 'organic' may become so commonplace that they will no longer resonate with the consumer. Given the current frenzy of spa openings—from 'living communities' to spas for children, dogs and cats—this sector could meet a similar fate. If development of the wellbeing market means more focus on the consumer, then a move in this direction can only be a boon for the market. ■

Top-three spa treatments

by country March 2006–March 2007

	Japan	France	Germany	Italy	UK	US
First	Sauna/Steam bath 46%	Sauna/Steam bath 59%	Sauna/Steam bath 71%	Sauna/Steam bath 47%	Facial 50%	Full-body massage 63%
Second	Shiatsu massage 44%	Body scrub or wrap 40%	Full-body massage 34%	Facial 41%	Pedicure 45%	Manicure 57%
Third	Aromatherapy 21%	Scotch hose 33%	Facial 28%	Pedicure 35%	Manicure 41%	Pedicure 56%

Source: ISPA, Spa & Institut Beyond Beauty Paris

Facts & figures

- The **\$40bn** global spa industry has grown 40% in three years
- Retail sales in Asian spas make up approximately **5%** of revenue
- The UK has seen the largest increase in new organic and natural beauty products in Europe
- About **15%** of the US population has received services from a spa in the past 12 months
- As of August 2006, there were **13,757** spas in the US
- In 2006, the US spa market was **80%** dominated by day spas and **9%** by resort/hotel spas
- Commissions earned by therapists and receptionists in US spas vary between **3** and **10%** of revenue
- Medical spas are seen as high sales-pressure environments
- Products are not 'top of mind' for spa goers, but services are
- Gender-specific products are in demand, especially men's skin-care and traditional shaving items
- A majority of spa-goers perceive spas as service rather than retail environments
- **29%** of the delegates at the 2007 Global Spa Summit cited labor shortages as the top issue facing the spa industry

Sources: Spa Finder, ISPA, Global Spa Summit, Wuttke Group, Raison d'Etre, Mintel, industry sources