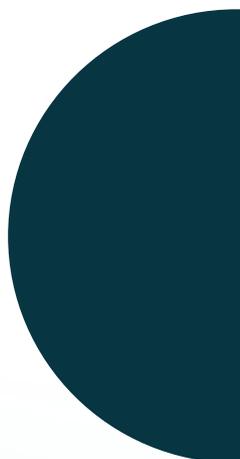




rev:eve

R E P O R T

2021 Expert  
Outlook on  
Beauty



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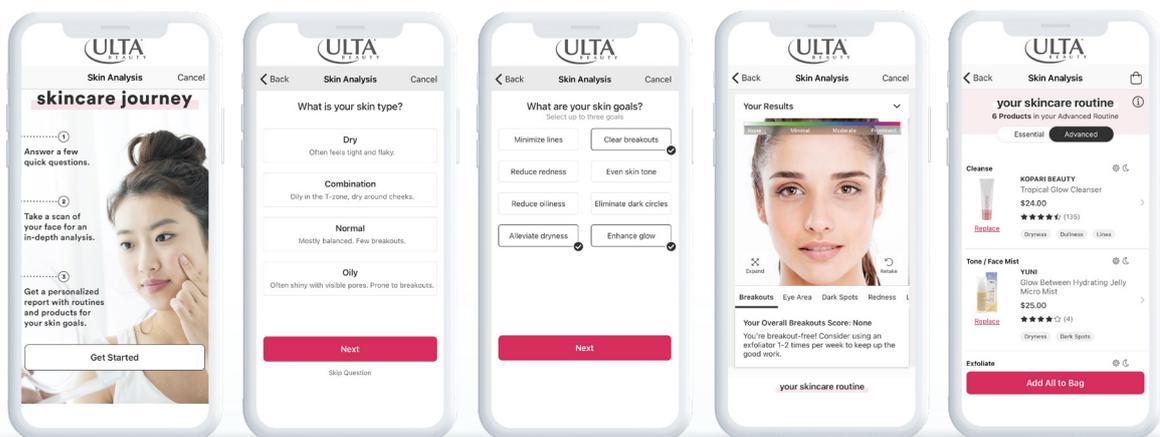
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# A Look Back at How the Beauty Industry Changed in 2020

## An “Overnight” Digital Transformation

Like nearly all other industries, the beauty industry has faced unprecedented challenges as a result of COVID-19: shuttered storefronts, halted product development and forced closures of entire sub-sectors. From the personal to the professional, we have seen beauty players racing to pivot their channels, product offerings and digital capabilities to survive volatile customer buying habits. In one fell swoop, the crisis accelerated the industry’s digital transformation and subsequent adoption of sophisticated technology by numerous years. A McKinsey survey published in October 2020 discovered that companies are willing to conduct at least 80% of their customer interactions through digital channels.

According to Stephane Rinderknech, President and CEO of L’Oréal USA, the giant cosmetics company is actively transforming itself into a hybrid model by conducting half of its business through e-commerce. In early 2020, L’Oréal North America reported a 60% increase in website traffic. **“This presented us with great opportunity, but also a significant change, as the shift in channels meant quickly changing the way we do business to meet the demand,”** said Rinderknech. He also emphasized the role of AI chatbots, augmented reality and big data analytics in fostering “connection, community conversations and conversion” with consumers.

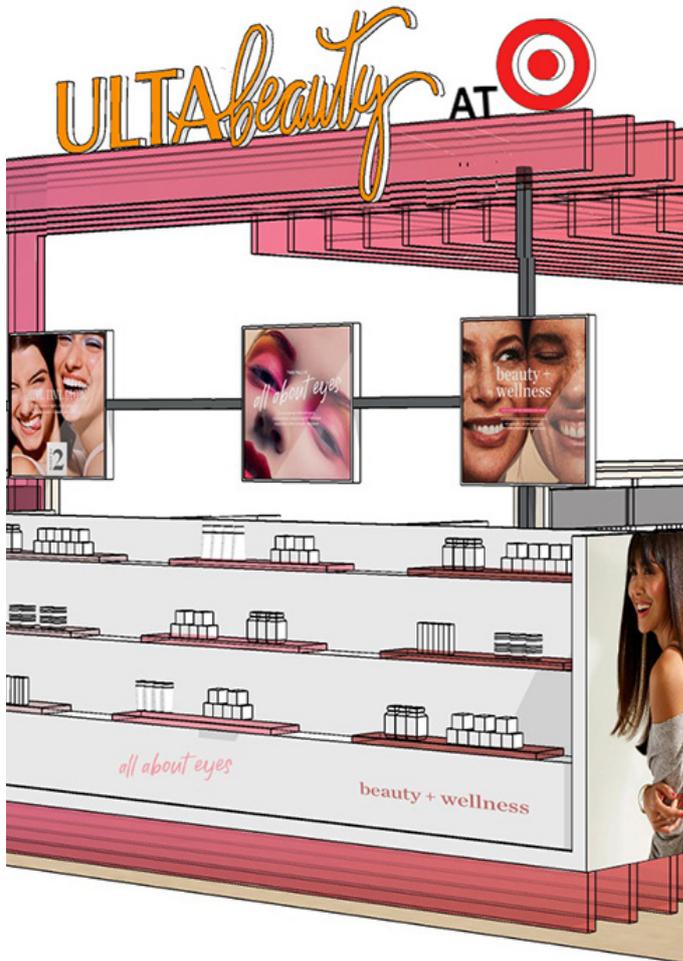


Ulta Beauty Partners with Revieve

While most retailers expect in-store sales to recover, the shift to online retail is real and will remain even after life starts getting back to normal. The future of physical retail will be heavily experiential as opposed to purely transactional.

**“COVID-19 has not changed the importance of beauty, but it has changed how guests engage with it,”** said Mary Dillon, CEO of Ulta Beauty, noting that Ulta became an online-only retailer overnight. 34% of consumers are online shoppers within the beauty and personal care sectors, meaning that they buy hair, skin or color cosmetic products through online platforms. Digital-format content from media, other online users and experts significantly influences their shopping and consuming behaviors.

## Retail Footprint Expands from Shop-in-Shop Strategy



2020 has also witnessed historical collaborations between beauty specialists and mass merchandisers. Despite the surge of online shopping due to COVID-19, the emotional, hands-on experience of in-store beauty shopping isn't easily replicated in the digital world. The tactile component of product discovery and try-on is lost when shopping moves online. Thus, it's challenging for non-essential retailers like Ulta and Sephora to increase online conversions and store foot traffic without the ability to test and try the products.

The alliance escalates traffic and exposure for Ulta's beauty offerings and expands the beauty and personal care category within Target's stores. It also allows consumers to maximize their shopping trips with easy access to affordable, trendy beauty products in tandem with their other shopping demands. The partnership provided an optimal way for Ulta and Target to capitalize on their combined reputations and customer bases to thrive — even under recession.



Similarly, the collaboration between Sephora and Kohl's is expected to maximize each other's millions of current customers, streamline the buying process and increase add-to-basket size. Despite Kohl's 13.3% sales decrease during the pandemic, a key reason Sephora ultimately ditched JCPenney for Kohl's is the outside location of most Kohl's stores, facilitating Sephora's curbside pickup services.



# Skincare and Wellness Categories Boom

According to Euromonitor research, skincare is projected to reach US\$183.5m in 2021. During the pandemic, prestige skincare online sales in the U.S. swelled by 42% during the first half of the year and reached \$1.1 billion in Q2 2020, according to Nielsen data.

In a consumer trends study conducted by NPD, around 20% of consumers said the pandemic had directly changed their skincare habits and one-third agreed that their skincare spending had increased. Nielsen's data showed that mass facial skincare grew more than 20% this year, driven by a rise in online sales.

**"Today, taking care of one's skin is an expression of self-care — and self-care is more important than ever. Consumers are actively exploring sub-categories and expanding their regimens, finding peace of mind in the ritual of routine,"** The Estee Lauder Companies President & CEO Fabrizio Freda.



**Data reported by Revieve shows that skincare purchases decreased by 19% in December 2020,** as consumers got a healthy head start on holiday shopping. Concerns like acne and hyperpigmentation were mentioned almost as frequently as the previous month.

According to a Feelunique report, skincare outperformed other categories with a 57% uptick in sales for the period. The company reported a 39% increase in skincare sales and is on track to exceed £100m. In Ulta's most recent annual report, the company's skincare, bath and fragrance sales were up 22%.

Data reported by Revieve shows that concerns like acne and hyperpigmentation were mentioned almost as frequently as the previous month.

# Hair and Scalp Health

The hair segment is currently booming. Throughout 2020, stylists have leveraged digital tools and platforms to educate and engage consumers, which has also paid off for beauty brands and retailers.

According to Sarah Curtis Henry, Chief Marketing Officer at Tatcha, hair care became a vital aspect of the company's pandemic response. She notes that thriving categories like hair care and self-care will continue to resonate into the future. **"These are all trends — if you want to call them trends — that consumers are still very much engaged with and that we expect to see continue going into next year. It will breed lots of new brands,"** she said.

Last year, professional haircare brand Kérastase revealed its new personalized haircare diagnostic service. It was developed in collaboration with the "Digital Services Factory" by L'Oréal, a diagnostic tool that helps users gain a better understanding of the texture and health of their hair and scalp, along with general hair concerns. As a result, customers receive a personal diagnosis along with a treatment routine that's customized for their individual hair needs.



## My Concerns

Let's get down to concerns...  
Tell us more about what you are going through.

1 — 2 — 3 — 4 — 5

**What is your primary concern?** [More details](#)

Your primary concern is the first need you identify and want to address for your hair health.

Hair fall	Damaged hair
Maintain your blonde	Prone to oily hair
Hair dryness	UV damage protection
Dandruff	Lack of density
Scalp sensitivity	Color fading
Use natural product	Anti-frizz
Anti-aging	Longer length
Dull hair	

Another example of a forward-thinking initiative is a multi-dimensional smart salon created by Ted Gibson. Gibson opened a new smart salon incorporating technological advancements to pave the way for the future of hair salons. The salon features individual pod spaces — known as "clouds" — that include voice-activated lighting and music. **"We wanted to update the salon model that hadn't been updated in forever,"** Gibson told Happi.

## Sustainable Evolution

The pandemic has brought environmental and personal wellness concerns to the forefront of many consumers' minds. Driven by a renewed focus on health and wellness and rising climate anxiety, a values-driven younger generation demands transparency and authenticity.

Brands know that sharp, vocal Gen Z consumers are carefully examining the initiatives, products and services offered on digital channels. Now more than ever, the younger generation expects beauty products to be clean and sustainable as a standard.

90% of Gen Zers intend to buy a clean beauty product within the next 12 months. Gen Z “really celebrates and supports brands that stand for something,” said Monica Arnaudo, Chief Merchandiser Officer of Ulta Beauty.

**“They can see right through it if it doesn't feel authentic,”** Arnaudo continued. **“It's a bit of a balancing act. It can't just be that I see that this is a trend, and now I'm going to check the box. It's got to be part of the heart and soul of the company.”**

Exploring low-impact packaging has become a bigger priority. Shiseido Company has implemented a range of sustainably-focused activities and products to cultivate a social value unique to the beauty industry. For instance, customers can return empty bottles to be cleaned and refilled. Likewise, L'Oréal has developed a bottle made from captured carbon emissions.

Consumer insistence on sustainability is expected to accelerate post-crisis and companies are planning to consider investments in various eco-initiatives.



# The Role of AI/AR Technology in Beauty

With the onset of the pandemic, brands that were already building up their digital capabilities found it much easier to connect and engage with their customers. Beauty brands and retailers are switching to augmented reality (AR) and artificial intelligence (AI) to recreate the excitement and experimentation vital to customer purchase decisions — which has largely been lost during the pandemic.

In one of the [Startup Stories episodes](#) of the Reboot Chronicles with Dean DeBiase, Franziska Leonhardt (Ph.D.) Leonhardt, co-founder of AVE + EDAM, notes that personalization will grow, and could become a standard across many categories, if it can be developed and delivered at affordable costs.



66%  
of customers

are more likely to buy from beauty brands that use technology to “recommend new or relevant products to me that are similar to what I am shopping for”

70%  
of customers

favor a brand that “remembers my shopping preferences and customizes the online experience accordingly.”

From personalized recommendations to in-store interactivity, the role of AI and AR technology in beauty and retail extends beyond phones and laptops, bringing the “frictionless experience” model that’s so central to online experiences to the physical world.

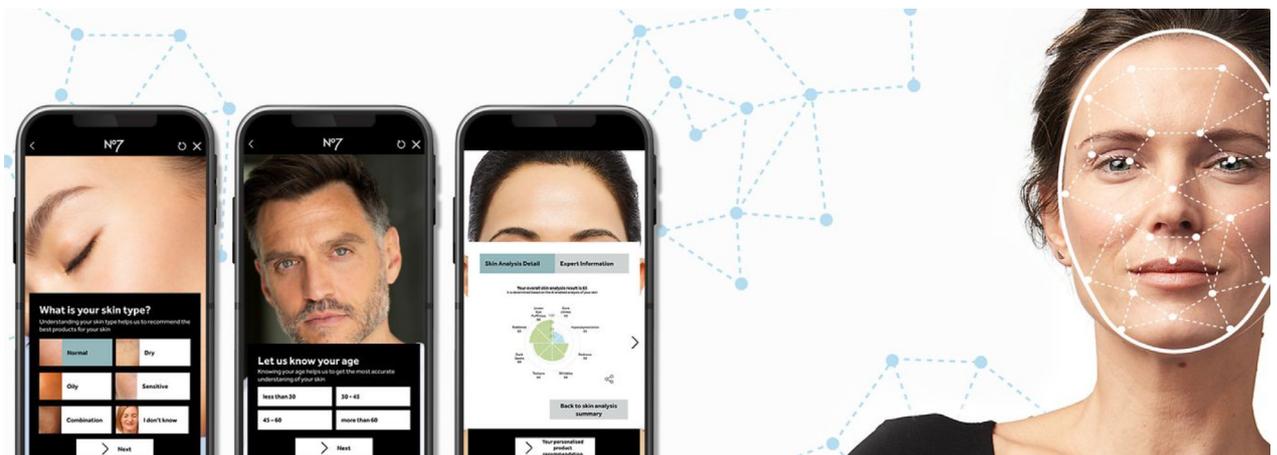
**“Those that utilized social media platforms were able to stay in touch with their consumers, as physical retail presence was limited. Additionally, brands that mastered shade matching technology and the use of online-diagnostic skincare tools helped ease weary consumers into virtual shopping,”** said Lauren Goodsitt, Global Beauty & Personal Care Analyst, Mintel.

According to Sampo Parkkinen, CEO of Revieve, [the pandemic has changed how technology is perceived](#). “What the pandemic has changed is the perception of technology as an individual, isolated use-case (like a virtual try-on) into something that can fundamentally help drive the entire customer experience and journey through helping consumers not just with a try-on but with education, product discovery and after-purchase loyalty generation,” he said.

In 2020, Revieve launched a number of new technology partnerships, including one [with No7](#), which is using Revieve’s Digital Beauty Advisor tool to deliver a more personalized skincare shopping experience.

Parkkinen adds, “Leveraging Revieve’s AI skin diagnostic capabilities, the Live Video Selfie Analysis solution enables the accurate analysis of skin, health and beauty-related factors directly from a live video feed, as well as the presentation of individualized findings directly on a live video feed.”

Together, these solutions enable Revieve’s brand and retailer partners to drive engagement and provide a superior interactive customer experience across a number of digital touchpoints, including mobile apps, social platforms, e-commerce and in-store digital.



Boots No7 Partners with Revieve

## Embrace the Change

This year, we are likely to continue seeing partnerships and acquisitions of digitally-driven solution providers by industry giants such as Coty, L’Oréal, CVS and Procter & Gamble.

“I think it is going to be a huge lift in speed and convenience as a focus. I’m always excited and keen to see what the next innovation is going to be around the corner, and whom we can partner with to accelerate that,” says [Tom Ward Walmart’s](#), Senior Vice President of Consumer Product, in of the episodes of the Reboot Chronicles.

Meanwhile, getting ahead of consumer trends and changing market demands, as well as leveraging digital channels and technologies, are key to maintaining a competitive advantage. “The beauty industry is becoming increasingly complex,” said Coty CEO Camillo Pane at the WWD Beauty Summit in 2020. “Our instinct is to dislike complexity. But we either embrace it, or we’re not going to be around.” More beauty brands and retailers will leverage advanced technologies for the curation of consumer product recommendations to proactively offer novel products and explore new ways to meet customer needs.

# The Reboot Chronicles Podcast by Revieve

Check out the [Reboot Chronicles' previous episodes](#) on our website for more fascinating discussions with industry leaders and experts in health, beauty, AI and retail about how organizations are rebooting growth in unprecedented times.



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[Rebooting Accenture and Fortune 500's](#)



[The Remote Enterprise - How it is Changing the Future of Work and Commerce](#)



[Beyond Beauty - Brand Aesthetics is the New AI](#)



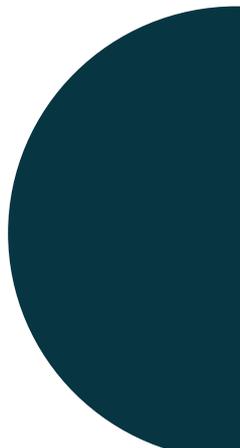
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