



2022 eCommerce Beauty Retail Report

OPTIMIZING ONLINE BEAUTY SALES IN A CHANGING BUSINESS ENVIRONMENT

How Winning Retailers and Brands are Adapting to Shifting Demand Amidst Challenges



From April 2021 to April 2022, we tracked price variations, stock availability, and product assortment changes across 13 top performing beauty e-retailers and 1,500 brands, analyzing 200,000 SKUs, to observe how eCommerce performance has changed in this evolving business environment. Despite supply chain disruptions and changing consumer preferences, our research shows online demand has remained with products in low- and mid-priced ranges and it highlights how digital channels and inventory management play an important role to optimize consumer experiences.

This report also tracks beauty product price changes impacted by the rising cost of raw materials and growing consumer demand for customized and 'clean' products. Our data also shows beauty retailers have been able to keep more than 90% stock availability throughout the year, despite supply chain restrictions. Further, this report tracks current beauty trends and provides an overview of how retailers and brands can optimize sales channels to cope with evolving consumer demand.



TECHNOLOGICAL UPGRADES AND STRATEGIC PRICING APPEALS TO BEAUTY SHOPPERS

Mid-pandemic, many U.S. based retailers and beauty brands cut in-store expenses and expanded eCommerce capabilities by adding more personalized online experiences like virtual consultations, interactive quizzes, product matching tools, and augmented reality to keep up with the latest trends while maximizing profits.

Social media engagement, developing user-friendly interfaces, and implementing more competitive pricing strategies has helped e-retailers expand their consumer base and sustain growth in this increasingly competitive environment.

As COVID-19 restrictions lift and consumers migrate back to physical stores, beauty brands and e-retailers will be challenged to find the right balance between addressing the conveniences of pricing and product comparisons online shopping provides with the personalized experiences only attainable in stores.

Integrating physical stores with online platforms is helping several top retailers and brands update consumers about

new collections and discounts, and is continuing to drive pandemic-induced, online sales momentum while capitalizing on the resurgence of in-store traffic.

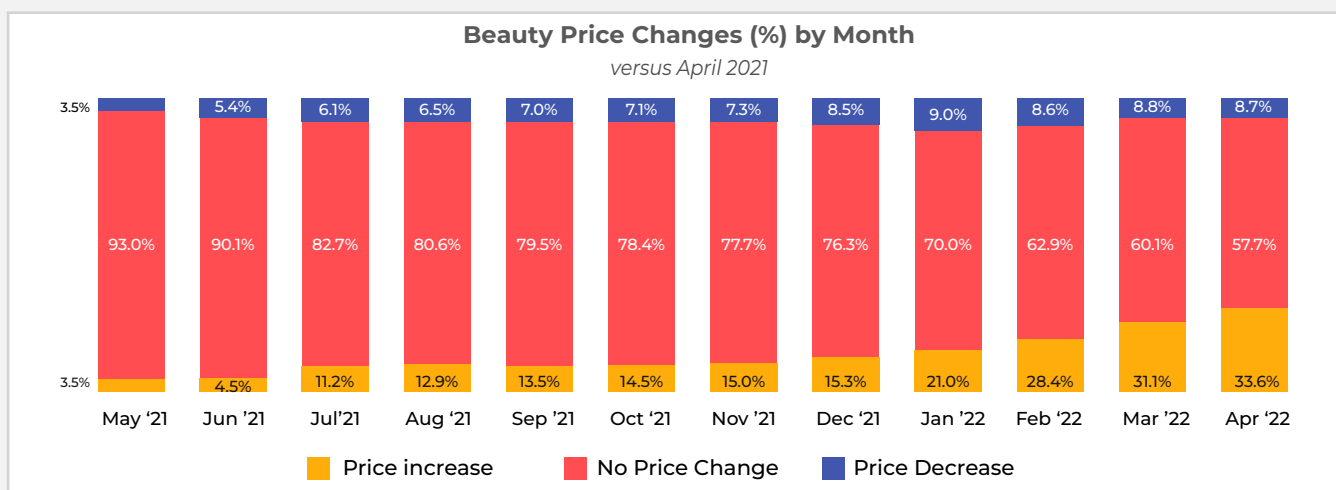
While online traffic has reduced recently, beauty brands and e-retailers continue to invest in digital campaigns and enhance and rework their online content strategies to further simplify the online shopping experience consumers have grown to appreciate.

Price is now a primary driving factor for beauty purchases, given the ease provided by comparison online shopping in addition to added inflationary pressures. These factors alone have shifted entire digital positioning strategies for many brands and retailers.

We analyzed 13 top online beauty retailers and the brands they sell to determine how the competitive landscape is adapting to changing market needs, and to highlight areas of opportunity for those looking to further their digital presence.

INFLATION AND SHIPPING COSTS RAISING PRODUCT PRICES

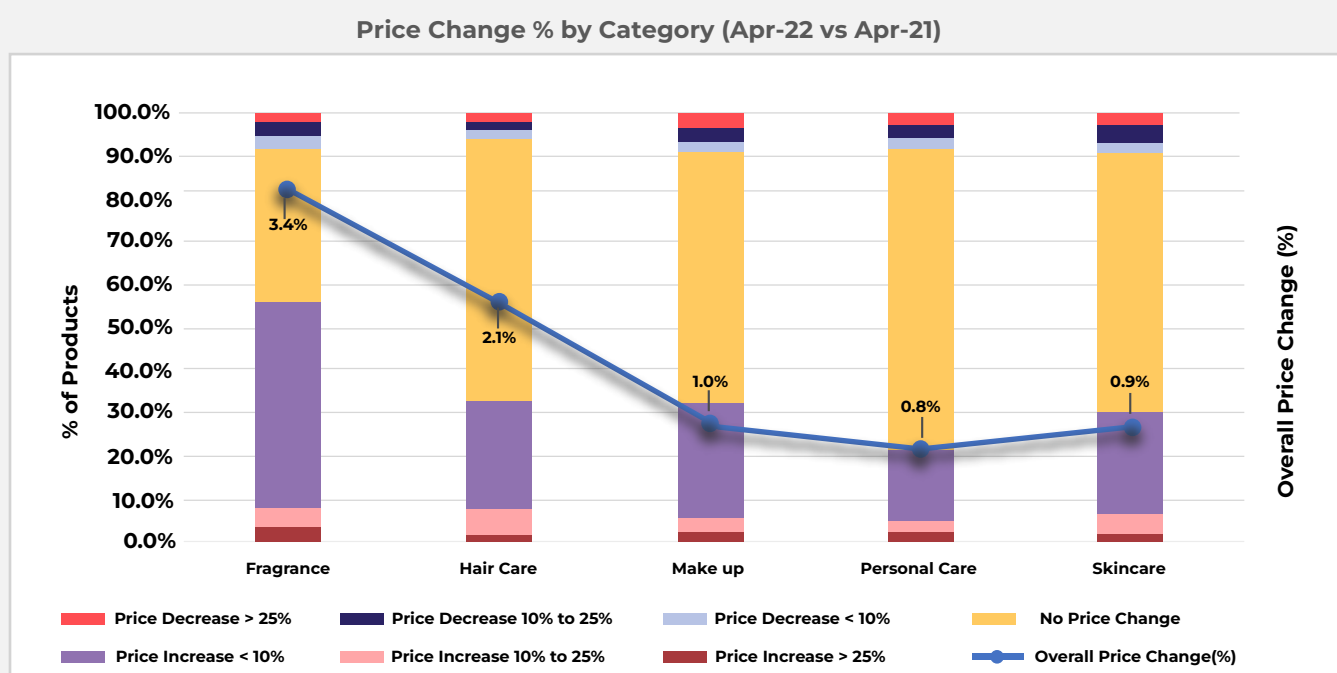
Looking at 9 top performing beauty e-retailers, the analysis below shows how prices have gradually increased each month through April 2022 when comparing prices for the same items in April 2021. For example, 3.5% of the SKUs tracked in April 2021 were shown in May 2021 with a price increase, but in April 2022, 33.6% of those same SKUs were promoted with a price increase.



Source: DataWeave – Pricing Intelligence: Price change for the same SKUs tracked from April '21 versus April '22 across Amazon, Bloomingdale's, Neiman Marcus, Dillard's, Net-a-Porter, Revolve, Saks Fifth Avenue, Sephora, and Ulta and over 2,000 SKUs within 5 categories, and the change in price seen each month compared to April 2021.

As of April 2022, beauty products' prices have been increasing at a much faster rate compared to 2021, driven by rising inflation, supply-demand challenges, labor shortages, and increased raw material prices. Palm oil, an essential ingredient in fragrances, hair care, & makeup & skincare products globally, has increased in price [more than 80%](#) between 2020 & 2021.

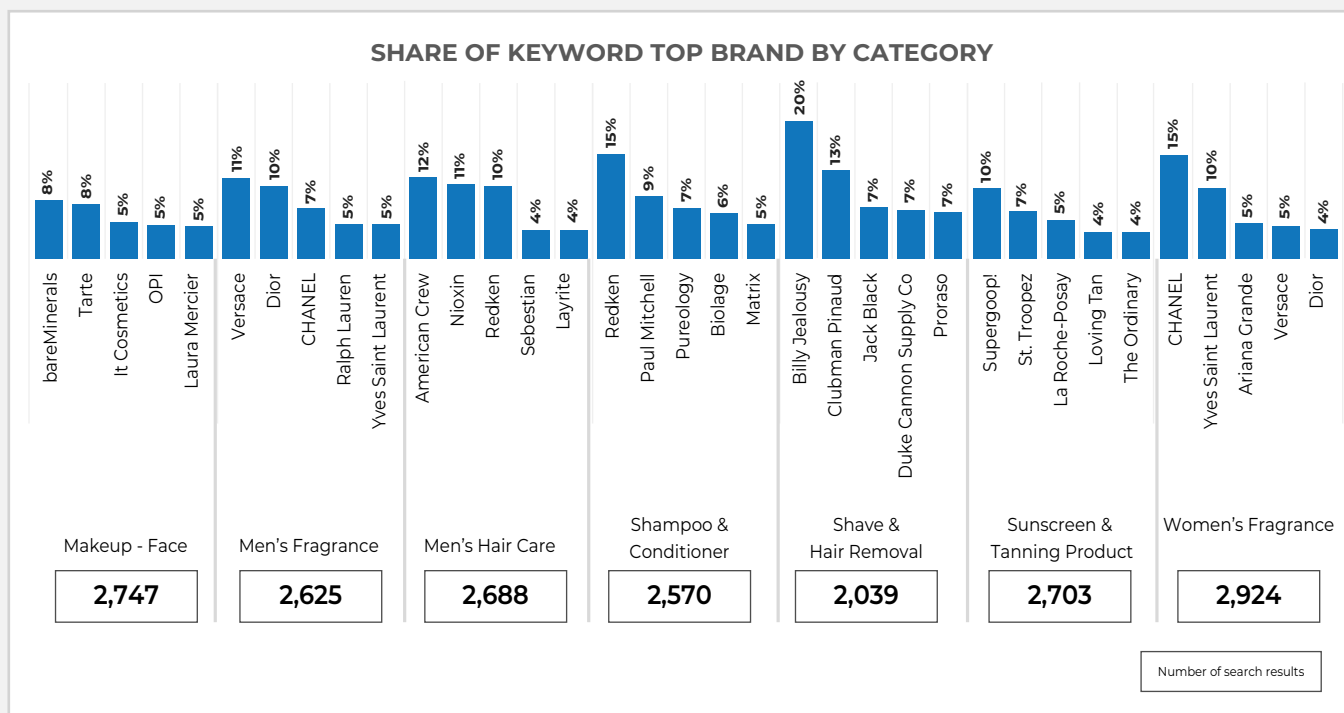
These categories have all experienced price hikes, as noted in the below chart tracking year-over-year price changes in April 2022, with fragrances being the most impacted with a 3.4% overall price increase.



Source: DataWeave – Pricing Intelligence: Price changes for the same 2000+ SKUs tracked in April '21 versus April '22 across Amazon, Bloomingdale's, Neiman Marcus, Dillard's, Net-a-Porter, Revolve, Saks Fifth Avenue, Sephora, and Ulta.

As prices were increasing consistently from May 2021 throughout the holidays, our previously released [luxury apparel report](#) noted a trend toward 'consumption upgrade' and consumers' willingness to spend more for luxury items, which it was why it was no surprise to see the presence of luxury brands populating at the top of the page in keyword category searches.

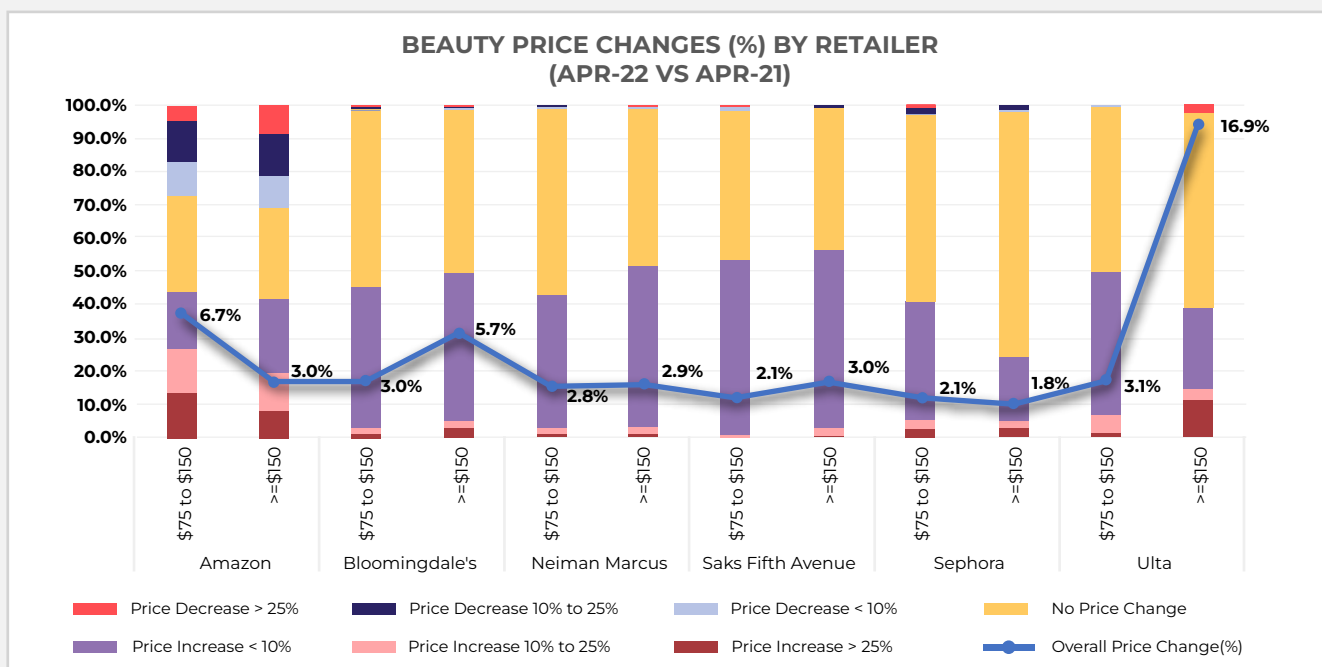
For example, in our analysis, the keyword 'women's fragrances' returned luxury brands like Chanel 15% share of page one results, with Yves Saint Laurent closely behind at 10% share. For 'men's fragrances,' Versace had the greatest presence on page one results with 11% share, followed closely by Dior with 10% share.



Source: DataWeave – Digital Shelf Analytics Share of Keyword Search: Brand share of page 1 search results for select keywords tracked in November 2021 during Black Friday across 11 beauty retailers within 5 categories.



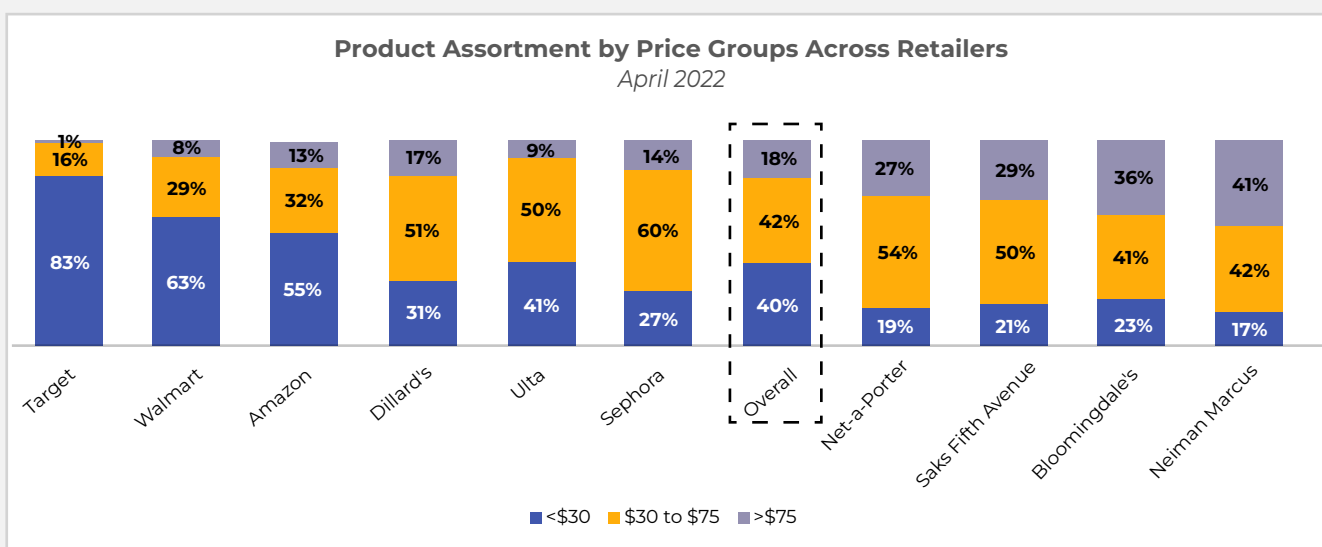
From 2021 to 2022, we saw the greatest price hikes happening for luxury beauty items priced greater than \$75, with Ulta leading the charge increasing prices overall around 17% for items priced \$150 and above. Amazon was next to follow with the greatest overall price hikes equivalent to 6.7% for items priced \$75-\$150, followed by Bloomingdale's who increased items priced \$150 or above by 5.7% on average.



Source: DataWeave – Pricing Intelligence: Price changes for the same SKUs tracked in April '21 versus April '22 priced \$75 or higher.

According to a [Power Reviews Beauty Industry Analysis](#), in 2021, 22% of consumers purchased beauty products online from beauty retailer websites like Ulta and Sephora, followed closely by 21% purchasing in-store from mass retailers like Walmart and Target, 18% from beauty retailer physical stores, and 17% from Amazon. Four years prior, online purchases were the 3rd most popular option with drug store and mass merchant in-store purchases out in front, [according to Statista](#).

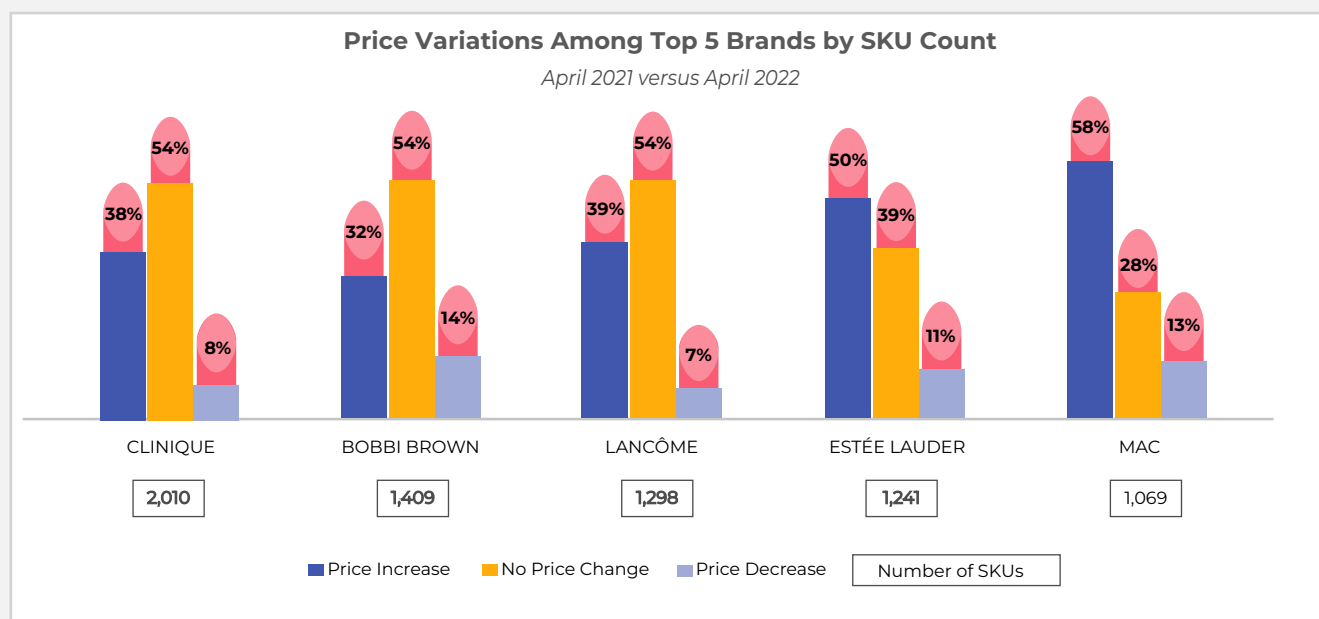
With beauty retailers leading the way online and in-store and price growing factors of importance, you can see below how pricing strategies are changing to match this shift in buying behavior. For example, Dillard's and Amazon's strategies mimic that of pureplay beauty retailers like Ulta and Sephora where almost 90% of the beauty products they offer fall in low and mid-price ranges, which is almost 10% greater than the average prices offered by the other e-retailers included in our analysis.



Source: DataWeave Assortment Analytics – Percentage of beauty product assortment by price group in April 2022

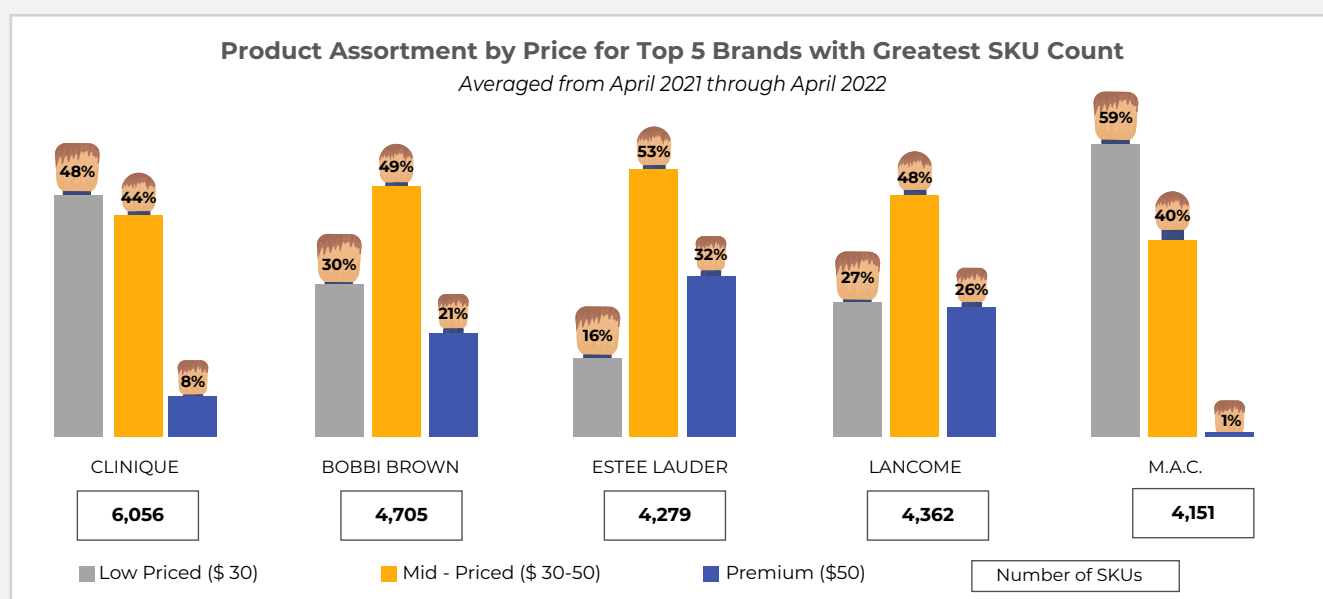
That being said, inflation rates have drastically increased, from 6.2% in October 2021, reaching 8.5% in March 2022, increasing production and distribution costs at a faster rate and prompting beauty brands to increase prices. For instance, [e.l.f. Cosmetics](#), known for its low price strategy, increased some of its products' prices by \$1 in March 2022 to cope with increasing freight, shipping, and raw material costs.

At a brand level, a price increase has been witnessed in more than 30% of the products carried by the 5 brands with the greatest SKU count in our analysis, as measured from April 2021 to April 2022. Among MAC's 1,069 products, more than 50% of its products saw price increases, on average, during the same period.



Source: DataWeave Assortment Analytics – Average percentage of price change Amazon, Bloomingdale's, Neiman Marcus, Dillard's, Net-a-Porter, Revolve, Saks Fifth Avenue, Sephora, and Ulta for all SKUs in the 5 brands with the greatest SKU count as tracked in April 2021 versus April 2022.

These same brands offered 40% or more products in the mid-price (\$30-\$50) range to capture a large consumer base. Among them, Clinique and M.A.C. focused on providing a greater number of products in low- and mid-priced range, while products above \$50 amounted to only 8% and 1%, respectively from April 2021 to April 2022.



Source: DataWeave Assortment Analytics – Average percentage of price change for all SKUs in the 5 brands with the greatest SKU count as tracked in April 2021 versus April 2022 via Amazon, Bloomingdale's, Neiman Marcus, Dillard's, Net-a-Porter, Revolve, Saks Fifth Avenue, Sephora, and Ulta.

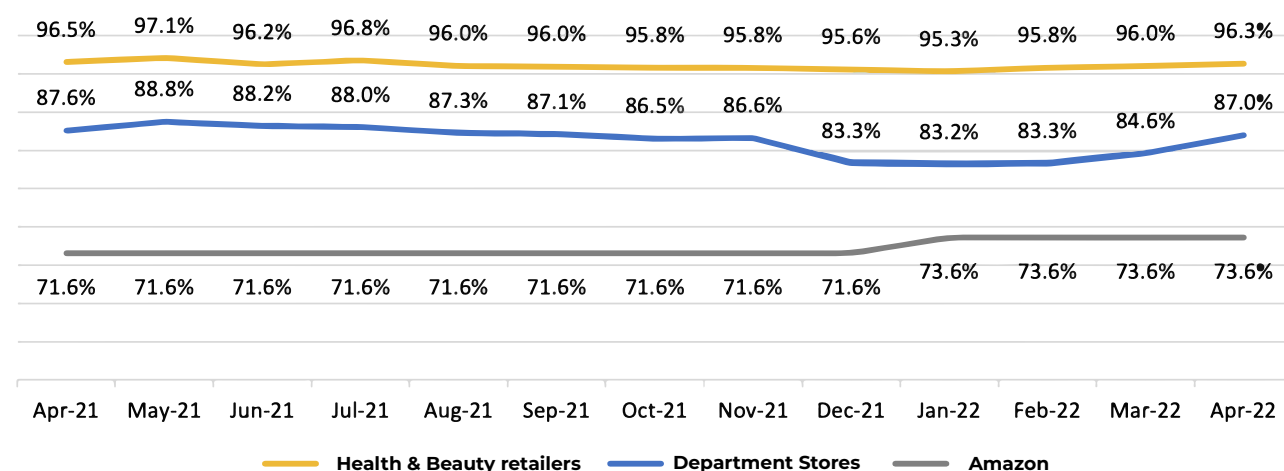
SUSTAINING A NEW BUSINESS ENVIRONMENT WITH OPTIMAL INVENTORY MANAGEMENT

To cater to the rapidly changing consumer shopping behaviors and commercial realities, beauty retailers need to maintain responsive supply chains. Beauty products have a limited shelf-life and heightened seasonal demand. Retailers offering a wide range of products are under increased pressure to optimize inventory levels, furthering the importance of proper inventory management.

Beauty companies like Ulta and Sephora have solidified their positioning as e-retailers of choice by not only focusing on pricing effectively, but also by ensuring product availability meets demand, furthering the likelihood of maintaining shopper loyalty. Our insights show they have maintained more than 90% in-stock availability throughout the year (April 2021–April 2022) whereas department stores are averaging closer to 80% in-stock availability, and Amazon maintains the weakest levels maxing out in April 2022 at 75% in-stock availability. Dillard's was the only department store to manage its beauty stock in line with Ulta and Sephora during the same period.



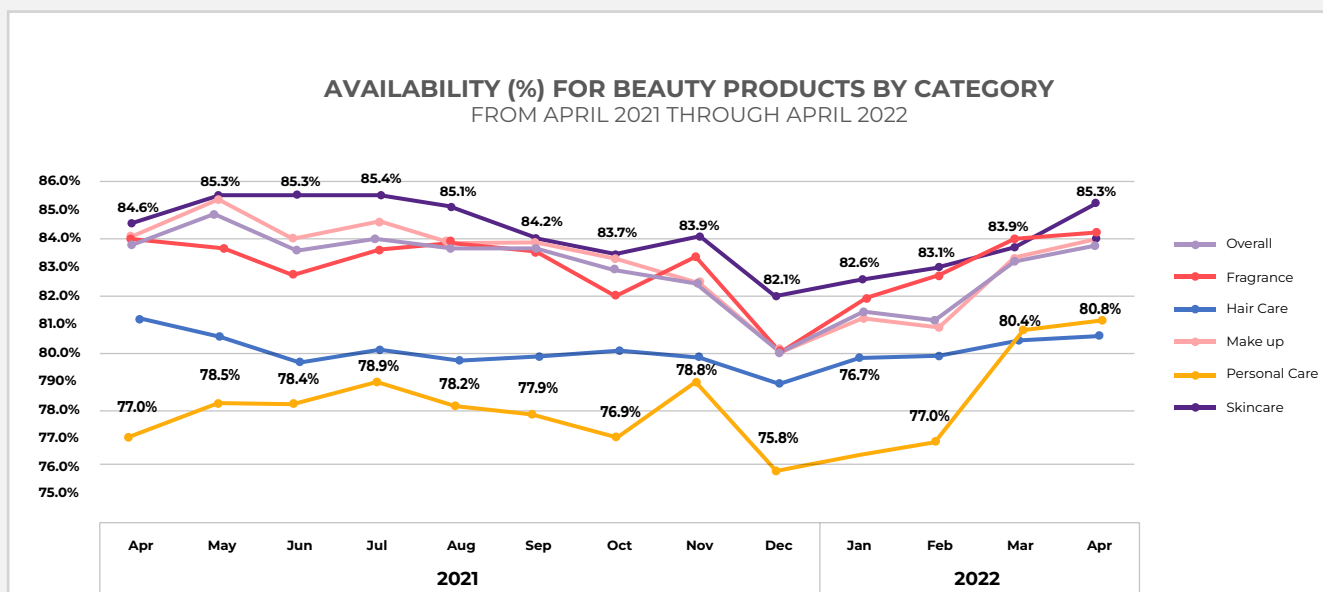
STOCK AVAILABILITY ACROSS MONTHS, BY RETAILERS (APRIL 2021–APRIL 2022)



Source: DataWeave Assortment Analytics – Percentage of stock available across all months for beauty e-retailers (Ulta and Sephora), department stores (Bloomingdale's, Neiman Marcus, Net-a-Porter, Saks Fifth Avenue, and Dillard's) and Amazon from April '21 to April '22.

INCREASING FOCUS ON SKINCARE PRODUCTS

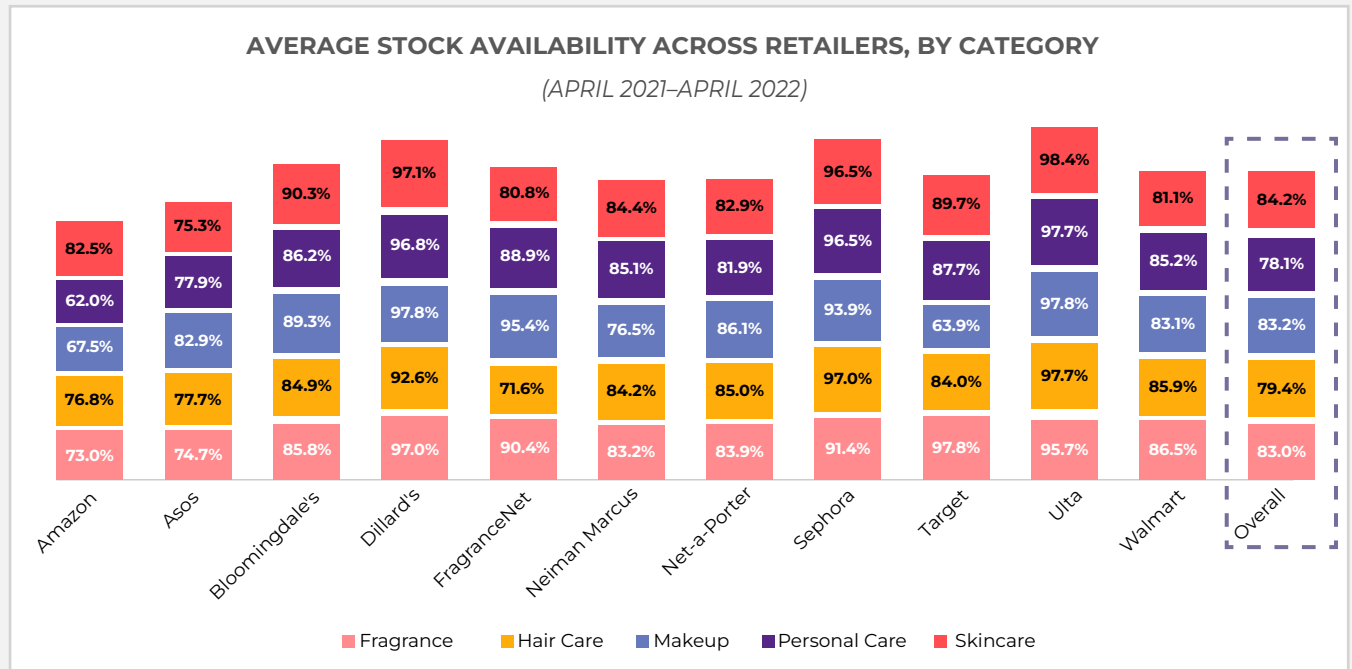
With advertisements becoming more skincare-specific, consumers' inclination toward the category is increasing, and a greater number of U.S. shoppers are now choosing skincare products over cosmetics. Because of the heightened demand, retailers on average have prioritized skincare inventory more than other beauty categories, maintaining more than 80% in-stock availability from April 2021 through April 2022.



Source: DataWeave – Product Availability Intelligence: In-stock availability for the same 2,000+ SKUs within 5 categories, tracked from April 2021 through April 2022 across Amazon, Bloomingdale's, Neiman Marcus, Dillard's, Net-a-Porter, Revolve, Saks Fifth Avenue, Sephora, and Ulta.



At an account level, Sephora, Ulta, Bloomingdale's, and Dillard's were able to maintain more than 90% in-stock availability for skincare products on average. Personal care in-stock availability was the lowest on average nearly every month as seen in the above chart. This category also showed the greatest variance across accounts with Ulta leading the way with 97.7% inventory availability on average and Amazon with only 62% average stock availability as noted below.



Source: DataWeave – Product Availability Intelligence: In-stock availability for the same SKUs tracked from April '21 through April '22 across 11 beauty retailers, 10 brands, and over 2,000 SKUs within 5 categories.



WHAT SHOULD BEAUTY BRANDS AND RETAILERS DO NEXT?

To optimize sales performance, it is critical for beauty brands and retailers to have **visibility** into real-time marketplace changes and shifts in buying behaviors to know what actions to prioritize. They need to be equipped with the tools necessary to retain and grow customer loyalty by always being priced competitively while understanding how to improve product positioning as the market evolves.

Apart from expanding their social media content and extending and enhancing promotional offers, retailers and brands should also enhance consumer experiences by strengthening their online presence with **strategic digital investments**. They should invest in promotional activities such as influencer engagement, livestreaming, online discounts and vouchers, and virtual consultations to increase their online traffic. Integrating physical stores with these online platforms is helping several top brands update consumers about new collections and discounts.

As consumers are becoming more educated, brands also need to highlight the use of **high-quality ingredients in their products** via these digital platforms to gain competitive advantage. With the right digital content strategy and appropriate inventory management, brands can more easily offer a wide range of products that cater to a diverse consumer base, including more price-sensitive consumers as well. In conclusion, by carefully observing technological advancements, pricing strategies, inventories, and online marketing content, brands and retailers can witness growth in the rapidly evolving business environment.

ABOUT DATAWEAVE

DataWeave is a leading provider of advanced sales optimization solutions for e-commerce businesses, consumer brands and marketplaces. The AI-driven proprietary technology and language-agnostic platform aggregates consumable and actionable Competitive Intelligence across 500+ billion data points globally, in 25+ languages, with insights to performance for more than 400,000 brands across 1,500+ websites tracked across 20+ verticals, to ensure online performance is always optimized.

Connect With Us

 **Email:** contact@dataweave.com

 **Call:** 1.425.458.5110

 www.dataweave.com