Key Findings

- Changes in consumer behavior impact discoverability on retailers. On Sephora, traffic to the search bar has increased 35% year over year, while traffic to lower-funnel color cosmetics pages has declined by 13%.
- Across best-selling skin care products on Amazon, 27% of consumer reviews reference product efficacy attributes, while an average of only 5% of reviews mention specific ingredients.
- Amazon expanded guided selling and merchandising efforts in research-oriented categories to meet consumer demand. “Expert recommendations” editorial content now appears against roughly 50% of top-volume nonbranded skin care and color cosmetics searches.

Key Recommendations

- **Evolve Discovery Tactics:** On specialty retailers, ensure that product titles strike a balance between search optimization and brand equity, and focus visibility efforts on pages with the highest growth in traffic.
- **Tailor Product Content Investments:** Ensure product merchandising and copy aligns with category nuances in skin care, focusing on product efficacy above all else. Prioritize ingredient investments in the treatments category.
- **Use Content for Incremental Gains in Search:** On Amazon, explore options for securing placement in “expert recommendations” content, which can allow for incremental visibility gains against priority nonbranded searches.

Introduction

Beauty brands face significant changes to core category growth opportunities and retailers are shuffling investments accordingly. The category’s largest segment, color cosmetics, has experienced slowed sales growth across the last year, and the changes have hit prestige brands particularly hard. Among 2018’s top 10 color cosmetics brands, online sales have decreased by an average of 3%. Specialty beauty retailers in particular struggle to sustain growth in the category and are instead leaning on newness and innovation to drive sales. However, color cosmetics growth has not softened everywhere. Though Amazon has made big bets in the category with high-profile launches and guided-selling content, it has experienced over a 60% year-over-year increase in sales. Skin care, in contrast, is a bright spot — particularly for specialty beauty retailers trying to secure a piece of the category’s overall growth amid increased investments from department stores and mass retailers like Target. Year over year, both Sephora and Ulta have outpaced Amazon in skin care sales growth.

Amazon, Sephora and Ulta all have a hold over the online beauty market that continues to grow. The three e-tailers accounted for 44% of online beauty sales in 2019, up from the previous year’s 38%. Despite this, brands must avoid taking a “one size fits all” approach to retail partners. Each of the three platforms evolves differently, forcing brands to re-think where to place their bets online.

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