



EXECUTIVE INSIGHTS

Illuminating a Path for Beauty

The health-conscious consumer has gone mainstream. So has the exacting consumer. This is old news for the food industry, which has responded to demands for natural ingredients, more transparent labeling and convenience with a spate of new products, product extensions and packaging solutions. But today's consumer has now trained her eye on beauty, with a focus on many of the same attributes. For players in the beauty space, studying recent food trends can provide insight into successful strategies for meeting new customer preferences and requirements.

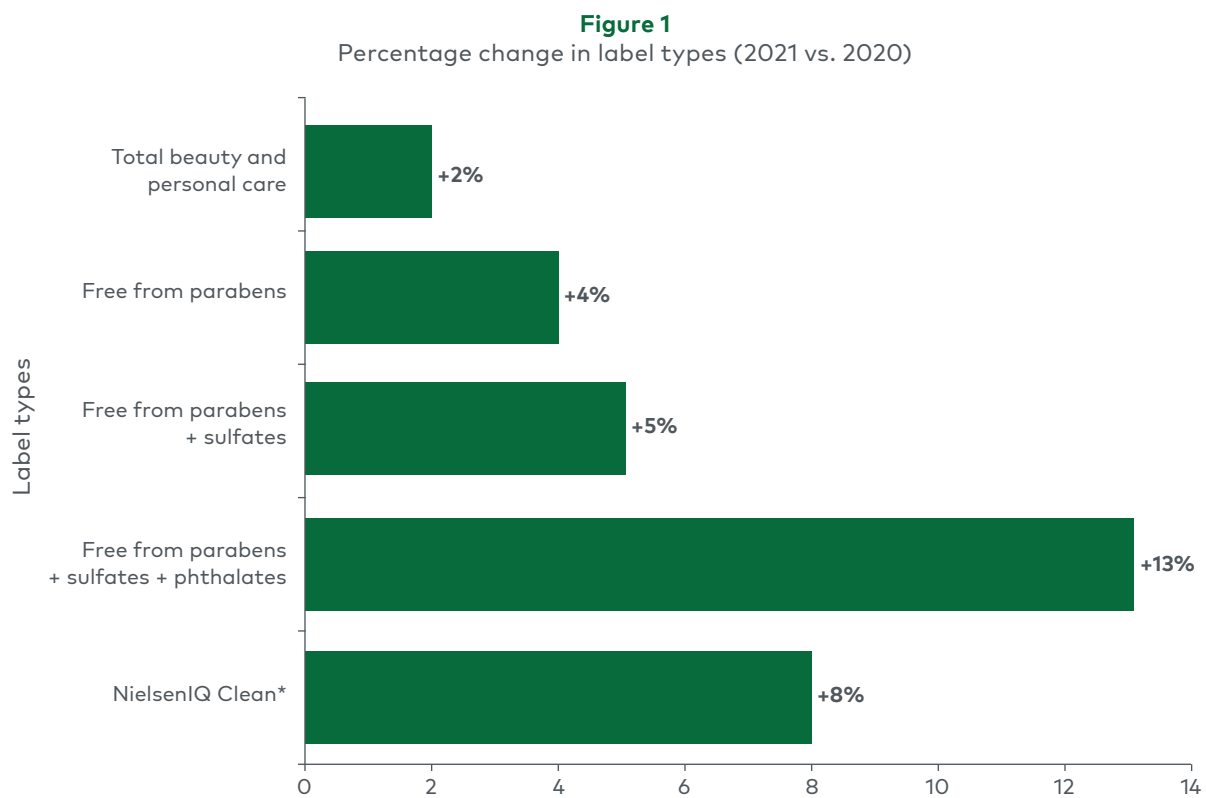
Recent food trends that are now converging on beauty fall into three main categories. First is the rising importance of ingredients — consumers are reading the labels and ingredients are increasingly influencing purchase decisions. Second, consumers are looking for specific health attributes in the products they use — for example, vegan or gluten-free. Finally, on-the-go customers value convenience, which has had a major impact on packaging. This *Executive Insights* will explore each of these areas in greater detail, providing examples of how beauty companies are responding.

Ingredients: Out in the open

Consumers concerned about what they are putting **into** their bodies¹ now have similar concerns about what they are putting **onto** their bodies. According to the Natural Marketing Institute, the “clean” customer segment makes up 24% of U.S. adults. It includes primarily mid- or high-income, multicultural, urban, college-educated, and under-35 consumers. The demographics of this segment are becoming more inclusive, with the largest increase in clean households over the past year in the 55-64 age group.

This growing consumer base is on the lookout for both beneficial ingredients and those they consider harmful. While many of the myths surrounding such ingredients in food have been disproven, concerns over others, such as monosodium glutamate (MSG) or sugar substitutes, have meaningfully changed what the industry includes in its products.

The beauty industry has been handed its own “no-no” list – ingredients such as parabens, paraffin, hydroquinone, phthalates, synthetic fragrances, sulfates, mineral oil and beta hydroxy acids (BHAs). Many in the industry have been quick to respond and, as a result, growth in “free from” and “clean” labels has outpaced the broader beauty and personal care (BPC) category (see Figure 1).



*NielsenIQ Clean is defined as free from parabens, sulfates, phthalates, artificial colors and fragrances, and 600-plus other ingredients.
Source: NielsenIQ, Label Insights Research

More specifically, consumers are looking for products that perform certain functions or that offer particular benefits – think gut health for the food industry. This trend has really taken off in beauty, and the same ingredients are often valued in both markets. A good example is collagen, which can be found in functional food (Vital Proteins) as well as beauty products (Olay Collagen Peptide Moisturizer, First Aid Ultra Repair Firming Collagen Cream and Charlotte Tilbury Collagen Superfusion Facial Oil, to name a few).

There has also been an increase in the use of foods as ingredients in beauty products — from eggs, soy milk, kale and spinach to avocados, pistachios, tomatoes and oats. Lush's Milky Bath Bubble Bar (soy milk, oat flour), Youth to the People Superfood Antioxidant Cleanser (kale, spinach, green tea), Glow Recipe's Watermelon Glow Ultra-Fine Mist (watermelon, apple cider vinegar), Briogeo's Superfoods Shampoo (matcha, spinach, apple) and Kiehl's Avocado Nourishing Hydration Mask (avocado fruit extract and oil) are all examples of beauty products whose primary selling point is food-based ingredients.

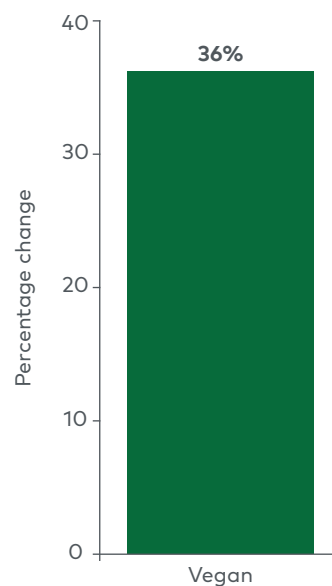
Claims, claims, claims

Health-conscious consumers are looking for certain attributes in the foods they eat, whether it be gluten free, non-genetically modified organism (GMO), "all natural" or vegan. This has led to a proliferation of claims on food packaging. We are seeing a similar trend in beauty, with the number of claims on products also rising. Consumers have become accustomed to looking for these claims, and they are an important selling point for beauty brands.

Vegan

Products marketed as vegan (containing no animal-derived ingredients) have become especially prevalent, with 36% year-over-year (YOY) growth in 2021 of global personal care product launches with vegan claims (see Figure 2). Even products that are not traditionally made with animal byproducts use vegan claims because it signals alignment with specific community values.

Figure 2
Percentage change in global new personal care product launches with vegan claims
2021 vs. 2020 YOY* change



*YOY=Year over Year
Source: Personal Care Insights

Innovative vegan formulations and materials have improved the quality of these products in recent years, increasing adoption and leading to even more vegan introductions, including products like Rachel Couture (vegan lip gloss), e.l.f. Cosmetics (vegan makeup brushes), Bite Beauty (vegan foundation) and KVD Vegan Beauty (vegan eyeliner). Other products with a vegan claim on the packaging include Youth to the People moisturizer and Truly Beauty treatment kits. While there is limited regulation and no governmental certifying body to deem products vegan, consumers often turn to trusted nonprofits that release lists or product approvals, including PETA,² BeVeg³ and Biorius.

Cruelty free

"Cage free", "free range" and "grass fed" are all signals to consumers that the animals going onto their tables have been well treated. Similarly, in beauty, the term "cruelty free" indicates products are not tested on animals. Many brands make this claim and more are getting certified. As with vegan certification, there is no U.S. governmental certifying body for cruelty-free products. However, Leaping Bunny is an internationally recognized certification⁴ that many consumers look for when making product decisions. Leaping Bunny requires independent audits to confirm cruelty-free claims. Some less stringent certifications include PETA's Beauty Without Bunnies⁵ program and Choose Cruelty Free (CCF).⁶

Additionally, these brands now have more expansion potential as a result of the recent change in Chinese law,⁷ which no longer requires imported products to be tested on animals.

Gluten free

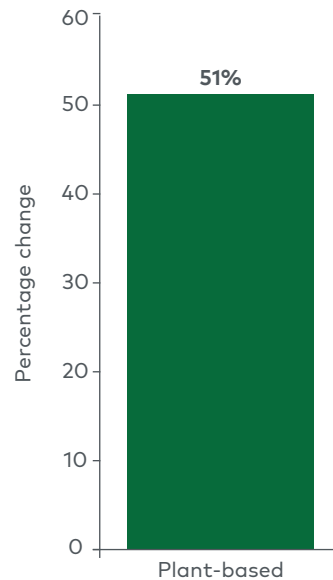
Many beauty products are gluten free by definition since wheat, barley, rye and malt are not common ingredients. But that hasn't stopped companies from jumping onto a trend that swept the food industry. Some products claim no gluten ingredients, some are labeled gluten free, others are certified gluten free and some companies use 100% gluten-free facilities. The rationale behind using a gluten-free claim is that for many consumers the term signals safety and peace of mind. The Gluten-Free Certification Organization (GFCO) provides independent, third-party certification for gluten-free products. For example, Afterglow Cosmetics uses a gluten-free facility and its products are certified by the GFCO. Red Apple Lipstick is another beauty product that is marketed as gluten free.

Plant-based

"Plant-based" is one of the most talked-about trends in food of late — think of all the plant-based meat and dairy products that have hit the market within the past several years. The trend is now spilling into beauty, where again the vast majority of products are not derived from animals. Nevertheless, the label "plant-based" signals clean and natural to consumers — a major selling point for BPC products. Indeed, plant-based claims in personal care products

increased more than 50%⁸ between 2019 and 2020, according to Innova Market Insights (see Figure 3). Brand examples include Bokka Botanika, a line of plant-powered hair coloring, and Selena Gomez's Rare Beauty line.

Figure 3
Percentage change in global new personal care product launches with plant-based claims
2020 vs. 2019 YOY* change



*YOY=Year over Year
Source: Personal Care Insights

Convenience is queen

Much has been written about the importance of convenience to today's food consumer. There has been a marked increase in snacking, and both single-serve and on-the-go are top priorities. Consumers are looking for similar flexibility in beauty — portable formats that can fit into a handbag and also multipurpose formats that allow them to buy and carry fewer things. Examples of recent product rollouts that meet these needs include:

- Cocokind Matcha Stick, for use on lips, under eyes, on dry skin, etc., in an on-the-go stick format
- Glossier Future Dew, an oil and serum hybrid that provides a shortcut for skincare
- MAC Cream Colour Base, for use as blush, eye color or lip color

Convenient application formats are also high on the list for consumers, including faster, easier ways to apply makeup and beauty treatments. There is a demand for products to touch up makeup on the fly, apply it with fewer steps and reapply it easily. Examples of convenient application formats include mists to put on sunscreen throughout the day, lotion or sunscreen sticks, exfoliating and perfume wipes, and toner pads.

As with food, consumers want things when they want them — and that's often as soon as possible. The uptick in "on demand" — for instance, ordering food delivery through third parties — accelerated during the COVID-19 pandemic. The trend is also occurring in the beauty space, with brands finding ways to get products conveniently and quickly to their customers. For example, The Body Shop and Estée Lauder developed partnerships with Uber Eats to facilitate same-day delivery of skincare and cosmetics products. Ulta has a similar arrangement with DoorDash.

Eyeing food trends can point the way for beauty

The health-conscious consumer is not a passing trend. People are increasingly aware of how what they put into their bodies can affect their health and well-being. But food is not the only category affected by this growing consumer mindfulness. If the body is really one big biome, then it's little wonder that customers are becoming concerned with what they put on their bodies as well as what they put into them. Likewise, with consumers on the go more and with on-demand delivery now taken for granted, beauty brands will need to find innovative ways to deliver convenience to their customers.

The good news is that beauty companies can position themselves to take advantage of these consumer trends. First, keep an eye on food to see what's appealing to consumers and consider which trends can be repurposed for the beauty market. In order to jump into action quickly, be sure your innovation and other capabilities are both agile and flexible. Finally, harness both marketing and packaging in an authentic way to promote alignment with popular interests. For example, you can make your products more attractive to today's health-conscious consumer by elevating food imagery and spotlighting natural ingredients. At least for now, food appears to be a bellwether for beauty. Staying on top of food trends should yield benefits that go beyond skin-deep.

For more information, please contact strategy@lek.com.

Endnotes

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⁴Heather Mikesell, "Three Organizations That Certify Cruelty-Free Products."
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Maria Steingoltz is a Managing Director and Head of L.E.K. Consulting's Chicago office. Maria works in the retail and consumer products sector with a special focus on food and beverage as well as beauty and personal care. She advises clients on a range of critical strategic issues, including growth strategy, consumer segmentation, international expansion, pricing, and mergers and acquisitions. Maria has received Women Leaders in Consulting and Rising Star of the Consulting Profession awards from Consulting Magazine. Her expert commentary has appeared in Fortune, The Wall Street Journal and Supermarket News.



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