

APPENDIX 4.2
(referred to in paragraph 4.18)

Application of criteria in assessing retailer requests for authorized status

Features analysed	Suppliers																		
	Chanel	Dior	Lauder	Givenchy	P&C	Golden	Parim	Klein	Ardren	YSL	Giorgio	Guerlain	Lancaster	P&G	Creative Fragrances	Muelhens	Ricci	Revlon	Sano fi
A. Selection criteria included in retailer agreement	✓	✓	✓ ¹	✓	✓	1		✓	✓ ¹	✓	✓	1	✓		1			1	1
B. Use of written check-list	✓ ¹	✓ ¹	✓ ²	✓ ¹	✓ ¹		✓	✓ ¹	2	✓ ¹	✓ ¹					✓ ¹			
i. Consistent with criteria in agreement	✓	✓	✓	✓	✓			✓		✓	✓ ²								
C. Point scoring system in check-list:	✓	✓	✓	✓	✓		✓	✓		✓	✓								
i. Type (A: 0, 3, 7, 10; B: 2, 4, 7, 10; C: other)	C ²	A	C ³	A ²	C ²		C ¹	B		B	B								
ii. Minimum pass score specified (A: total; B: both subsection and total)	B ³	B ²	A ⁴	A	A		2	A		A	A								
iii. Required minimum varies for different brands		✓ ³	✓ ⁵	✓ ³	✓ ³			✓ ²		✓ ²	✓ ³								
iv. Elimination for minimum scores in key questions			✓ ⁶	✓ ³	✓ ⁴			✓ ²		✓ ²	✓ ³								
iv. Weighting				✓ ⁴	✓ ⁴			✓ ²		✓ ²	✓ ³								
D. Criteria made known to applicant	✓	✓	✓	✓	✓ ⁵		3	✓	✓ ³	✓	✓	✓	✓		✓	✓	✓		
E. Person(s) taking decision to supply outlet*	SD	FAM	MD/GM	SD	MD ⁶		3	SD/MD	NSM	SD	SMD	SM/MD	SM ¹	P ¹	SD	MT	AM/SD ²	SD	
F. Consistency in applying criteria claimed to be achieved by:							3			✓ ³									
i. One person visiting all outlets	✓	✓		✓				3		✓ ³									
ii. Area representatives visiting similar mix of retail types	✓	✓		✓	✓				✓	✓	✓	✓	✓		✓	✓	✓	✓	
iii. Final decision in hands of one (or two) person(s)	✓	✓	✓	✓	✓ ⁷			✓		✓	✓	✓	✓		✓	✓	✓	✓	
iv. Use of standard check-list and/or criteria		✓	✓	✓	✓					✓	✓	✓	✓		✓	✓	✓	✓	
v. Training/briefing/guidelines/seminars		✓	✓	✓	✓					✓	✓	✓	✓		✓	✓	✓	✓	
vi. Spot checks or regular field visits		✓	✓	✓	✓					✓	✓	✓	✓		✓	✓	✓	✓	
G. Criteria/check-lists used are:																			
i. Same criteria/check-lists for all types of applicant	✓		✓	✓	✓		✓	✓ ⁴	✓		✓ ⁴	✓ ⁴	✓	✓	✓	✓		✓	
ii. Essentially same criteria/check-lists but minor differences in scoring		✓								✓ ⁴	✓ ⁴				✓	✓			✓
iii. Different for different types of outlet										✓ ⁵									
H. Sample check-lists for accepted applicants supplied to MMC	✓	✓ ⁴			✓	2	4	✓		✓		2				✓ ¹	3	2	
I. Sample check-lists for rejected applicants supplied to MMC	✓	✓ ⁴		✓ ⁵	✓	2	4	✓		6									

Source: MMC.

*Key to feature (E)

AM	Area Manager	NSM	National Sales Manager
FAM	Finance and Administration Manager	P	President
GM	General Manager	SD	Sales Director
MD	Managing Director	SMD	Sales and Marketing Director
MT	Management Team		

Notes:

Chanel

1. Its check-list, which contains around 45 scored questions in six groupings (environment, exterior, interior, point of sale (perfumery department), Chanel at point of sale, and staffing/service), has been in use since July 1992.
2. Most questions of 'excellent/good/poor' type, scoring points 2, 1, 0, or 'yes/no', which appear to score 2 or 0. Two questions rate 10 if satisfied.
3. Minimum scores for each of six groups of questions, plus minimum total pass score.

Dior

1. Dior uses separate check-lists for chemists and department stores. There are 11 scored questions for chemists and 19 for department stores. Several questions are on the professional competence of staff but these are not scored. There are several other conditions which must be met in either case (eg no food or household products must be within 50 feet of the perfumery and beauty department and/or visible therefrom in a department store). Where relevant, a separate additional evaluation is completed for the sales arcade/shopping centre in which a shop is located.
2. For chemists there is a minimum acceptable score of 77 out of a possible 110, and for department stores there are minima for three subgroups of questions plus a total minimum score of 118 out of 190.
3. If a chemist scores two or more zeros it is eliminated, whereas a department store is eliminated for three or more zeros.
4. Because the new agreement was only introduced in November 1992, Dior submitted examples for existing authorized retailers after re-evaluation using the new forms. While overall the assessments appeared even-handed, the Dior check-list included, in addition to a range of scored questions, apparently important questions-for example, on the professional competence of staff-which are not explicitly scored. It also had several conditions which must specifically be met for authorization to be granted but which are only partially covered (without scoring) or not directly covered in the check-list (these conditions are, however, included in the retailer agreement which the applicant receives prior to the site visit).

Lauder

1. Retailer agreement includes criteria relating to staffing and services but little relating to premises. Lauder has been using a rather broader set of criteria for selecting retailers. These are consistent with the check-list.
2. There are several parts to the check-list, introduced in January 1993. In particular, Section C contains 12 image-related questions for yes/no answers (only applicants meeting the image-related criteria remain eligible for further evaluation); Section D, Part I (23 questions) relates to environment and staffing and is scored; Section D, Part II (on various objective criteria relating to sales floor and staff expertise), is for self-completion by the retailer (Lauder does not reveal to the retailer the scores it uses in assessing the responses to these questions).
3. Scoring for Section D, Part I, is 0, 2, 5, 8.
4. There is a minimum score for Section D, Parts I and II combined (see Note 5 below).
5. To stock Estée Lauder, Clinique and Prescriptives the outlet must score 150, but only 125 to stock Aramis.
6. Automatic elimination if two or more zeros are scored in nine specified questions (relating to key elements of neighbourhood, exterior, interior, and other products on which the store concentrates and their separation from fragrances).

Givenchy

1. The check-list, introduced in early 1993, contains 15 questions relating primarily to premises and staff.
2. Scoring is mainly 0, 3, 7, 10, with some minor variations.
3. Four zeros result in automatic elimination (four zeros could be achieved by eg tiles or linoleum on the floor, 'ordinary' walls and ceiling, shop area of less than 20 m (*sic*) exclusively given over to perfume and beauty sales, and the perfumery business being a minority part of the total business (and not well displayed), ie by a relatively down-market store, whose main business is other than perfumes/cosmetics and which devotes a fairly small area to these products).
4. Weightings of between 1 and 3 are applied to each question.
5. Givenchy used its new form to assess Superdrug, and showed us the completed form.

P&C

1. P&C's check-list, introduced on a trial basis in late 1992, contains around 45 questions (it was quite similar in content to the YSL check-list, though somewhat more detailed in some areas).
2. Nearly all questions are scored. A variety of scales apply, eg: 2, 4, 6, 8, 10; 0, 2, 5, 10; and 0, 2, 4, 6.
3. Minimum score varies with the brand, eg to stock Cacharel fragrances and Guy Laroche a score of 300 is required, for Armani and Paloma Picasso fragrances it is 400, and for Ralph Lauren Safari it is 550.
4. If the score in any five of 16 specified questions is lower than a prescribed minimum, the outlet is deemed not to have satisfied P&C's qualitative criteria.
5. In the past, P&C's criteria were not sent in advance, but in the early summer of 1993 it finalized its new procedure for sending applicants printed details of the conditions they must meet.
6. May delegate to Commercial Director or Financial Director.
7. To minimize risk of inconsistency, assessments and site visits are carried out by Area Managers. In appropriate cases site visits may also be undertaken by the Managing Director.

Golden

1. Golden did not submit a check-list, but said that P&C's replies set out Golden's policy on criteria, etc.
2. Not sought by the MMC.

Parim

1. Scoring varied, eg 2, 6, 10; 10, 20, 30; and 0, 8, 16, 24.
2. Minimum level of 50 in each section.
3. Parim referred to the P&C replies, and said that they had equal validity for Parim.
4. Not sought by the MMC.

Klein

1. There are 37 questions on the check-list, which was one of the clearest submitted to us (it incorporated one of the most informative front sheets).
2. A score of 2 or less in three of 11 specified questions eliminates the applicant.
3. The number of inspectors is limited to four trained individuals.
4. The same approach to scoring is used for all applicants (the minimum score being 200), although the check-list seems to allow for some minor variations on scoring similar to YSL (see YSL Point 4 below).

Arden

1. Arden intends to formalize its qualitative criteria with the introduction of its European retailer agreement. It did not say what these criteria are but its current terms and conditions of sale include retail criteria which mainly concern the physical characteristics of the outlet and customer service (including number of qualified staff). It does not currently have a check-list, but one is being designed.
2. There is no check-list at present, but the Area Sales Manager visits applicants to assess their ability to comply with all relevant criteria (which are the same for all outlets).
3. The criteria are discussed with a store where necessary.

YSL

1. YSL's evaluation report (which was disclosed to the EC during the notification process) contains 37 scored questions, relating primarily to premises and staff but also including several questions on other matters (such as whether the point of sale management is computerized, the type of stocklist available, and the professional ability of the shop manager). There are also seven scored 'bonus' questions, not included in achieving the minimum score, plus a few unscored questions (for example, an unscored question asks about type of floor covering then a scored follow-up question asks about the quality and condition of the floor covering (Givenchy, by contrast, has a scored question on type of floor covering; and while Givenchy has a scored question on the age of decoration, a YSL question on this is not explicitly scored)).
2. If a score of 2 is achieved in any three out of 11 specified questions (concerning location of point of sale, point-of-sale environment, street where outlet is located, facade, general inside lighting and lighting of products, flooring, walls, furniture and fittings, other products sold in the point of sale and professional ability of the shop manager and sales staff) the applicant is automatically eliminated.
3. YSL indicated that when the authorized retailer agreement was first introduced in the UK, the evaluations were carried out by Area Managers, each of whom was responsible for a different part of the UK. Although the evaluators were given training prior to beginning their evaluations, comparison of the evaluations carried out in the earlier months indicated that the criteria were not being applied consistently by the different evaluators. YSL therefore appointed a single evaluator to evaluate all existing and new accounts to ensure consistency (see paragraph 4.26).
4. The 37 questions referred to in Note 1 above are included in the minimum score (ie 259 out of a possible 370) for outlets where there are one or more dominant activities other than the sale of perfumery products. Where perfumery/cosmetics are the dominant activity, three fewer questions are scored (giving a pass mark of 238 out of 340).
5. YSL commented that the criteria are the same for all outlets, except for perfumery departments within department stores where appropriate criteria are being developed regarding use of YSL fittings and employment of sales staff dedicated to YSL products.
6. No samples of completed check-lists for rejected applicants were supplied to the MMC as no evaluations have resulted in refusals. (Outstanding requests for supply are to be reappraised.)

Giorgio

1. There are 36 scored questions on Giorgio's retail outlet evaluation check-list which, we noted, was very similar to the YSL and Klein check-lists in terms of questions asked, scoring system (2, 4, 7, 10), and elimination for three 2s out of 11 specified questions.
2. While its retailer agreement contains rather brief and general reference to the physical characteristics of a retail outlet, the intention that the outlet must be appropriate to the image of Giorgio products is clear. The detailed criteria are set out in the check-list and made known to the retailer through this means.
3. An outlet is eliminated if it scores three 2s out of 11 specified questions.
4. The results of 36 questions are included in minimum scoring (ie a score of 252 or more) for stores with one or more other dominant activities. For shops whose main business is perfumes/cosmetics, only 33 questions are scored and the pass-mark is 231.

Guerlain

1. While Guerlain has retailer selection criteria (which, it said, were the same for all outlets), it did not currently have a check-list, and it was not clear from its current agreement what requirements it imposed on potential retailers wishing to join the Guerlain network. One of the initial criteria it applied is whether the retailer was a department store, retail pharmacy, perfumery or beauty salon. If it was, the outlet was then assessed according to its credit account application forms and visited by its Area Manager. However, in mid-July 1993 Guerlain sent us a draft check-list. This contained 21 questions for consultant accounts and 24 questions for non-consultant accounts. It appears that the scoring system to be adopted by Guerlain will be 0, 2, 5, 8 and 10 (any score of 0 or two scores of 2 would eliminate an outlet, as would a total score below the average in any of the three categories into which the check-list is divided).
2. Guerlain has supplied completed credit account application forms. Apart from business details these merely record the decision to supply and a brief reason.

Lancaster

1. The qualitative criteria which Lancaster applies in deciding whether or not to admit a retailer to its selective distribution network are set out in its retailer agreement. There is no formal check-list; the agreement is used as a reference document. The criteria are made known to retailers when they are visited by a Lancaster Sales Manager. Individual Sales Managers initially take a decision as to whether or not to supply a retailer. If the retailer wants to take the discussion further, reference is next made to the Regional Sales Manager and finally the Sales Director.

Procter & Gamble

1. Procter & Gamble is in the process of formalizing its qualitative criteria for the selection of retailers, and it has no check-list. Requests for supply are taken by Procter & Gamble and, to ensure both compliance with the trade mark licence agreements for its brands and also consistency of distribution throughout Europe, are subsequently referred to the President of Eurocos Cosmetic GmbH.

Creative Fragrances

1. Creative Fragrances does not have an agreement or check-list. It applies a small number of criteria, as set out below, which do not bear much relationship to the EC qualitative criteria. Under normal circumstances a company representative would visit an outlet which wished to stock the reference products to check the following criteria:
 - whether the outlet was an existing perfumery business;
 - whether the outlet was a branch of a group with which Creative Fragrances already traded;
 - whether it appeared appropriate to supply under normal credit terms;
 - whether there were already several existing outlets selling Creative Fragrances products in the immediate vicinity;
 - whether the outlet had an ambience suitable for the merchandising of quality fragrance products.

Stores were aware of the criteria. The decision as to whether to supply an outlet was taken by the Sales Director, following informal discussions after the Sales Representative's visit. Consistency was achieved through the application of the listed criteria, which were applied to all types of outlet.

Muelhens

1. Muelhens said that it made an initial assessment of outlets wishing to stock its products by reference to a number of criteria relating to the quality of the store environment, the range of competitive brands stocked, adequate trained and knowledgeable staff, and a representative stockholding and product mix. A site visit was made using a check-list from which an account assessment report was prepared. The information collected in the assessment reports was of a relatively quantitative nature, and included: information on performance, highlights of store activity, competitive activity, perfume department layout and size of space available for Muelhens, Muelhens' investment in point-of-sale support, consultant availability, activities/events, and account investment proposal and profitability analysis. We found nothing explicitly concerning the quality of location, external and internal appearance, etc, other than perfume department layout and provision of point-of-sale materials. There was no numerical rating. The criteria were made known to the retailer in advance of a site visit, and subsequently in order to give the retailer an opportunity to rectify any deficiencies. The Muelhens management team made the decision as to whether or not to supply an outlet. The same criteria were used for all outlets. Consistency was achieved through the detail of the site reports and regular field visits by all members of the management team.

Ricci

1. In assessing whether or not to supply companies which ask for supplies, Ricci applies the same criteria that are covered in its new draft agreement (these are similar to the EC provisions). The criteria are applied by the Ricci local representative, following a request for supplies. Check-lists are not currently used, but the new agreement will have an accompanying check-list. The criteria are made known during the site visit, and are the same for all outlets.
2. The Area Manager decides for chemists and perfumeries, and the Sales Director for department stores. In exceptional cases the Sales Director and Managing Director decide.
3. Ricci submitted copies of reference letters and account advice forms relating to the financial and administrative aspects of the application.

Revlon

1. Revlon has no written procedures, and no check-list. It took into consideration the style/nature of the premises, reflecting the prestige of the supplier, and ability to achieve sufficient sell-through.
2. Completed account control documents were submitted. They do not cover qualitative criteria, other than information on competitive brands stocked.

Sanofi

1. Sanofi does not currently have a retailer agreement or check-list (however, its new authorized retailer agreement will be linked with a new evaluation questionnaire). (We were shown a copy of the questionnaire, and it appeared quite similar to the YSL/Klein approach.) Sanofi said that it intended that the candidate retailer would receive a copy of the agreement and the general conditions of sale, and would be advised of the criteria used when visited for the assessment. The decision to supply would be taken jointly by the Sales Manager and Managing Director. To ensure consistency, a points scoring system was to be included in the new questionnaire. The criteria will be applied uniformly, but the score required for acceptance would vary according to outlet type.