



Luxury Beauty Survey Report

AUSTRALIA

September 2010

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1. INTRODUCTION

In this survey, MO Luxury asked respondents to consider the ways in which they may buy a luxury beauty product (such as skincare, make up, body care) and to disclose their views on the service level received across in store (face to face), online and telephone experiences. MO Luxury asked the respondents to think about how important the service experience is to their ultimate decision to purchase. The size, scope and distribution channels within the domestic beauty industry are discussed in detail. Other market trends such as the organic and environmentally conscious market and loyalty and promotional campaigns are explored. Additionally, features of the current economic environment directly affecting the luxury consumer environment and the subsequent implications for service within this environment are addressed. The direct correlation between service offering and sales (namely the reality of lost business in the case of poor service) is developed and tangible results have been produced using MO Luxury's Cost of Lost Client Satisfaction Model. These results are significant to brands with respect to the damage that poor service inflicts on brand loyalty and profitability within the luxury beauty market.

2. ABOUT MO LUXURY

MO Luxury is a dynamic, Sydney-based consultancy specialising in luxury goods and services. In addition to consulting on brand and retail management to some of the world's finest names across various product and service categories, they offer investigative insights into consumer behaviour through their research arm. They also offer clients access to a fresh and inspired network of individuals through their bespoke recruitment service.

Founded and directed by luxury business specialist Melinda O'Rourke, MO Luxury boasts almost 20 years of solid experience with some of the world's most luxurious brands including Chanel, Prada, and Yves Saint Laurent.

3. METHODOLOGY

The MO Luxury Beauty Survey ran for two weeks from 30th of June 2010 to 14th of July 2010. The survey was hosted and delivered within an online format. The survey was advertised in an online magazine through the display of a Leaderboard and Facebook through an appropriately targeted advertising campaign.

4. COSTS TO BUSINESS

WHAT DO UNFULFILLED OR DISSATISFIED CLIENTS COST US?

MO Luxury has adapted an esteemed study that focuses on the identification of several problems with overly simplistic measures of satisfaction. The study found that clients could be split into three groups based on their satisfaction scores:

- Highly Satisfied: a score of 5 out of 5 (or 9/10 out of 10), they are loyalists;
- Merely/Reasonably Satisfied: a score of 4 out of 5 (or 6 to 8 out of 10), they are at risk of switching to a competitor; and

- Very Dissatisfied: a score of 1 or 2 out of 5 (or from 1 to 5 out of 10), not only are they unlikely to buy again from the company, but they are likely to share their frustration with others.

Based on extensive direct research, they found that **'merely' satisfied clients are much less likely to be loyal than 'completely' satisfied clients**. In the luxury beauty industry, lifetime customer values - and hence the cost of not completely satisfying a customer - can vary significantly. Based on its research, MO Luxury has constructed a model which allows individual companies to calculate their typical lifetime customer value based on key variables. MO Luxury has adapted an example of a typical beauty counter based in a CBD Sydney city location, based on average store variables and using results from this survey **show the potential annual loss of profit from not fully satisfying clients to be almost \$104,602 per year**. This provides a powerful justification for companies to regularly and independently monitor client satisfaction, and to focus appropriate investments in areas which are likely to improve it.

5. EXECUTIVE SUMMARY - RESULTS

The luxury beauty survey results provide a number of important points with financial implications for the retailer and wholesaler that can mean the difference between not achieving stated sales and profit targets.

Brand loyalty is enormous in this industry, with the majority of respondents supporting that they are **more likely** to purchase additional products from a brand they already use - as long as the brand provides good service which respondents rank as **vital** and **very important** to their ultimate decision to purchase.

There is an opportunity for good staff to provide excellent service to convert those just visiting and browsing if the staff make the respondents feel **welcome and valued**. It was also highlighted throughout the survey that consumers demand staff to be **knowledgeable**.

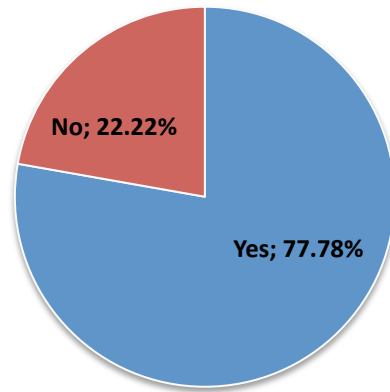
Download efficiency is outlined as crucial to many respondents using this channel. It is a fact that websites that download slowly lose both customers and business, and this is explored in greater detail through the provision of additional research and respondents' comments.

Respondents outline key skincare and make up products that they are **least** willing to trade down on with respect to price. They listen to their friends and are motivated strongly by **word of mouth** endorsements on brands and products.

Respondents 'love' **sampling, with the Lion's share** of respondents stating they are more **likely to purchase** from a brand when provided with a sample. Despite the currently sluggish sell through rates, the majority of respondents indicated that Gift With Purchase (**GWP**) **motivates them** to time their purchases to receive this form of promotion.

As consumers are becoming more **socially** and **environmentally** aware, respondents were asked about their personal use of organic products, and if they feel compelled to purchase from brands that advertise such an affiliation. The results reflect the growth of this submarket. In line with social awareness and the general debate, almost 78% of respondents

want transparency from luxury beauty brands in their advertising campaign messages relating to **result-based claims on research**.



To purchase a copy of this report or to receive more information, please contact Kathryn Millhouse, Brand Consultant at MO Luxury on 02 8021 2705 or kathryn.millhouse@moluxury.com.au.