

BEAUTY AND THE BUDGET

Beauty Trend Outlook – How to
Drive Consumer Loyalty and Value

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INTRODUCTION

While every industry felt the effects of unpredictability and uncertainty throughout the past three years, beauty has been uniquely impacted by changing norms and new consumer behaviors.

When masks went on and beauty sales dropped, the industry was forced to pivot. When prices started to rise and supply started to fall, forcing consumers to re-prioritize their cosmetic needs, the industry was forced to pivot once again. Beauty brands — after all this shifting and re-shuffling — are wondering what's next.

LUCKILY, BRANDS HAVE AN OPPORTUNITY TO CHOOSE “WHAT’S NEXT.”

Consumers, exhausted after years of change and ready for a return to normal (well, improved normal) and to take off their masks, are looking to build personal relationships with beauty brands. While economic relief and supply chain resolution might be beyond our control, creating better retail experiences through personalization and other means ARE within our control, and have the power to delight in this new age of beauty consumerism. All brands have to do is listen.



BUDGETS ARE TIGHTER — DOES BEAUTY FIT IN?

Post-Pandemic Shopping Journey Adjustments:

At the height of the COVID-19 pandemic, every category experienced some form of change — and beauty was no exception. With masks of every shape and size covering at least half of the face, consumers shifted their cosmetic attention either to the eyes, or away from the category entirely. Retail beauty sales took a dive, with some shoppers spending up to **50%** less on beauty products throughout 2020 according to **McKinsey**.

As the world slowly recovered, shopping behaviors remained altered by what could be considered post-pandemic norms. Focus returned to holistic beauty rather than just the above-mask facial areas, and consumers continued to look to the new shopping channels, technologies and features they explored throughout the pandemic.

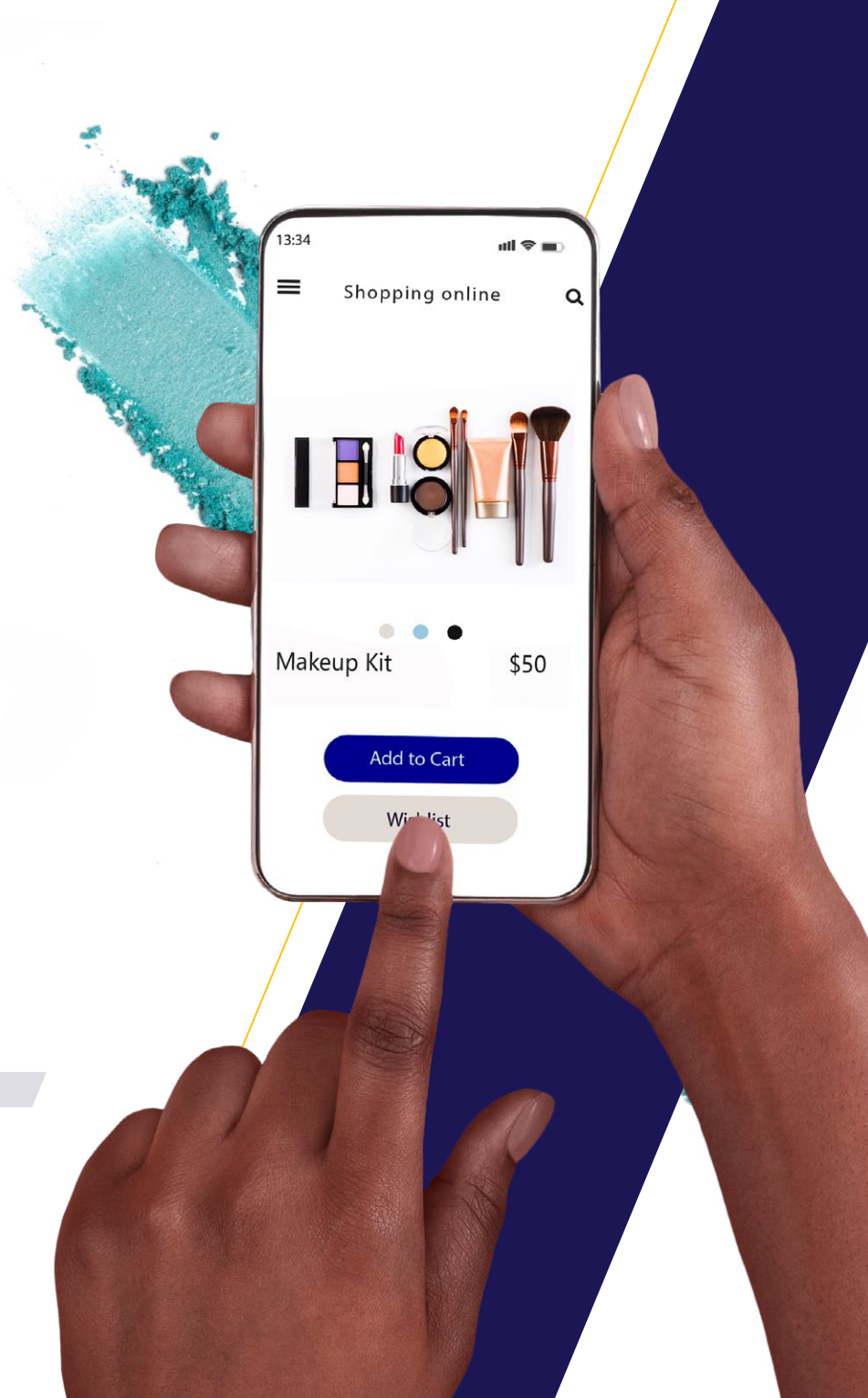
As we look ahead to 2023, overall spending in the beauty space will take more time to recover — and shoppers will continue to test brand limits and boundaries for a better overall experience and value.

2020 - 2021

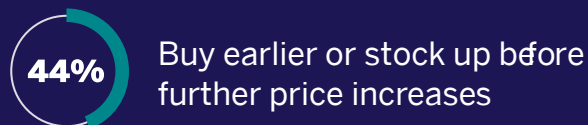
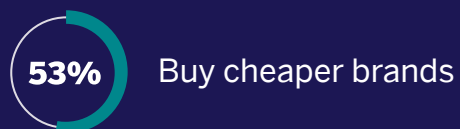
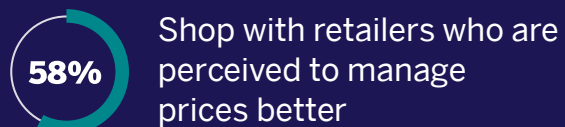
- + Increased Curbside Pick-Up
- + Increased Online Ordering
- Decreased In-Store Shopping

2022 - 2023

- + Renewed In-Store Interest
- + Increased Pre-Shop Research
- Decreased Overall Spending



In Response to Inflation and Price Increases, Shoppers Will:



CONSUMERS' RESPONSE TO ECONOMIC SHIFTS

Shoppers have definitely noticed as products go out of stock, rise in price, and shrink in volume — and many are re-prioritizing to stretch their dollars. Over **80%** of survey respondents say that they've noticed prices increasing on the products they'd normally buy. **58%** are "very concerned" about inflation, and another **25%** moderately so — that's **83%** of consumers who are concerned about inflation, pricing, and savings **right now**.

In response, over **75%** of shoppers said they've purchased an alternate brand, almost half saying that they've exercised their brand-switching strategy often in the past few months. One-third said they've stopped purchasing some of the items they regularly buy altogether, which means purchase drop-out is as real a threat as brand-switching.

BEAUTY TAKEAWAY:

Value will define the consumer climate throughout the next few years, and is going to be more important than ever as shoppers make important decisions based on price, experience, and, most importantly, loyalty.

CONSUMERS CARE ABOUT VALUE, BUT THAT'S NOT ALL.

Today's shoppers, especially beauty shoppers, are more invested in their own experiences than ever. "Experience" can mean many things, however, and marketers face a mountainous task when consumers want each of those elements — all at peak performance — to be part of their shopping journey.

Thankfully, consumers are vocal about the improvements they expect. When asked to identify what brands and retailers can do to earn their spend and loyalty, shoppers share a selection of priorities.

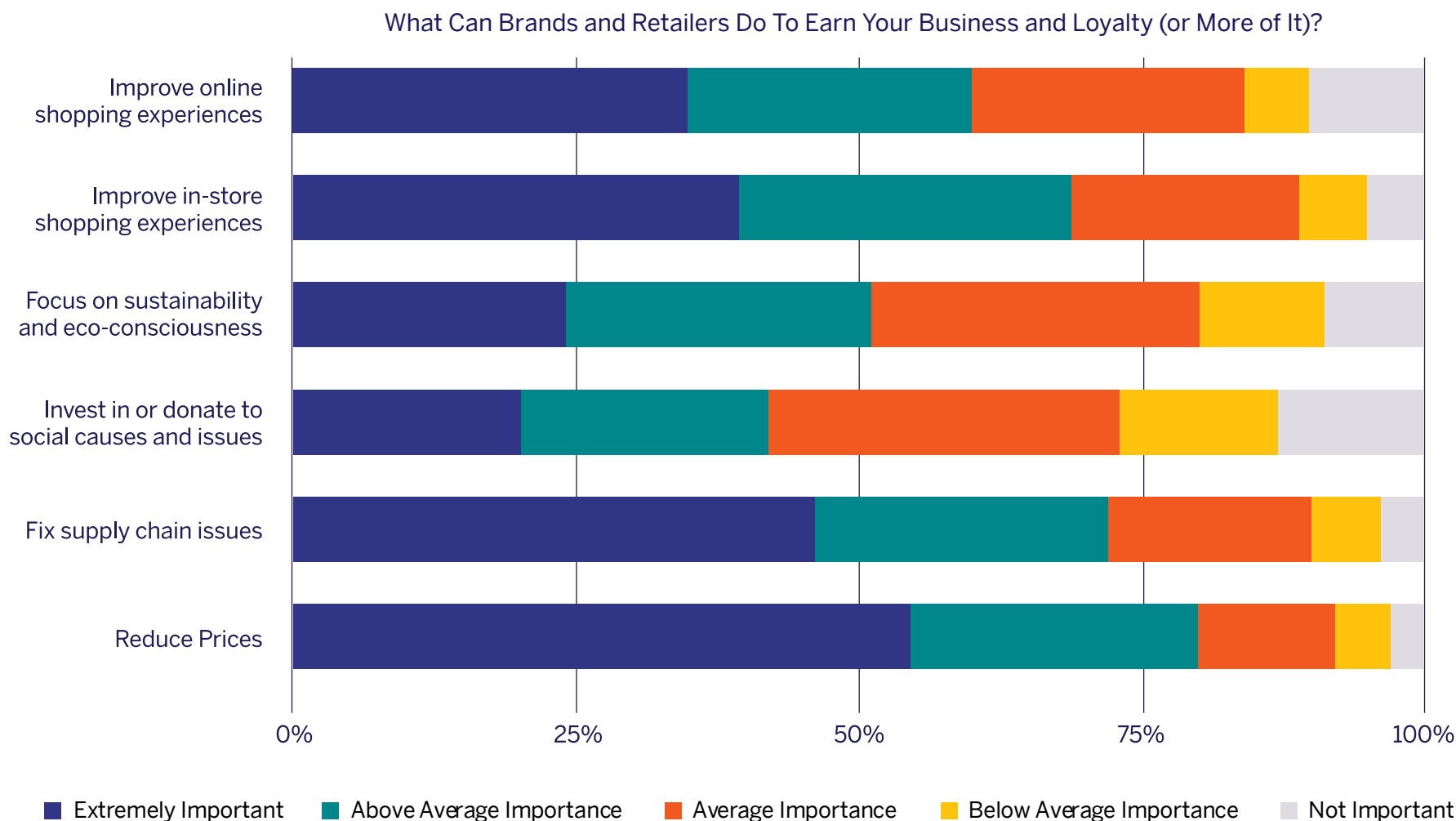
Of course, price reductions top the list, an obvious connection to the economic concerns shared by most shoppers. Interestingly, priorities not directly related to the shopping journey are also essential to most shoppers. One-third of shoppers hold brand values such as sustainability, eco-consciousness, and social cause investments as the determining factor for whether or not they will spend or continue to spend with a brand.



BEAUTY TAKEAWAY:

Brand awareness is a defining feature of the modern beauty consumer. That awareness can start as high-level as product ingredients, and run as deep as a brand's overall environmental impact. At the end of the day, consumers will buy from brands and retailers whose messages, experiences and values align with their own preferences.

WHEN IT COMES TO THE BEAUTY CATEGORY, DESIRES LIKE THOSE OF SUSTAINABILITY AND ECO-CONSCIOUSNESS CARRY INTO THE PRODUCTS THEMSELVES.



According to Global Cosmetic Industry Magazine, **20% of shoppers look for sustainable packaging, 25% for sustainable ingredients, and 37% for formulas that are clean or free from harmful chemicals.**

WHAT'S IN STYLE: BEAUTY IN THE SOCIALSCAPE

It took very little time for social media to support more and more of the beauty purchase cycle. Today, every aspect, from awareness to purchase, can exist in the social space. This levels the playing field between brands — both B2C and D2C — enables a better understanding of the shopper journey, and allows social media to exist as a commerce environment that is connected to — but independent from — the traditional retail ecosystem.

Of course, the microcosm of beauty in the socialscape is abundant in its own trends, quirks, and benefits. But, most significant is the natural presence of influencers, and their unique ability to deliver on a wide variety of outcomes from trial to purchase.

97% of Gen Z shoppers — and a large majority of consumers across other age groups — turn to influencers for inspiration, new usage occasions, product recommendations, and more. And **89% of marketers say that influencer ROI from the resulting purchases is comparable or greater than other channels.**



CASE STUDY spotlight:

In the midst of the pandemic, a global cosmetics and beauty brand sought awareness and trial for a new product. Looking to connect with younger audiences, Inmar Intelligence worked with the brand, and a popular influencer, to develop shoppable content on the platforms the target audience engages with most. The result? **One million unique views, 250k items added to cart, and over \$2 million in carted value.**

Why do you trust influencers' recommendations?



WHAT'S IN STYLE: AGILITY AND ADAPTABILITY

These days, consumers are bombarded with messages and information on a second-by-second basis. The messages that break through the noise are the ones most relevant to current needs and interests. Conversely, blanket advertising which lacks alignment with hot topics in the market will fail almost every time.

A brand's ability to pivot and adapt is one of the most valuable assets in modern advertising. This adaptation can be accomplished in several ways — from using first-party consumer data and applying it across various marketing channels, to identifying a customer need and reaching them “in the moment.” However, the outcome is the same — a better connection to shoppers and what they find important in their time of need.

For example, consider the recent abandonment of traditional deodorants initiated by personalities on social media and even advanced by certain celebrities. Without an ear-to-the-ground approach that informs of these trends immediately, losses are inevitable and inexplicable. Instead, with the proper understanding of what's happening in the market, some brands were able to pivot to messaging that highlighted healthier ingredients, or to campaigns focused on different products within their brand portfolio — waiting for the hype to wear off. Learning about trends in the moment, and reacting appropriately, is a savvy marketer's signature move.



Many of the marketers we surveyed last year said their organizations are either agile (42.7%) or working on improving their agility (44%), which in turn means quicker reaction times to rapid changes.

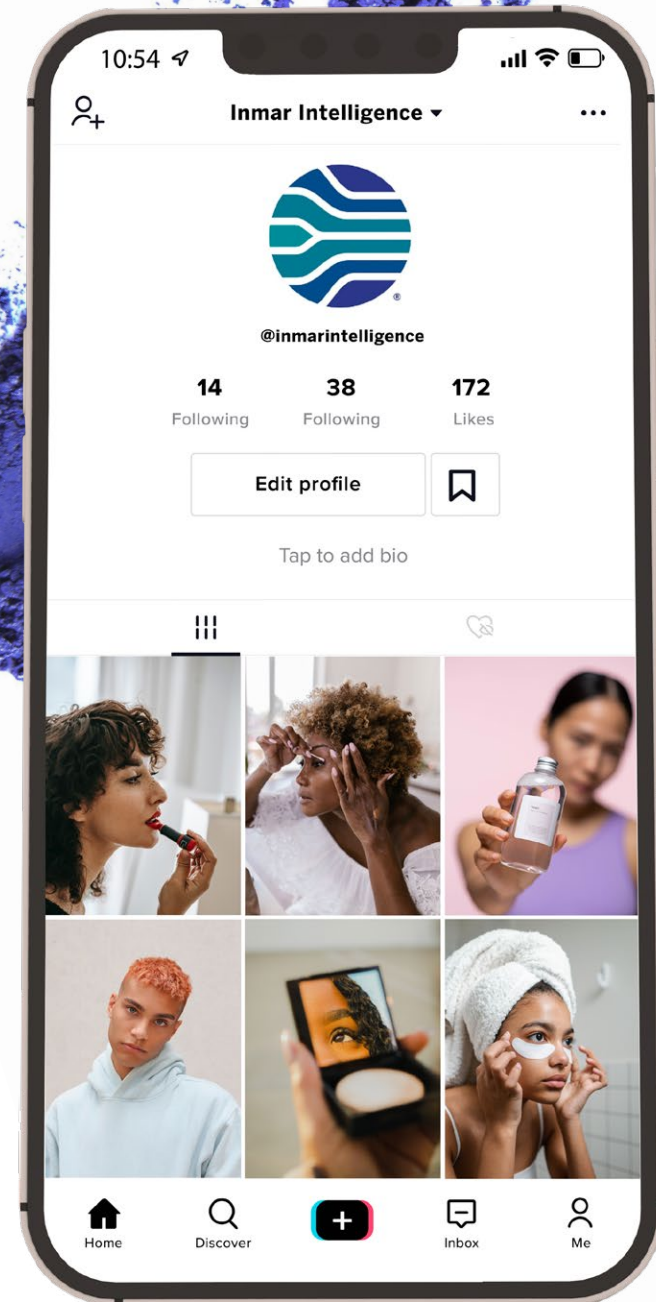
WHAT'S IN STYLE: AGILITY AND ADAPTABILITY

What has TikTok Taught you?

TikTok has become a hub for learning and tips as much as a destination for pet videos and viral dance moves. Users are discovering new techniques, products, and ideas via trending videos, and then testing those fads out themselves (remember how popular “whipped coffee” was in the middle of the pandemic?).

Get out in front of these trends by regularly tuning in to your customers' favorite social channels. Hot topics will pop up naturally, allowing you to be part of the conversation — as long as you jump in quickly and with an engaging message. Employ brand ambassadors who have a pulse on what's next, allowing you to quickly and naturally become part of the conversation.

Digital advertising allows you to take an agile marketing approach. Understand what is — and is not — working, and adapting accordingly.



WHAT'S IN STYLE: RESURRECTED PHYSICAL RETAIL

For the past two years, many shoppers have treated physical stores as a no-go zone. Consumers adapted to cross-channel and digital-heavy shopping, learning to utilize new technologies and formats that would help emulate or, in some ways, replace the physical retail experience.

However, as public concern related to COVID-19 waned, it became abundantly clear how much in-store shopping was missed. **In the end, physical stores actually ended up beating online shopping in 2021.** Shoppers missed touching, feeling and testing products, and wanted their return to retail to feel more like a trip than it may have before.

Treat the in-store shopping experience as just that — an experience. Although digital shopping may offer convenience, the in-store shopper prefers to make events out of their errands. Add enjoyment to shopping occasions with exciting in-store signage, hands-on opportunities, and personalized engagement. A personal touch will go a long way as beauty shoppers return to stores.

Inmar Tip: The closer to the shelf you are, the more opportunities you have to engage shoppers and drive outcomes. Activate cross-channel functions like QR codes and Conversational Commerce, and reach them when they're most receptive by utilizing Moments Digital Media.



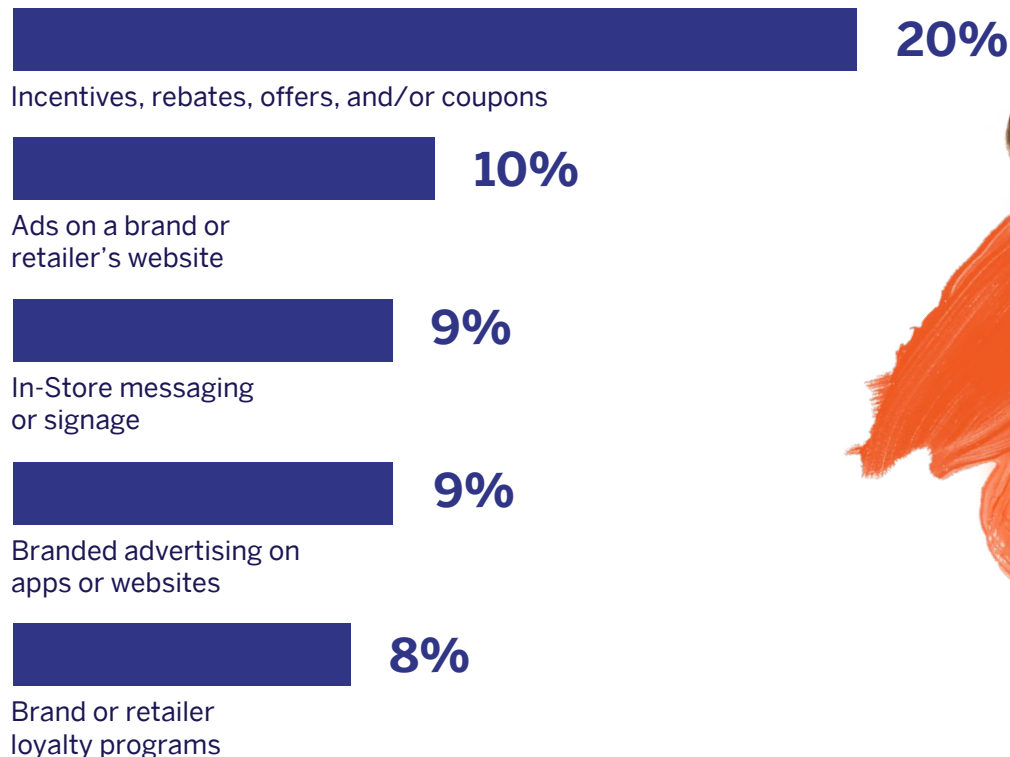
FUN FACT: Research shows that physically holding products results in psychological ownership, which motivates desire and purchase decisions.

TREND TIP: RETAILERS RESPOND TO THE RETURN TO STORES

Some retailers — reacting to revitalized consumer interest in physical trips and in-store experiences — are working to make shopping a more engaging adventure.

Target, for example, has begun rolling out Clockwork robot manicure machines in select stores. They expect this shopping experience to drive more store visits, increase the time customers spend at the stores, and add opportunities for impulse spending — all designed to positively affect the bottom line.

DON'T FORGET: Many shoppers are inspired to purchase by the following touchpoints in the retail ecosystem:



However, purchase inspiration occurs outside of that ecosystem just as frequently. A multichannel experience is KEY to capturing and converting shoppers.



THE IMPORTANCE OF VALUE, LOYALTY AND TRANSPARENCY

Start With Value

As financial concerns and economic uncertainty continue to shape shopper behavior, consumers are more insistent on finding the best value — but this doesn't always mean the lowest price. Instead, shoppers simply want a fair price for what they're getting.

In the beauty space, this can be tricky. Brands must balance pricing and value while avoiding any possibility of veering into “cheap” territory — which is all but a death sentence for beauty brands who rely on certain standards of quality and appearance.

So, how do you delight customers with better pricing while preventing any misstep into “cheap” territory? Simple — deliver value. Consumers will shop more often with brands they feel are on their side and that give them more than they ask for. Offer bundles, incentives, coupons, discounts, deals — anything that makes the shopper feel like they get more for their dollar. Or add journey-based value in the form of convenience with delivery, shoppable ads, or contextual advertising. In doing so, you may not need to lower prices.

Build Better Connections

Recent studies have found that many consumers — in fact, the majority — are willing to share their data and personal information in exchange for better shopping experiences. In the absence of third-party cookies, this is life-saving news for brands and retailers, whose current and future strategies should be based on better connections with consumers.

68% of shoppers already belong to a retailer loyalty program, and 59% to a brand loyalty program. Additionally, shoppers have indicated that brands' and retailers' roles in purchase inspiration



and product recommendation have been growing across channels as consumers look to companies for a path through economic uncertainty.

In essence, shoppers are reaching out for help and hoping to build a mutually-beneficial relationship along the way.

THE IMPORTANCE OF VALUE, LOYALTY, AND TRANSPARENCY

Prioritize Transparency

Since shoppers are searching for better relationships with brands and retailers — and looking more closely at elements like ingredients and sustainability — transparency is an essential part of a modern marketing approach.

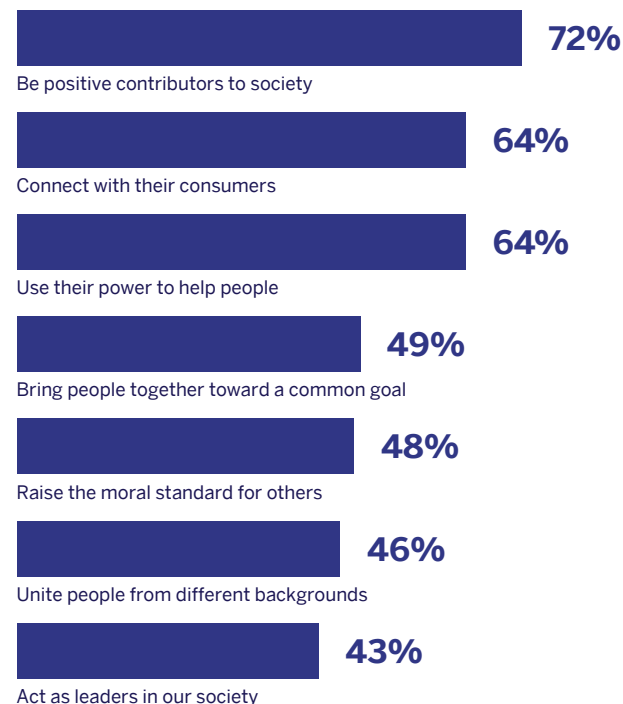
Beauty has a leg up in this space, as many brands have been practicing transparent communication for years. Discourse related to materials, ecological impacts, ethics, and the like have been natural parts of the industry for some time. But, as shoppers move between channels in search of better prices, experiences, and relationships, it can be difficult for beauty brands to connect and demonstrate effectively.

Ensure your brand is acting in a transparent, responsible manner. Communicate shared values, and highlight efforts toward social responsibility that consumers will appreciate. We're in a more conscious, effort-based consumer environment than ever, and those who authentically show their hand will come out on top.

1-to-1 Messaging is Key

Connect with shoppers individually on a social media platform, for example, with a message relevant to their needs or values. Tools like our Conversational Commerce are perfect for this. Stop the shopper in their channel-hopping tracks, communicate impactfully, and motivate toward your desired outcome. If done correctly, a message as simple as a product recommendation or incentive can feel like guidance to a consumer rather than an advertisement.

What modern consumers want from brands*:



*Sproutsocial consumer survey





SHOPPERS SHARE DATA IN EXCHANGE FOR BETTER EXPERIENCES

77% of shoppers are comfortable with brands and retailers using their purchase data to send personalized offers, discounts, rebates, or coupons.

78% of shoppers are comfortable sharing their location data for convenience in online shopping, pick-up, and delivery.

70% of shoppers are comfortable sharing their location data to receive location-based advertising.

66% of consumers are comfortable entering their personal and purchase information on social media sites to confirm a purchase.

66% of shoppers are comfortable sharing their personal phone number with brands or retailers to receive texts that incentivize purchases.

65% of shoppers are comfortable with brands and retailers using their purchase data to send personalized ads across digital platforms.

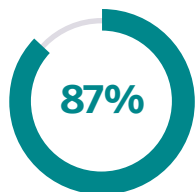
THE POWER OF PERSONAL

Why Personalization is Necessary

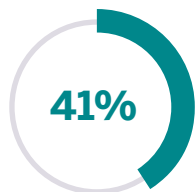
The insights shared here are just a sampling of what data can tell marketers about their consumers. But, knowing shoppers is only half the battle — using that information to personalize experiences will take you the rest of the way.

Beauty shoppers, and consumers of all categories, now expect a certain level of customization in their experience. If a product or message doesn't relate to them on an individual level, they'll simply move on to find something that does. Elements of this behavior can be seen in the social media space — users will scroll past content that doesn't relate to their interests but stick around or engage with content that does.

To get an idea of what this personalization can — and should — look like, look to those doing it well. For example, D2C brands have grown exponentially throughout the pandemic era. Out of necessity, D2C brands must personalize their experiences because shoppers won't stumble across their products naturally. As shoppers return to physical stores, emulation of the tech and connections explored by these brands will be critical for any seeking a share of the beauty market.



87% of shoppers admit that a personalized shopping experience would affect how much they spend with a brand or retailer to some extent.



41% of shoppers would spend more if given a highly personalized shopping experience.



INMAR INFLUENCER CAMPAIGNS:

A beauty brand used Inmar's influencer marketing solution to raise awareness of their products' presence in a new channel.

THE RESULTS:

- Offer redemption **4x** industry averages
- Click Thru Rate **166%** above benchmarks
- Brand sales increase of **79k**



THE POWER OF PERSONAL

What Personalization Means & Looks Like

A one-size-fits-all approach isn't going to cut it in modern beauty advertising. Instead, use data to understand and engage your shopper — then tailor advertising to the shopper you know. What does this mean, and how can it be done?

Authentic Connections

Personalization doesn't always have to mean 1:1. Influencers are the best way to scale receptive marketing, because they look at their audience as a tribe and communicate as such.

Receptive Moments

Combining audience behavioral data with receptivity signals like time of day, geolocation, weather, contextual environment etc, allows marketers to engage the right audience at the right time.

76% of people said personalized communication is a key factor in prompting consideration for a brand

1:1 Conversations

Utilizing chat technology, users can connect with brands in a way that's most meaningful to their specific needs and wants. Users can seamlessly find products based on preferences, apply promotions, order and provide feedback.

47% of consumers are open to purchasing directly from a chatbot

PERSONALIZATION DONE RIGHT IN BEAUTY: THE BEST BRANDS IN THE BIZ

Thankfully, there are plenty of examples available to those ready to jump into the realm of personalization. Many brands are doing this very well, and can serve as guidance for connecting, engaging and delighting shoppers.

ILIA Beauty

ILIA starts and ends with personalization. The brand highlights transparency throughout its process, and ensures the customer feels like an individual every step of the way.

From the makeup matching experience that starts the customer journey to a branded, personalized shipment tracking page, ILIA is careful about connecting with each unique shopper through the entire purchase cycle.

In doing so, ILIA has effectively increased customer engagement and retention; **the brand even says that email open rates have reached 65%, click-through rates 17%, and tracking page conversion 25% higher than average.**



PERSONALIZATION DONE RIGHT IN BEAUTY: THE BEST BRANDS IN THE BIZ

Curology

All Curology patients are partnered with a Dermatology Provider to assess skin care needs. Members then provide photos of their skin for a full assessment before being prescribed a custom formula.

All products are shipped directly to the consumer via subscription service to create ease within the skincare routine. Subscribers then work with their Dermatology Providers on an on-going basis to continue to assess and address their needs throughout their skincare journey.



CONNECT, INSPIRE, ENGAGE, AND CONVERT WITH OUR RETAIL CLOUD

Welcome to the industry's only integrated marketing suite, powered by an exclusive data intelligence core, ShopperSync®.

ShopperSync® ingests SKU-level data and shopper behavior from POS, e-commerce, social engagements and digital promotions and converts it into addressable marketing currency that can be distributed and activated, at scale, across marketing channels.

WE MAKE BUSINESSES SMARTER
TO IMPROVE CONSUMERS' LIVES.



ABOUT INMAR

Through curiosity and the intelligent use of data and technology, we make businesses smarter, accelerating commerce and creating better experiences that enrich consumers' lives.

By designing, building and operating reliable, dynamic media and incentives solutions, we create greater efficiencies and enable connections that unlock the potential of sophisticated marketplaces. This focus is why we have been the trusted partner for so many retailers and brands throughout our 40+ year history.



GET IN TOUCH

For more information about Inmar
visit **INMAR.COM** or call **(866)440-6917**

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