

Reimagining Retail: The beauty path to purchase and how social media trends have influenced beauty products and marketing

Audio



On today's podcast episode, in our "Retail Me This, Retail Me That" segment, we discuss the role of the store for the beauty space, Walmart's involvement in this product category, and how TikTok is changing things. Then, for "Pop-Up Rankings," we rank the top three social media trends that have influenced beauty products and how they're marketed. Join our analyst Sara Lebow as she hosts analysts Sky Canaves and Carina Perkins.

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Episode Transcript:

Sara Lebow:

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Hello, listeners. Today is Wednesday, April 10th. Welcome to Behind the Numbers: Reimagining Retail, an eMarketer podcast made possible by Walmart Connect. This is the show where we talk about how retail collides with every part of our lives. I'm your host, Sara Lebow. Today's episode topic is Beauty. But before we get into that, let's meet today's guests. Joining me for today's episode, we have Senior Analyst Sky Canaves. Welcome back, Sky.

Sky Canaves:

Hi, Sara. It's so nice to be here.

Sara Lebow:

So nice to have you. And also with us, Senior Analyst Carina Perkins. Hey, Carina.

Carina Perkins:

Hi, Sara. Great to be back.

Sara Lebow:

Great to have you. Let's get started with Free Sample, our "Did you know?" segment where I share a fun fact, a tidbit, or a question. Today, I have a question that I'm not going to give multiple choice on because I think it's a softball, but let me know. Canned water company Liquid Death recently partnered with which beauty brand on a black metal-inspired line of makeup?

Sky Canaves:

Oh, I know. I know.

Sara Lebow:

Go for it.

Sky Canaves:

They partnered with Elf Cosmetics on a very goth, corpse-inspired makeup line, which I think is a win-win for both brands. They generated a lot of buzz from it and it apparently sold out

within 45 minutes. So if you didn't get in on that right away, you have to wait until their next collaboration.

Sara Lebow:

It was really big on social. I feel like Elf and Liquid Death have similar social identities. I mean, they're very different. Liquid Death does things like hire adult actors for content. But both of them are risk-takers and both of them have strong brand identity, and so it's cool that they were able to find a way to marry that.

Sky Canaves:

Right. And they really push the edge on social and are very edgy with their marketing and they have very vocal fan communities as well, but very different because Liquid Death, I think most of its customers are men.

Sara Lebow:

Yeah.

Sky Canaves:

And Elf Beauty, being a beauty company, most of its customers would identify as women. So it's interesting the amount of buzz it generated.

Sara Lebow:

Yeah. I've also been seeing a ton of goth beauty tutorials on TikTok recently. I don't know. Maybe we're in a goth resurgence. I'm all for it.

Carina Perkins:

Possibly. The 90s are back, aren't they? So it doesn't surprise me.

Sky Canaves:

Y2K/90s trends never die. They just keep finding more trends to resurface.

Sara Lebow:

Exactly. Okay, now it's time for our next segment: Retail Me This, Retail Me That, where we discuss an interesting retail topic. Today's topic, we've already started on it. It's beauty. Okay.

Let's start off with the beauty path to purchase. Sky, you wrote a report on this back in January that found that stores are still extremely relevant for product discovery. I was kind of surprised by this because I feel like the beauty influencer is as big as ever. So can you expand on the data that you found?

Sky Canaves:

So I think part of that is just the resurgence of stores as a channel for discovery across a lot of consumer categories. And beauty is really no different because it's still kind of hard to discover beauty products online. It can be happenstance on social or browsing through brand websites. But beauty, there are so many new products and there's so much innovation and people want to go and discover new things and be part of an experience in stores overall, especially younger consumers. I think beauty stores and beauty shopping is kind of like shopping for books. There's still no ideal online equivalent for the discovery part of it. Buying online can be very convenient. Shopping online certainly is gaining share from stores. But the discovery part, I think people still like to see things in person and look at the packaging and compare products and sample them.

Sara Lebow:

Yeah, I'm sitting in my podcast studio. A little behind the scenes, it's also right next to where I do my makeup and I'm looking at my products and most of them came from in stores, I'm realizing. I love being in an empty, uncrowded Sephora. I hate being in a weekend crowded Sephora.

Carina Perkins:

I think it's a similar story here. Stores are the top discovery channel in the UK overall. 36% of UK beauty shoppers said they discovered a new product while browsing in stores. And I think that some of the stores here have been really leaning into that. They've been kind of adding customer representatives in stores to talk about beauty products. So I think, definitely, stores playing a really important role overall. I would say among 18 to 34-year-olds, social was actually bigger for discovery than stores, which I thought was really interesting. Perhaps not that surprising, but interesting to see that that's actually the case. And we did actually find, the 18 to 34-year-old cohort, they were also discovering products in similar ways to older shoppers. So in looking on brands' websites, speaking to friends and family, browsing in stores. Social was the top discovery channel, though, and they actually were finding new

beauty products in a lot of different channels, a much broader range of digital and physical channels. So I think that's something to think about is that they're finding inspiration everywhere, really.

Sara Lebow:

Yeah. Younger folks might also be more experimental with what they're looking for since they haven't, I guess, firmed up their beauty routines the way an older consumer might. That might also just be speculative. But I want to talk about what stores they are going to because I mentioned Sephora. We know Ulta is big. But in the US, the biggest store that consumers are going to, according to our survey, is Walmart, which isn't surprising, but it's also not that luxury beauty store. But they are leaning into luxury beauty, right?

Sky Canaves:

Walmart is trying to make a move into more premium beauty categories because I think they've seen examples of, say, Target and its very successful partnership with Ulta Beauty for shop-in shops. And as Walmart has noted, they're seeing more higher-income customers coming into their stores over the past couple of years. Part of that is a result of higher prices for things like groceries that are bringing in consumers making more than \$100,000 a year to shop at Walmart for groceries. But while they're there, they might look to other categories that they regularly buy. And beauty and personal care products certainly fit into that so they want to be able to offer some of the more upscale or premium brands that those consumers might be looking for.

And I think we've seen a similar trend in drug stores. I know when I was growing up, drugstore beauty, particularly hair care, was very affordable and low-priced. And now when I go into CVS or Walgreens, I see shampoos and conditioners and other hair care products that are salon brands or drugstore offshoots of salon brands that are still at a much higher price point than I remember them being at, and I think a similar thing is happening at Walmart and other big box retailers.

Sara Lebow:

What's that Walmart equivalent in the UK, Carina?

Carina Perkins:

So in the equivalent, I guess it was really Boots, which is actually more of an equivalent to Walgreens. It's owned by Walgreens. It's a high street drugstore, but it is the UK's biggest beauty retailer. And it's seen really, really strong growth in recent years and I think that's down to its investment in beauty. So it's been building beauty halls in its stores and really investing in the kind of range of beauty products, some premium. It's got some really well-established own label brands like No7, but it's also really invested in its online proposition and it has also looked into advertising on TikTok, so shoppable media on TikTok. So it's done a really good, broad, omnichannel piece of investment that's really paying off.

Sara Lebow:

Yeah. A lot of drugstore brands have done, I think, a really good job of working with influencers on TikTok, which I think is important because those are the brands that you might not be able to sample the same way you can sample brands in a Sephora, in an Ulta, which I think brings me into how big social media really is because it is still very big. 28% of us online beauty buyers are discovering products via social. That goes up with younger people. What is the role of TikTok in all of this?

Sky Canaves:

So TikTok has a role, but one of the surprising findings from our survey was that there was no clear platform leader for beauty product discovery on social. We were pretty evenly divided between TikTok, Facebook, Instagram, and YouTube just coming under the other three. And I think for younger consumers, the Gen Z, TikTok definitely has a bigger influence. But Gen Z is still forming their preferences and they still cast a pretty wide net both in terms of where they discover products and where they buy them. And that was one of the really interesting findings is that we hear so much about Gen Z being the TikTok generation, but they're not 100% on TikTok all of the time and that's not where they're getting all of their information from. And especially as TikTok has moved into TikTok Shop, that's raised a lot of complaints and concerns about the over-shopification of TikTok where it's all advertising and heavy promotional campaigns, pushing products that people might not want into their For You pages when they're looking for entertainment content.

Sara Lebow:

Although we're not actually seeing a decrease in time spent, at least in the US. And in the UK, TikTok Shop is huge, right? Because it's been around for longer?

Carina Perkins:

Yeah, it's an interesting one because it struggled a little bit to recruit the kind of bigger brands onto the platform, but I was quite surprised to see some Nielsen data that found TikTok Shop was the seventh-biggest beauty retailer in the UK. That's April 2023 date so it's obviously doing something right. Perhaps unsurprisingly, Gen Z is over index compared to the total share of the online beauty market on TikTok, according to Nielsen, but millennials account for the largest proportion of beauty sales. And we are seeing some of the bigger brands starting to go on the platform now. So L'Oreal and Benefit Cosmetics are among the beauty brands selling on TikTok Shop directly, and we've seen some others like Boots, Unicorn Cosmetics, and Glow Hub using their shopping ads and shoppable media.

Sara Lebow:

I also want to talk about the biggest online beauty retailer, at least in the US, I think probably also in the UK, which is, of course, Amazon. 80% of US online beauty buyers are shopping on the site. I get this. My last purchase on Amazon was a hairbrush, which I don't think is actually beauty, but it's definitely tangential. What's happening on Amazon?

Sky Canaves:

So here in the US, it's where the customers are. Amazon has such an enormous customer base that major beauty brands have come to realize that if they're not selling on Amazon themselves, someone else will sell their products on Amazon. So before beauty brands really started getting onto Amazon in larger numbers, there were already third-party sellers selling their beauty products, and then they can't control the customer experience or even the product quality. They might be selling old products or counterfeit products under that name. So Amazon has been striking deals with major beauty brands to give them the all-powerful buy box when they participate on Amazon, when they agree to start selling on Amazon.

And we've seen that for a lot of beauty products where it might not be a new beauty product, where a customer just wants to replenish or buy a product even from a recommendation where it's not makeup, maybe hair care and skin care, they're going to maybe turn to Amazon first for the convenience and the kind of customer service, the customer experience that they're very familiar with. So that ease really has made Amazon a very powerful player in beauty and it's continuing to grow. We're seeing Amazon beauty sales are growing faster than overall e-commerce beauty sales across categories over the coming years. And just recently,

Estée Lauder Companies launched its first brand on Amazon, Clinique, and I think we'll continue to see that trend grow.

Sara Lebow:

This makes a lot of sense to me, especially for recurring purchases like skin care things. You might not be trying out a new lip gloss from Amazon, although you might be, but you're definitely likely to be making a recurring purchase of a daily CeraVe moisturizer or something on there.

Carina Perkins:

Yeah, for sure, and we've seen a similar trend in the UK. It's the biggest online beauty retailer in the UK and it's been interesting how the retailers here have reacted. So Superdrug, which is another sort of high street drugstore, has actually just launched, recently, an online marketplace. So directly trying to compete and play Amazon at its own game because Amazon really is taking quite a big share of beauty sales now.

Sara Lebow:

Okay, that is all we have time for in the first half. Let's keep moving. Now it's time for Pop-Up Rankings, where we take a look at specific examples and we rank them. Today, Sky Carina, and I are going to share, in no particular order, three ways social media trends have influenced products and marketing. Sky, why don't you go first?

Sky Canaves:

Sure. So one of the big social media trends that we've seen that's influencing how beauty brands respond with their products and their marketing is the rise of Gen Alpha and their interest in premium beauty in particular. What we're seeing is that younger kids, tweens who are really nine to 12 years old, have taken to premium beauty, prestige beauty, high-end beauty in a big way. And I think a lot of that is a result of what they see on social media, looking up to Gen Z influencers, as well as maybe the influence of older siblings and even their parents and the beauty products that they buy and where they shop for. I think one of the areas where we've seen it's most pronounced is with high-end skincare. It's something that kids that young don't really need because the products are not formulated for them at all, and so brands have had to respond to this conundrum of there being this increased demand for beauty products with all sorts of anti-aging ingredients that young kids don't need.

Sara Lebow:

Yeah.

Sky Canaves:

So one that's been especially popular has been Drunk Elephant, which is a premium, high-end beauty brand, and they kind of leaned into this trend. They had to address it because it was becoming such a big phenomenon in their marketing. So they posted on Instagram about what products and what ingredients might be most suitable for young kids and which ones might not be. And I think we're starting to see more brands will tap into the Gen Alpha interest and opportunity. They have to tread a little carefully because you don't really want to market anti-aging and very expensive skincare products to 10-year-olds, but I think there are other ways to approach it.

One brand that's not entirely in the beauty space, but is working with Gen Alpha, is Claire's. They're very popular. They sell some beauty products and they launched a tween influencer program to get more feedback and input from younger consumers both on the products that they develop and on the advertising and marketing for them, and working with their parents of course because that's another thing. If you're working with anyone very young, underage, you need full parental consent. You need to be very careful in how you present them.

And I think another one we saw was Dior. They launched a scented water for babies also. Yeah, really leaning into Gen Alpha at the very start. I think that may speak more to the parents' interest in premium, but this is kind of the real expansion of beauty into younger and younger age groups at higher and higher price points. When I was growing up, when I was that age, we had drugstore brands and they were very inexpensive, very affordable. It was kind of something you played with.

Sara Lebow:

Yeah.

Sky Canaves:

But now, it's a very different world and I think that's largely because of social media and influence, the greater amount of information that's out there about all of these high-end products.

Sara Lebow:

Yeah. I mean, I don't love kids being consumers of or posters on social media. At the same time, I definitely did this in very early internet and definitely experimented with really not great makeup products. At the same time, I am a strong believer, and I've said this on the podcast before, that teenage girls, tween girls are in charge of culture and in charge of consumerism. So I do think brands are smart to be listening to them. I definitely think it's smart to also be marketing things like SPF and things that anyone can benefit from toward them. So mixed feelings on this, but I don't know. Teenage girls control the market so it makes sense to me.

Sky Canaves:

And younger. My daughter's not on social media at all, but my mother has taken her to Sephora and I have also taken her to Sephora, and now it's a fun place for her.

Sara Lebow:

Carina, why don't you tell us the next way social media trends have influenced products and marketing.

Carina Perkins:

Sure. So I'm going to talk about beauty dupes and this is something that really has been around for a very long time, these kind of more affordable versions of higher-end products, I think particularly with private label. But it's something that's really become a big trend during the cost of living crisis, during inflation. It's really gained speed on TikTok. I think the #beautydupes hashtag has something like 116 million views. So it's something people have been talking about a lot and some brands have really been leaning into that and marketing themselves as affordable versions of high-end products. Some of them are using kind of similar packaging to bring the higher-end products into front of mind when they see the products. Some are just launching similar products.

We've seen brands which are leaning into this doing quite well. So Elf Beauty is one. It had really strong revenue growth last year in the US. And in the UK, Revolution Beauty, whose products are being compared to brands like Charlotte Tilbury and Bobbi Brown, delivered one of the strongest performances apparently in the UK in 2023, according to The Grocers Top Product Survey. Aldi, in this country, one of the discounters, it has quite a few beauty

dupes in its own label range. So it's something that isn't a new trend, but it's definitely something we've seen more brands leaning into now that it's become a big thing on social.

Sara Lebow:

Yeah, TikTok has definitely played a big role in turning drugstore brand from something that, I don't know, maybe had not a stigma, but wasn't seen as a high-end product, turning that around. I do think that a lot of the dupe hype has been with the thrill of the find, being like, "Oh my gosh. This is the perfect dupe." And some of that thrill might be going away as brands lean into dupes themselves, but I do think it's smart marketing.

Carina Perkins:

Yeah, for sure. And I think some brands aren't marketing themselves as dupes and they're just fortunate enough that a set of influencers come along and found their product and marketed it as such for them. So there's been a bit of a mix, really, in how brands are approaching it.

Sky Canaves:

And then that puts more pressure on the non-duper, the very premium brands, to really differentiate themselves and show how they're the original or they're the real thing and there's no substitute for quality in certain areas. I think maybe we'll still see that. I think fragrance is one where it's harder to find dupes because people do want those high-end brands and all of the packaging and everything that comes with it.

Sara Lebow:

Well, I think packaging is a big differentiator for high-end brands. And I know we're not doing predictions here, but I think that's a prediction I have is that high-end brands will lean back into more complicated, more over-the-top, maximalist packaging.

Carina Perkins:

I think what's interesting, as well, especially among Gen Z, we're seeing that people are really mixing the beauty products that they're buying. So they're buying a couple of high-end brands and then they're buying beauty dupes to go alongside it. So they're really buying that mix of value, but also some higher-end brands that they can't live without.

Sky Canaves:

So it's similar to how they approach fashion.

Carina Perkins:

Exactly.

Sky Canaves:

And really personalizing maybe a mix of fast fashion and vintage and luxury products.

Sara Lebow:

Yeah, the Shein outfit with a Staud Bag. Okay, now I will share my social media trend that has influenced products and marketing, which is brands expanding their shade ranges as a result of influencer pressure or encouragement. This isn't new. Rihanna's company, Fenty Beauty, really set the tone for this in 2017 when they launched a massive range of foundation shades, but I feel like I'm seeing more and more creators testing different shades of specifically drugstore makeup. And as a result, I'm seeing beauty brands expand their shade ranges.

So a TikTok creator I really like who does this is Golloria George, who tests the darkest shade of different brands' makeup on her own complexion. She wrote in Cosmopolitan that she celebrates brands getting it right and calls out the ones that get it wrong. And as a result, brands have been sending her products to try out and trying to work on their products to expand their shade range. And other creators do this too, creators with albinism, vitiligo, other skin differences. This, to me, is the epitome of social listening. Brands are working with diverse creators and getting good press for it, and creators are encouraging beauty brands to expand their ranges and to get it right.

Sky Canaves:

Yeah, and it also creates opportunities for new entrants into the market, new brands to come in and position themselves as being the first or pioneers in this space, much like Fenty Beauty has done.

Sara Lebow:

Okay, that is all we have time for today. So thank you so much for being here, Carina.

Carina Perkins:

Thanks, Sara.

Sara Lebow:

Thank you, Sky.

Sky Canaves:

Thank you. It was great to be here.

Sara Lebow:

Please give us a rating and review wherever you listen to podcasts. Thank you to our listeners and to Victoria, who edits the podcast so it sounds beautiful for you. We'll be back next Wednesday with another episode of Reimagining Retail, an eMarketer podcast. And tomorrow, join Marcus for another episode of the Behind the Numbers Daily, an eMarketer podcast made possible by Walmart Connect.