

LOW

HELLO BEAUTY

Analysis and 2018 trends



INTRODUCTION

2017 was an important year for the beauty sector. A year of growth where many people, globally, have realized the potential of the sector and have decided to step into the game.

Players, consumers and products themselves are constantly changing, meaning the approach of companies and consequently of agencies is also changing. We ourselves are the first to consider the importance of understanding how the sector has evolved over the past year.

This document has therefore been created to: summarize data, analyze and study the best cases of a memorable year and face 2018 better-equipped.

Enjoy the read.

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01.

PEOPLE

Who the beauty sector speaks to
and consumer insights

LOW

This year's word? *Millennials*

Mintel's global research confirms that the focus of products and communications has been put on the 18-35 age range, but let's not say it too loud.

Consumers no longer feel represented by their age, nor by their gender or body type. They want to **self-determine themselves**, to the disadvantage of brands that will no longer be able to tell them how they're supposed to feel.

In 2017, a budding focus was put on the younger generation, **Gen Z**. Born between 1995 and 2010, it shares the new millennial values such as **equity and individuality**.

FUN FACTS

40% of those who wear makeup (25 to 34 y.o.), feel **frustrated** because they can't find products that reflect the exact shade of their skin.



CASE STUDY SMILE CONNECTED

Through the app created by Japanese brand, Kanebo, with an in-built sensor, smartphones evaluate **skin hydration**, recommending users with products for their everyday **beauty routine**.

The database generated by this interaction allows the brand to design customers-tailored products.

Millennials: a difficult target for big companies

Classic cosmetic brands which are part of large groups like Estée Lauder or L'Oréal are having a hard time conquering the younger targets.

Communication on **social media** or the use of **influencers** is perceived as a forced act, unlike younger brands that are more accustomed and credible when using these methods of communication.

The solution? **To acquire!**



NYX Professional Makeup
Part of the L'Oréal group
since 2014

Revenue 2017: **62.7M\$**



Too Faced
Acquired by the Estée
Lauder group in 2016



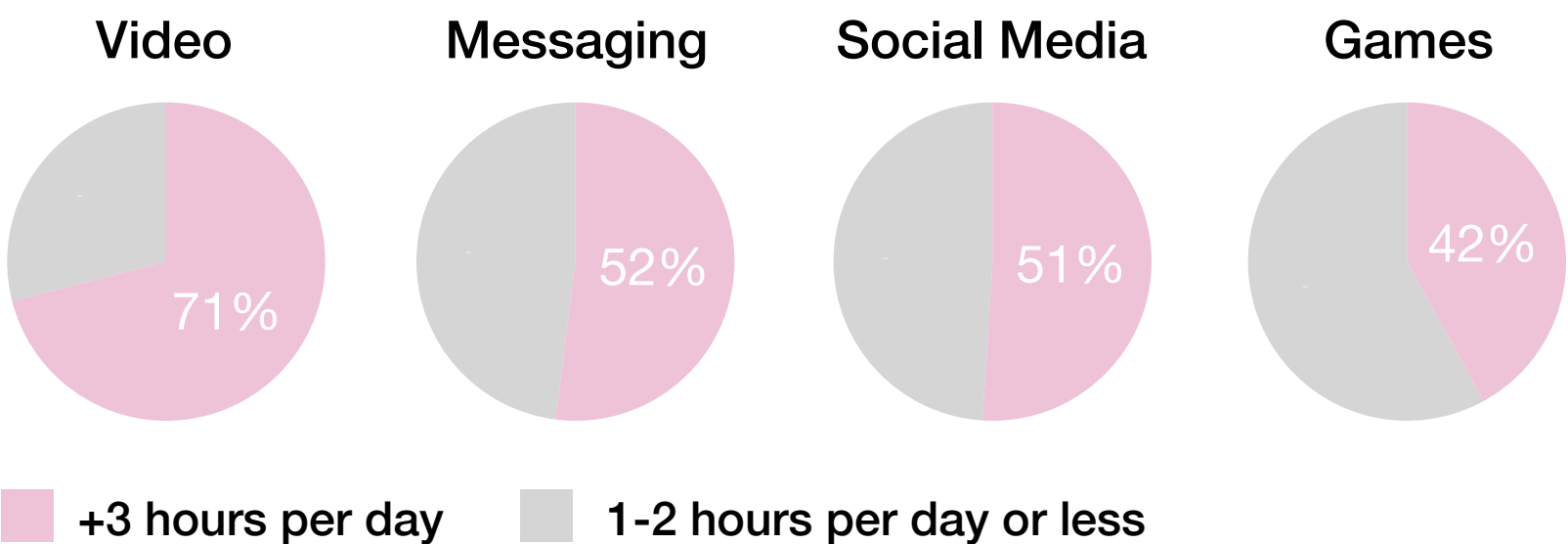
Gen-Z portrait

They're young but actually represent 26% of the **Italian** population.

They no longer use computers and only surf from their **smartphones**, which clearly influences sales. According to Google sources on US researches, 2 out of 3 young adults buy online. In Italy we can assume a lower rate, but this doesn't mean the use of smartphones doesn't affect the purchasing processes.

Time spent on smartphones:

Google sources on US researches



FUN FACTS

67% of American Gen Z prefer to look up answers on their **smartphone** rather than asking **shop assistants**

Brand **info** is mostly searched on **social media** or **apps** rather than institutional websites

Social media channels foster passive fruition regarding **fun contents** (bite-sized) rather than sharing

It's cool if:

- 💬 A friend talks about it
- 📢 I've seen an AD
- 👩 It's tailor-made on me

💕 Especially for girls: it's all about how it makes them feel.

Being yourself is cool

🛍️ Reflecting this, some of the favorite beauty brands of young Americans are: *MAC, Clinique, NARS, Maybelline, Neutrogena, Tarte and Too Faced.*

PEOPLE

Brand attitude

The product is no longer enough, and we all know it. It's really about the values and the way they the product expresses them that exhorts clients to choose it.

Honest (or transparent)

As in something good (charity work or support are seen positively) but also as in the brand's overall behavior.

From the product itself and its ingredients, to its **tone of voice** and how it can enable a brand to tell its story without feeling forced or far.

Inclusive

An issue regarding ethnicity or gender, that's already been dealt with. People want to **feel involved regardless of how they look.**

In 2018, we expect a more open approach to **size-inclusivity** even in the beauty world. A concept that comes from the fashion world, generally harder on the subject, that can be easily adopted by the beauty industry.

Instant

Millennials, unlike previous generations, are not scared by the signs of aging, which is why they prefer products that guarantee instant results.

In support of the thesis, in August 2017 Michelle Lee, editor in chief of Allure, stated she no longer wanted to use the term *anti-aging*.

"Changing the way we think about aging starts with changing the way we talk about aging."

Glossier

Beauty from a new point of view: fun, easy, imperfect and personal. Products born on the consumer, not for the consumer.

Honest (or transparent)

How much makeup do you own and how much of it do you actually use? We want to try and help you choose by proposing a selection of products that live with you.

Inclusive




"Inclusivity is really our first value. We want to inspire, show beauty in real life."
Emily Weiss, founder and CEO

Instant

Products designed to deliver the best, right away. Intense hydration = instant gratification. Our goal is bright skin.



All about:

-  From the blog *Into the Gloss*
-  26 products in 3 years
-  Not products, but a company
-  Company of the Year by [inc.com](https://www.inc.com)
-  Average pricing

Milk Makeup

*It's not just about how you create your look;
it's what you do when you wear it that matters.*
#LiveYourLook

Honest (or transparent)

Our exclusive multi-purpose products are designed for an on-the-go lifestyle, with high-tech ingredients - and "no bad stuff in them".

Inclusive






We see personal style as the final form of self-expression, which is why we encourage experimentation.

Instant

Products, consistently with target requests, aim at instant action (e.g. Instant de-puffer).



All about:

-  **Plant-based ingredients**
-  **Multi-purpose products**
-  **Oleographic style**
-  **Transparent packaging**
-  **Average pricing**

02.

LANDSCAPE

The ones in charge of change

LOW

Coach wanted!

The digital market has created a mechanism whereby people have the chance to purchase anything. Even though style in itself has been dictated by the masses and by globalization for years, internet has given individuals the opportunity to **search for whatever they want**.

But what do we want? From being accustomed to switching on TV and choosing among the few channels available, we now use *Google in order to decide what to watch on Netflix*.

A similar process occurs in every product category, which is why we've learnt to seek help among 'those in the know': **the influencers**.

DEFINIZIONE

Influencers: individuals with an audience, who are capable of influencing consumers' purchasing behaviors with their charisma and knowledge related to specific themes or areas of interest.

Macro-influencers

They're the ones with the largest fanbase - **over 100K followers**. Celebrities with a strong social presence fall into this category.

How to work with them? Long-term collaborations that allow users to 'feel' the partnership.



Gianluca Vacchi
11.2M



Chiara Ferragni
11.2M



Mariano Di Vaio
6.3M

Micro-influencers

A number of studies offer contrasting definitions. The most corroborated one states that micro-influencers are people who own social profiles and a fanbase below 30K. This aspect allows them to be perceived as *friends*, and consequently as more **authentic and credible**.

Compared to their 'big brothers', the potential reach is obviously more limited but the **engagement rate** is considerably higher.

Huda Beauty

Founded in 2013 by YouTube beauty star, Huda Kattan, the brand has become a real IG force, with more than 23,8 million followers.



Beauty for Women!

Beauty can change the way women perceive themselves. A self-confident woman can conquer the world!

Huge even in Italy






In July Sephora has begun distributing the brand even in Italy, making Huda the second research query on the beauty theme.

Synonymous with makeup

Even brands that have nothing to do with Huda (eg. Benefit), have decided to use the hashtag #hudabeauty to increase engagement.



All about:

-  Huda's tips
-  Editorial (Blog di Huda)
-  People before the brand
-  Feminist
-  Portable products

Brand incubator

If the ones influencing are become brands, brands are moving towards the development of ad-hoc activities to create influencers.

L'Oréal Beauty Squad

As of 2016, L'Oréal has created a group of 5 bloggers, the Beauty Squad, with the aim of communicating product launches, relative 'how-to's' and engage users by content posted onto their YouTube channels. The greatness of this initiative has lead to the addition of another 3 ambassadors this year.



NYX Face Awards

Now in its 7th US Edition (and 2nd Italian Edition), the NYX FA selects the *Beauty Vlogger of The Year*, offering him a sum of money as well as the chance to grow supported by the brands of the group. Such as Patrick Starr, a finalist in 2015. Today he is the face and creator of his own Capsule with MAC.



Condé Nast Academy

The first Italian social academy launched in November. In partnership with SDA Bocconi and L'Oréal, the course offers 240 hours divided in 4 modules that aim to create influencers specialized in the beauty and lifestyle sector (20 graduates this year). In 2018 the academy aims to open up to new sectors too.



Celeb-preneurs: From brand supporters to personal brands

In 2017 we've seen a rise in celebrities leading their own beauty brands. A global trend fed by names such as Kyle Jenner, Kim Kardashian West or Robyn Rihanna Fenty, the most searched even on Italian territory.

A great change from the typical brand-testimonial relationship, certainly one to keep an eye in order to evaluate (and to try and foresee) its evolution in 2018 and beyond.

QUERY: Makeup - global

1. fenty beauty
2. kkw makeup
3. fenty makeup
4. halloween makeup ideas 2017
5. rihanna fenty makeup



Fenty Beauty

Launched in the winter 2017 with 40 color references for foundations and highlighters, it took only 3 months for the brand to offer a complete line of products.



Inclusive, proud

Brand insights are a trend in the market, but compared to competitor brands (eg. MAC) BadGalRiRi made a difference.

Brand extension

The brand turns into a value bearer beyond the products it offers, and once it positions itself it opens up to include all the products (palettes, lipsticks).

Results in 2017

WWD Beauty has assigned Fenty an award for this year's launch. Rihanna's image linked to the brand launch generated 72M\$ in earned media.

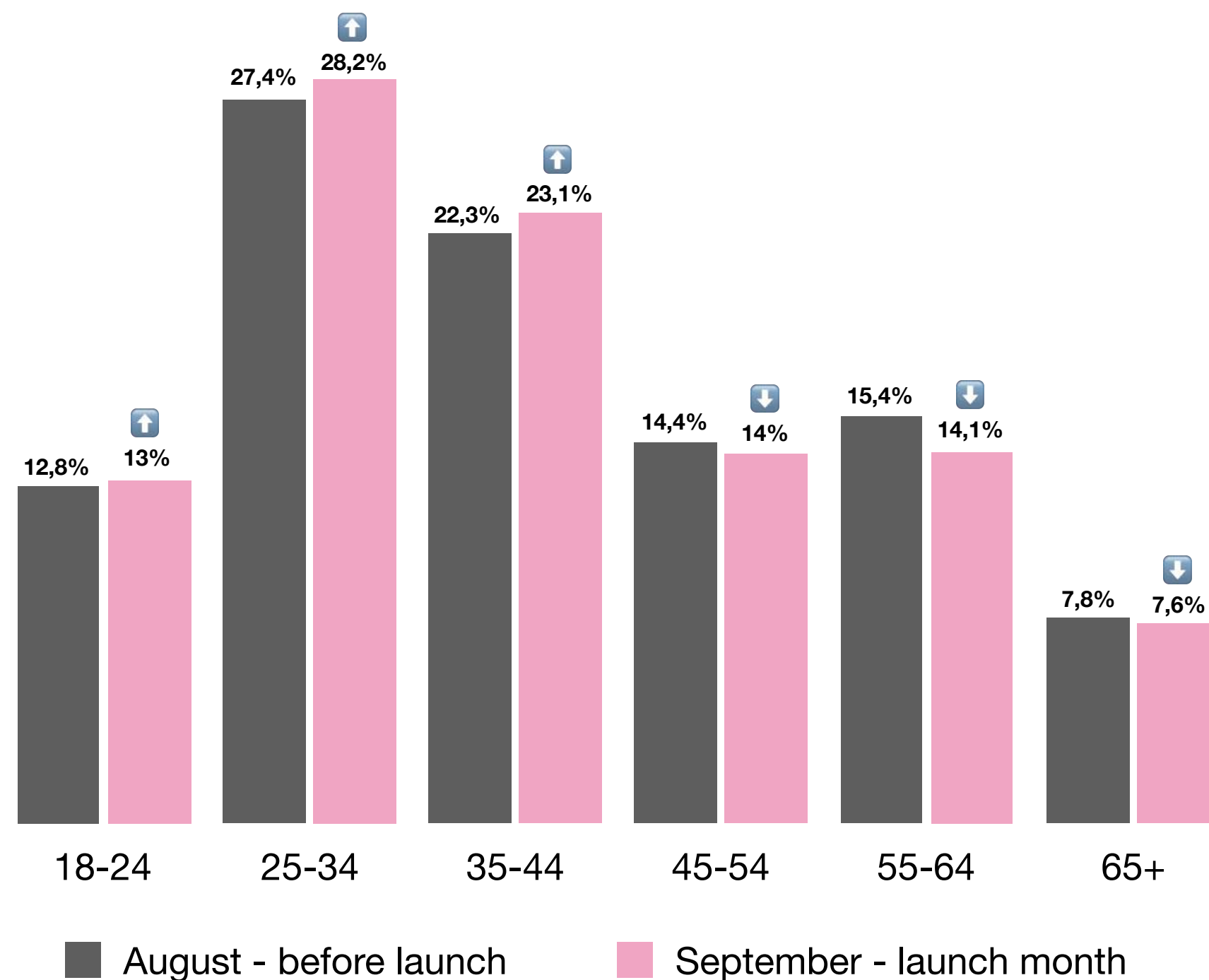


All about:

-  **Bold tone of voice**
-  **Easy**
-  **Galaxy**
-  ***Make skin look like skin***
-  **Feminist**

Fenty Beauty

Launched in the winter 2017 with 40 color references for foundations and highlighters, it took only 3 months for the brand to offer a complete line of products.



Effects on sephora.com

In September, 6 out of 10 most viewed products on sephora.com were from **Fenty Beauty**, in particular, the page dedicated to the *LongWear Foundation* and its 40 color references.

The distinctive brand positioning has seen an increase of website visits by **Afro-Americans by 6%**.

FUN FACTS

3 out of 5 researches for sephora.com include the word ***Fenty***

During month launch, researches for ***Fenty Beauty*** generated **6%** of all the **traffic** of sephora.com

KKW Beauty

Where could the ‘queen of contouring’ start if not from a set of bronzers and highlighters? Apparantly, she sold 14.4M during month launch (June 2017).

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Yeezy lifestyle

Even beauty products follow the aethetic style (and habits) of the family. Soft and minimal, all products seem to be created to achieve an ‘*I woke up like this*’ look.

Brand extension

In addition to kits we can find perfumes, lip tints (in partnership with her sister, Kylie Jenner) highlighters and glosses (Ultralight Beams like the song by husband Kanye).

Glam Masters

The new beauty-based reality show launched by Kim. The protagonists are Laverne Cox and Mario Dedivanovic (her personal makeup artist. Starting 28/02.



All about:

- 👩 Conturing is easy
- 🌿 Soft tone
- 🔴 Focused products
- 🍑 *Life as a Kardashian*
- ☀️ (High)lights

Kylie Cosmetics

After a difficult start due to products not living up to consumer expectations, 2 years along the line the brand is a success: 420M \$ (in 2017).



Focus on lips

Like her sister, the core of Kylie Cosmetics lies in the lips. Her Lip Kits have started a global trend, picked up by other brands too in 2017.

Capsule Collection






Unlike the first Capsules which still offer the same products, Kylie has begun introducing seasonal drops with great, sold-out results.

Brush set

For the Christmas Limited Edition - the Silver Collection - the brand created a 360\$ brush set. Jeffree Star dubbed it as “cheap old vegan over-hyped”.



All about:

-  Queen of matte
-  Topshop partnership
-  Less Kylie, more brand
-  Teen
-  Medium-low price on must-haves

Beauty in fashion retail

The business opportunities of the beauty field have also been grabbed by various fashion brands, which have promptly gone on to launch their own makeup and/or skincare lines.

In the digital realm, the strongest newcomer was the private label by **ASOS**, which created a makeup line of *must-haves* at an accessible price. This makes the brand, which already distributes on-trend brands, even more competitive in the beauty retail arena.

WARNING

Spring 2018 | **Zalando beauty line launch.**
The first collections will only be available on the German e-commerce. If the reception is positive, the brand will open up to all markets.

Beauty in fashion retail

& other Stories

Why we like it: For the concept, there is no beauty without care.

Products: Must-haves as well as on-trend items.



Why we like it: High quality with an H&M price, presence of the line *Conscious*.

Products: Vast makeup&skincare range.

Bershka

Why we like it: the ‘social naming’ of the products and the absence of parabens.

Products: Season and trend-pertinent offer.

03.

ON TREND

Ingredients, products
and must-have services

LOW

Keep it *Clean*

Natural, great INCI, vegan. It's all good but... requires such an effort! Even the beauty sector has gone *flexitarian*, meaning: it's as sustainable as can be for us and the world around us, possibly free of parabens and silicones but still a pleasure in terms of the product itself as well as the purchasing process.

FUN FACTS

33% of Italian female consumers go **green**

The “Estetista Cinica”

The “Cynical Beautician”, Cristina Fogazzi, is a real cellulitis expert (to the point of writing a book about it). As honest and unique as her products are.



From socials to purchase

Stories of daily beauty tutorials and fights against non-existent stereotypes. It's almost impossible to avoid the engagement.

Linea #0

Zero parabens, zero silicones, zero flaws. Zero wastes thanks to a great study behind the packaging. Zero façade or lies, just the essence.

Clean and fun!

Unlike many *clean products* that may often come over as boring or auto-referential, the Estetista Cinica is all about pop and professional ones.

***Plant-based* ingredients**

Plant-based cosmetics are on the rise again, due to the increasing demand for ‘clean’ products.



CBD

The CBD, is a non-psychoactive substance found in hemp plants, known for its beneficial anti-inflammatory, antioxidant and anti-aging properties for skin.

It's growingly present in skincare products, even in *mainstream* brands such as Lush and The Body Shop.



Vitamin C

Vitamin C is nothing new, appreciated for its illuminating, anti-inflammatory and hydrating properties ever since.

Its ‘rebirth’ is linked to the concept of *pollution fighter*; its qualities make it in fact perfect for lifestyles subject to environmental stress (i.e. in big cities).



Metals

Manganese, platinum, gold and silver are used as active ingredients in skincare products. They tend to ‘repair and restore’ the skin, and are therefore perfect conditioners, creams, masks.

Also, it's a glam thing: they're precious and it makes a difference!

DIY

A definite trend for 2018, **DIY** is all about feeling special and unique.

It gives consumers the chance to create a product *tailored* on their needs or tastes, enabling them to say *“I made it myself”*.



To celebrate its 15th Birthday, the brand launched a **pop-up store** in Berlin where, among other activities, consumers could **create their own nail polish**.



St.Ives, an Unilever-owned skincare brand, has launched a pop-up store in which visitors could choose among **50 natural extracts, exfoliants and moisturizers** to create their **personal product**.



At the service of beauty

Among the services offered by the beauty and makeup world, **subscriptions** have literally conquered the **US market** (hence, chances the European market will follow).

Subscription box



FACETORY
5.95\$ per month

4 cotton or cellulose
face masks (Korean style)



PLAY! by SEPHORA
10\$ per month

5+1 samples, makeup bag
and exclusive digital
content



MEDUSA's Makeup
15.95\$ per month

5/3 vegan makeup
products



GLOSSY Box
21\$ per month

5 products selected
based on one's skin type

WHAT'S NEXT

Forecasts and ideas for the
following year

Makeup 💕 Skincare

No matter how much you may focus on one field, you almost always end up stepping into the other.

Makeup and Skincare are part of the same game, never too far from each other. The **attitude of Millennials**, who want instant results, our *selfie-mania* that pushes us to be picture-perfect at all times, the need to have a perfect base to use items such as lip tints, seem to bring the areas of Makeup and Skincare closer and closer.

Patrick Ta, makeup artist of Gigi Hadid, Chrissy Teigen and Olivia Munn, says he expects 2018 to be all about “*beautiful, natural skin.*”.



Stores in the digital era

What's the big difference between Apple and Samsung? According to Scott Galloway, Marketing Professor at the New York University Stern School of Business, stores are necessary to help build a 'church' for clients.

Our projection for a sector as sensorial and physical such as is the beauty one, stores will continue to have a central role in the lives of clients, especially if they will turn into 'living spaces'.

Supporting our hypothesis is **NYX Professional Makeup**, a brand which has invested in influencers and physical stores, rapidly becoming a focal point for makeup lovers.

How should the space be? *Instagrammable* of course, as well as a space in which to create, meet, know.



From organic to *edible*

We've already focused on plant-based ingredients. The growing feeling is that the beauty jargon is quickly introducing terms linked to the world of food.

Organic, 'farm-to-table' sustainable or environmental impact will occur more and more present in our everyday beauty vocabulary.

Natural or organic beauty products have always been easier to find in organic supermarkets rather than in perfume shops, but some brands are moving in this direction. The hair brand **Davines**, close to the theme of sustainability, is currently distributed by selected hair salons and by **Eataly**.

Even the **Slow Food** sector is beginning to open up to cosmetics.



Macro, micro, less.

The main objective of companies is growth. This means evolving, a hard task in itself, which is why **macro-brands** find it more difficult than **independent brands** to respect consumer needs.

The market's segmentation sees the negation of 'brands', making people more inclined to get closer to a single product rather than creating a bond with a brand.

This brings to the birth of the first ***brandless lines***, good quality unbranded products at a good price. The brand Brandless - which becomes a brand simply by pronouncing its name - has launched its first beauty products.

Before being acquired by Unilever, the **Dollar Shave Club** could be considered a brandless-based product creator.



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Numero 6 - Dec. 2017/ Jan. 2018

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