Executive Summary

Major retailers have increasingly consolidated their shares of online beauty sales. Amazon, Sephora, Ulta, Macy’s, Nordstrom, Target and Walmart grew their collective share of online beauty sales by 7 percentage points in 2019, now owning over half of the U.S. market. In tandem, at least 70% of top-volume searches on two of the largest beauty retailers, Amazon and Sephora, are for branded terms,1 a sign that the majority of shoppers know what brand they plan to purchase prior to arriving on retailer sites. As retailers continue increasing their share of online beauty purchases, brands are forced to evaluate where their brand sites fit into the consumer journey.

Direct-to-consumer (DTC) brands, in particular, need to continue to reevaluate site objectives and corresponding key performance indicators (KPIs) to align with evolving e-commerce realities. Notably, the increasing “promotionality” of the category and the decrease in effectiveness of traditional product launch strategies may require changes in conversion tactics and metrics. Beyond conversion, brand sites should serve to foster both long-term customer relationships through data implementation and community building that meets the beauty consumer’s demand for education.2

Brands have a significant opportunity to leverage data to create personalized site experiences, as only 12% of consumers agreed they experience “tailored help” from brands.3 Brands must reconsider conversion as the primary KPI to measure site performance, and instead balance conversion with brand-building metrics that prioritize long-term customer value.

Key Findings

- Traffic lifts from new product launches for top indie brands (e.g., Kylie Cosmetics) are roughly one-third less than lifts from launches in the year prior, suggesting that brand site exclusives may no longer be the most effective tactic to drive DTC activity.
- The share of Sephora and Ulta emails featuring explicit promotions are up 60% and 40%, respectively, while sales are increasingly concentrated during retailer-specific promotional periods.
- 76% of consumers agree that the most influential aspects of a brand’s website are those that serve to educate and 73% think it is those that inspire purchase confidence.

Key Recommendations

- **Rethink Product Drop Approach**: Experiment with a staggered approach to product releases that use brand sites for momentum, and capitalize on the sales scale afforded by retail partners to yield more sustainable results from launches.
- **Find Whitespace for Promotions**: Test promotional campaigns that avoid competition with competitive brands and retailers, as vying for consumer attention will likely require greater investment.
- **Increase Efforts to Reduce Friction**: Brands should leverage implicit data to deliver a more tailored shopping experience and build trust through community to minimize friction along the purchase path.

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1. Gartner analysis of AMZ.one and SimilarWeb data.
2. “The Skincare Industry Is Booming, Fueled by Informed Consumers and Social Media,” CNN.

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**Beauty US: Share of Online Beauty Sales on Analyzed Retailers**

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*Includes Amazon, Sephora, Ulta, Macy’s, Nordstrom, Target and Walmart.
Source: Gartner Digital IQ Index: Beauty US 2019

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