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Macy's snaps up beauty brand Bluemercury

Beauty sales are growing faster than apparel sales, pushing many retailers in the industry to expand.

BY ADRIANNE PASQUARELLI

There are big bucks in beauty. Macy's Inc. is spending \$210 million to acquire Bluemercury Inc., the Washington D.C.-based seller of high-end makeup and bath products, the department-store chain announced Tuesday. With six shops in Manhattan, and a seventh planned for Chelsea, 16-year-old Bluemercury is one of the city's fastest-growing beauty concepts and a direct competitor to LVMH-owned Sephora, which has 15 New York City shops, including a location within JC Penney.



"With Bluemercury, our company can access a new channel to reach additional customers, add new dimensions to our product offering and apply our expertise in omnichannel retailing," said Macy's Chief Executive Terry Lundgren in a statement, noting that he plans to expand the Bluemercury retail locations as a stand-alone business.

Beauty has been a rising force in New York City as many entrepreneurs invest in the trend. For the 12 months ended in November, U.S. sales of high-end fragrance, makeup and skin-care products rose 2%, to \$11 billion, over the year-earlier period. U.S. sales of apparel were flat during the same time, according to market research firm NPD Group Inc. In addition to Bluemercury, Pucker and Birchbox have opened shops locally in the past 12 months, and Ricky Kenig, the founder of Ricky's drugstore chain, launched a new concept.

Unlike Sephora, which caters to younger customers experimenting with cosmetics, Bluemercury is known for appealing to an older clientele shopping for products like anti-aging creams.

"Bluemercury is certainly giving Sephora a run for its money and has actually gone into a lot of locations where Sephora already is," said Faith Hope Consolo, chairman of retail leasing at Douglas Elliman, noting that Bluemercury shops are usually about 2,500 square feet in size, smaller than Sephora mega-stores.