



Next-Generation Personalized Beauty

The cluttered field of health and beauty products has a new kid on the block: personalized beauty. This emerging area offers an alternative to “one size fits all” offerings. Players in this space use information gathered on a person’s genetic composition and lifestyle choices to design products that best meet the customer’s specific needs.

Consumers are responding enthusiastically. For example, within the UK, 45% of adults indicated that they were interested in individualized skincare products created in a laboratory, and in 2014, customized products drove 22% of skincare consumption by volume globally.¹ As customization technology improves, opportunities to reach an eager marketplace will expand accordingly.

Trends driving personalization

Four primary trends are converging to spur growth in the personalized beauty sector (see Figure 1). As these trends gain in strength, personalized beauty will eventually move from a luxury offering available to the well-heeled to one that is more mainstream.

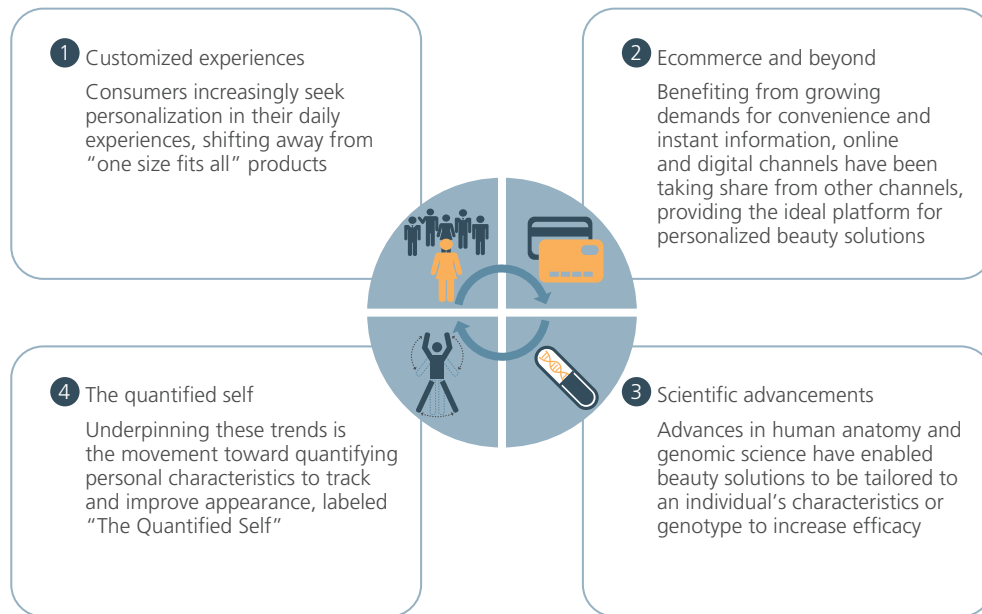
Customized experiences. Personalized beauty is part of a broader trend toward customization that has affected segments ranging from nutrition and fitness to music, travel and entertainment. Millennials in particular are shifting away from one-size-fits-all

offerings, preferring to embrace products and experiences that can be tailored to their individual needs and tastes.

Ecommerce and beyond. Benefiting from growing demands for convenience and instant information, online and digital channels have been taking share from other channels, providing the ideal platform for personalized beauty solutions. According to a 2016 Mintel survey, 45% of beauty consumers prefer to search for product information in-store on their mobile device, and 39% have used or would try doing research on a store-provided tablet.² The increasing importance of online platforms also represents an ideal means for beauty and personal care companies to collect vast amounts of consumer data at a much lower cost. These data can in turn facilitate personalized solutions.

Scientific advancements. Advances in human anatomy and genomic science have enabled beauty solutions to be tailored to an individual’s characteristics or genotype, making them more effective. Scientific studies suggest that genetic variances affect how individuals respond to ingredients, influencing what might be considered optimal consumption levels of certain ingredients found in beauty products. For example, while one-size-fits-all products use the same amount of collagen in their products, individuals degrade collagen at different rates, which makes many consumers subject to under- or overnourished skin when using generic products. This opens up an opportunity to create skincare offerings with collagen amounts tailored to individual absorption rates.

Figure 1
Personalized beauty is at the convergence of four major trends



Source: L.E.K. research and analysis

The quantified self. Modern technology, including mobile phones, wearables, and a host of proprietary devices and accompanying software, has enabled consumers and solution providers to gather an unprecedented amount of data on personal characteristics — from daily activities to calorie intake to sleep patterns. The movement toward using technology to gather personal data has been labeled “The Quantified Self.” This data is a veritable treasure trove for companies seeking to customize their offerings to individual consumers.

Approaches to personalized beauty offerings

Today’s personalized beauty providers have adopted a range of approaches to gathering consumer information for solution customization — from the relatively low tech to the scientifically sophisticated. Broadly speaking, these fall into three main categories.

Consultation/digital questionnaires: This is the most straightforward approach to gathering consumer data. Consumers answer questions on physical characteristics and lifestyle choices, either via an online tool or in an interview with a specialist. The company then personalizes the beauty product or service based on the individual’s responses. A skincare brand might ask questions about propensity to burn, or a provider of

hair products might ask about the importance of covering gray. For example, Singapore-based **Skin Inc** uses an online diagnostic tool and an algorithm that draws on a database of skin attributes to build a personalized “serum cocktail” for customers. **eSalon**, based in California, develops custom hair dyes and highlighting solutions based on responses to an online questionnaire that asks for information on hair characteristics, color preferences, etc., as well as an optional uploaded photo.

Apps and specialized hardware: Some companies are developing proprietary apps with a range of functions, while others go even further, combining apps with hardware that can actually customize products in the home. **Skin Authority**, based in California, employs beauty coaches who can provide tips and skincare routine recommendations either online or through the **Skin Authority** app. Customers can connect with their coaches via Skype, FaceTime or email, so that coaches can learn more about individual customers’ skin problems and preferences. **MATCHCo**, based in California, analyzes skin tones using image-scanning technology to determine the perfect foundation blend for each consumer. Consumers can also receive the skin scan tests in person at **MATCHCo**’s Santa Monica lab. French skincare brand **Romy** has opted for a combined software-hardware approach.

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Figure 2
Next-generation personalized beauty market



Source: L.E.K. research and analysis

Its app allows consumers to record details of their lifestyle and environment, which are used to recommend an individualized cream blend for the consumer’s skin at that point in time. Its proprietary in-home machine then “brews” daily batches of cream, moisturizer or serum. Ingredients and titrations change based on new information gathered from the app.

Home test kits: The most sophisticated personalized beauty purveyors are leveraging genetic testing to customize their products based on science. Currently only available for skincare, home test kits measure DNA and analyze strengths and weaknesses of skin (for example, collagen formation and sun protection factor). Based on these measurements, the company develops personalized skincare products or routines that address the consumer’s specific needs. U.K.-based **GENEU** uses a DNA test and lifestyle assessment questionnaires to generate individualized serum blends. Consumers can make an in-person appointment at one of the two Geneu retail locations in London

for the DNA test or use a mail-order at-home kit. Similarly, **SKINSHIFT**, based in Texas, offers a DNA test that generates a report consumers can use to order their custom skincare regimen. Skinshift analyzes five skin attributes — collagen formation, sun protection, antioxidant protection, sensitivity control and glycation protection — and uses this information to create 144 different product combinations.

Personalized beauty offerings span a broad spectrum in terms of both price and complexity (see Figure 2). Companies providing customized products based on questionnaire responses charge between \$20 and \$100 per product, although some have opted for a subscription model. While app-driven services have similar prices to questionnaire services, proprietary hardware can cost as much as \$700. Providers of personalized products based on DNA tests typically charge around \$100 for testing with varying product prices.

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An opportunity beckons

The next-generation personalized beauty market remains relatively small, but it is growing rapidly, as consumer awareness increases and a progression of innovative startups enter the race. To date, most of the players in personalized beauty are smaller companies. Few traditional companies have an appreciable personalized beauty portfolio, although a number have increased their investment in the space.

Next-generation personalized beauty holds promise for a range of industry participants, particularly for specialty stores that are aggressively pursuing new growth in an effort to stay differentiated from mass and online channels. For distributors to beauty salons and spas, the ability to customize beauty products will solidify partnerships with enterprises that consider innovative and holistic beauty solutions a means of staying competitive. Finally, major beauty and personal care companies can look to personalized beauty as a way to enrich their existing portfolios,

develop new growth channels and mitigate the risk of being disrupted by innovative new entrants.

Regardless of their position within the industry, companies that do not pursue personalized beauty are leaving a significant growth opportunity on the table, and are in danger of being bypassed by more forward-looking competitors.

Editor's note

This *Executive Insights* is the second in a Personalization series from L.E.K. Consulting. To read the first article in this series, please see [The Customized Diet: Opportunities in Next-Generation Personalized Nutrition](#), Volume XIX, Issue 22.

¹ Canadean reveals the future of UK skin care – personalisation, Sept. 23, 2014. <https://www.cosmeticsdesign-europe.com>.

² 45% of US Beauty Consumers Prefer Mobile Devices Over Sales Associates for In-Store Assistance, Feb. 10, 2016. <http://www.mintel.com>.

About the Authors



Maria Steingoltz is a Managing Director in L.E.K. Consulting's Chicago office. She is focused on the Retail and Consumer Products practices, with extensive experience in the personal care and beauty sector. Maria advises clients on a range of strategic issues, including growth strategy, new market entry, customer-centric strategy, pricing, consumer segmentation and M&A.



Alex Evans, CFA, is a Managing Director in L.E.K. Consulting's Los Angeles office. He focuses on consumer-facing sectors encompassing both retail and media. He specializes in a diverse set of verticals across the healthy living economy, including nutrition & fitness, food & beverage, and beauty & personal care.

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