

THE NEW BEAUTY LEADERS

THE WORLD OF **BEAUTY RETAIL IS CHANGING RAPIDLY**, AND **CONSUMERS ARE LEADING THE TRANSFORMATION.** > By **Gina Acosta**

To understand the transformation going on in the beauty world, one must first understand the viral popularity of the “anti-haul” video. These 10 to 20 minute rants that appear mostly on YouTube are not the typical kind of online content one might expect when it comes to beauty. There is no un-boxing of products, no tutorials, no time-lapse nail art, no skin care hacks. Anti-haul videos, which have millions of views online and are produced by a variety of beauty vloggers, tell the consumer which beauty products to avoid.

In one popular anti-haul video on YouTube, a beauty vlogger, who goes by the name Kimberly Clark, appears with a pink backdrop, smiley and excited to speak to her fans. She is wearing a blonde wig, a black tank top and heavy makeup. Clark starts talking, and goes on to spend 28 minutes going through a list of beauty products that she recommends her fans never buy because she believes they’re bad products. Clark does not discriminate. She bashes prestige, mass, natural and every beauty brand in between.

These videos are just one part of the tectonic change going on in the beauty category. Social media, brand disloyalty, indie startups, niche brands, health trends, price shifts, demographics and e-commerce are converging to create a perfect storm in

the sector. This is a category in which multicultural and generational shifts are driving growth, social media has replaced sales assistants in educating consumers, a big chunk of shoppers are migrating online, and legacy brands are being out-sold by indie darlings such as Too Faced and Dermalogica.

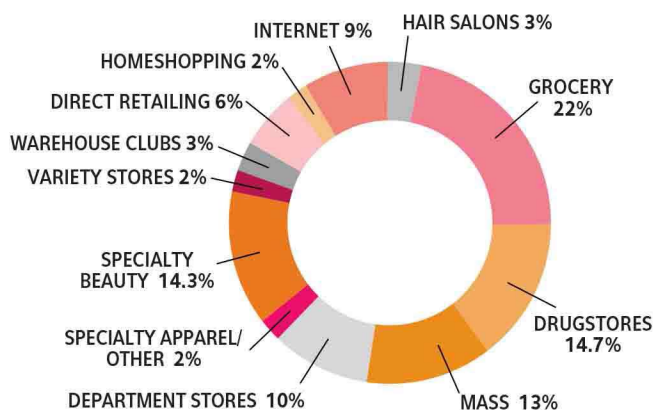
So, what do all of these developments mean for retailers and how can they weather the storm in beauty?

For now, the beauty category has been extremely resilient and in fact one of the bright spots in retail. Last year, the prestige beauty category grew by 6%, adding \$1 billion in sales to bring in some \$17 billion total for the year, according to a 2017 report from the NPD Group. The report shows that prestige beauty beat the mass channel thanks to makeup, which saw 12% sales growth and contributed 82% of the industry’s total gains, and skin care, which saw 2% sales growth. Mass beauty’s sales gains, which were about 2% in 2016, were driven by makeup and skin care equally, with skin care in mass showing greater gains than in prestige. Fragrance sales were down in mass for 2016.

Retailers have an opportunity to drive even more of the growth in beauty by leveraging four trends in the sector, according to Hana Ben-Shabat, a partner in the retail practice of A.T. Kearney, a global strategy and management consulting firm: **Product trends.** Korean beauty, two-in-one products, and niche products. Health and wellness trends especially are driving sales as consumers seek products that make them look and feel good. **Channel trends.** E-commerce has a 7% penetration in beauty in general, and it’s 14% or 15% in luxury beauty. **Disruptive trends.** One of the biggest beauty trends is the emergence of indie brands with a very crystalized value proposition that is appealing to large numbers of consumers, according to Ben-Shabat. **Marketing trends.** Internet influencers are becoming the go-to experts when it comes to beauty, says Ben-Shabat. Retailers and brands might ask themselves: How does this product translate online?

“You have to connect the channels and have them reinforce each other,” Ben-Shabat said. “Ulta has the differentiation with the salon services. With Sephora, people like to both go to their stores and shop their website. People are shopping omnichannel, they are shopping everywhere. If beauty retailers are able to embrace that omnichannel attitude and react appropriately, there is no reason for cannibalization of physical store sales.” **RL**

MARKET SHARE OF BEAUTY AND PERSONAL CARE BY CHANNEL



SOURCE: Euromonitor International Beauty and Personal Care 2016