



Walmart's new displays may unlock cosmetics sales

Tue Nov 03 18:58:05 UTC 2009

* U.S. Walmart stores unlock perfume, cosmetics cases

* "Project Impact" changes include new displays

* Elizabeth Arden expects sales lift

By Jessica Wohl

CHICAGO, Nov 3 (Reuters) - Manufacturers of fragrances and pricey cosmetics could ring up sales increases this holiday season as Walmart unlocks display cases to make shopping easier.

In the last few weeks, the majority of Walmart stores in the United States have set free more expensive cosmetics that used to be in locked displays. Products including Elizabeth Arden Inc <RDEN.O> perfumes and Procter & Gamble <PG.N> skin creams are now displayed in acrylic "keeper" boxes to be unlocked by cashiers at checkout.

Women can pick up the boxes and examine items without having to wait for an associate to unlock the display case.

The change comes as more women are choosing to buy cosmetics in lower-priced mass chains instead of department stores and as the key holiday selling season gets underway.

"The early retail sales results for stores converting to keepers suggest there is significant upside in retail sales as the product is unlocked," Joel Ronkin, general manager of North American fragrances for Elizabeth Arden, said during his company's quarterly conference call last week.

A "significant" number of Walmart stores would switch from locks to keepers by the holiday season, Ronkin said. He did not specify how many, and neither did Walmart, which has more than 3,500 U.S. supercenters and discount stores.

Under Wal-Mart's "Project Impact" plan, the world's largest retailer is widening aisles, getting rid of slow-selling merchandise and stocking more brand name items.

Perfume makers such as Elizabeth Arden and privately held Coty Inc "should benefit disproportionately from the new design" as fragrances now have about 30 percent more shelf space, SunTrust Robinson Humphrey analyst Bill Chappell told clients in a research note.

A certain percentage of stores are keeping the goods locked, as a control, but most Walmart stores no longer have locked displays for such products, a spokeswoman confirmed.

SKIN CARE UNLEASHED

The display change applies to fragrances, such as the Britney Spears perfumes sold by Elizabeth Arden. Walmart said it also unlocked more expensive skin-care items, such as Procter & Gamble Co's Olay Pro-X line.

Wal-Mart Stores Inc <WMT.N> is Elizabeth Arden's biggest customer, accounting for about 16

percent of the company's total sales and about 25 percent of North America fragrance sales in the latest fiscal year. Overall, North America fragrance accounts for 65 percent of Elizabeth Arden's net sales and a greater percentage of profit.

Elizabeth Arden already built increased sales from the unlocked displays into its forecast. Last week, it projected sales would rise 2.5 to 3.5 percent this fiscal year, versus a prior forecast of 2 to 3.5 percent growth. [ID:nN29362588]

The last time Wal-Mart removed locked case displays at some stores, Elizabeth Arden's sales jumped 10 percent to 20 percent within six months in those locations, analyst Chappell said.

A sales lift could also come at other chains in the coming months. Elizabeth Arden has partnered with other big customers, including drugstore chains, to work on redesigning the fragrance category.

Elizabeth Arden, which is working on the plans with a marketing company, said some chains are already testing or implementing concepts, including versions of open sell.

Meanwhile, Walmart's sales could get an additional boost from the retailer's decision to start selling beauty products online. [ID:nN13526854]. (Reporting by Jessica Wohl; editing by Gunna Dickson)

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