

2022 eCommerce Prestige Beauty Spotlight



14%

year-over-year decline
in online beauty sales
across merchants
on 1010data panel* -
across retailers, most
categories see online
sales declines, many
double-digit



Beauty
Shoppers are
returning to
brick and mortar



Online Beauty Sales In Decline in 2022

At the height of the pandemic, online beauty sales were on a tear. We reported on this in our April, 2021 Beauty Spotlight, noting that overall online beauty sales were up **51 percent year over year, 2020 vs. 2019**. Given this unprecedented performance, the question lingered, could these growth rates really hold? We now have the answer to that question. When we were exiting pandemic-mode, in late 2021, the prestige beauty industry continued to see steady growth both online and in store, however, our latest data suggests that online sales are now declining but still up vs. pre-pandemic.

With our online beauty data stats showing decline, we looked at Q1 earnings reports from key retailers like Ulta, Sephora and Macy's. They were all still showing overall growth, so the online spending data, revealing the opposite trajectory on almost all fronts, suggests a significant change in shopping patterns. From our vantage point, we see a significant drop in online spending in most retailers and across multiple prestige beauty categories.

This report will investigate the shift in online consumer spending at market-leading retailers and brands in the prestige beauty space. As we examine how the end of lockdowns affected the beauty care category online, we'll see how consumers are shopping in different ways, and provide some analysis on the whys and wherefores.

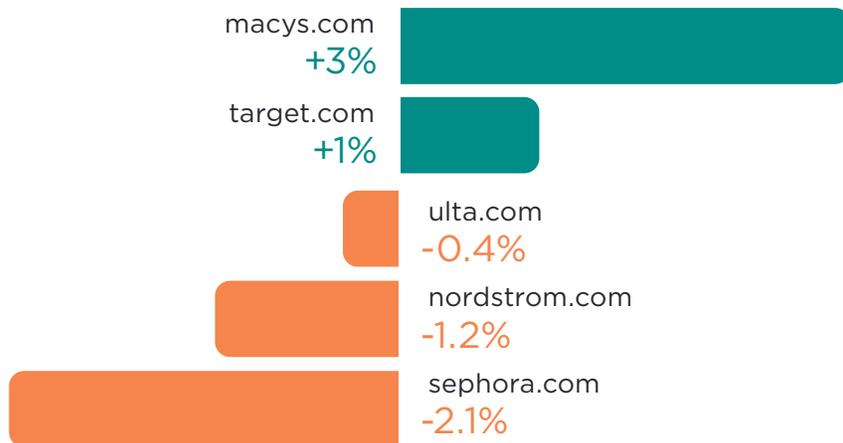
Overall Market Trends



Despite recent pressures on retailers that include supply chain challenges, tight labor markets and rising inflation, retailers are reporting continued growth in the beauty category. What is interesting however, is that unlike other industries, the growth is coming from a shift back to brick and mortar from e-commerce.

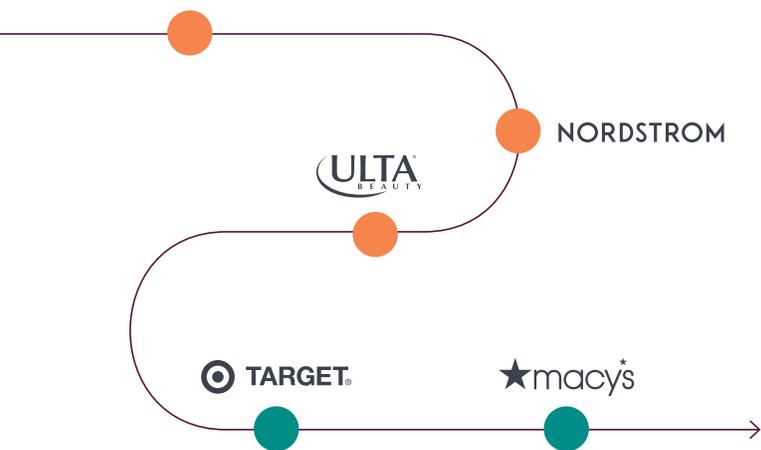
While prestige beauty merchants in aggregate saw over 3 billion dollars in sales via online channels in the last year and are up 36.7% over 2 years ago, **overall there has been a decline of 14% in our panel of leading beauty retailers versus a year ago.**

Merchants 2022 Share Growth

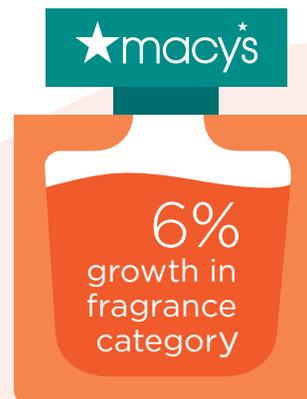


In the graph above, we see Macy's is picking up share in the prestige beauty space, likely at the expense of leading competitor, Sephora. In the past year, eye makeup gained share at Sephora. Meantime, Macy's gravitates toward fragrance at the expense of facial care and face makeup.

SEPHORA



This drop has also directly uncovered a shift in market share. Macy's and Target have picked up most of this share. **Macy's gained nearly 3 percentage points of share, during the period analyzed.** And we believe this share gain came at the expense of Sephora.com and Nordstrom.com.

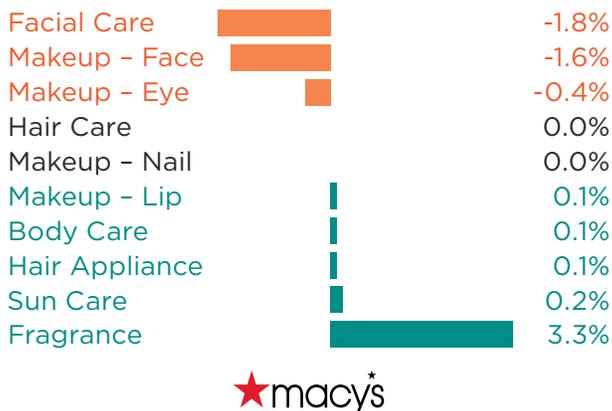


At Macy's, Fragrance **saw 6% growth.** Beyond this, Macy's is also driving online growth through facial care and makeup - both of which experienced double digit online declines at Sephora. The growth of fragrance at Macy's is not the only driver of their online share growth. Even when we exclude the fragrance category from our panel data, Macy's is still picking up share in the prestige space while Sephora sees a decline nearly double that of Ulta and Nordstrom. **Let's examine what's behind this.**

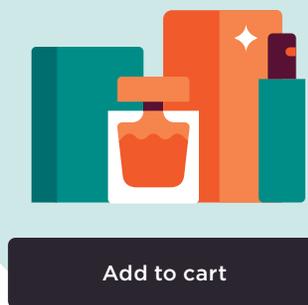
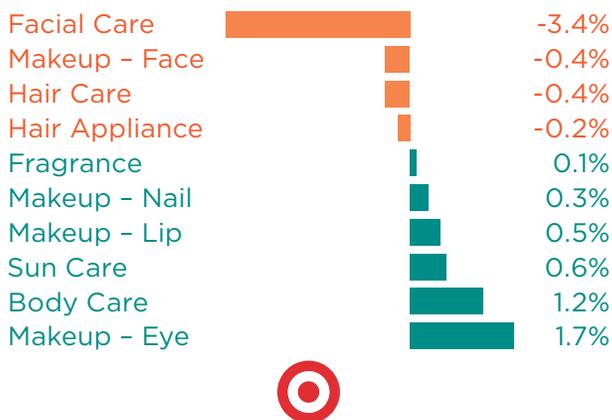
Macy's and Target's Online Growth Drivers

Our panel data indicates that Macy's and Target saw the largest share gain of the beauty merchants in e-commerce sales over the last year. Let's dive into their data to determine which categories enabled them to lead.

Of the categories we analyzed, fragrance captured the most share at Macy's. The growth we see in Fragrance makes a lot of sense. It's indicative of people being less on Zoom, going out, seeing each other, socializing. It's not something you think of wearing when you're on Zoom.



With Target, however, we saw eye makeup and body care drive share gain, at the expense of facial care.



Highlighting the Face

To understand where this online growth is coming from let's examine face, eye, and lip makeup/care space at these merchants.

Beauty	Macy's.com Shr Chg	Target.com Shr Chg
Facial Care	-0.1%↓	-8.7↓
Makeup - Face	-1.6%↓	4.1%↑
Makeup - Eye	0.4%↑	3.0%↑
Makeup - Lip	1.2%↑	1.5%↑

Limiting our view to face, eye, and lip makeup care shows that Beauty Makeup - Lip and Eye has seen continued to see gains on both Macy's and Target, while skin care has seen a drop in both.

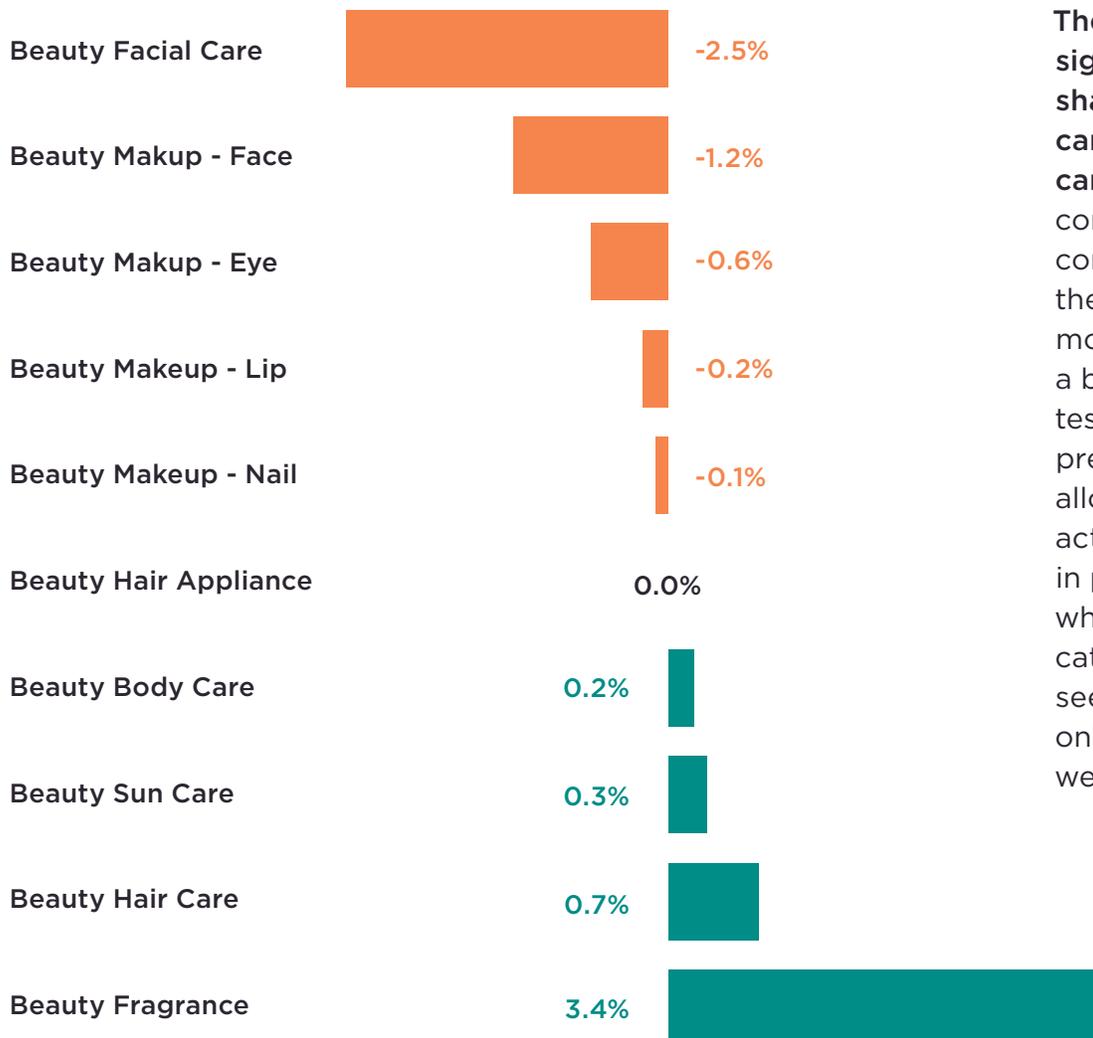
This shift away from skin care to eye and face makeup in the past year can be attributed to "soft" return-to-office. But what's likely the even bigger driver is the resumption in social activity, dining out, family get-togethers and parties, as cities started opening up and placing few restrictions on social activity. Consequently, there was less of an emphasis on at-home skin care. The change could also have resulted from bulk buying of skin care products during the pandemic. Although these products have expiration dates, we suspect that some buying ahead of need was being done.

What's Happening At The Other Retailers?



The trends set by Macy's and Target are not consistent across all retailers. Rather we noted a decline in sales across all beauty parent categories except Fragrance.

1010data Prestige Beauty Merchants % Share Change



The decline has also led to a significant shift in category share, with fragrance, hair care, body care, and sun care all realizing a gain. This comes as little surprise. When consumers can shop for these products in brick-and-mortar stores, they can do a better color matching and testing. Most makeup users prefer to shop in a way that allows them to experience the actual product, versus seeing in pictured on a screen. And what we found was that all categories that are better seen in a store did worse online, during the period we're tracking.

What's Driving Retailer Choice, Delivery or BOPIS?

Convenience appears not to be driving online purchase decisions. Macy's showed the only share growth in the delivery space, with all other retailers holding stagnant or declining. During the period examined, tradition ecommerce centered on delivery won the day.

Delivery % Share Change



When we examined BOPIS (Buy Online, Pickup in Store or Click and Collect) orders, the clear winner was Sephora.

Click and Collect % Share Change



It therefore seems that most online purchases were not driven by fulfillment method. Based on the share and growth data on each retailer, we can draw the conclusion that most purchases were shipped to the customer's home from a distribution center.



A return to brick and mortar continues to drive growth in the space.

The significant drop in prestige beauty shopping online signifies that shoppers prefer the experience of shopping for makeup in person rather than ordering online. While there will always be a need for an online presence and categories, such as fragrance, where the issue of color doesn't come into the purchase decision, will continue to grow. The sharp growth rate seen during lockdowns will not continue. Rather, we are now plateauing as people return to stores. This highlights for brands and retailers that a focus on in-store presence and marketing in this space is critical.



1010DATA METHODOLOGY

ECOMMERCE DATA

Although 1010data utilizes multiple panels that track millions of panelists, 1010data is projecting up to the total U.S. population. Panel-based projections are not intended to perfectly correlate to actual sales on an absolute dollar sales basis. The strength of 1010data's ecommerce data lies in share performance and trends over time.

For more than 20 years, 1010data has helped financial, retail, and consumer goods customers monitor shifts in consumer demand and market conditions and rapidly respond with highly targeted strategies. The 1010data Insights Platform combines market intelligence, data management, granular enterprise analytics, and collaboration capabilities to empower better business outcomes. More than 900 of the world's foremost companies partner with 1010data to power smarter decisions. To learn more, visit 1010data.com.

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Source: 1010data Market Intelligence eCommerce Panel Year-Over-Year Growth from 2021 to 2022

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