

Hit the Bricks



“For gutsy, focused beauty brands, freestanding stores can be lucrative showcases.

While there's little chance that the young whippersnappers swarming the 24 boutiques in Covent Garden's Beauty Quarter ever heard of the schmaltzy Kevin Costner flick "Field of Dreams," you can bet the merchants who built those stores asked themselves a version of that film's famous question before breaking ground:

If we build it, will they come?

Hailed as the "the home of more standalone beauty boutiques within one square mile than anywhere else in London," the Quarter has been on a hot streak in the past two years. It is now host to a string of industry firsts and rare retail propositions. Clinique has parked its sole Great Skin Lab here. Fashion powerhouses Chanel, Dior and Burberry operate beauty-only shops, with nary a frock or fancy purse in sight. And a mammoth brand that you'd think would have a lot more freestanding stores than it does—Bobbi Brown—houses one of its few Studios in the Quarter.

For industry watchers and beauty junkies alike, the Quarter is an eye-opener; — a chance to see brands owning their messages and showcasing their often staggering assortments. It's beauty writ large. No matter how much real estate a Clinique or a Chanel can command at a department or specialty store, it doesn't compare to seeing those brands laid out in a 360-degree, bells-and-whistles environment.

And here's what's even more exciting: the Quarter is mirroring what's happening all over the globe.

Stand on Your Own

From a revenue standpoint, it isn't an easily quantifiable distribution channel, but there's a consensus among experts that freestanding "monobrand" stores are seeing a major uptick. "It is absolutely on the rise," says analyst Carrie Mellage, vice president of consumer products for Kline & Company, a management consultancy in New Jersey. "We're doing a new study dedicated to this channel called 'Boutique Beauty Retailers' because there's been so much activity lately."

In addition to Lush and Kiehl's, both of which are opening stores right and left, Mellage cites Bath & Body Works as particularly aggressive. Describing the L Brands-owned retailer as "already extremely well-penetrated," Mellage says BBW added roughly 16 doors in 2015, and has plans to open another 23 in 2016. Also on her radar: Kiko Milano, which entered the U.S. just two years ago and is already up to 30 stores. "And we have several beauty brands entering the retail scene for the first time, including L'Oréal's NYX and soon, Philosophy," a Coty property, she notes.

What's Seriously Hot

So what exactly is a Kiko Milano, you ask? If you've never seen one up close—in the states the stores salt the Northeast, Florida, Los Angeles and Las Vegas—picture a budget version of MAC Cosmetics. In other words, makeup and skincare with a professional artist spin, but at lower prices. (I can't vouch for the quality since I've yet to try a Kiko product.)

Not that MAC, hardly a slacker on the freestanding store front, needs to watch its back. Yet. "Kiko Milano and MAC owe much of their success over the past few years to operating their own stores," says Nicholas Micallef, Euromonitor's senior beauty and personal care analyst. "MAC reported a third of 2015 sales as coming from its own stores, while Kiko Milano grew nearly fivefold to \$347 million in Western Europe over 2010 to 2015, selling only via its own stores."

And there's no question that value pricing in makeup is gaining traction. As Mellage notes, NYX Cosmetics had zero stores in the U.S. before 2015. Now it has 15. (Of course, its 2014 acquisition by L'Oréal surely put some wind in its expansion sails.)

Market guru Karen Grant, global industry analyst, beauty, for NPD Group, has her eye on Rituals. The Amsterdam-based retailer, which has been expanding at a rapid clip in many key markets, is tapping into two big trends, says Grant: Lifestyle and naturals. Billing itself as a range of "home and body cosmetics," the assortment is organized into six esoteric collections—

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including Dao, Laughing Buddha and Samurai—and sells candles, hammam towels, pillow mists and robes along with lavishly scented shampoos and shower creams. Such a crunchy spa positioning isn't for everyone. Or is it? "The stores are really beautiful," Grant says. "And the brand falls into this whole body/mind area. Consumers are looking for a more holistic experience, and Rituals is offering that lifestyle option."

And What's Seriously Not

On the flip side, some of the world's biggest, most storied beauty brands haven't fared well in the freestanding arena. In 2006, for example, Lancôme opened a store on Manhattan's Upper West Side, only to close it in five years. Although it tried to shutter quietly, it failed. "The Lancôme Boutique on Columbus Abruptly Closed for Business," blared a headline on Racked, the buzzy digital retail watchdog.

It makes perfect sense that the erstwhile "big three"—Lancôme, Estée Lauder and Clinique—aren't an automatic slam-dunk in the freestanding arena. After all, they've been the beauty pillars of the American department and specialty store scene for decades, and public perception dies hard. While MAC is now as massive in that channel as the troika, it has a built-in cool factor that enables it to pivot powerfully to its own stores.

Still, as Grant points out, "anything is possible. Although those big, established brands have really been the anchors that built the department store world, we also know everything can change." One way to do that, says Grant, and appeal to younger consumers, is to focus on backstories. "For instance, what's the story behind Clinique? Do young people even get it?"

Another possible track is to carve-out a hipper sub-brand from the original, much the way Lauder has done with its Kendall Jenner-fronted Estée Edit. That's a way to get the younger customer both in the door and hooked on the sky-high product quality. "It's never a question of whether any of the products coming out of these big brands is good," says Grant. "That's a given. The challenge today is that there's so much competition. There are lots of other kids at the party now."

Recipe for Success: A Mix of "Dirt" and Digital

Remember five minutes ago, when all anyone could talk about was online this and online that, and how the internet would be charging on its white horse to "save beauty?"

Now that we've all calmed down, we've learned a few things:

1. While perhaps not "saving" beauty, digital has been a darn fine thing, a real cattle prod to the bottom line for many brands.
2. Done well, online is a fantastic tool for driving image, messaging and storytelling. Sure, you can host a quick online sale and move the merch. But you can also deploy digital to help consumers learn how your line is different from the competitors', and see your brand in a bright new light.

Guess what else can do all that? A great-looking, exciting, fun-to-shop freestanding store. And working in tandem—killer stores meet well-executed digital play—the effect is that much greater. "Standalone stores can generate traffic online if the in-store experience leaves a lasting impact," says Euromonitor's Micallef. "Jo Malone and L'Occitane earned their equity partly thanks to the rapport built with shoppers via their own stores, and they benefit from their ability to provide customized products online too."

That said, freestanding isn't the right path for every brand. "You still need a unique message to succeed as a standalone," says Micallef. "If every brand were to have its own stores, only those that could really stand out would survive."

A Mini Dive Into a Brand That Got It Right

In 2001, when design savant Victoria Maddocks joined Kiehl's as VP creative director after a lengthy stint in publishing, one of her first big tasks was to help evolve the look of its freestanding stores.

Having recently been acquired by L'Oréal, the brand was in growth mode. "The first retail concept was already underway," Maddocks, now vice president and creative director for Philosophy, recalls. "And about 20 or so stores were built in that style."

To conjure the master plan for Store Lock 2.0, Maddocks, who tends to leave no stone unturned, started researching the rich heritage of the brand, which was established in 1851. "I really locked myself in a vault," she says, laughing. "I delved into a trunk full of letters written by [brand forefather] Aaron Morse, press clippings and thousands of customer comment cards, many of which I read."

After observing customers in the brand's beloved East Village flagship, spending quality time with the Kiehl's core team and creating a whopper of a mood board, Maddocks turned to a few outside experts: environmental psychologist and Why We Buy author Paco Underhill, and architect Ron Pompei. "Paco and his Envirocell team shot about 800 hours of video of customers shopping in three of our stores," Maddocks notes. "The findings were fascinating."

The collaboration with Pompei proved equally fruitful. "Ron is a phenomenal thinker and energetic architect," she says. "He was a great fit for Kiehl's."

The upshot? "The resulting design was more of an evolution" than a revolution, Maddocks allows. "But it was well received and really helped catapult the brand into the future."

Did it ever. "Kiehl's has just been one of the best brands overall," says Grant. "And that's despite any other trends we're seeing. Right now, skincare isn't even doing that well, but Kiehl's is still one of the top brands out there."

And without question, the brand's retail ops are integral to its success. "What freestanding stores do is reinforce a brand's heritage," says Grant. "When you go into a Kiehl's store, you know what the message is."