BEAUTY TECH
IN THE POST COVID WORLD ECONOMY
Beauty industry activity dipped a bit in the months of March and April, 2020, as COVID-19’s effect went as far as lowering the monthly beauty-product sales by 30% compared to last year’s. But it’s already rebounding, and is projected to keep rising and will eventually reach pre-crisis levels in the Q1 2020, though shopping habits and choices are changing. Do-it-yourself/self-care products are more popular. Many who were previously hesitant, have converted to online shopping.

Technology will drive the beauty industry’s post COVID-19 recovery as well as that of other business sectors.

Skilfully implemented digital techniques for creating personalized products, honing marketing plans and connecting on a personal basis with potential and established customers will create engagement and result in higher conversion rates. Beauty industry is shaping its future through the tools of social media, the Internet of Things (IoT), Artificial Intelligence (AI).
When COVID-19 first made in-person retail shopping at risk, beauty based businesses and other independent stores, both large and small, launched or expanded online sites to increase customer bases and stay in touch with stakeholders. Websites and online communications of all types from social media to email lists, proved invaluable for saving Main Street businesses.

**SAVING BRICK AND MORTAR VIA ONLINE SHOPPING**

- 129% year over year growth in US and Canadian e-commerce orders as of April 21st.
- 146% growth in all online retail orders as of April 21, 2020.
- +8.8% Online conversion rates just in February, according to QuantumMetric.

Now that hesitant shoppers have gone online, efficient digital marketing, sales and communication setup is essential to every business.
Big business and online sales giants are often charged with depersonalizing the customer service experience. But online connections, when appropriately managed, can facilitate a more customized customer journey. Emails can offer products focused upon a customer’s specific needs. Companies can share interesting stories of their brand’s origins, post blog articles on relevant topics, forward them to customers on their email lists. These types of communications are highly useful for building a loyal brand following. Pop-up communication windows staffed by operators who can answer questions, and expanding social media interactions are important ways to connect on a personal basis also.
ENGAGING CUSTOMERS THROUGH USEFUL SOCIAL MEDIA POSTS

Useful content, for example, a new way of applying a type of makeup, is what attracts today’s savvy consumers, even when shopping for beauty products. Flashy ads featuring attractive models are less effective than in earlier times.

Customers want to know how a particular beauty product will benefit them personally. Instructional videos and fact or experience based suggestions from influencers are what turns interested individuals into active customers these days. Even by June, 2016, makeup tutorials accounted for 68% of YouTube’s beauty content related views.
The millennial generation is particularly likely to discover new products through social media sites. They are also more apt to make immediate purchases especially if they discover a new product they consider to be authentic and personal.

Successful beauty product industry companies maintain an active presence on all popular social media sites like Facebook, Twitter, Instagram, YouTube, TikTok, ...

*Only select social media sites, like Twitter, were used in this analysis due to limited data access to others*
SELF-CARE PRODUCTS APPLIED AT HOME ARE CURRENTLY MOST POPULAR

The trend just now, as might be expected, is to purchase self-care and pampering products for at-home use. Spa visits may be limited for some time, but people will continue to try to find ways to relieve stress, enhance skin health and improve appearance by purchasing products that can be applied at home.

Companies that cater to this need who help customers learn how to better apply products on their own, will succeed in the short term and might capitalize on this to build lasting brand loyalty even after COVID-19.
Many shoppers find it impossible to locate skin products that solve their unique problems or makeup that fits them just right. Enter the age of Artificial Intelligence, their requests can be processed, a product selected or manufactured just for them. This will give customers the opportunity to receive exactly the products that match their precise needs.

Sephora among many other major brands, have started rolling out new Augmented Reality props in their stores. Like the Virtual Artist mirror that reflects the customer’s face but with real time rendering according to the products they select on the screen, making the customer’s experience more enjoyable and particularly more safe espacially amidst the pandemic era.

AI can create intricately formulated beauty products, specifically for each customer. AI based personalized beauty tech equipment analyses a wide range of data, including the customer’s facial and skin features, current weather conditions, even factors like mood, menstrual cycle, usual stress level, in order to provide ready-made products or formulate personalized ones that will be most suitable.
Nowadays, most companies can launch themselves online, reach potential customers around the globe without the overhead costs of opening brick and mortar stores. This display illustrates how challenge companies are increasing their share of the market.

**Examples**

**Global color-cosmetics sales, $ billion**

- 2008: 2, 11, 18
- 2016: 6, 16, 24

**Compound annual growth, 2008-16, %**

- 2008-16: 4.9, 3.8, 15.7

**Global market share, %**

- 2016: 26, 39, 10

1. Excludes smaller brands aggregated by Euromonitor into an «Other» category.
2. Retail selling price, at fixed exchange rates
3. McKinsey analysis
4. Other, such as private-label brands.
These primarily single-product companies seem most successful when their concept centers upon niche markets, like those seeking organic ingredients, specialty formulations for a minority group or another special type of need.

Startup funding is often available for the beauty industry entrepreneurs with attractive business plans. Venture capitalists invested 2.7 billion in the beauty industry from 2008 to 2017.

Challenger brands are growing by leaps and bounds. As we can see by the charts, they have increased from 2% of the global market share in 2008 to 10% in 2016, a 15.7% increase.

Source: www.grandviewresearch.com
If you are a beauty industry veteran with a unique product formulation or an idea for a specialized marketing concept, get your formal business plan together, find funding, contact a company well-versed in the latest online marketing technology. Tech is what will take a new beauty product from a concept to an internationally known brand.
Contrary to popular belief, brick and mortar isn't disappearing forever. In-store shopping will likely see a renaissance once the virus subsides. In fact, JLL Research recently reported that the top 100 digital-native brands will open approximately 850 stores over the next 5 years.

Digital natives are expanding their businesses to the brick-and-mortar realm by opening Pop-up stores first. 60% of permanent clicks-to-bricks stores opened in the same city that the brand's first pop-up shop was located.

### Top Cities for First Pop-Up and Permanent Locations

<table>
<thead>
<tr>
<th>City</th>
<th>Pop-Up</th>
<th>Permanent</th>
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</thead>
<tbody>
<tr>
<td>New York</td>
<td>60%</td>
<td>41%</td>
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<tr>
<td>Los Angeles</td>
<td>16%</td>
<td>12%</td>
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<tr>
<td>Toronto</td>
<td>5%</td>
<td></td>
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<tr>
<td>San Francisco</td>
<td>12%</td>
<td></td>
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<tr>
<td>Chicago</td>
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EXCLUSIVELY DIGITAL OR HYBRID COMBO WITH BRICK AND MORTAR?

On average, clicks-to-bricks retailers are opening stores that average a space of 250m², allowing them to have a small footprint compared to the standard shops. While several digital-native retailers are leaning more towards the showroom model for the time being so they can interact with the products just to have them shipped later on from a warehouse. This model allows the retailer to optimize the use of smaller spaces. **As of now, only 15% of digital-natives carry zero inventory with 69% of them are apparel and accessory retailers.**

Digital technology therefore supports all the three models, brick digital & hybrid. No matter which you choose, it”s essential to utilize the latest features of the digital services in order to remain in business. But by utilizing every applicable option, the potential for growth is limitless.
Beauty products sales have grown steadily over recent years, in spite of economic downturns.

What matters is monitoring the way customers are shopping and which products they are selecting at any given time. Adjusting to these needs determines whether a company succeeds. Beauty tech is a tool that assists business in keeping up with the trends; a necessity for beauty industry prosperity now and throughout the future.
BEAUTY TECH HELPS KEEP UP WITH SHOPPING TRENDS

Though history shows people will continue to shop for beauty products in spite of events that create challenges for many of us, the coming of age of the tech loving millennial generation has changed the way much of the public shops for these products.

Granted that sales methods and promotions are continually evolving, efficient, personalized customer service will always be important to everyone. Technology provides the ability for beauty product based companies and others to offer the best products, provide top of the line service, and create customer engagement.
Small startups won’t be left behind in the new normal Economy. The lack of need for overhead, ease of communicating with a worldwide market through effective tech setups, brings building a customer base within reach of many aspiring entrepreneurs even if startup funds are limited.
Once a startup becomes profitable, these new brands may even build brick and mortar stores in the future, in addition to expanding online sales channels, as demand for in-person shopping returns after COVID-19. Tech doesn’t kill local business. In today’s climate, it’s often the key to keeping long-term enterprises open and to fueling successful startups.
Brick and mortar sites are not simply places to pick-up a few needed items. In the modern world, it’s all about the experience. Unique offers, freebies, fun, interactive features lure customer loyalty today. Offering shoppers something they can’t find anywhere else that keeps them coming back. Therefore, positive or negative customer experience does impact the performance of the brand as a whole.

It is estimated that a store that sells $5 million in merchandise per year but also produces $2 million worth of positive impressions will generate a total value of $7 million to the brand. Whereas a store that generates the same amount of sales but with $2 millions in negative impressions, would have measured a net value of $5 million.

It doesn't even matter if the customer purchases items during a visit, as long as the store offers a well-stocked website. The experience clients had in-store may result in a large online order later. Some Businesses which sell primarily through a website are opening shops in cities and towns, just so customers can interact with their brand.

This approach is highly appropriate for the beauty industry. Specialized smart technology helps select the best skin care and cosmetics for each individual can be set in local shops so people can try them out in-person with the assistance of a helpful sales clerk. Demos can be held, sample products sent home with customers. People are more likely to purchase beauty products products they already know will work for them.
By staying ahead of the curve on social and cultural trends, current preferences of beauty product shoppers, and making use of the latest tech options, the beauty tech industry will remain active and instrumental in sustaining legacy brand companies and assisting the launch of fledgling entreprises as we enter the new era of the post COVID-19 economy. The complementary roles of bricks and clicks will guide the beauty industry though the twenty-first century.


https://influencermarketinghub.com/social-media-beauty-industry/


https://www.grandviewresearch.com/industry-analysis/vegan-cosmetics-market


https://www.grandviewresearch.com/industry-analysis/premium-cosmetics-market
ABOUT BAYBRIDGEDIGITAL

BayBridgeDigital is a game changing software company headquartered in NYC. We are building a suite of digital applications on the Salesforce platform. Our mission is to create a world where retailers are loved by customers and employees. We connect brands, technology, and people to create new growth and business value faster. BayBridgeDigital is a leading provider of retail-specific cloud and mobile software, driving digital transformation for the world’s largest companies. BayBridgeDigital is an “industry cloud” pure-player specialized on Salesforce, the world’s #1 CRM provider.

Contact:
Abigail Schirmann - VP, Advisory and Digital Transformation
+33 1 76 42 05 72
aschirmann@baybridgedigital.com
https://baybridgedigital.com/