2020 Beauty Industry Study

Beauty in TRANSITION

How Manufacturers & Retailers
Can Build a Next Generation
Experience in Beauty

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Cadent Consulting Group Overview

Who We Are

Cadent Consulting Group, established by the founders and senior leadership team from Cannondale Associates and Kantar Retail, is a marketing and sales management consulting firm serving the Consumer-Packaged Goods (CPG) and Retail industries. We offer a broad array of information, insights, capabilities, and expertise across the manufacturer, retailer, and shopper spectrums.

Our Mission

Our Mission at Cadent is to help our clients drive growth and profitability while optimizing go-to-market investment and organizational productivity. We aim to translate insights into competitive advantage for our clients.

Our Focus

Growth Accelerators

Category Leadership

Path to Purchase

Industry Benchmarking

GO

Growth & Optimization

Trade/Marketing Productivity

"Value Based" Pricing

Customer Segmentation

Organization Design & Training

Our History in Industry Research

Cadent's Management Team, while at Cannondale Associates, published the first Category Management/Leadership Industry Study in 1994, followed by the Trade Promotion Industry Study in 1995 and the annual PoweRanking® Study in 1997. Over twenty years of experience in category management, trade promotion, and industry best practices has deepened our knowledge and expertise across manufacturers, retailers, and consumers/shoppers.

We constantly seek to better understand our client needs. Cadent published studies of Manufacturer Spending in 2014, 2017, and 2019, the Path to Purchase Study in 2015, and the Strategic Pricing Study in 2016.

Cadent Study efforts also deem to follow industry interests. We introduced a series of papers on Private Label in 2017, 2018, and 2019. Now in 2020, we are releasing "Beauty in Transition" to develop further understanding in this growing industry.

EXECUTIVE SUMMARY

Executive Summary

Ulta Beauty was the top performing stock in the S&P 500 for the decade, with its shares climbing +1271% vs. Amazon.com at +1236%.[1] Yet in 2019, for the first time in 5 years, the company reduced its outlook in Q2, marking a turning point in the industry.

As the pace of Beauty sales growth begins to slow, Manufacturers and Retailers must stay attuned to the changing needs of their consumers. Cadent's 2020 Beauty and Personal Care study outlines the defining characteristics of each generation, namely Millennial and Gen Z shoppers. With this understanding, industry players can swiftly recalibrate to the demands of the "Next Generation" Beauty Shoppers.

Our study first identified the "Table Stakes" for Beauty shoppers. These are the **must-have** shopping factors that retailers must deliver in order to be considered by any shopper, whether Gen Z (ages 16-22), Millennial (ages 23-38), Gen X (ages 39-54), or Baby Boomer (ages 55-74).

BEAUTY TABLE STAKES

When it comes to Beauty, shoppers have an emotional connection and care deeply as it is a reflection of self. The most important factors to shoppers have the significant room to improve in terms of customer satisfaction. Younger cohorts, particularly Gen Z, are the most dissatisfied with how retailers and manufacturers are currently delivering on several fronts.

Across all ages of Beauty shoppers, three themes emerged as cost-of-entry factors, the Table Stakes, for shoppers. Moreover, Gen Z shoppers had the highest scores for all of these, validating their importance as priorities that retailers need to focus on for future success:

PROVIDE AN INCLUSIVE RANGE OF SHADES AND COLORS.

Gen Z shoppers drove the importance of inclusivity, along with the need for *Has products for different ethnicities*. The correlation of these factors highlights the inclusive personality of Generation Z. Retailers and manufacturers should be developing products and shades for their increasingly diverse customer bases. In fact, a recent Census-based analysis indicates that nearly half of Gen Z shoppers are racial or ethnic minorities, bringing this point into sharp relief.[2]

BE ABLE TO SHOP IN PERSON.

All ages of Beauty shoppers indicated the importance of shopping in a brick and mortar store. The desire of younger shoppers to shop in a physical store is especially telling in the Digital Age: shoppers still want to try on Beauty products and engage with the retailer in person. Retailers and manufacturers need to ensure in-person product experiences for their shoppers, whether in store or through events.

PROVIDE A PURCHASE ASSURANCE POLICY.

While all shoppers rated the importance of a *Flexible return policy*, Gen Z shoppers were the only shoppers to indicate dissatisfaction with this factor and moreover with great significance. Modern industry return policies range from lifetime guarantees, to return if used/open, to full refunds for up to a year. Beauty retailers need to determine whether their return policies are acceptable for the Next Generation of Beauty shoppers. In today's market, flexible policies can drive retailer switching. Beauty manufacturers can partner on unique trade terms to create competitive return policies for their retailer customers.

[1] Bloomberg 12//2019, growth versus 12/31/09. S&P 500 grew 189% for this period.
[2] Pew Research, November 2018; importance based on Top Box, highest degree of importance on a 5-point scale

Executive Summary

Generational Change

Millennial and Gen Z shoppers are distinctly different from Baby Boomers and Gen Xers in their approach to the retailer.

They View the Retailer as More than Just a Store.
Younger shoppers indicated the importance of having *Friendly, knowledgeable salespeople; A loyalty club/program to earn points; A private label I trust* when shopping at Beauty retailers. Retailers must create a programmatic approach to Beauty with many ways to continuously engage the shopper. This is a particularly important tenet for general Food/Drug/Mass retailers with Beauty departments. Manufacturer suppliers can partner with their retailer customers on targeted category – and brand-driven initiatives – extending beyond shopper marketing, shelving, and pricing.

They Desire an Expert, Personalized Experience that includes Product Application in the Store.
Younger shoppers were significantly higher on rating the importance of *The store has beauticians, The store has mirrors/applicators* and *The store is well lit, neat and clean.* Millennial and Gen Z Beauty shoppers want to see how the product feels and looks on them at the moment of purchase within a store environment that invites them to do so. Beauty retailers and manufacturers need to create opportunities for makeup and Beauty application at the point of purchase, including samples, beauticians, and virtual try-on tools.

They Desire Robust, Omnichannel Integration.
When it comes to the ecommerce experience, younger shoppers rated 30% more importance than average on *Being able to buy on mobile, Providing online exclusives, Seeing how others buy* and *Providing live beauticians online.* Retailers must think about their ecommerce efforts as holistic outlets with unique assortments and services, rather than mere extensions of their brick and mortar establishments. At the same time, 50% of Millennials and Gen Z shoppers indicate the highest importance on *I can see what stores have in stock online*, and 40% of Gen Z shoppers declared the same importance for *I can access free store Wi-Fi.* Providing digital support to in-store experiences is a strategic imperative to win the Beauty shoppers of tomorrow.

They Prefer Specialty Stores over Amazon.
59% of Gen Z shoppers selected Sephora, Sephora.com, Ulta, and Ulta.com as their most preferred retailer, compared to only Amazon and other ecommerce sites at only 12%. Younger shoppers clearly prefer Specialty retailers. General retailers who seek to attract Beauty shoppers need to take cues from Specialty stores, including the level of focus, expertise, and the more differentiating elements of service and education.

Executive Summary

New Definitions

Younger shoppers have a remarkably different set of definitions from Baby Boomers and Gen Xers when it comes to Beauty.

Beauty is defined as Self-Care. Almost 50% of Millennials and over 60% of Gen Z respondents indicated the highest importance on *I can buy for all my Beauty and Personal Care needs.* The modern definition of Beauty now encompasses Personal Care, redefining Beauty as Self-Care. As consumer spending for cosmetics begins to merge with Personal Care categories, retailers and manufacturers must provide Skin, Hair, and Wellness categories in conjunction with Make Up. This presents opportunities to reconfigure products and shopping experiences to allow shoppers to purchase fluidly across these Self-Care categories.

Mainstream is defined by social media. While younger shoppers indicated importance of *Having new products* and *Hard to find brands*, they were more interested in retailers *Carrying **the right** mainstream brands.* Retailers and manufacturers may traditionally define mainstream brands as highly advertised, but Gen Z shoppers prioritize having the right brands based on what they see trending on social media. This contrasts sharply to Baby Boomers and Gen X shoppers who exhibit more interest in *Upscale, luxury or professional brands*. Retailers and manufacturers need to appreciate the importance of social media efforts as a driver of trends and popularity, i.e. *Mainstream.*

"Clean" is defined by the Individual. Almost half (47%) of Gen Z respondents marked top box importance on *Provides information on ingredients, brands,* revealing that these shoppers want to personally investigate labels, ingredients, sourcing, and brand ethics. Millennials drive the interest in organic and clean products, with 37% indicating top box importance on retailers having a *Wide variety of natural, clean or organic products.* As the interest in natural, clean, and organic pervades, the definition of "Clean" will be determined by the individual consumer's discretion. Manufacturers and retailers can educate for transparency on ingredient sourcing, provide sustainable packaging, and partner on give-back initiatives for clean, conscious beauty.

While the competition in the Beauty industry intensifies, retailers and manufacturers need to quicken the shift into the distinctive mindset of younger shoppers. The differences between younger Millennials and Gen Z shoppers versus older Baby Boomers and Gen X shoppers mark the need for transformative strategies. New thinking and big bets are needed when it comes to how retailers are going to market. Resources and strategic focus are essential. Manufacturer suppliers can be pivotal partners to create competitive advantages for their customers by possessing deep understanding of their categories and shoppers. Both need to appreciate the Table Stakes, Multi Generational Values, and New Beauty Definitions in order to win.

As the pace of industry change quickens, there is no sooner time to begin than now.

CALL TO ACTION

Beauty in TRANSITION

One of the most consistent performers over the past 5 years, Ulta Beauty surprised the marketplace in its Q2 earnings call with a significantly reduced outlook for 2019. It marked a tipping point for the Beauty industry.

Ulta CEO, Mary Dillon, warned investors that the company's growth rate was going to slow as the "U.S. cosmetics industry is clearly challenged." The company revised its guidance for the second time in six months, well below expectations and historical performance. Same store sales were projected to grow at 4% from 6%, down from prior expectations of 9%. This compared to 10% from 2014-2017, and 8% in 2018.*

Clearly, the Beauty industry is in transition. Consumer and shopper preferences are shifting. But how? What are the demands of younger shoppers, who are harbingers of trends?

Cadent Consulting's 2020 Beauty Industry study sought to outline how preferences in Beauty differ between generational cohorts. Our study surveyed over 500 cosmetics and Personal Care buyers on over 50 Beauty factors across a wide range of brick and mortar and online formats. Boomers (ages 55-74), Gen X (ages 39-54), Millennial (ages 23-38) and Gen Z (ages 16-22) respondents indicated their preferences for retailers and the importance, as well as satisfaction, of go-to-market factors. There were distinctive differences for each cohort, underscoring the targeting opportunity for manufacturers and retailers.

Millennial and Gen Z shoppers buck the general trend in a number of areas, representing a call to action for retailers to focus accordingly.

*CNBC 8/30/19

BEAUTY TABLE STAKES

Table Stakes for Beauty Retailers

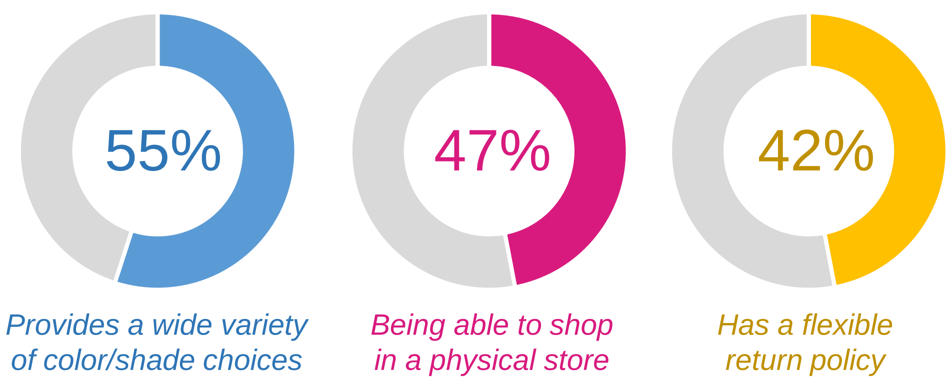
What does it take for Beauty retailers to be a viable consideration for the shopper? Our research identifies the Table Stakes for Beauty retailers: in other words, what retailers need to provide to win shoppers.

When it comes to Beauty, the most important shopping factor, shade diversity, has the greatest room to improve with Gen Z.

Survey respondents could not have been clearer about what is most important to them when shopping for Beauty*: Provide a wide variety of shades and colors*. 55% of respondents indicated top box importance* on this factor, significantly higher from the next two most important Beauty shopping factors: *Being able to shop in a physical store*, *Has a flexible return policy*.

Top 3 Factors for Beauty Retailers

Top Box, % Total Selecting



	Provides a wide variety of color/shade choices	Being able to shop in a physical store	Has a flexible return policy
% Top Box Satisfied	45%	54%	41%
Performance Gap	-10 pts.	+7 pts.	-1 pt.

However, there is significant room to improve. Less than half of shoppers, 45%, indicated top box satisfaction on the level of shade variety in the marketplace, revealing a 10-point gap on performance.

*Top box importance reflects the highest degree of importance on a 5-point scale, performance gap = % satisfied – % important

Table Stakes for Beauty Retailers

This gap was driven by Gen Z shoppers. 63% of the cohort indicated top box importance on the factor, compared to only 42% top box satisfaction, a 21-point performance gap.

Moreover, 63% of Gen Z shoppers also indicated highest importance on *Has products for different ethnicities*. This was more than any other cohort, with also the greatest performance gap amongst cohorts on this factor.

Top 3 Factors for Beauty Retailers

Top Box, % Gen Z Selecting

	Top Box, % Gen Z Selecting	% Top Box Satisfied	Performance Gap
Provides a wide variety of color/ shade choices	63%	42%	-21 pts.
Has products for different ethnicities	63%	46%	-17 pts.

For manufacturers and retailers, the opportunity to create and deliver a broad, diverse shade palette represents an opportunity. As a generation that embraces differences across individuals, Gen Z has a commitment to gender and racial equality, which translates to Beauty.

Gen Z Beauty shoppers desire a highly inclusive range of shades in the assortment of their Beauty products.

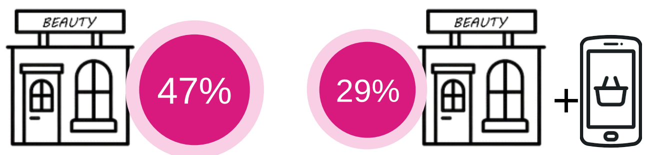
In response, manufacturers should think about how to represent and develop products for an ethnically diverse consumer base. Retailers must embrace diversity in staffing, product offerings, and marketing.

Table Stakes for Beauty Retailers

The second most important factor across respondents was *Being able to shop in a physical store*, which was surprisingly more important than shopping with an omnichannel retailer. At the same time, the importance of *Being able to shop with a retailer that offers a physical store as well as an online site* rises with the digital generations, Millennials and Gen Z.

Omnichannel Importance

Top Box, % Cohorts Selecting



	Being able to shop in a physical store	*Being able to shop with a retailer that has a physical store as well as online*
Boomers	48%	20%
Gen X	40%	28%
Millennials	52%	37% ⬆
Gen Z	50%	33% ⬆

Younger cohorts also drive the importance of shopping in a physical store. As much of these shoppers have grown up ordering online, brick and mortar retailers should note:

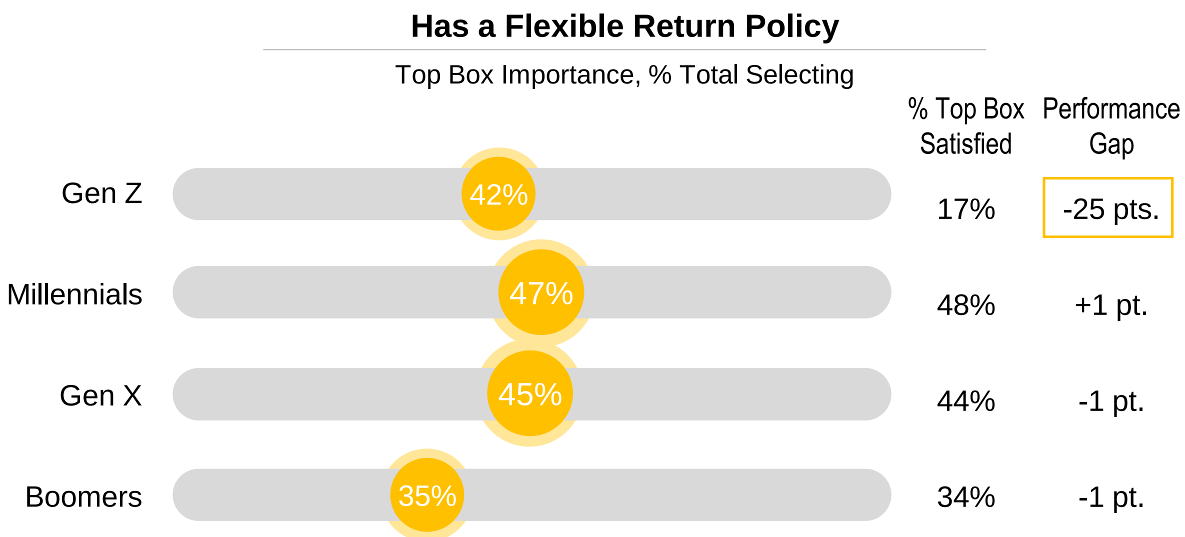
The desire of Millennials and Gen Z is *to directly interact with Beauty products and the store*.

This explains the appeal and importance of pop-up stores for direct-to-consumer Beauty brands, such as Glossier. While Beauty is an attractive industry for born-digital brands, it is important to understand that younger cohorts welcome, even prefer, an in-person shopping experience.

As a result, both manufacturers and retailers should think about how to help shoppers experience the product before purchasing. This can include trial application in the store, free samples, brand events, and smaller pack sizes. Born-digital brands, in particular, must think about how to create tangible shopping opportunities, such as pop-ups.

Table Stakes for Beauty Retailers

The need for flexible return terms was the third most important overall factor. While the importance of this need was driven by Gen X and Millennial shoppers, *Having a flexible return policy* emerged as a significant performance gap in satisfaction for only Gen Z. A mere 17% of shoppers rated top box satisfaction on this factor, compared to 42% importance, delineating a 25-point performance gap.



Beauty retailers can learn from the exceptional return policies of stores popular with younger shoppers. Patagonia, for example, has an unlimited returns policy on unworn items with repair service on worn clothing. Trader Joe's offers refunds on all items it sells no matter the reason, whether they have been open or not. Zappos will accept returns for a full refund within a year, including free return shipping.

Gen Z shoppers have a high expectation for value and hold the retailer accountable for product dissatisfaction.

With all retailers working so hard to earn shopper trust, Beauty retailers should develop and promote return policies to help younger buyers purchase with confidence; manufacturers can likewise support retailers with creative and effective trade terms.

Table Stakes for Beauty Retailers

The Table Stakes for Beauty Retailers are critical shopping factors for all generations. However, these areas also represent opportunities for retailers to win with younger, demanding cohorts who are the least satisfied on qualities that drive retailer decisions:

Provide an inclusive range of shades and colors

Enable in-person shopping experiences bridged to online ecommerce

Offer purchase assurance through highly flexible return policies

And yet, these are just the Table Stakes. There is even more that Beauty retailers need to understand about the generational requirements of Millennials and Gen Z shoppers once they begin to shop in their stores.

GENERATIONAL CHANGE

Generational Change

A comparison of shopper needs across generations reveals how Millennial and Gen Z shoppers can be characterized as **Relationship Intensive** when it comes to the retailer they select for their Beauty and Personal Care purchases.

Compared to Baby Boomers and Gen Xers, **Millennials and Gen Z Beauty shoppers view their retailer as more than just a store**.

These shoppers indicate 30% more than average for top box importance for retailers to have:

These factors influence the immediate visit, as well as the long-term relationship with the retailer. The importance of *Knowledgeable salespeople* indicates Millennial and Gen Z shoppers are willing to interact and converse with store sales personnel, who need to be informed, accessible, and easy to approach.

The importance of *Loyalty club/program to earn points* underscores Millennial and Gen Z sensitivity to the retailer's broader value equation, as well as a readiness to purchase with the retailer over time. Shoppers are willing to invest and participate in these programs, with 40-50% indicating the top box importance on *I can easily see my reward options online or mobile.*

Finally, the desire for a *Private label I trust* provides another means for Beauty retailers to build equity and demonstrate expertise with their shoppers by providing products that are of high quality and on trend.

These retailer traits underscore the importance of a programmatic approach with multiple elements that positions the Beauty retailer as not just a store, but rather a home for solutions that shoppers can turn to. Manufacturers, in turn, should think beyond product delivery, and how their expertise and offering can support existing retailer strategies, as well as how to help retailers build distinctive program elements to keep shoppers engaged.

Generational Change

Millennials and Gen Z shoppers desire an expert, personalized experience which includes trial in the store.

About 60% of shoppers from younger cohorts indicated top box importance on *Having mirrors and applicators in the store*, +20 percentage points higher than Boomers and Gen X cohorts. In keeping with the desire for mirrors/applicators, these cohorts indicated 70-90% importance on a *Well-lit, neat and clean store*, compared to only 30% top box for *Pleasant store décor*. Shoppers desire an environment that allows them to try on products, not just ambiance. 53% of Gen Z shoppers selected top box importance for *Beauticians in the store*.

Top Box, % Total Selecting

	The Store has Beauticians	*The Store has Mirrors/ Applicators*	*The Store is Well Lit, Neat, Clean*
Gen Z	53%	59%	88%
Millennial	32%	55%	70%
Gen X	31%	37%	65%
Boomer	15%	41%	65%

The high importance of these in-store features reflects the Millennial and Gen Z desire for a clinical, expert, in-person experience, complete with personalized recommendations and product application in the store. Cultivating the store as a center of service will attract shoppers to brick and mortar and can also be leveraged as a way to drive conversion into new categories and brands – 44% of all shoppers indicated importance on *The store provides free samples to take home and try.*

Generational Change

Millennial and Gen Z shoppers require robust omnichannel integration.

While shoppers enjoy shopping for Beauty in person, they have high requirements for the ecommerce shopping experience beyond general importance factors: *Easy web navigation*, *Able to read ratings and reviews*, *Saving items in a cart*.

When it comes to Beauty ecommerce, Millennial and Gen Z shoppers are looking for a holistic experience complete with unique assortment and services. Younger cohorts **over-index against the average by at least 30%** on the importance of:

These digital abilities reflect the importance of providing robust online and mobile experiences for generations raised on technology. Younger shoppers appreciate the opportunities that the digital world provides: Information, Community, and Convenience.

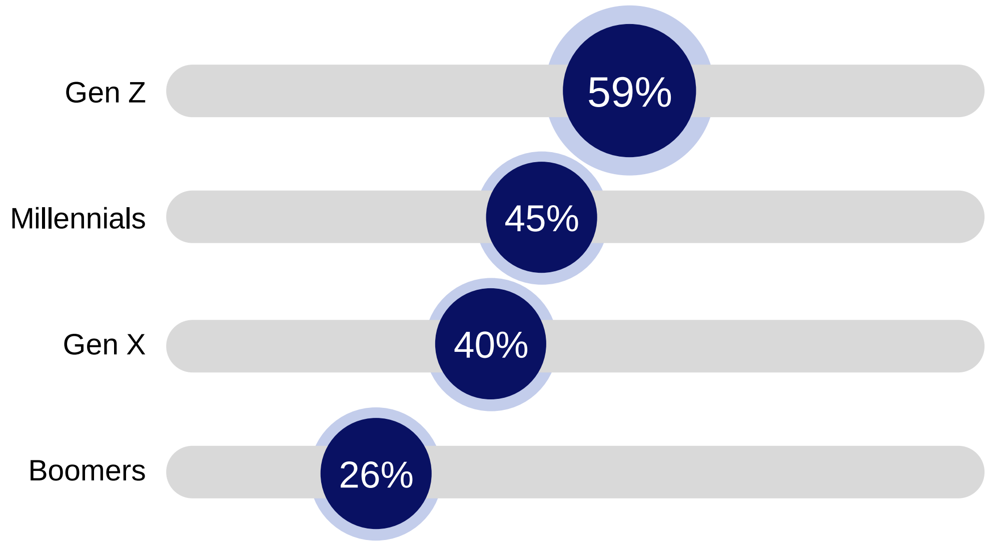
Moreover, these shoppers are using online to shop brick and mortar – 50% of Millennials and Gen Z declared top importance on *I can see what stores have in stock online*, and 41% of Gen Z shoppers indicated top box importance on *I can access free store Wi-Fi*. Without a doubt, Beauty retailers need to ensure a total, integrated approach for their digital and ecommerce ventures, with elements that are incremental and distinct as well as synchronized to brick and mortar. Manufacturers can help retailers by providing information on how shoppers are engaging across omnichannel outlets, in order to provide ease of shopping and maximize purchasing opportunities.

Generational Change

Amazon.com is NOT a preferred marketplace for Millennials and Gen Z shoppers, who seek Specialty retailers for Beauty.

Shoppers from older cohorts had a wide range of preferred retailers spanning Drug, Mass, and Department stores. By contrast, Gen Z preferences were largely consolidated to Specialty, with 59% of respondents selecting Sephora, Sephora.com, Ulta, or Ulta.com as their most preferred retailer. Reflecting their preference for focused retailers dedicated to Beauty, only 12% of Gen Z respondents indicated that Amazon.com, Target.com, Walmart.com, Walgreens.com, and department store/marketplace ecommerce was their most preferred Beauty retailer – much lower than Gen Xers (21%) and Baby Boomers (22%).

% Selecting Sephora, Sephora.com, Ulta, or Ulta.com as Most Preferred Retailer



This emphasizes the importance of retailers developing and demonstrating a specific proficiency in Beauty with younger shoppers. When it comes to Beauty, younger shoppers are less interested in the convenience that Amazon or mass retailers can provide. Instead, they look for professionals who deliver a crafted experience. To sharpen their competitive edge against Ulta and Sephora, retailers should explore sub-branding opportunities, e.g., CVS' IRL, or ventures such as Blue Mercury's store-within-a-store at Macy's, to convey specialty positioning. Manufacturers can partner with retailers on promotions/programs with specialty elements, such as gifts and value-adds, or exclusive high-tier items.

NEW DEFINITIONS

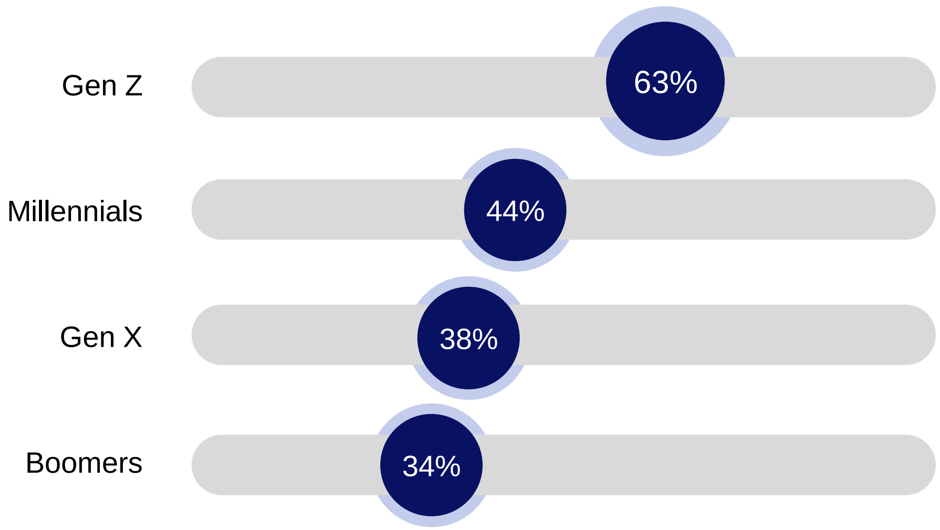
New Definitions

Millennial and Gen Z Beauty shoppers must also be understood through new definitions of Beauty, Mainstream, and Natural.

At least 34% of shoppers across all cohorts also indicated top box importance for *I can buy for all of my Beauty and Personal Care needs.* Gen Z shoppers were notably higher at 63%.

I Can Buy for All My Beauty & Personal Care Needs

Top Box Importance, % Selecting



Integrating Cosmetics with Self Care and Wellness offerings is critical to win Gen Z shoppers.

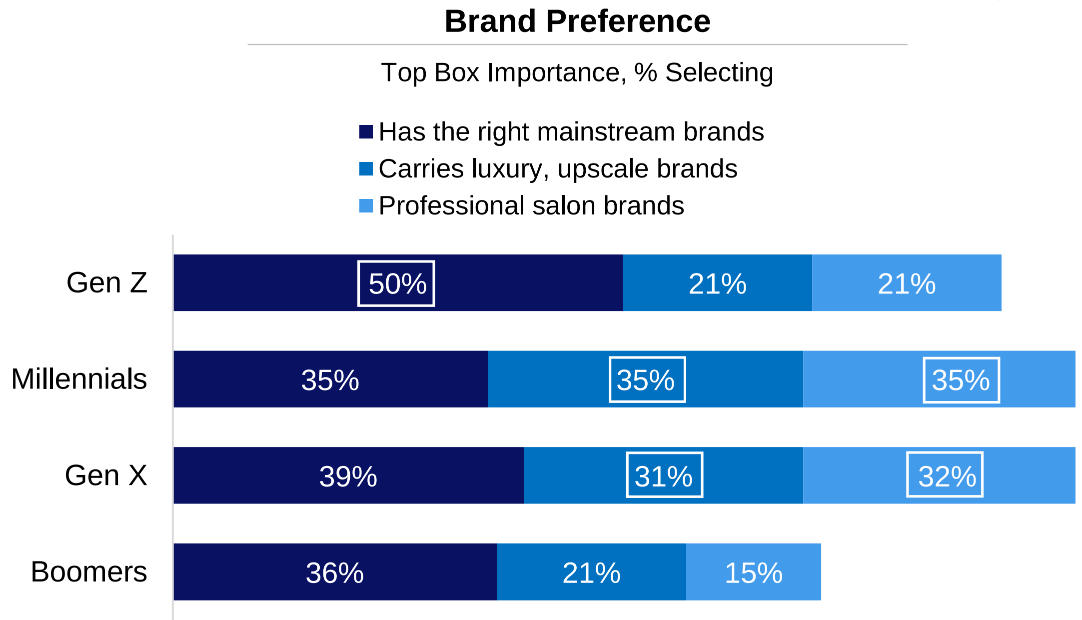
For Gen Z shoppers, the modern definition of Beauty encompasses Self Care. As spending for cosmetics begins to merge with Personal Care categories, Beauty shoppers must be able to buy Skin, Hair, and Wellness categories along with Make Up. This raises the bar for retailers to adopt the broader Self Care definition and create a more integrated approach: providing a comprehensive range of products along with ease of shopping across categories. Manufacturers may want to consider line extensions or hybrid products across categories.

New Definitions

While about 40% of younger shoppers indicate the highest importance that retailers *Have the newest products* as well as *Has hard to find brands*, 50% of Gen Z Beauty shoppers rated top importance on *Carrying the right mainstream brands*, about 13 percentage points higher than older cohorts. While retailers may traditionally define Mainstream Brands as highly advertised and with mass awareness, Gen Z shoppers prioritize having the "right" brands based on what they see is trending on social media. Reflecting this modern definition of Mainstream, Gen Z shoppers are looking for products that are used by their peers, popular on social media, and validated by influencers.

Gen Z is redefining "Mainstream" Brands through the lens of social media.

This contrasts to shoppers from Gen X and Millennial shoppers who exhibit 30-40% more interest in *Upscale, luxury brands* as well as *Professional salon brands*, which tend to be more advertised in magazines, television, and mass media channels. As such, manufacturers should ensure robust digital marketing to target shoppers, while retailers need to understand the social media strategies of the brands and products that they sell and explore ways to link their shoppers to key influencers.

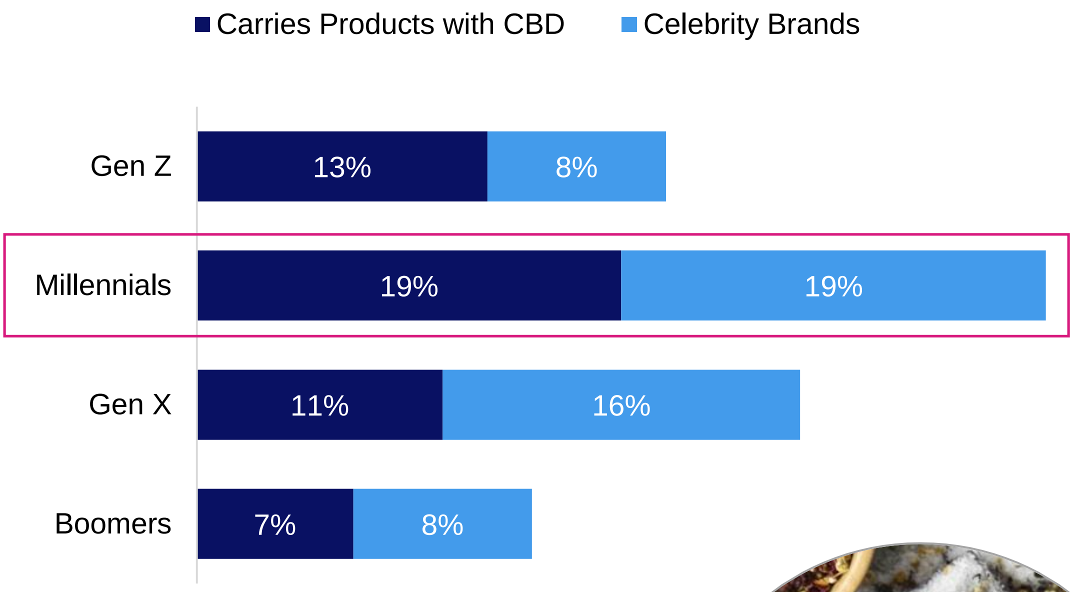


New Definitions

Reinforcing the importance of social media, about 20% of Millennials indicate top box importance on *Retailers carrying celebrity brands*, as well as *Products that contain CBD*. Celebrity brands and CBD are trends borne of social media: Kylie Jenner, founder of Kylie Cosmetics, has over 150 million followers on Instagram, a platform she uses to promote her brands and products. Influencers themselves are releasing their own brands, capitalizing on this trend. Similarly, lifestyle influencers have begun to do paid promotions for CBD products, marketing natural, herbal remedies.

Trend Items, Importance of Carrying

Top Box Importance, % Selecting



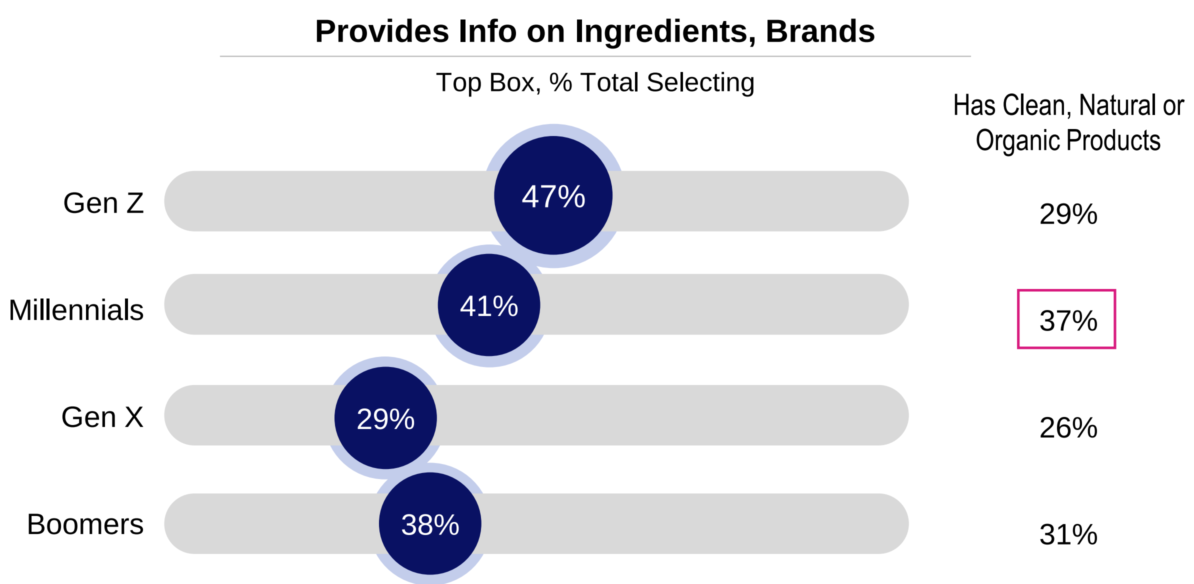
When it comes to Clean, Gen Z shoppers prioritize their own research.

New Definitions

Almost half of Gen Z respondents (47%) indicated the importance of *Information on brands and ingredients*, revealing an interest in doing their own research to learn about and scrutinize products/formulas, packaging, and “conscious beauty” initiatives. 37% of Millennials indicated top box importance on a retailer *Having natural, clean and organic products*; Gen Z expressed interest at a less staggering 29% top box importance.

Many retailers have already begun to introduce clean standards for products that they carry or ban ‘Dirty List’ ingredients. For example, Sephora and Target have instituted clean and wellness markers to help shoppers scan ingredient labels.

As Gen Z shoppers are compelled to investigate “Clean,” manufacturers and retailers need to organize transparency and sustainability initiatives that provide understanding as well as education on ingredients, packaging, sourcing, certifications, and standards.



Undoubtedly, retailers serving as “conscious beauty” advocates will be increasingly important. Retailers who become educators will be able to keep pace with the Gen Z research prerequisite for product purchases. Similarly, manufacturers need to stay at the forefront of sustainability, ethical sourcing, carbon footprints, safety testing, and education on products.

ACTION PLAN

Action Plan

Younger Beauty shoppers are characterized by key differences from older generations. Gen Z shoppers require a broader range of categories, brands, and shade inclusivity. Millennials exhibit more interest in Natural/Organic, Celebrity, and CBD trends. Both cohorts want to be informed and educated. They desire customized, expert, and in-person experiences. Shoppers are truly seeing the retailer as a partner in discovery and understanding. These all require an intensity of relationship that the retailers must work to uphold and propel the intense relationships with their consumers forward.

As Beauty transitions to attract younger Beauty shoppers, an action plan for retailers, partnering with manufacturers, includes the following:

Create a Programmatic Approach to Beauty. Millennial and Gen Z shoppers want an ongoing dialogue with their retailer with multiple ways to engage. They want to learn from salespeople, participate in loyalty clubs and buy from private brands.

Provide In-Person Connections. Younger Shoppers enjoy shopping in a physical format. Create events and leverage brick and mortar formats and store professionals to create unique, tangible shopping experiences.

Personalize Brick and Mortar. Younger cohorts want to apply the product in the store, with tailored recommendations from beauticians. Fashion a store environment that reflects expertise, provides services, and helps shoppers feel unique.

Ensure Omnichannel Integration. Shopping for Beauty online must be holistic and robust, rather than a mere extension of brick and mortar. Retailers must also appreciate that shoppers expect support from online while in the brick and mortar store. Ensure mobile capabilities, sell online exclusives, and provide digital services for shoppers purchasing from outside of the physical store, as well as within.

Define Beauty as Self Care. Younger cohorts, want a selection that reflects an understanding of Beauty as Self-Care, including Skin, Hair, and Wellness along with Make Up. Explore ways to integrate shopping across categories to reflect a more encompassing definition of Beauty.

Recalibrate to a New Definition of Mainstream. While Gen X and Millennial shoppers reflect a penchant for luxury and celebrity brands, Gen Z shoppers demonstrate the desire for brands that are validated by their peers and online communities – micro influencers – shaping a new definition of Mainstream.

Help Shoppers Evaluate Brands. While Organic and Clean labeled products appeal largely to Millennial shoppers, Gen Z shoppers are predisposed to conducting their own research and education. Help shoppers stay smart on conscious beauty – ingredient education, sustainability efforts, transparency initiatives, and definitions of certifications/standards.

None of the steps above are simple undertakings. Yet, as we have seen, the willingness of Millennials and Gen Z to engage with the Beauty retailer is beyond a sales transaction. These shoppers offer a relationship and loyalty that retailers have craved to develop with previous generations of consumer-shoppers. Beauty retailers need to invest and focus on the rapport they are developing with Millennials and Gen Z.

As Beauty transitions into the next generation, now is the time to begin.