

# Australian Health and Beauty Report

ACRS Secondary Research Report April 2009



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## The 2009 Australian Health and Beauty Report

We are pleased to introduce to you the 2009 update of our Australian Health and Beauty report.

In order to understand the Health and Beauty industry, it is crucial for participants to monitor the major trends, dynamics and competitive forces. The 2009 Australian Health and Beauty Report provides readers with insight into the current trading conditions and future prospects for the Health and Beauty industry. The report also discusses key legislation and other regulatory codes that govern the industry. The final discussion of the report focuses on consumer and retailer trends, as well as the implications these trends present to the industry.

Using secondary research garnered from a multitude of resources, this report provides an overview of the health and beauty market in 2009 for retailers, suppliers, service providers, and other related businesses.

The team that worked on this report trust that you will find the information insightful and helpful in shaping your strategies for 2009 and beyond.

If you have any questions in relation to this report or would like to discuss an in-company presentation, please do not hesitate to contact us.

The ACRS Research Team  
Australian Centre for Retail Studies

The health and beauty retail sector, as is the case for the broader industry, is dynamic and constantly evolving. New product innovations, brand positioning, merchandising, promotions and pricing are all vital weapons in the battle for market share in this space. The Australian Health and Beauty industry is comprised of both cosmetics and toiletries retailing and pharmaceutical retailing. The primary activities within the industry include cosmetics, toiletries, perfumes, haircare, drugs, patents medicines, pharmacy and prescriptions retailing. As one of the largest retail segments in Australia, health and beauty retail sales amounted to \$13,400 million in 2007-08 and are expected to reach \$13,900 million by 2010.

The Health and Beauty industry is comprised of four major distribution channels: pharmacies, specialist retailers, department stores, and supermarkets. Recent times have seen growth in the Internet as a significant distribution channel. This trend is seeing many Australian consumers increasingly purchase health and beauty products online, prompting retailers to incorporate online shopping into their operations in an attempt to increase competitiveness and awareness.

The key competitors within the Australian Health and Beauty industry again comprise of pharmacies, specialist retailers, department stores, and supermarkets. There has been a considerable increase in the level of competition from department stores, supermarkets and other non-pharmacy outlets that have expanded their product range to include various health and beauty items. There has also been an increasing presence of specialist health and beauty chains, such as The Body Shop, Perfume Connection and Napoleon Perdis, that often occupy a niche part of the market by expanding through a deep product range.

There are a number of current and emerging trends that have contributed to changes in consumer preferences and patterns of behaviour towards health and beauty products. In terms of consumer trends, Australia's population has been ageing steadily throughout this century and Baby Boomers have come to represent a sizeable and fast growing consumer segment for the industry due to their high levels of disposable income and demand for health and anti-ageing products. The male grooming market has also become a significant driving force for the growth in cosmetics in that men are becoming increasingly concerned about their appearance and have shifted away from unisex brands in favour of male specific varieties. Another trend within the industry is the growing societal acceptance of alternative therapies by consumers who are seeking alternatives to prescription medicine, This has resulted in an increase in the popularity and use of herbal remedies in recent years.

Similarly, the organics market has been fast moving into mainstream over recent years as consumers become more concerned about the ingredients used in health and beauty products and their effects. Fashion trends also have a significant impact on the Health and Beauty industry as a result of consumer preoccupation with celebrities and the latest trends. Furthermore, consumer shopping behaviour is continually changing; retailers are under greater pressure to provide more convenience to time conscious shoppers, take into consideration male shopping behaviour and develop deeper relationships with consumers. The changing nature of these trends means that health and beauty retailers, as with all retail sectors, need to become more observant and better prepared when making strategic decisions.

In terms of retail-driven trends, retailers competing within the four primary distribution channels are continually evolving in an attempt to capture market share. For example, one facet stimulating competition is supermarkets increasing their range and shelf space made available to health and beauty products. Growth in supermarket market share has been assisted in recent years by a reduction in the legislative controls governing the sale of these products. The increasing prevalence of technology has also had a significant impact on the Health and Beauty industry, with automated retailing changing the way retailers communicate with and sell to their customers. Self-service applications such as vending machines, self-service check-outs, point-of-sale systems, digital signage and kiosks are helping retailers to reduce costs and engage their customers more efficiently. In much the same way, experiential retailing has become a strategic imperative as retailers attempt to break through a cluttered retail environment by utilising elements that provide consumers with something more exciting to see or do. Another retailer trend is the increasing number of franchises within the Health and Beauty industry. Franchising is enabling retailers to move away from a classic strategy to a more collaborative model that integrates all components of the business.

Product trends are also significantly impacting on the Health and Beauty industry. Product innovation and the continual development of new products is key to capturing and maintaining consumers. Innovation may come in the form of new benefits, new methods of delivery or new types of shades. Retailers are also becoming more conscious about the environmental impact of their products and are therefore incorporating sustainable product design into their operations. Premium products and private labels have also transformed the health and beauty environment, with retailers tailoring their offerings to accommodate consumer demand for such products.

There are many challenges facing health and beauty retailers, including the global financial crisis, rising petrol prices, rising rental rates, increased level of competition, ageing population, and increasingly health conscious consumers. These challenges, accompanied by a myriad of opportunities, present many implications for health and beauty retailers and suppliers to the market. In essence, retailers will need to carefully monitor their environments and adapt accordingly to meet the needs of ever-changing market environment, as well as existing and potential consumers.

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## About the Australian Centre for Retail Studies

The Australian Centre for Retail Studies provides knowledge leadership to those involved in the retail sector through broad based research and information generation, management education programs and the promotion of retailing as a career.

As a commercial centre within Monash University's Faculty of Business and Economics and Department of Marketing, the ACRS is a bridge between the academic and the commercial retail worlds, enabling clients to access resources and knowledge that may not be otherwise available to them.

The centre engages in the following areas of activity throughout Australia, New Zealand, South East Asia, and Asia:

- Management development programs;
- Presentations, conferences and seminars;
- Retail research, reports and publications;
- Study tours.

Given its unique retail focus, the ACRS imparts knowledge, skill, and understanding to all levels of management from first line recruits to CEOs; offering invaluable expertise over other general management training providers.

## The ACRS Secondary Research Report Series

The ACRS series of secondary research reports addresses relevant topics and issues surrounding the Australian retail industry. Published throughout the year, these reports are intended to provide retailers with information to evaluate and address critical issues. The reports also serve to help gain an insight into key trends and activities taking place within the industry.

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