

# BRANDS AS RETAILERS

# Estée Lauder's

Beauty giant Estée Lauder is expanding its reach online and in-store. **Rebecca Thomson** speaks to its UK president to find out how it is keeping up with customers

**20** years after ecommerce started to develop, it's perhaps surprising that consumer brands such as Estée Lauder Companies haven't focused more on developing their retail offers.

But while the skincare giant continues to work closely with retail partners, this is finally starting to happen in a more serious way – Estée Lauder now has a total of 62 UK stores and plans to open three more this month. And its transactional websites for 14 of its 20 brands in the UK are processing more sales than ever.

The work the company is doing on its retail offer is echoed by similar moves at other global beauty brands. Clarins is focusing heavily on China, having opened 180 stores while developing its ecommerce strategy; L'Oréal, which part-owns The Body Shop, is embarking on a total overhaul of its online offer with a new platform from Demandware.

Estée Lauder is one of the biggest beauty companies in the world – its market capitalisation is \$28bn (£17.4bn), and its most recent annual results showed global sales of £10.97bn in the 12 months to June 30, up from £10.18bn in 2013.

In the UK – the company's second largest market outside the US – direct retail sales rose 10% in the same period while overall sales grew 11%.

Its annual report states that the high level of growth was partly down to broadening its focus outside London, and concentrating on brands such as Jo Malone which have their own stores.

The report states: "In the UK, we grew double-digits in part by expanding distribution both outside of London and in untapped neighbourhoods, and by increasing the penetration of our brands, such as Jo Malone London and MAC."

## Retail partnerships

However, despite the relatively new reliance on direct-to-consumer sales and own-brand stores, Estée Lauder's biggest sales channel is still its partnerships with retailers such as Boots and department stores such as House of Fraser and John Lewis. Brands including skincare line Origins, the eponymous Estée Lauder line, and make-up labels Clinique and Bobbi Brown are all predominantly sold through retail partners. Chris Good, Estée Lauder UK

president, says this is not about to change.

"The vast majority of our business is still done through retailers," he says. "Our primary focus is with our existing retail partners. We really believe that they are tackling the challenges of the omnichannel environment – our mission is partnering with them in that process."

But as with every consumer-facing business, Estée Lauder has had to reappraise its distribution strategy over the past few years. It is no longer enough to rely on wholesale store sales and, as a result, its online channel is growing fast. The company is also working hard on mobile commerce and it has launched 50 m-commerce sites globally in the past year.

## Flexible channels

Estée Lauder is not just working with its retail partners on their omnichannel evolution, but on its own response too. Good says it is clear the role of the store is changing: "It will be interesting to see what bricks and mortar looks like in years to come. It will change in format because it's having to encompass this omnichannel environment."

Initiatives such as click-and-collect, showrooming, and digital technologies in-store are changing the nature of what stores do, he observes.

Estée Lauder's mix of stores, wholesale and online has changed over the past few years, albeit not dramatically. The company is "pursuing the freestanding store model, but not exclusively", Good says, and online is now "a flagship in its own right". The approach is fairly flexible. "It's about the most appropriate formats and channels that exist on a by-market basis," he explains.

For some brands, this means stores – Estée Lauder has a total of 60 stores throughout the UK, mostly for perfume brand Jo Malone and cosmetics brand MAC, both of which are also sold via other retailers.

This has produced one stream of growth. The other is a new focus on customers outside London – particularly shoppers from non-white ethnic backgrounds. Big beauty brands across the industry have traditionally come under fire for failing to cater to an ethnically diverse consumer base, but Estée Lauder hopes to change that.

Brit Good has worked for Estée Lauder for 25 years, returning to the UK two-and-a-half years ago having worked in cities ranging from Shanghai to Moscow. He says the resultant focus on

Estée Lauder Companies has expanded Jo Malone outside London to reach new consumers



diversity that gave him has helped him lead the UK business.

He says: "The UK is a fascinating market. I have an emerging marketing background and you can actually view it as an emerging market. It's very easy to say it's a mature market, but we think it's fascinating. It's not a homogenous market by any means."

This has filtered down to what Estée Lauder provides its customers in different parts of the UK, depending on the ethnic profile of shoppers in a particular area – the South Asian customer, for instance, plays a big role for the company in areas such as London, Leicester and Birmingham.

At the point of sale, 77 different languages are spoken, and there are assisted selling tools available to staff on iPads that provide information in 11 languages.

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# retail touch-up



**“What we are focusing on is how the consumer is changing shopping habits”**

Chris Good, Estée Lauder



The business does a lot of work to determine who its customer is, and tailors point of sale service and product mix accordingly.

It's not just about language either, Good says, but cultural sensitivity – everything from how a product is applied to the timing of marketing makes a difference.

This focus on who consumers are has also led to a heavy reliance on the information filtering through from sales assistants and make-up artists working on the counter.

This is the best way to keep up with changing consumer behaviour, says Good. “What we are really focusing on is how the consumer is changing shopping habits. That's so important – we spend a lot of time as an organisation in the field, working with [sales] consultants and make-up artists. They're interacting with consumers every day, they'll see it way before you see it in a research paper. They're probably our greatest source of market intelligence.”

Good says the management team is encouraged to spend as much time as possible in the field, and there is a formal process for getting feedback from sales staff into head office. He says: “You can sit in an office and hypothesise until the cows come home but it's what's going on out there that really matters.”

He says that is how businesses should find out how shoppers are changing – in how they shop, and the ethnic profile of the UK. “You can't look at it in a homogenous fashion – you need to look at different consumers. It's very fragmented in that sense.”

## In-store service

The company has also been determined to replicate the service it provides in-store on its websites. All of its sites have live chat facilities that enable shoppers to speak to knowledgeable staff and receive advice. Good says: “We talk about a ‘high touch’ level of service. You can do that in-store but now incorporating live chat online is very important.

“It's about developing a conversation with consumers to an even higher level. Things like live chat are perfect. We need to make sure that we don't let technology just become technology, but enables us to be in high touch with consumers.”

With so many brands to manage in the UK, Estée Lauder has a complex job on its hands as it adapts to a new retail environment.

But with shoppers keener than ever on personal advice and good service, it looks well placed to take advantage of the way retail is changing. ■