A&M CONSUMER AND RETAIL GROUP

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Beauty for the Digital Age

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Prioritizing the digital experience in beauty

Beauty has gone digital. In the Alvarez & Marsal Consumer and Retail Group's **Beauty in the no normal** we found consumers spent 42% of their beauty dollars online, compared to 32% just a few years earlier in 2019. But which parts of the purchase journey are happening online, and what are consumers' priorities when shopping beauty digitally? The Alvarez & Marsal Consumer and Retail Group set out to understand when beauty shoppers are going digital along their purchase journey, and what are the critical elements for brands and retailers looking to boost online conversion. The **Digital Beauty Survey** was issued to >350 Female beauty consumers in the U.S. in the end 2022.

100% of consumers surveyed purchased beauty online at least once in the last year – 97% shopped makeup online at least once, 94% skincare, and 73% fragrance.

Consumers are maximizing on recent beauty brands expanded channel mix and blurred lines between and mass and prestige, prioritizing convenience

% Consumers who shopped online channels in last year by category

	MAKEUP	SKINCARE	FRAGRANCE
Marketplaces	**77%**	**72%**	**45%**
Big Box	**56%**	**67%**	**35%**
Specialty	**50%**	**66%**	30%
Dept stores	39%	35%	**45%**
Brand.com	24%	20%	13%
Social Media	10%	9%	4%

Top 3 channels by category

Marketplaces were the channel shopped the most by consumers across categories, followed by big box and specialty retailers. Some distinct preferences for online beauty shopping emerged between age groups, such as specialty retailers being highly preference by <25 age group while the 55+ age group being least likely to purchase in this channel.

Consumer channel preferences by age group

<25

Most likely to purchase makeup and skincare at specialty stores (63% and 76%)

Most likely to buy fragrance at big box retailers (46%)

26 – 40

Most likely to buy on social media – 14% makeup, 11% skincare, 7% fragrance

41 – 55

Most likely to purchase fragrance at marketplaces (50%)

Least likely to buy fragrance from dept stores (36%)

55+

Least likely to purchase at specialty stores – 31% makeup, 24% skincare, 17% fragrance

Brands should understand who their digital audience is, including channel preferences and age, in order to tailor their digital distribution strategy appropriately.

A significant share of online purchases are happening exclusively online, from discovery to purchase

Respondents estimated that ~60% of their makeup and skincare transactions and 45% of their fragrance transactions happened online. While a significant share of those purchases happened exclusively online from discovery to purchase, for most respondents, beauty shopping is an omni-channel experience.

Discovery

Online beauty purchases are mostly replenishment driven - 57% in Makeup, 60% in Skincare, 56% in Fragrance, but digital channels play a critical role in the discovery and research of new brands and products. A high percentage of respondents started their beauty shopping journeys online. Respondents estimate 57% of their makeup & skincare and 42% of their fragrance discovery happened online.

Research

When it came to research, even more respondents turned online to evaluate and learn about brands and products. Respondents estimated 64% of their makeup and skincare research happened online and 45% for fragrance.

Online behavior by age group

<25

Least likely to discover skincare online – 45% vs. 57% group avg.

Least likely to research skincare online – 52% vs. 64% group avg.

26-40

Most likely to discover skincare & makeup online – 63% vs. 57% group avg.

Most likely to research fragrance online – 55% vs. 45% group avg.

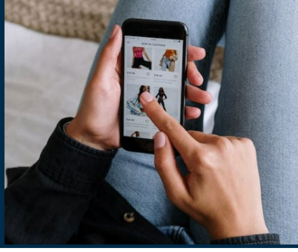
55+

Least likely to discover fragrance online – 34% vs. 42% group avg.

Least likely to research fragrance online – 35% vs. 45% group avg.

It's important to consider the role of the digital channel in the context of the entire omni-channel experience. Brands should optimize the digital channel for discovery, research, and replenishment purchases and align brick and mortar offerings to enable experiences and new product purchases.

What website features are most important to consumers?



As consumers are increasingly turning to online beauty websites to discover, research, and purchase products, it is critical for brands and retailers to continuously enhance their online experience to capture share in an increasingly crowded digital landscape. But which online features are most valued by beauty consumers?

We asked respondents to rank the importance of different website features when shopping for makeup, skincare, and fragrance online. Ratings & Reviews, Free Shipping, and Flexible Return Policies scored as the top 3 priorities across categories. Additionally, respondents prioritized seeing products on a skin tone similar to their own for makeup, ingredient transparency in Skincare, and free product samples in Fragrance.

Top Consumer Website Features by Product Category

	MAKEUP	SKINCARE	FRAGRANCE
01	Ratings & Reviews	Ratings & Reviews	Free Shipping
02	Free Shipping	Free Shipping	Ratings & Reviews Free Product Samples
03	Flexible Return Policy Shown on skin tone similar to mine	Flexible Return Policy Ingredient Transparency	Flexible Return Policy

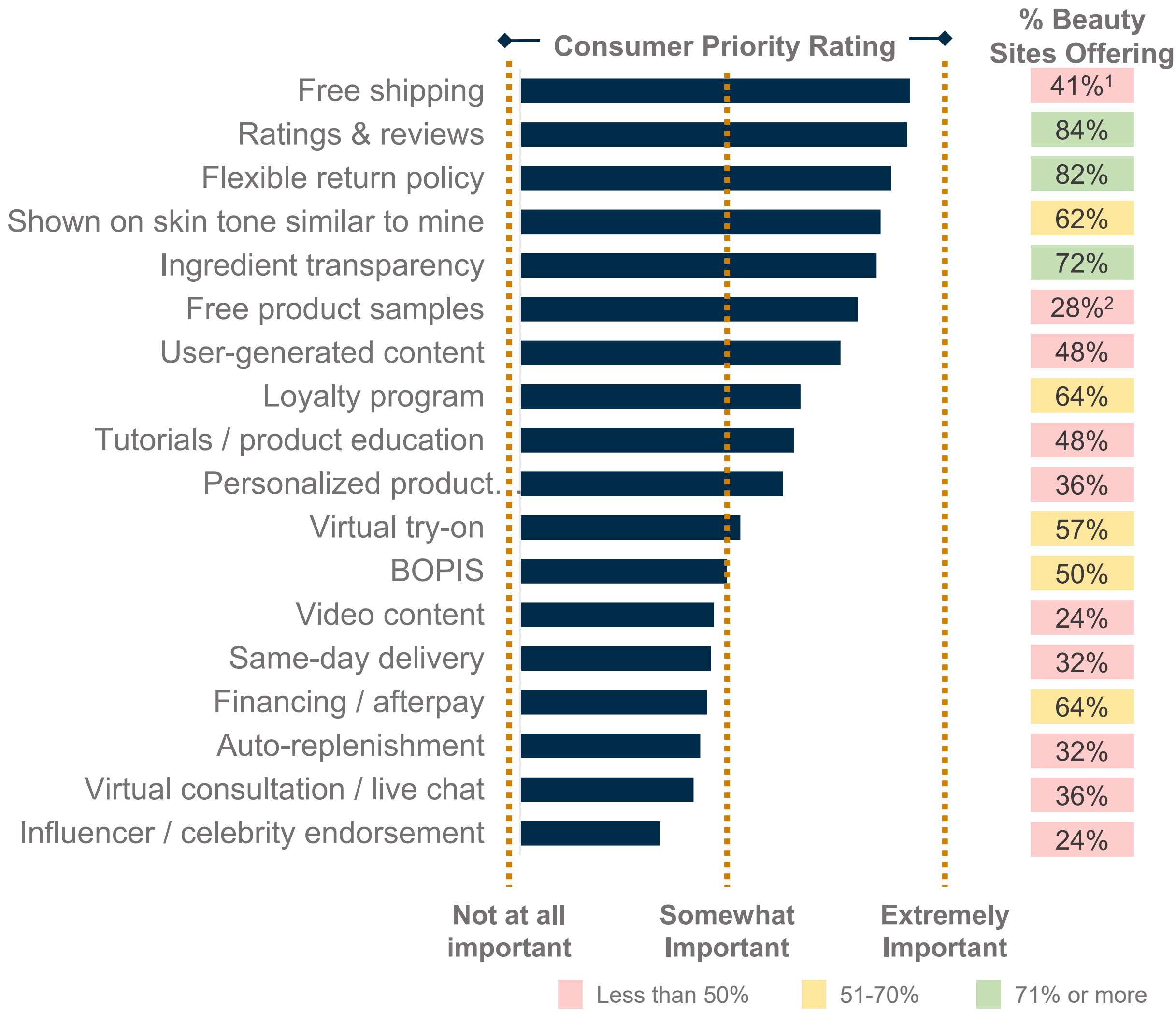
Priority unique to category

How are companies' online platforms stacking up against consumer priorities?

Given the critical role that online plays in the beauty purchase journey, it is no surprise that brands and companies are continuously investing to enhance the experience. But are those investments aligned to consumers priorities when shopping for beauty online?

We scanned 25 top beauty sites ranging from specialty beauty retailers to Mass retailers, marketplaces, and select beauty brands in Prestige, Masstige and Mass beauty. The table below compares features offered across these 25 beauty sites with our respondents' priority rating.

Consumer priorities vs. share of beauty sites offering feature



Most beauty sites are meeting consumers top priorities but are falling short on a few key features

\+

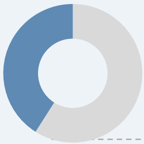
Ratings & reviews
Flexible return policy
Ingredient transparency

−

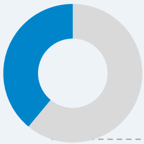
Free shipping
Free product samples

[1] Sites offering free shipping with no minimum
[2] Sites offering free product samples with purchase

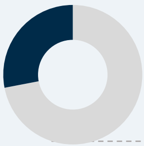
While some top priorities like ratings & reviews and a flexible return policy are features offered by most of the beauty sites we analyzed, a clear gap emerges in other key consumer priority areas.



Only **41%** of the sites analyzed offered no-minimum free shipping – the top consumer priority across all beauty categories

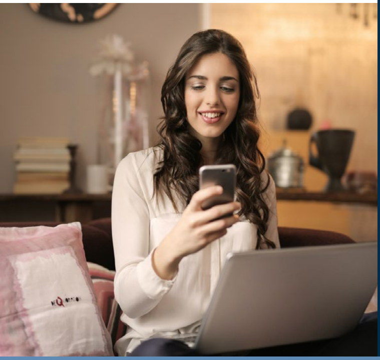


62% of the sites analyzed displayed the product on a range of skin tones– a key consumer priority in makeup



28% of the sites analyzed offered free product samples with purchase – a high consumer priority across categories, especially fragrance

When deciding which consumer priorities to focus time and investment into, brands should consider specific product category priorities while balancing cost and impact.



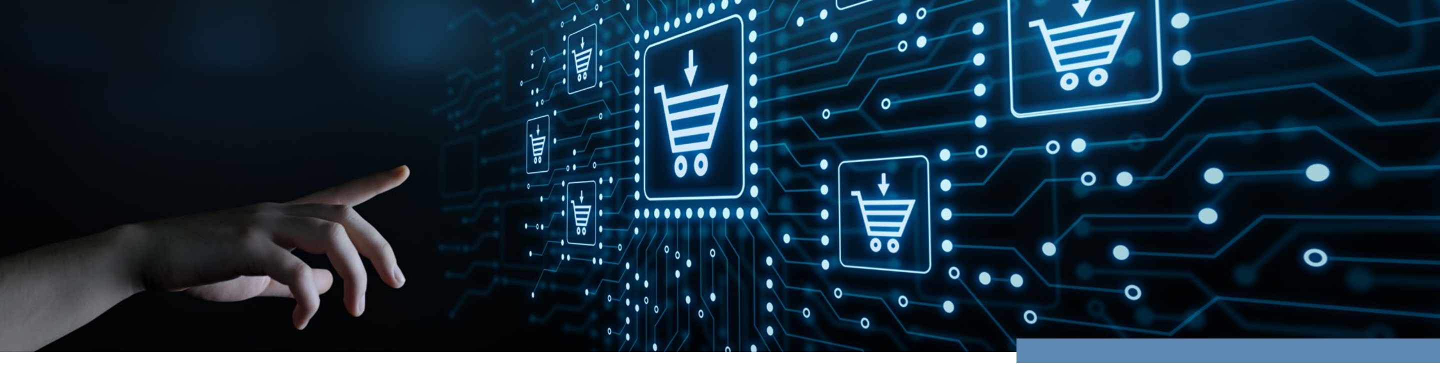
Putting it all together

Following the explosive growth of the online beauty market in the last few years, brands and retailers need to focus on consumers' priorities to capture and defend share. For brands and retailers trying to maximize the impact of their online presence, focus on the key themes below.

01 **Know your digital audience:** Gen Z is the first digitally native generation, but they are least likely to discover and research beauty online across categories. Brands and retailers are likely serving Millennials in digital, Gen Zs in Specialty Retailers. Content strategies should be tailored accordingly.

02 **Deliver a meaningful omni experience:** For most beauty consumers, the shopping journey is happening across channels. Brands and retailers can boost the value of their online channel by taking an omni approach. Optimize the digital channel for discovery, research, and replenishment purchases and align brick and mortar offerings to enable experiences and new product purchases.

03 **Design an online experience catered to your customer's priorities:** The possibilities are endless when it comes to online experience design. Brands should prioritize investments based on the priorities of the customers they serve and the categories they play in.



04 **Tailor priorities to different product categories:** Different categories will require different experiential solutions to be prioritized. In Makeup, including a diverse range of skin tones is a priority. For fragrance, providing samples with purchase can boost trial and conversion.

05 **Balance cost and impact:** Some consumer priorities (like free shipping and "no questions asked" returns) can have a significant margin impact, especially as freight rates fluctuate in peak demand periods. But levers like enabling and promoting ratings and reviews or providing ingredient transparency can be deployed at low to no cost and can yield significant impact on conversion.

06 **Move with consumer's priorities:** Consumer behaviors are changing faster than ever before. Offerings that were table-stakes just last year are now much less of a priority for consumers (e.g., BOPIS, Video consultations). Responding to shifting consumer dynamics can help brands and retailers allocate limited resources across higher impact initiatives.

At A&M, we have the experience and resources to support you during these turbulent times. We are passionate about helping companies achieve their maximum potential and be on the right side of disruption. We look forward to connecting.

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