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POWERFUL LESSONS FROM THE BEST OF THE BEAUTY INDUSTRY

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The most resilient beauty brands today are using digital and social media technology to reshape the consumer experience, both online and in-store. This Red Paper explores the extraordinary cutting-edge success stories of The Beauty Industry* in digital, social and e-retail innovation and the lessons Consumer Packaged Goods (CPG) brands can put into action.

BY SPANDANA KOMANDURI
JUNIOR STRATEGIC PLANNER

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*For the purpose of this paper, "Beauty" refers to several markets including colour cosmetics, skincare, haircare, body care, fragrance, beauty devices, and beauty retailers.

1.

BEAUTY IS A PART OF CULTURE NOT APART FROM IT

Millennial and Gen Z consumers are shifting cultural norms. Smart beauty brands are staying close to these shifts and are moving decisively with them. They also understand that, for these consumers, social and digital media are their primary channels for expression, participation and protest about these norms. So, these brands also stay close to those channels - both established and nascent - and constantly listen and learn.

Diversity

Beauty brands understand that makeup, haircare and skincare are powerful tools of self-care and self-expression for people across different spectrums. There is no single identity for people who like to wear makeup. In the UK, 1-in-5 adults report that they would be discouraged from using a beauty or grooming brand that lacks diversity in the brand's product range. 42% of adults think that a diverse beauty brand is one that caters for people from different genders and gender identities.[1]

■ **Fenty Beauty** made waves when it initially launched its 40-shade foundation line to suit customers of every skin color.
■ **Herbal Essences** manufactures shampoo bottles with tactile surface readings that help decipher products for people with vision disabilities.
■ **Urban Decay**'s 2019 "Pretty Different" campaign starred celebrities like Ezra Miller, Lizzo, and CL from wildly different social microcosms.

Commitment

Consumers of beauty products increasingly expect action to back up the words. Expressing a brand purpose is one thing, living it is another, altogether more difficult, thing.

■ **Dove** was one of the co-founders of the CROWN coalition which aimed to end hair-related discrimination in the workplace and succeeded in getting 'The CROWN Act' passed in seven US states.

■ **Beautycounter** led two days of virtual lobbying on cosmetic reform with members of Congress, to demand better regulations on the industry.
■ **Maybelline, NYX, and Ulta,** among others, released limited editions of their most iconic products for the Make It BLACK campaign. 100% of profits generated went towards funding early-stage Black founders.[2]

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Transparency

Clean Beauty is a big trend - globally the market is estimated to reach $22 billion by 2024 - which means product transparency is increasingly a non-negotiable. A 2020 study of 2,000 UK women by beauty and wellness retailer Holland & Barrett revealed: 97% want beauty brands to be more transparent about ingredients; 90% agreed companies should be clearer about the language they use on packaging; 92% are actively seeking natural ingredients over 'household name beauty brands' when searching for new skin care choices.[3]

■ **Sephora, Beautycounter, Credo & QVC** are among the big companies taking a stand on what ingredients are allowed within their clean beauty product formulations, leaning on the rest of the industry to follow suit.

■ **JOONE** offers DOORZ, a digital blockchain initiative that allows buyers to check the entire history of the product, including supplier profiles and origin of raw materials.

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TAKEAWAYS FOR CPG BRANDS

■ Use category-level social listening to **understand the shifting needs of customers** and how their values and expectations are changing.

■ **Make your brand purpose authentic and transparent**. Is It relevant to the contemporary outlooks of your consumers? Are you doing anything beyond fine words to make that purpose a reality in the lives of your consumers and employees? Are those actions communicated in an authentic way on social?

■ Consider your target audience and **evaluate whether your brand marketing is inclusive** of all the different people within that audience. Is diversity also visible in the influencers that you use and all other brand partners?

■ **Declare clearly what is in your product**, in words that consumers can understand, and be prepared to provide evidence for any claims (vegan, zero-waste, organic, etc.). Social can be a powerful tool to educate and engage with your audience.

2.

COMMUNITY MEANS THAT A BEAUTY BRAND IS MORE THAN SKIN DEEP

The best beauty brands understand the power of a community. And they're adaptable in how they define and connect with those communities. The industry has moved way beyond their owned platforms and reward mechanics. They will use any available or relevant communities to inform product development, improve service or build partnerships. They will listen (through dedicated monitoring) as much as they will speak.

Consumer-led product creation and innovation.

Agile beauty brands are increasingly tapping into consumer feedback and concerns and using these inputs to fuel their product-development process.

■ **Harry's**, the unicorn-valued DTC that disrupted the shaving category, regularly analyzes data from their customer service call centres and thousands of customer emails. This is how they determined that the next logical extension of their portfolio would be a line of deodorants.

■ **Glossier** created their entire initial line-up of products by reviewing comments on hundreds of previous blog posts.

■ **Volition** asks its fanbase to submit and vote on product ideas, emulating a model of crowdsourced product creation.

Peer-to-peer trust

Consumers are seeking out other people who keenly understand their backgrounds or struggles, rather than blindly following sponsored content they may come across. Beauty brands listen to, and work with, a new wave of influencers who are lauded for their technical expertise.

■ **Dr. Michelle Wong of Lab Muffin Beauty Science** has developed a cult following for her no-frills approach to the science behind a product's formulation.

■ **r/SkincareAddiction** on Reddit counts 1.3 million members and over a thousand comments posted each day.

■ **Dr. Sam's Skincare Club or The Rosacea Club** (private Facebook groups) focus on more niche consumer concerns.

Brand communities

Communities built around specific beauty brands increasingly come in different shapes and forms.

■ **Glossier's** subreddit is not owned by the brand but the Glossier team keeps a close watch on it for consumer feedback.

■ **Glow Recipe**'s private Instagram page realglowgang is a brand-controlled space for fans to share their routines using the products, and a valuable tool for the brand to capture feedback from their most engaged customers.

■ **Overheard Le Labo** is a brand-run page that humorously captures the cultural milieu around their luxury fragrances—by posting anonymous tid bits of conversation overheard at their stores.

TAKEAWAYS FOR CPG BRANDS

- Have a strong **social listening strategy** and don't discount e-retail and marketplaces, which can be a goldmine of consumer feedback.

- Move beyond customer service to **loop consumer feedback into product and service design** and never stop iterating.

- **Partner with smaller**, **expert influencers** who command respect within their niche—they are especially effective at conveying technical product claims and benefits.

- What **niches and sub-communities** related to the category is your brand missing out on? Tap into evolving behaviors and expectations to enrich your market segmentation.

3.

CUTTING EDGE E-COMMERCE IS A THING OF BEAUTY

The Beauty Industry is restlessly pursuing state-of-the-art e-commerce technology using AR, AI, Voice, Conversational Commerce and Shoppable Video, combined with bespoke fulfilment models, to drive trial and seamlessly convert to purchase. Online sales are expected to account for a third of beauty category sales by 2026.[4]

Augmented Reality (AR)

Instagram, Snapchat, YouTube, and TikTok filters are the main avenue for brands to experiment with AR on social. Currently valued at $31 billion, the AR, VR (Virtual Reality), and MR (Mixed Reality) market is forecast to grow 10X in the next three years.[5] Facebook, Google and Snap are all offering wearable products powered by AR technology which will enable users to better experience VR and MR spaces.

■ **Social.Lab with L'Oréal Paris** has proved the effectiveness of Try-On ads using AR filters— not only for improving conversion but also for driving brand awareness.

■ **Momo**, a Chinese social messaging app, allows consumers to virtually try on makeup styles from celebrities and beauty influencers and then share with their networks.

AI-driven personalization

Product web pages have become the "new sales floor" according to a recent Glossy article, and brands are looking to give online shoppers an authentic sense of the product.[6] The pandemic-driven expansion of online shopping has also given brands the opportunity to test AI-powered personalization at scale.

■ **Mirrori**, an AI-based beauty app, analyzes your facial features, lets you upload your current makeup collection, and then suggests a routine based on products you have at home.

■ **L'Oréal's Vichy** uses big data to evaluate the user's skin via a selfie, and then provides personalized regimens.

■ **Pond's** AI-powered skincare virtual assistant on the Shopee platform allows customers to get real-time, tailored advice as they shop.

Voice

The technology powering voice assistants continues to grow smarter, as these devices become central in connected homes (44% of internet users in the US already use voice assistants).[7] Beauty brands are taking advantage of this channel to aid product discovery and to provide post-purchase assistance.

■ **NARS** partnered with Spotify UK for a voice-activated campaign where listeners would hear an ad encouraging them to request a sample of NARS blush, mascara or lipstick products, and upon requesting it, their smart speakers would automatically place the order.

■ **Estée Lauder**'s voice-activated 'Nighttime Routine Assistant' guides customers through their skincare routine and answer their queries, all in a hands-free format (quite important when maintaining skin hygiene!).

Conversational Commerce

C-Commerce sits at the convergence of online shopping and personal assistance. Beauty brands are experimenting with many different conversational channels, from the traditional customer service avenues of text and voice calls to social media chatbots, and more personalized consultations over video or brand-owned apps.

■ **Sephora**, which already has sophisticated Facebook Messenger chatbots across most of its markets, is testing a personalized one-on-one consultation service via Messenger in Poland.

■ **L'Oréal** launched the Haircolor Concierge, which allows customers to get hair dyeing guidance over video, text, or live chat, from trained professionals.

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Shoppable video

Whether integrated into video-on-demand or as part of livestreaming, beauty brands have been early movers in testing new shoppable video technology. According to an Instagram executive, live shopping is so successful because it's a "really fantastic one-two punch of discovery and consideration in one-go, and it naturally is a medium that lends itself to entertainment."[8]

■ **L'Oréal** Malaysia partnered with Facebook for a day-long beauty festival on Facebook Live, complemented with conversational commerce via Messenger. This livestreamed shopping event boosted its daily sales by 4X.[9]

■ **Amazon Beauty Haul Live**, a single day-long, entirely shoppable "beauty vlog" on Amazon, saw hundreds of livestreams from beauty influencers and beauty-brand founders like Jessica Alba and Gabrielle Union. Apart from being able to instantly shop the products, viewers were also given access to exclusive promo codes and discounts.

■ **Michelle Phan** capitalized on the overlap between gaming and beauty enthusiasts. She staged a Twitch gameplay livestream, where a bot added links to purchase her cosmetics line in the chat, and commercials for the new products played during breaks in the game.

Melding bricks-and-mortar shops with the online world

Modern beauty retail offers flexibility for the consumer and ensures that in-store experiences reflect some of the personalization and efficiency they are used to when shopping online.

■ **Shiseido**'s flagship store in Ginza has a 'Digiskin Tester' helping customers find the right skincare through an interactive touchscreen, an AI mirror that lets them trial color cosmetics, and a digital foundation bar which provides the perfect color match through a quick photo.

■ **Galeries Lafayette** elevates the in-store experience with a skincare assistant mobile app- customers take a selfie and are recommended the best products for their needs along with the best deals running in-store.

TAKEAWAYS FOR CPG BRANDS

- Consider the right **mix of digital retail avenues** for your brand based on consumer behaviors that can complement, not replace, any real-world sales channels.

- Before investing in any of these technologies, clearly **define the value exchange that would be derived for both brand and consumer**. Think about the customer pain-point that could be solved by adopting such a technology.

- Have a **test-and-learn strategy** in place when implementing any of these technologies, and iterate with smaller audience segments before making the service widely available.

- Make sure you are **capturing the additional data generated at these new touchpoints** in the customer journey, whether it's a social media chatbot or in-store technology, and use it to tailor your brand's digital experience.

IN SUMMARY

Stay connected to the conversation. Social media monitoring has implications at a category, cultural, and brand level.

Embrace new channels and new technology. Ensure a clearly defined value exchange for consumers and the brand, and be ready to test-and-learn before implementing on a large scale.

Embrace diversity. Improve your segmentation and understand the differences between consumers. Ensure that you are representing all segments in your marketing.

Live your brand purpose. Act with integrity, communicate transparently, and turn your beliefs into actions that get consumers involved.

Support your biggest fans. Find, listen to, and engage niche communities. Make decisions that keep them happy. Adapt products & services to their needs and use cases.

GET IN TOUCH

For any further Information about the contents of this Red Paper or a chat about how this could impact your marketing plans please contact Mathieu Gillain (mathieu.gillain@social-lab.eu).

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