

A close-up photograph of a woman with long, wavy brown hair and blue eyes. She is looking slightly to the right of the camera. She is holding a large, fluffy makeup brush to her right cheek, as if applying powder. The background is softly blurred, showing what appears to be another person's face in profile. The image is partially obscured by a large black diagonal shape that covers the bottom-left portion of the frame.

Welcome to the Beauty Industry:

What's now and what's next?





NielsenIQ's "Welcome to the Beauty Industry: What's now and what's next" report

Welcome to NielsenIQ's report for GCI Beauty Accelerate, your guide to the current and up-and-coming trends in the Beauty and Personal Care industry for Fall 2022 and beyond.

We begin by looking at the current industry landscape before sharing our insights on what's likely to come next and how you can prepare for it.

As always, our insights are based on solid data from our own NielsenIQ tools and consumer surveys, as well as data from our partners, including Dash Hudson, PCSSO and Social Standards. NIQ measures the total beauty market, including Mass, Luxury, and Direct-to-Consumer brands, both online and offline.

What you'll learn in this report

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The big picture: Beauty in 2022

With so many economic and political events currently playing out on the global stage, it's a turbulent time for all consumer goods industries, including Beauty and Personal Care (BPC). The industry finds itself with challenges ahead, but also many bright spots and opportunities for optimism. Beauty is facing headwinds including inflation across most consumer categories, which is putting pressure on household spending dynamics. As a result, we are seeing consumers start to change their purchasing habits by delaying or cutting out purchases all together. But thankfully, there are just as many "tailwinds" to propel the industry forward. Continual premiumization and innovation, ongoing growth for the clean and green beauty movement, and new ways to market products to new audiences via social media can all present new opportunities for BPC players.

At the end of Q2 2022, overall beauty industry dollar sales in the U.S. remained strong and showed positive growth. For this period, in-store sales reached \$55.5B¹ (up +5%) while online sales reached \$22.1B (+18%). Online sales equated to 27% of total sales for this quarter, and it appears that sales growth for this channel has largely stabilized.

Yet despite these positive figures, we are seeing a slowdown in unit sales. Although the past few years have consistently shown a stronger growth rate in dollars over units due to premiumization, this gap has recently grown larger—a concerning trend when the threat of recession is looming large.

And finally, although unit growth is being challenged for the entire industry, specialty beauty retailers are still growing in dollars—sales are up by 14% for the past three months (up to August 13, 2022).

Price hikes and changing shopper behavior

Category pricing has risen dramatically, driven primarily by bigger manufacturers. The total beauty price per unit is now up by +11%² in 2022 (year to date). As a result of these price increases, shopper behavior is rapidly evolving.

Although dollar and unit sales have both risen for Gen Z shoppers, unit sales are down for the other generations, which could mean that Millennials, Gen X, and Boomers are all cutting back on beauty purchases.

Generational groups



Gen Z
\$+17% units +10%



Millennials
\$+7% units -4%



Gen X
\$+4% units -7%



Boomers
\$-1% units -12%

As we often see during times of economic uncertainty, consumers with the lowest incomes are hit the worst by these extra costs and have therefore reduced their dollar spend on beauty products by -3%⁵ in the past 12 weeks, while unit sales have seen a drop of -11%.

Income tiers



Low income
\$-3% units -11%



Middle income
\$+3% units -8%



High income
\$+11% units --

Skipping the spa in favor of DIY

Due to price hikes and the current economic climate, it seems more consumers are also choosing DIY products instead of spending on costly treatments at salons. According to social media intelligence agency Social Standards, users may be skipping the salon for their nail care needs and increasingly performing treatments themselves. Mentions of “fake nails” and “manicure” have both increased alongside “do it yourself” in the last 16 months.

This is supported by sales figures for DIY nail products that claim to give salon-quality results. For example, Beetles Gel polish has been a breakout star over the past two years. Selling exclusively through Amazon and its own direct-to-consumer site, a starter kit costs \$27—less than the average salon manicure.

Modelones is another at-home nail brand that has sold \$24MM⁶ in the past year. Together, just these two brands have sold over \$100MM.

Growing interest in private label products

A Social Standards report covering the period from June 2021–August 2022 shows that social media conversations about private label beauty products are rising. As inflation rises, it appears that many consumers are “trading-off” the name brand products and services they may normally purchase to prioritize affordability.

Users leading the conversations about private label products are usually between the ages of 21-44, female, white and on a



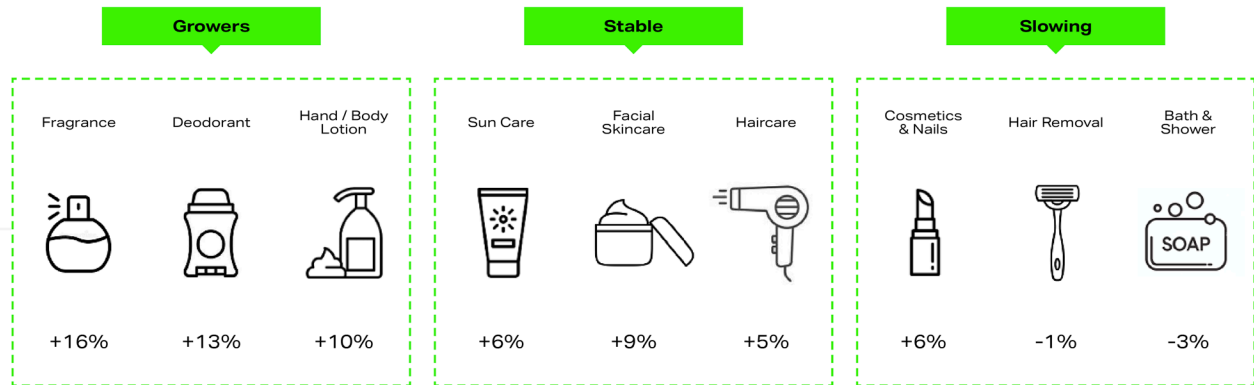
middle income. Those between age 21-29 are more likely to discuss private label Beauty products, and those between 30-44 are more likely to discuss private label Personal Care products.

The Personal Care product types driving the conversation include Hair Accessories, Shaving Products, and Hair Treatments. Users may be less likely to trade down for Body Scrubs, Hair Extensions, Soap and Shampoo. Within Beauty, there is a focus on “behind-the-scenes” products like Eye and Brow cosmetics, Lip Balm and Concealer, and users may be less likely to trade down for Lip Gloss and Lipstick.

Evolving category dynamics

Alongside the changing shopper habits of BPC consumers, there has also been a noticeable divergence in terms of category performance too. Notably, Fragrance is thriving, while Color Cosmetics is struggling.

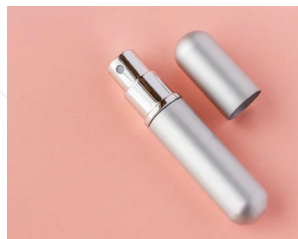
Beauty and personal care categories \$ % chg vs YA



Source: NielsenIQ Omnipanel Shopper period ending 8/13/2022

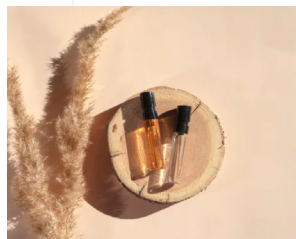
It appears that 2022 is a winning year for the Fragrance category. Dollar sales have been growing over the past 2 years, with younger buyers driving growth. The category is up by +\$16 in terms of growth dollars, +3% in terms of unit sales, and there has been a 13%⁷ rise in the average product price. In recent years, there has been more innovation and experimentation in terms of the formats, textures, and product types available, which could explain the growing popularity with younger consumers.

Fragrance search trends



Refillable packaging

+155%



Mini size

+87%



Powder (form)

+65%



Stick (form)

+2,137%

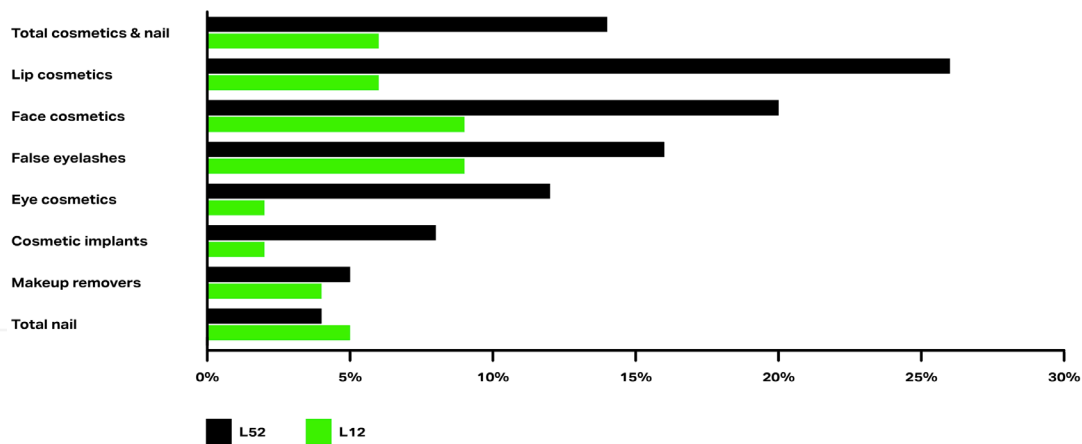
Source: Label Insights trending attributes latest 3 months ending 8/31/2022

Meanwhile, the once-victorious Color Cosmetics category is showing signs of a struggle. Although the category drove much of the post-Covid recovery, it is now slowing down, mainly due to a sharp pullback on spending from lower income consumers, who were over-indexing in Color Cosmetics.

Despite the popularity of the term “lipstick index,” an economic theory that states that consumers will still splurge on this small luxury during a recession, even lipstick sales are slowing and also seeing a drop in social conversation too.

Conversely, the Luxury sector is now driving growth in Color Cosmetics, rather than Mass. Younger buyers are also driving growth, while older consumers—notably the Boomer generation—are leaving the category.

Cosmetics and nail categories \$ % chg



Source: NielsenIQ Omnipanel Shopper latest 12 weeks period ending 8/13/2022

Premiumization and innovation

Despite some of these bleak observations, it’s not all bad news. Beauty consumers as a collective are showing consistent willingness to upgrade to new and more innovative beauty products—and they are happy to pay more for them. Trends like customization, clean and sustainable beauty, direct-to-consumer retail, and convenience are all driving these changes. In fact:

- **9%⁷** of total Beauty and Personal Care sales are due to new items.
- **1.4%** of the rise in Beauty and Personal Care pricing is due to new innovation.
- Higher-income consumers not cutting back on beauty spending, even as prices rise.

Clean and green keeps on growing

The clean beauty movement deserves a special mention as it continues to grow, even with inflation taking hold. Consumers are still demanding that companies not only clean up the ingredients in their products, but also make sure the packaging and manufacturing cycle is sustainable as well. These eco-friendly beauty consumers are willing to put their dollars behind this trend and are pushing brands to keep innovating.

Social media and trend generation

Social media continues to drive influence. We currently have a front-row seat to the rise of “TikTok aesthetics,” which encourages Gen Z consumers to recreate their entire look on a regular basis.

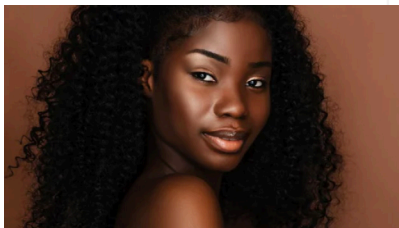
As of April 2022, TikTok had 80M+ users in the U.S. who used the app daily, an average of eight times a day for 68 minutes in total.

Beauty brands and retailers can’t afford to forego using this app as a marketing channel, but when they do, it’s imperative to know how to hold an audience. In fact, a study⁸ by Dash Hudson and NielsenIQ shows that beauty brands with high performance (defined as a 5+ score) on Dash Hudson’s proprietary Entertainment Score grew by an average of 51% in the first six months of joining. In comparison, those with a lower score—a score under five—grew by 17%.

Review the social strategies for brands like Cocokind and Rare Beauty on TikTok for examples of success.

The clean girl beauty trend

The “clean girl” is a fine example of a beauty trend that was born on social media and still continues to gather momentum. The look centers around neutral, barely-there makeup, effortless yet glossy hair, and neat but understated nails.



Makeup

- » Simple, natural, and dewy
- » Lipstick / gloss, highlighter, neutral eyeshadow



Hair

- » Effortless and simple
- » Claw-clips, blowouts

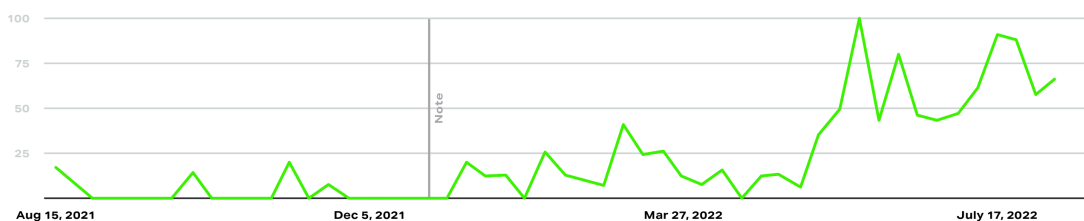


Nails

- » Well-manicured, short, and polished
- » Light solid colors, French manicures

The trend is regularly mentioned in social media posts and Google Trends shows that searches for the term continues to rise.

Google Trends: “clean girl aesthetic” interest over time



Source: Google Trends: August 2021–2022 Searches for “clean girl aesthetic”

Its popularity also translates to active searches on beauty retailer websites, as well as converting into actual sales. For example, there has recently been:

- **+340%** search increase for “dewy” on Sephora.com
- **+16.7%**⁹ growth in lip gloss sales
- **+29.6%** growth in setting spray sales
- **+36.2%** growth for hair barrette sales
- **+18.6%** growth in dry shampoo sales
- **+9.5%** growth for cuticle treatment sales
- And “almond-shaped nails” is the **#2 most popular** topic related to cuticle care on Instagram

The back-to-school social hype

Another social media topic with huge reach and impact was “back-to-school beauty.”

Data from our partner, PCSSO, shows that on Instagram:

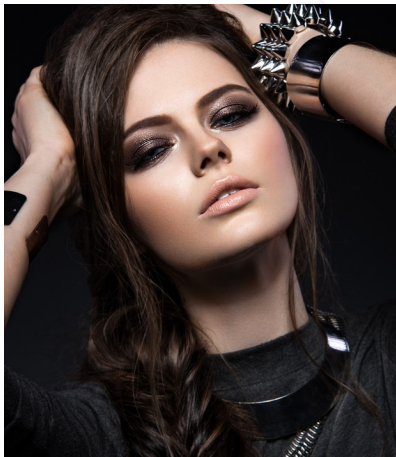
- Posts about the back-to-school beauty trend have jumped by **35%** quarter over quarter and by **5%** year over year.
- Back-to-school posts have **135%** more likes than the average post.
- Consumer posts are of more interest to other consumers, as opposed to posts from brands.
- **10%** fewer beauty brands are activating in comparison to previous years.
- Classic Glam and Bold Eye Natural makeup looks are gaining popularity while Enhanced Natural is losing interest.

Trending makeup looks



Classic Glam

+21.3%



Bold Eye Natural

+84.6%


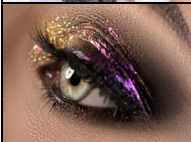



Enhanced Natural

-13%

Trending terms for a glittering holiday season

Analyzing key search terms¹⁰ on Sephora and Ulta’s websites can also provide little gems of insight on what customers want or need right now, as well as help to predict up-and-coming trends. A recent analysis revealed consumer interest in “hair and scalp health” and “sparkly makeup looks.” This is well-timed considering the holiday season is on the horizon. On Sephora’s website, clinical ingredients were also widely searched while natural ingredients were more of interest to Ulta website users.

		Sephora.com		Ulta.com	
	Hair and scalp health	DRY SPRAY	+151%	DRY SPRAY	+238%
		SCALP HEALTH	+187%	PROMOTES HAIR GROWTH	+280%
		FOR FINE OR THINNING HAIR	+148%	SCALP HEALTH	+220%
	Sparkly makeup looks	METALLIC APPEARANCE	+179%	GLITTERY APPEARANCE	+50%
		ILLUMINATING	+1,653%	SPARKLES / SPARKLING	+184%
		FROSTED	+741%	—	—
	Clinical ingredients (Sephora)	HYALURONIC ACID	+392%	TEA TREE OIL	+55%
		GLYCOLIC ACID	+305%	ROSE INGREDIENTS	+244%
	Natural ingredients (Ulta)	NIACINAMIDE	+55%	LEMON INGREDIENTS	+488%
		ALPHA HYDROXY ACIDS	+22%	FLOWERS	+493%

Source: NielsenIQ Trending Attributes, Sephora.com, Ulta.com, May–July 2022

Key takeaways

- Fully consider your pricing decisions in light of your target customer. Even consumers on higher incomes won’t accept rising prices forever.
- However, realize that some beauty consumers are showing a consistent willingness to upgrade to new and more innovative beauty products—and they are happy to pay more for unique products or brilliant innovations.
- In light of the price hikes and current economic climate, it seems more consumers are choosing DIY products instead of spending on costly treatments at salons.
- The Color Cosmetics category may have to try new strategies and can even be inspired by the smart innovations in the Fragrance category.
- Social media conversations about private label beauty products are rising. As inflationary pressures grow, many consumers are engaging in trade-offs regarding products and services they may normally purchase, prioritizing affordability.
- TikTok is undisputedly a trend driver. Make sure you have a strategy to create strong content and properly engage with your customers and potential customers.
- Help consumers embrace normalcy this holiday season and consider adding a little festive magic or sparkle to your offering.

Our methodology and sources

1. NielsenIQ Omnipanel Shopper period ending 8/13/2022
2. NielsenIQ Omnipanel Shopper period ending 7/16/2022
3. NielsenIQ Omnipanel Shopper, Total Beauty and Personal Care, L12 w ending 8/13/2022
4. NielsenIQ Ecommerce powered by Rakuten Intelligence, Total US Online, 52we 06302022
5. NielsenIQ Omnipanel Shopper period ending 7/16/2022
6. [Dash Hudson/Nielsen IQ study](#)
7. NielsenIQ Omnipanel Shopper latest 12 weeks period ending 8/13/2022. Label Insights trending attributes latest 3 months ending 8/31/2022
8. NielsenIQ RMS, L13we 071622; Source: NielsenIQ Trending Attributes, Sephora.com, May-July 2022
9. NielsenIQ Trending Attributes, Sephora.com, Ulta.com, May-July 2022



Want to dig deeper before you make vital business decisions?

Schedule time with one of our leading industry experts to hear their recommendations based on this data.

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NielsenIQ is the leader in providing the most complete, unbiased view of consumer behavior, globally. Powered by a groundbreaking consumer data platform and fueled by rich analytic capabilities, NielsenIQ enables bold, confident decision-making for the world's leading consumer goods companies and retailers.

Using comprehensive data sets and measuring all transactions equally, NielsenIQ gives clients a forward-looking view into consumer behavior in order to optimize performance across all retail platforms. Our open philosophy on data integration enables the most influential consumer data sets on the planet. NielsenIQ delivers the complete truth.

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