Executive Insights

The Beauty Customer Life Cycle Gets a High-Tech Makeover

Estee Lauder chairman Leonard Lauder called it the "lipstick effect" — the tendency of beauty and personal care (BPC) sales to hold up during a recession. But 2020's business downturn was no ordinary recession. Beauty may still be an affordable luxury, but brands and retailers took a hit as consumers masked up and stayed home to ride out a global pandemic.

At the same time, those still open to treating themselves began to shift their habits. Online shopping ticked upward, setting off a scramble to overcome preexisting barriers to beauty ecommerce. It turned out that consumers, for all their embrace of technology, are still accustomed to interacting with BPC brands in person.

In this *Executive Insights*, we unpack the customer life cycle to see where brands and retailers are applying digital technology to address customer pain points. Some of our examples involve emerging technologies such as artificial intelligence (AI) and augmented reality (AR). Others reflect the innovative use of more traditional digital platforms and tools. Let's set the stage with what we're hearing directly from the consumers themselves.

Taking a shine to digital beauty

In a recent survey, we asked consumers about common challenges in purchasing beauty products, such as knowing how

their skin or hair would react or receiving convenient beauty treatments (see Figure 1). We asked two questions:

1. Which of the following aspects of purchasing beauty products are most challenging to you? Please rank your top choices in order of importance. You may rank up to 3, but do not need to rank more than 1.

2. Based on your experience with [digital beauty diagnostic tools, online custom blending tools, augmented reality beauty apps, on-demand beauty services], how effectively do they address the following beauty and personal care purchase challenges? Please rate the effectiveness on a scale of 1 to 7 where "1" means "not at all effective" and "7" means "very effective."

Respondents told us that digital tools and services or other technologies are highly effective at helping them address every one of the challenges.

Consumers are most interested in technology solutions that help them shop for products online, closely followed by solutions that help them select and try on products. Although younger consumers are generally more interested in technology solutions, interest is high across age groups. How high? Among respondents, more than half say they're familiar with digital beauty solutions. Meanwhile, about 25% of consumers who don't use digital solutions say they intend to do so.
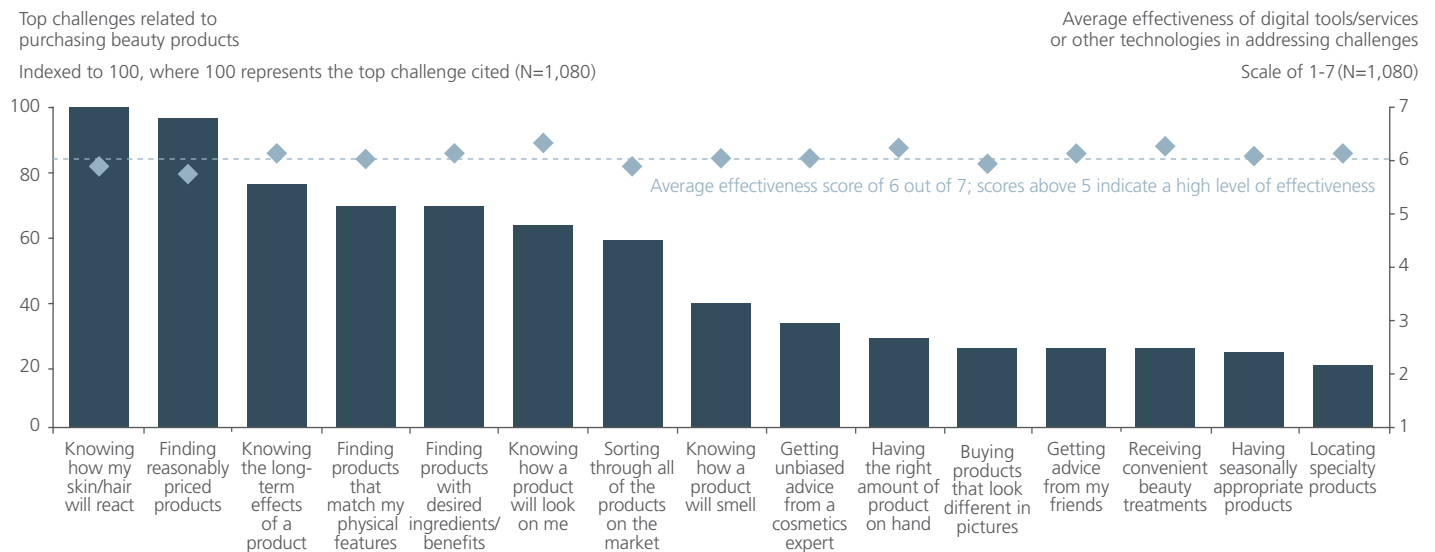
In other words, a majority of female BPC consumers have already tried — or are interested in trying — digital beauty solutions. This is the case across the customer life cycle, from product discovery (social media selling and personalized recommendations)

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Figure 1
Average effectiveness of digital beauty solutions

Top challenges related to
purchasing beauty products

Average effectiveness of digital tools/services
or other technologies in addressing challenges

Indexed to 100, where 100 represents the top challenge cited (N=1,080)

Scale of 1-7 (N=1,080)

Average effectiveness score of 6 out of 7; scores above 5 indicate a high level of effectiveness

Source: L.E.K. survey and analysis

to repurchase (gamified loyalty programs and automatic replenishment). The upshot is that technology can boost your customer experience, driving engagement and loyalty regardless of where you sit in the value chain (see Figure 2).

BPC technology in action

So what does this mean for brands and retailers? The evidence points to a future in which technology influences all aspects of the beauty customer life cycle (see Figure 3). Already, the pace of change is picking up as BPC brands and retailers flex their digital muscles to elevate their businesses and customer experience.

The activity we're seeing so far is coalescing into a handful of themes. To understand what they are, let's step through the life cycle and look at some examples.

Discover

Social media platforms have become an attractive set of channels for brands like Neutrogena and ColourPop. They're reaching out on Instagram, TikTok and other platforms to introduce new products and remain top of mind, using content carefully aligned with the interests of their target audience. A recent example is e.l.f. Cosmetics' "Eyes Lips Face." Launching shortly after TikTok's U.S. introduction, the campaign prompted thousands of influencers and followers to create their own versions of the makeup brand's 15-second commercial spot.

Some companies are going beyond digital content marketing, inviting discovery through personalized BPC product

recommendations that are likely to resonate with consumers. Curology's brand platform matches patients with licensed clinicians who assess their needs online, then prescribe a custom skincare treatment. Meanwhile, Boots and Ulta are among the retailers that are making Revieve's Digital Beauty Advisor personalization engine available to their customers. The service uses AI to analyze trouble spots like dark circles, skin texture and melasma to produce customized recommendations.
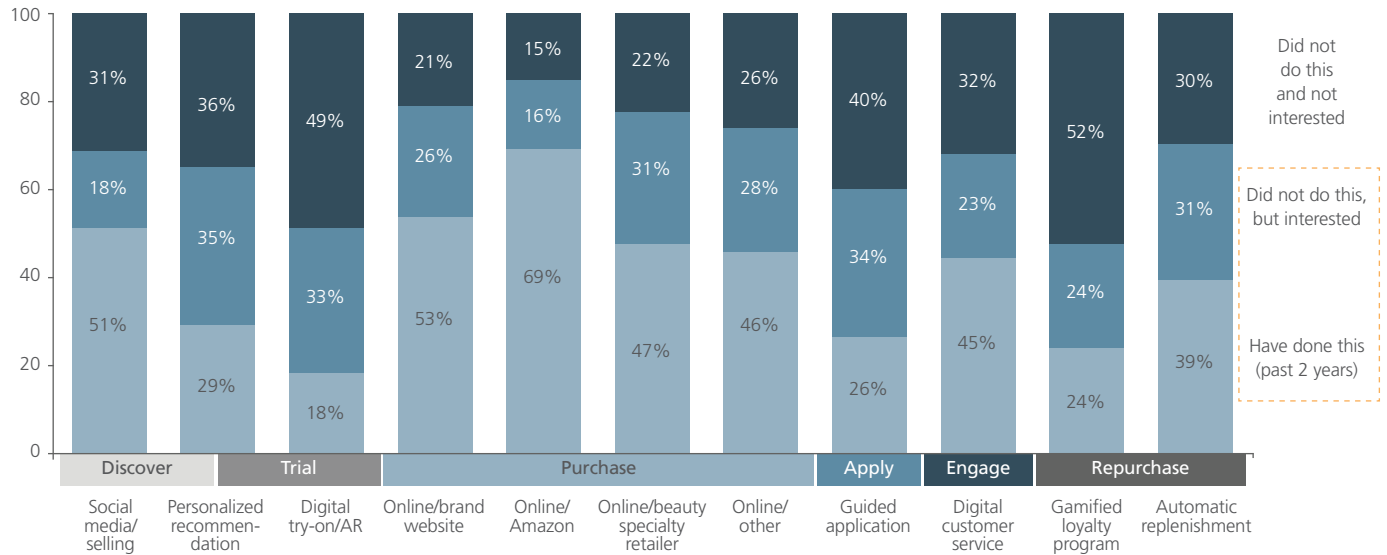
Trial

Once a prestige offering, virtual try-on tools have now gone mainstream, boosted by advances in AR. These solutions give shoppers a way to see how color cosmetics will look on them without the sanitation concerns of store testers. Consumers can upload a photo, use a live webcam or select a model with similar coloring to try on different shades. Perfect Corp. and L'Oreal-owned Modiface are just two of the companies bringing emerging technologies to bear in re-creating in-store experiences for the digital world.

Besides empowering customers to select their own products, some BPC brands and retailers use AR and AI to provide personalized product matching, suggesting products based on complementary colors, shades and need segments. For instance, Madison Reed's ecommerce site suggests extras like hair masks and root concealers to coordinate with shoppers' hair color selections. At MAC Cosmetics, shoppers can compare lip and eye colors to see how products look on different skin tones.

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Percentage of female beauty and personal care consumers (N=323)

Discover		Trial	Purchase				Apply	Engage	Repurchase	

Legend:
- Did not do this and not interested
- Did not do this, but interested
- Have done this (past 2 years)

Chart values:

	Social media/selling	Personalized recommendation	Digital try-on/AR	Online/brand website	Online/Amazon	Online/beauty specialty retailer	Online/other	Guided application	Digital customer service	Gamified loyalty program	Automatic replenishment
Did not do this and not interested	31%	36%	49%	21%	15%	22%	26%	40%	32%	52%	30%
Did not do this, but interested	18%	35%	33%	26%	16%	31%	28%	34%	23%	24%	31%
Have done this (past 2 years)	51%	29%	18%	53%	69%	47%	46%	26%	45%	24%	39%

Source: L.E.K. survey and analysis

Purchase

The rise of omnichannel experiences, which the COVID-19 crisis accelerated, is a reflection of consumers' growing expectation of a consistent shopping experience regardless of channel. But touchpoints — think mobile, in-store and curbside pickup — are continuing to multiply as beauty consumers shift more of their purchasing online. In response, retailers and brands are looking to technology as a way to take friction out of the customer journey.

One development is the introduction of "phygital" — that is, solutions with aspects of both the physical and digital realms. At Estee Lauder counters, for instance, store consultants can use the brand's iMatch Skincare Finder to surface hidden skin damage and determine ways to address it. Pre-pandemic, at digital-first Glossier's retail locations, shoppers entered a clublike atmosphere where they were encouraged to sample the products as they mingled at communal tables, consulted with "editors" and paused for selfies.

Another way to prompt a purchase is by offering products that are made to order. Using natural and organic ingredients, personalized beauty brand Untamed Humans generates skincare formulas based on age, skin type, climate and other customer criteria. Yves Saint Laurent recently introduced a handheld device called Beauté Rouge Sur Mesure Powered by Perso that uses color pods and learning algorithms to mix custom lip colors.
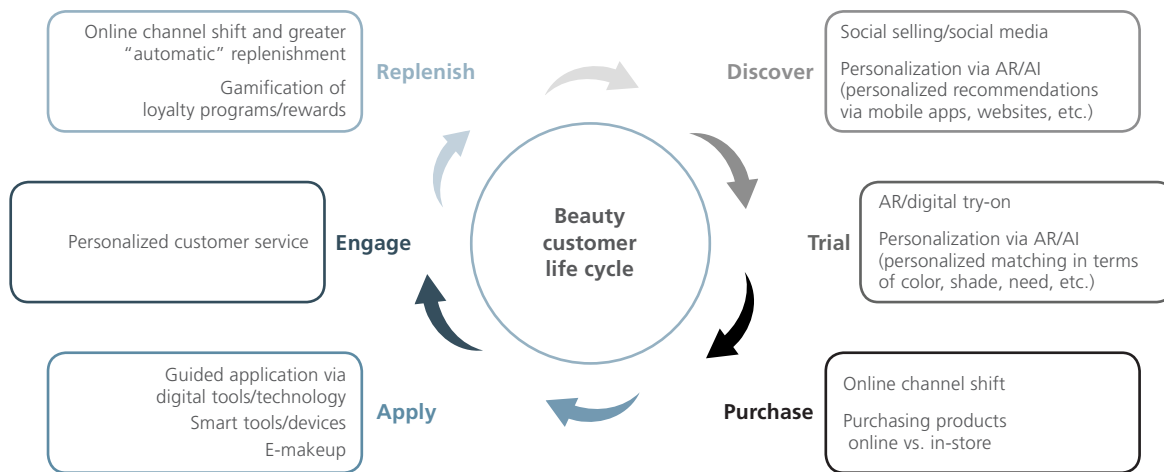
Apply

How-to content is gaining traction among beauty customers, who may be inclined to buy more if they're more confident in how to use the products. To extend their reach, beauty companies are exploring partnerships with digital media and platforms. Fenty Beauty, Rihanna's cosmetics brand, set up a TikTok page featuring influencers in quick-take product demos. Meanwhile, Bumble and Bumble teamed with digital media company Coveteur to produce a series of storylike tutorials on solving hair challenges with Bumble's products.

Smart devices take how-to a step further by taking some of the work out of makeup application. The Opte device from P&G Ventures — Procter & Gamble's in-house business incubator — uses a digital camera to find skin discolorations, then applies a serum to cover and fade them.

Then there are filters that allow consumers to skip makeup application altogether. Digital makeup apps like Perfect365 allow users to retouch their photos and try on virtual looks designed by professional makeup artists. For live meetings, Zoom's "Touch Up My Appearance" feature uses a soft-focus display to enhance the user's appearance. And in what feels like the videoconferencing era taken to its logical conclusion, Zoom users can use Snap Camera's beauty filters to put their best face forward, even when that face is bare in reality.

Figure 3
Digital solutions across the beauty customer life cycle

Replenish
- Online channel shift and greater "automatic" replenishment
- Gamification of loyalty programs/rewards

Discover
- Social selling/social media
- Personalization via AR/AI (personalized recommendations via mobile apps, websites, etc.)

Engage
- Personalized customer service

Trial
- AR/digital try-on
- Personalization via AR/AI (personalized matching in terms of color, shade, need, etc.)

Apply
- Guided application via digital tools/technology
- Smart tools/devices
- E-makeup

Purchase
- Online channel shift
- Purchasing products online vs. in-store

Beauty customer life cycle

Source: L.E.K. survey and analysis

Engage

A chief drawback of traditional text and chat messaging is the inability to detect the emotional state of those you're communicating with. Tone Analyzer from IBM Watson aims to remedy that by infusing chatbots and social listening tools with AI that can detect how people are feeling so companies can personalize their customer service experience. AI can also analyze large volumes of customer feedback to inform product development, which is what Avon did with its Genius Algorithm. The results led to the debut of the brand's True 5-in-1 Lash Genius mascara.

Replenish

Ecommerce auto-replenishment and autoship solutions offer consumers convenience and (often) discounts while helping brands and retailers stay ahead of demand. Sally Beauty, QVC and BareMinerals are just some of the players taking advantage of these technologies to enable automatic reorders for their customers.

Technology by way of gamification has also had a hand in the growing sophistication of loyalty programs. Roulette wheels, scratch-offs and other digital novelties can drive greater customer awareness, engagement and lifetime loyalty. They can also encourage customers to make use of their loyalty points and try different items in the company's product lines. Lancome took gamification to the next level by working with Alibaba to produce an AR scavenger hunt in which consumers could win the beauty brand's products. MAC, for its part, brought gamification into the real world when it teamed up with Tencent to create makeup sets associated with characters from the Chinese company's Honor of Kings game.

Rejuvenating beauty for a digital future

Despite the beauty industry's long tradition of personal touchpoints, consumers are increasingly seeking out digital solutions to a variety of pain points. This will have repercussions for competitive dynamics and the ways people shop. There won't be a brand or retailer that will remain unaffected by this trend.

So where can BPC sellers take it from here? An examination of the trend reveals three main ways to access next-generation beauty technology:

1. **Develop a company-owned solution.** This approach will be most visible among digital-first brands dipping a toe in the beauty market. Large beauty brands and retailers may go this route as well (some in response to competition from digital newcomers), although they're more likely to acquire the capabilities versus build in-house expertise.

2. **Combine multiple best-in-class point solutions.** This is also more of an avenue for larger brands. That's mainly because it takes a mature technology team to handle data integration, user experience and other key aspects of solution development.

3. **Tap the capabilities of a full-service vendor.** This allows smaller brands to quickly access the technology they need for a holistic, connected offering. The prospect of a digital beauty platform-as-a-service solution may also prove an attractive opportunity for investors to tap into this high-growth area.

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The question is not whether to participate, but where to prioritize investments for the right approach along the customer life cycle. Companies will have to reflect on the stages where they struggle most and prioritize those areas for transformation. An in-depth understanding of consumers and their needs will help reveal those priorities and set the organization on its way to a winning strategy for digital beauty solutions.

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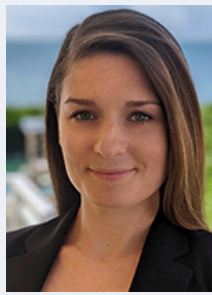
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