

ULTA ULTIMATE AMBITION

With dramatic expansion of its online, bricks-and-mortar and salon businesses on the cards, US perfumery chain Ulta wants it all. Annemarie Kruse reports

Ulta was founded in 1990 and is one of the largest beauty retailers in the US. The Nasdaq-listed perfumery chain currently operates 817 stores in 48 states and has an unusual retail concept: unlike competitors such as LVMH-owned perfumery chain Sephora or drugstore-pharmacies like Walgreens, CVS or Rite Aid, Ulta stores sell beauty and personal care brands across a wide range of price points, distribution channels and retail categories.

Under the slogan “All Things Beauty. All in One Place” Ulta stores typically offer some 20,000 items from more than 500 mass market and premium brands, including luxury fragrances, personal care, salon products, niche beauty brands and mainstream cosmetics. Locations tend to be in high-traffic urban and sub-urban areas – usually in shopping malls or other retail centres – with an average store size of around 10,000sqft (around 930sqm).

As well as its own label range, Ulta retails several exclusive brands, such as CK One Cosmetics, Japoneseque colour cosmetics and make-up tools, Ultra CHI hair care appliances and make-up tools from professional brand IT Cosmetics. In 2014, the sale of these exclusive brands accounted for around 2% of total group sales. And at the beginning of this year, Ulta introduced a number of new brands to its skin care line-up including popular and affordable South Korean range Tony Moly, Canadian skin care brand Skinfix and US sensitive skin care range First Aid Beauty.

Ulta also has a popular customer rewards program, ULTAmate Rewards, which currently has some 15 million members and represents around 80% of Ulta’s entire sales. With each purchase, customers earn reward points which can be redeemed for beauty products of their choice.

Each Ulta store has an integrated hair salon. Most salons have an average treatment space of 950sqft (88sqm) and also offer skin care treatments and manicures, and there are some 600 Brow Bars that are run in cooperation with colour cosmetics brand

Ulta updates own label skin care

Besides mass market and premium brands, Ulta also sells its own label range Ulta Beauty. The company sees its proprietary label business as a strategically important category and in fiscal 2014, own label products accounted for around 4% of Ulta’s entire turnover.

For 2016, Ulta Beauty’s skin care offering has been updated with a new range of on-trend products, including a sonic cleansing brush, micellar water cleansing pads and facial cleansing towelettes. The new additions join existing products, which include Ultimate Clean Foaming Facial Wash, Instant Nourish Facial Moisturizer, Resolve Clarifying Treatment Foaming Mask and more.



Fact file: Ulta

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Benefit. According to Ulta, salon customers shop more frequently than regular customers and tend to spend more money on additional products so they are a valuable demographic.

Salon masters

Ulta has big plans for its salon division. The company says that it wants to establish itself as a leading chain in the US salon market. And although so far the salon business only accounts for a small share of Ulta’s group turnover, the division has registered double digit growth rates over the past couple of years. In fiscal 2014, the salon business grew 20.4% and in third quarter 2015, the salon business clocked up turnover of \$51.7m, up 20%.

Ulta’s e-commerce business is an equally important division for the company. In 2014 sales through ulta.com grew 56%, while in third quarter 2015 the e-commerce business shot up 56.3% to \$46.2m. Currently online turnover accounts for 5% of total sales but over the next five years, Ulta says, it will grow its e-commerce business to twice that size so that by 2020, online sales will account for 10% of group sales. Besides generating direct channel sales through its online store, the company wants to establish ulta.com as a key online beauty resource, boosting recognition of the Ulta brand and reinforcing the retailer’s positioning as a one-stop-shop beauty destination.

The perfumery’s retail concept is also proving to be very successful: not only did Ulta open a further 100 stores in the US in fiscal 2014, the company’s net sales grew 21.4% to \$3.2bn while comparable sales grew 9.9%.

The future is looking bright for Ulta. The retailer has already announced that it will further expand its store chain with up to 100 new outlets per year. The company believes that there is space for up to 1200 Ulta perfumeries in the US market. And the current fiscal year is looking equally promising: in the third quarter net sales grew 22.1% to \$910.7m, leading Ulta to raise its fiscal 2015 sales growth guidance to the low twenties.