

accenture

The reinvention of beauty

Built for people, backed by science



In the future, beauty companies will give their portfolio a facelift to be science-based, health-led and life-centric

Beauty is undergoing a monumental makeover—it is the largest change we have seen in the past 20-30 years, and it offers opportunities and challenges to every industry incumbent.

Consumers are driving this rapid change. People today are focused on products that enhance their health and wellness from the inside out. In beauty, this means shaping a portfolio that is centered on science, not just aesthetics.

Opportunities for growth will require fundamental change as traditional beauty will no longer lead the category.



The total global health and wellness market will almost double by 2030, reaching \$3.1T in value, and within this market, the evolved global beauty category will account for approximately one-third of the health and wellness market, reaching almost \$0.9T in value by 2030.ⁱ

Health & wellness category definitions:

Beauty: The total beauty market covering traditional beauty with the addition of the fast-growing devices and non-invasive aesthetic treatments.

Nutrition: Organic foods, vitamins and supplements aimed at improving consumer nutrition, inner health, appearance and weight loss.

Mental Wellness: Targeted mental health products and services from apps to gadgets and mental health retreats.

Active Lifestyle: Physical wellness solutions aimed at improving consumer fitness through traditional methods or wearable tech.

Relaxation: Products and services designed to improve sleep and relaxation by targeting the senses and the mind-body connection, including sound, scent, light and touch.

Treatments: The global spa economy and wellbeing treatments aimed at hormonal and skin imbalances.

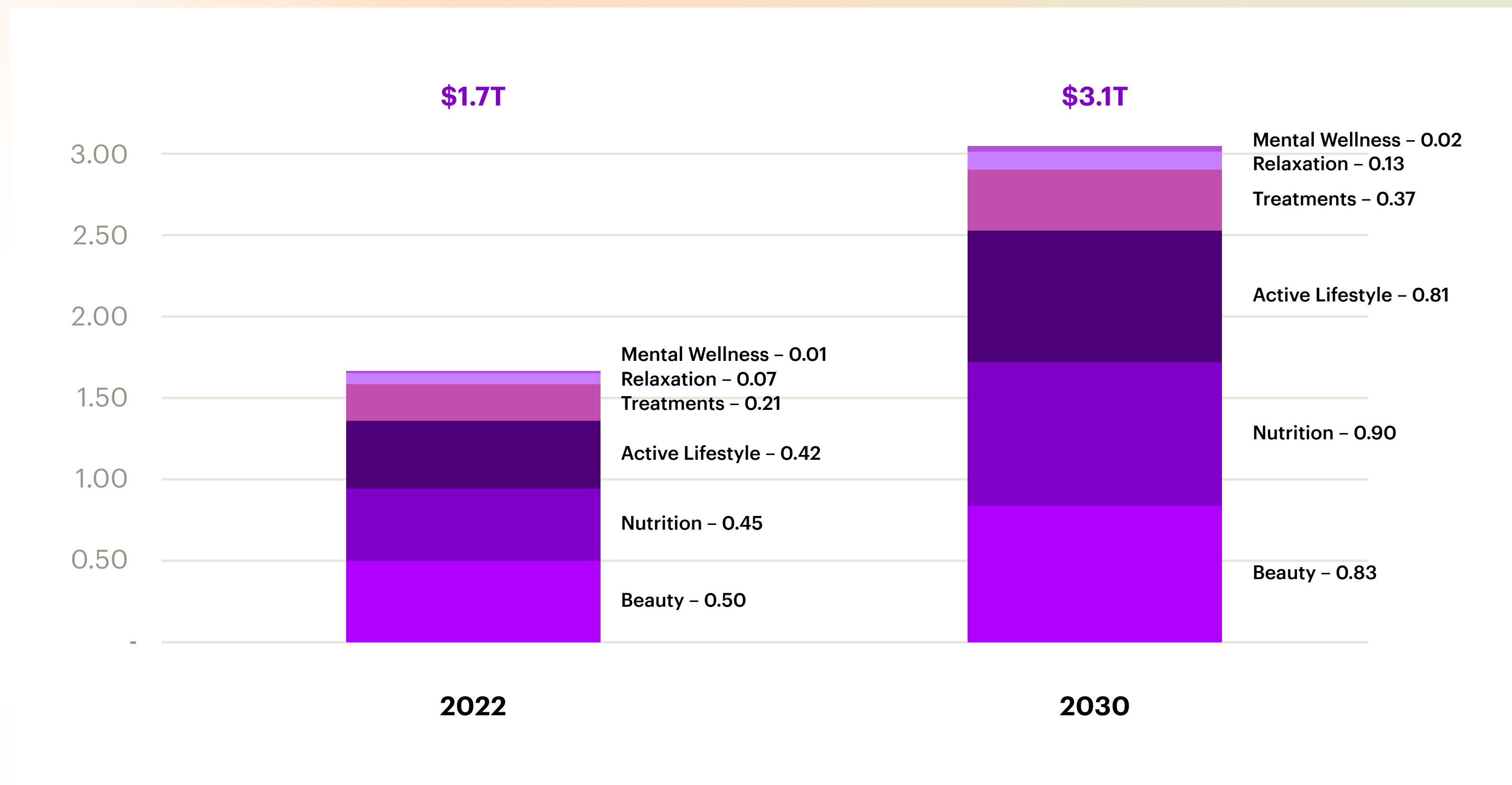


Figure 1: The Global Health and Wellness Market (2022 – 2030)ⁱⁱ

The capabilities beauty brands have relied on to react to fast-changing trends are different from the ones they need now. By using technology to better understand people's multifaceted and ever-changing needs, beauty brands can continually develop science-based products and brand experiences that people want to buy. Brands can reimagine their portfolio across new and existing categories to reflect a health-led and life-centric future. And they can increase investment in R&D, working with healthcare professionals to shape products that enhance one's health and natural beauty.

In beauty, this level of reinvention will ultimately redefine the industry.

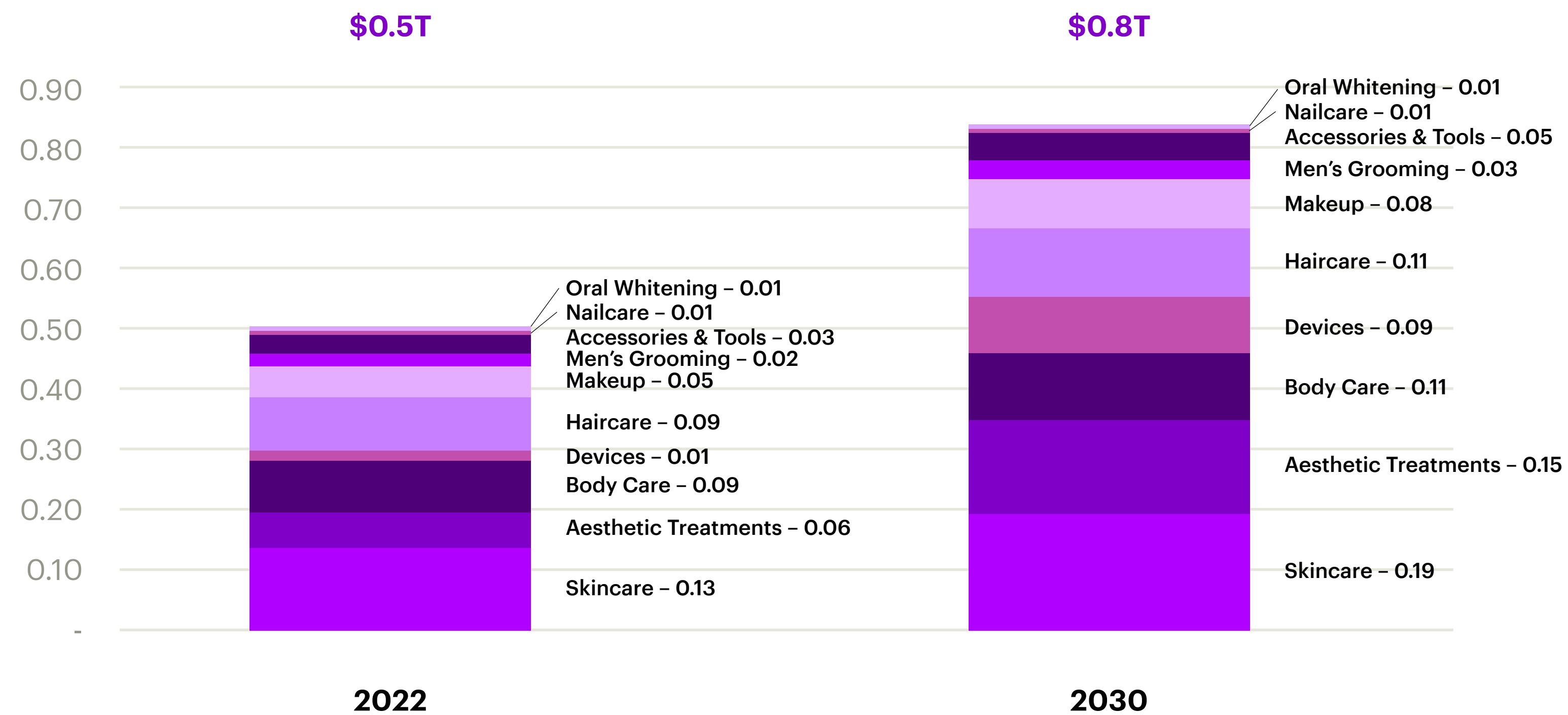


Figure 2: The Global Beauty Category (2022 – 2030) ⁱⁱⁱ

Growth at the intersection of beauty and science

Consumers are parents, citizens, friends and workers who have different wants and needs depending on the role they are playing at the time. For beauty companies, being equipped to rapidly adapt to individual needs is crucial to gaining market share—especially in the current inflationary environment.

In the next 6-12 months, 50% of consumers plan to treat themselves with beauty and wellness products.^{iv} While beauty categories will still represent a significant growth opportunity with a Combined Annual Growth Rate (CAGR) of 6.7%, other wellness categories (namely mental wellness, active lifestyle, relaxation and treatments) are expected to outpace beauty's growth. Analysis shows that 66% of consumers said health and wellness has the greatest influence on their product choices.^v

Within health and wellness, “newer” beauty categories (devices, non-invasive aesthetic treatments) are driving growth with CAGRs of 25.1% and 12.4% while more traditional beauty categories experience 3-5% CAGRs out to 2030.^{vi}

People are thinking about their beauty and wellness in a more holistic way and are therefore seeking science-led solutions that enhance beauty from the inside out.

Momentum in cosmeceuticals—cosmetic products with bioactive ingredients that claim medical benefits—is proof of a health-focused future. The cosmeceuticals market size reached US\$49.5 billion in 2021 and is expected to reach US\$79.3 billion by 2027, a CAGR of 8.2%.^{vii}

Consumers are also choosing products endorsed by scientists themselves. Successful brands including Dr. Hauschka, Dr. Dennis Gross, Murad and SkinCeuticals were formulated by dermatologists, chemists and other beauty brains.^{viii}

Beauty companies who build the capability to own the evolving beauty basket will set a new performance frontier for their companies and the industry.



“We are exiting the era of marketing-based skincare and entering the era of performance-based skincare. Skincare needs to embrace the individuality and diverse skincare needs of every consumer.”

– Dr. Barbara Sturm, founder and CEO of Dr. Barbara Sturm Molecular Cosmetics

The money is following the science

Venture capital firms are investing in the areas that consumers are interested in. Recent funding rounds in beauty show that brands focused on science-led claims gain 2.5x as much venture capital funding as those focused on natural and sustainable claims.^{ix}

Companies are also investing in innovations that meet the growing need for science-led beauty products. Patents with a combined health and cosmetics classification grew 8% CAGR, bucking the overall filing trend for cosmetics (CAGR - 1%) and health filings (CAGR -3.8%). In 2020, more than 25% of health filings were linked to cosmetics, an increase of 10% from 2016.^{x1}

¹ 2020 is the latest fully published year for patents, 2021 filings will only be available in July 2023.

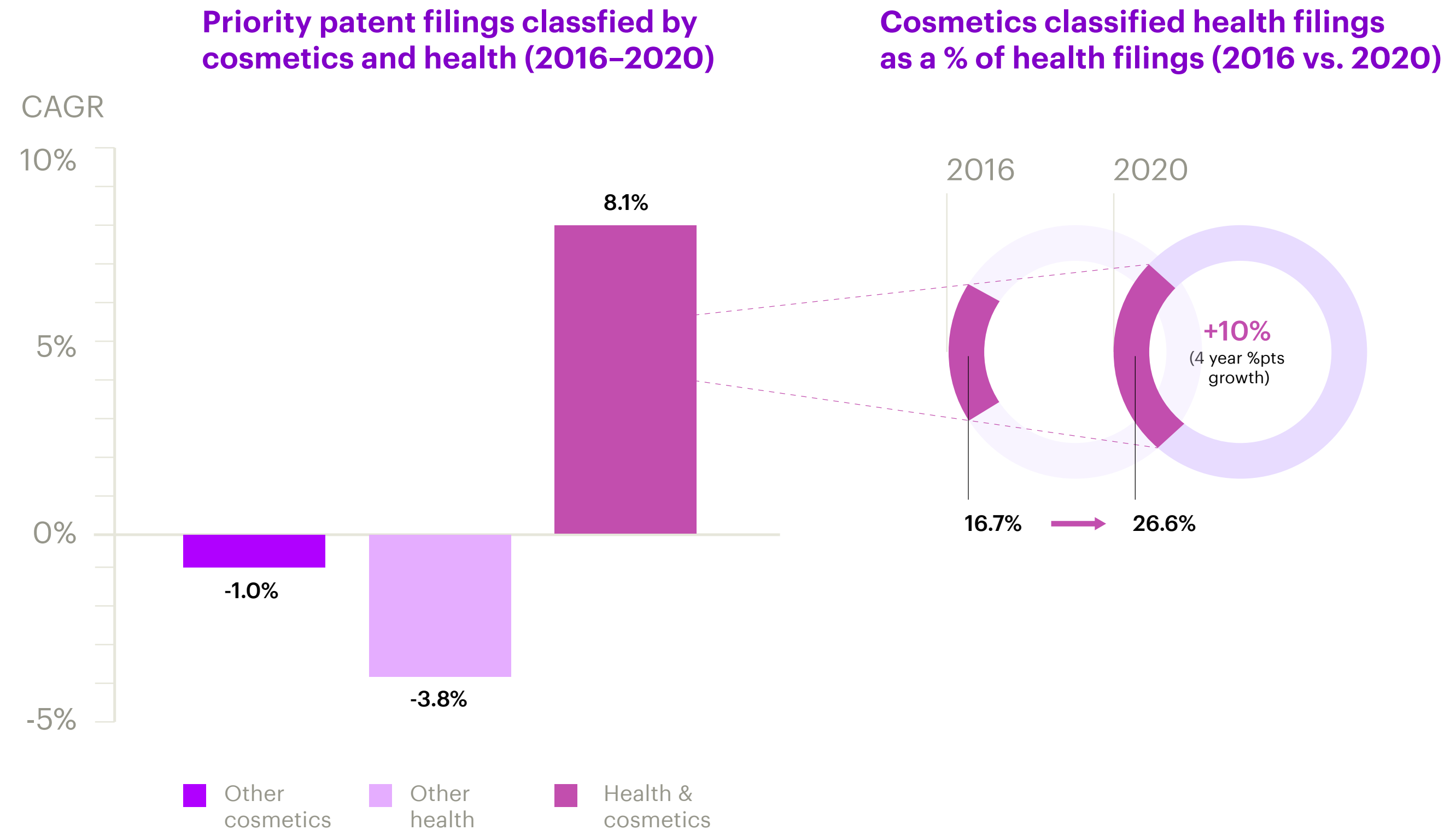


Figure 3: Health and cosmetics are growing together.
Convergence of health and cosmetics patent classifications 2016-2020

L'Oréal invests more than €1 billion a year in research and innovation and last year filed 561 patents. At the CAGNY 2023 conference L'Oréal CEO Nicolas Hieronimus said beauty is an “offer-driven market” vs. need-based which is why the industry sits at the intersection of creativity and science.^{xi}

As consumer goods companies reinvent their businesses, there is still room to grow when it comes to investing in innovation. R&D investments as a percentage of revenue by pharma companies are 9x that of beauty companies and 6x that of consumer health companies. Meanwhile, beauty companies spend 7x more on advertising and promotion than pharma spends on R&D.^{xii}



Successful beauty brands will establish a culture of reinvention founded on collaboration between marketing, science and R&D and they will invest in innovation capabilities at a level closer to that of big pharma.



Transforming beauty brands from the inside out

The beauty companies that meet the emerging needs of people while laying the foundation for continuous growth will be the ones who adopt a strategy we call [Total Enterprise Reinvention](#).

Those embracing this approach are boundaryless in their aspirations and they cut across silos to embrace new capabilities, skills and ways of working. They build on their experience to continuously reinvent who they are and reimagine how they can succeed. They rely on a strong digital core to generate data insights that allow them to better understand and anticipate people's multifaceted and ever-changing needs. And they build cultures that are laser-focused on perpetual innovation and ongoing reinvention.

These four steps can help put beauty companies on a path to growth in this science-led future:

1. Understand people holistically to deliver on their diverse needs

People are complex creatures with unique and ever-changing needs, and it is crucial that beauty companies work harder to understand them holistically. This is how brands can imagine, create and offer science and human-led products that consumers want and need.

Companies will need a strong digital core to capture, maintain, curate and activate a wealth of intelligence. This data will include zero-party data (gathered from shared data and owned platforms), first-party data (collected directly from consumer usage and behavior), second party data (from partners and the ecosystem) and third-party data (aggregated from partner data). Most beauty brands have consumer data from multiple

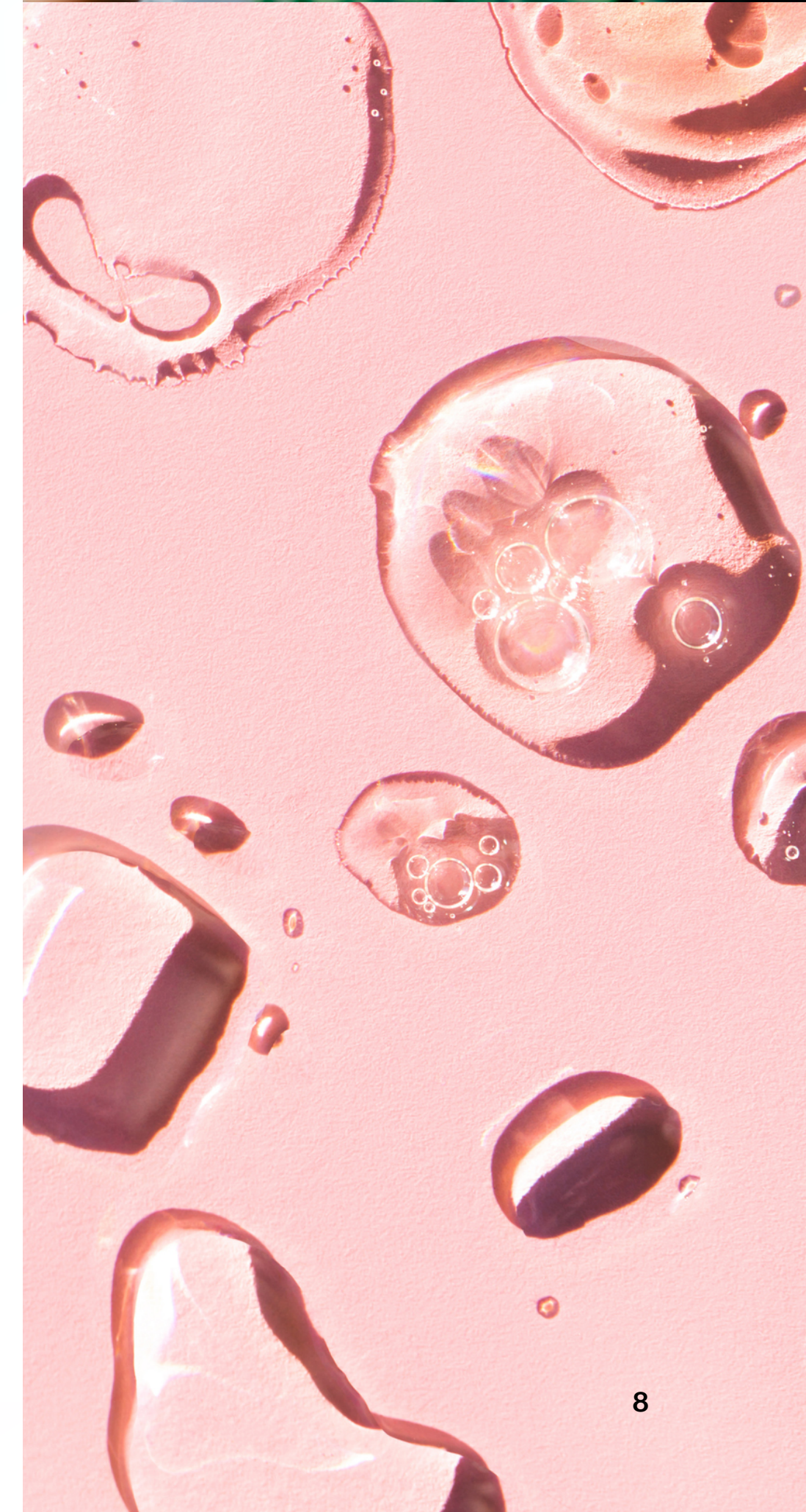
consumer touchpoints, they just aren't bringing it all together.

The right consumer experience, backed by the right data strategy, will enable the continuous acquisition and retention of consumers which leads to an ongoing exchange of value (from company to consumer) and data (from consumer to company).

2. Reimagine the portfolio to be science-based

Brands rethinking their portfolios are not taking the pharma approach of investing tens of millions into blockbuster research. Instead, they are scanning patterns of consumer behavioral data and mindset shifts to define the new ways in which beauty consumers will care for their health, wellbeing and beauty holistically.

Ultimately, product development in these science-based health and wellbeing categories will happen based on what consumer needs are unfulfilled, what



technology is available and what channels can be leveraged to create the best experience for consumers.

Product marketing and commercialization will be different and, in some ways, just as important as the performance of the product. Brands will activate across multiple channels to build awareness including brand-owned direct channels, specialist beauty retailers and partnerships with adjacent brands, such as the partnership between Victoria Beckham Beauty and Augustinus Bader.

3. Operationalize the science-led makeover with the right capabilities

Every beauty company will need the rigor of life sciences, the speed of consumer goods and precision across the board. This means having access to people with science, regulatory, clinical, legal, marketing and customer experience skills. It will entail hiring, acquiring or partnering with dermatologists, biochemists and other healthcare professionals that can help formulate and credentialize products.

Beiersdorf AG acquired a majority stake in S-Biomedic NV, a frontrunner in skin microbiome research, to strengthen their expertise in acne treatment. Other companies are successfully using healthcare

professionals to endorse products as part of their branding and marketing efforts.^{xiii}

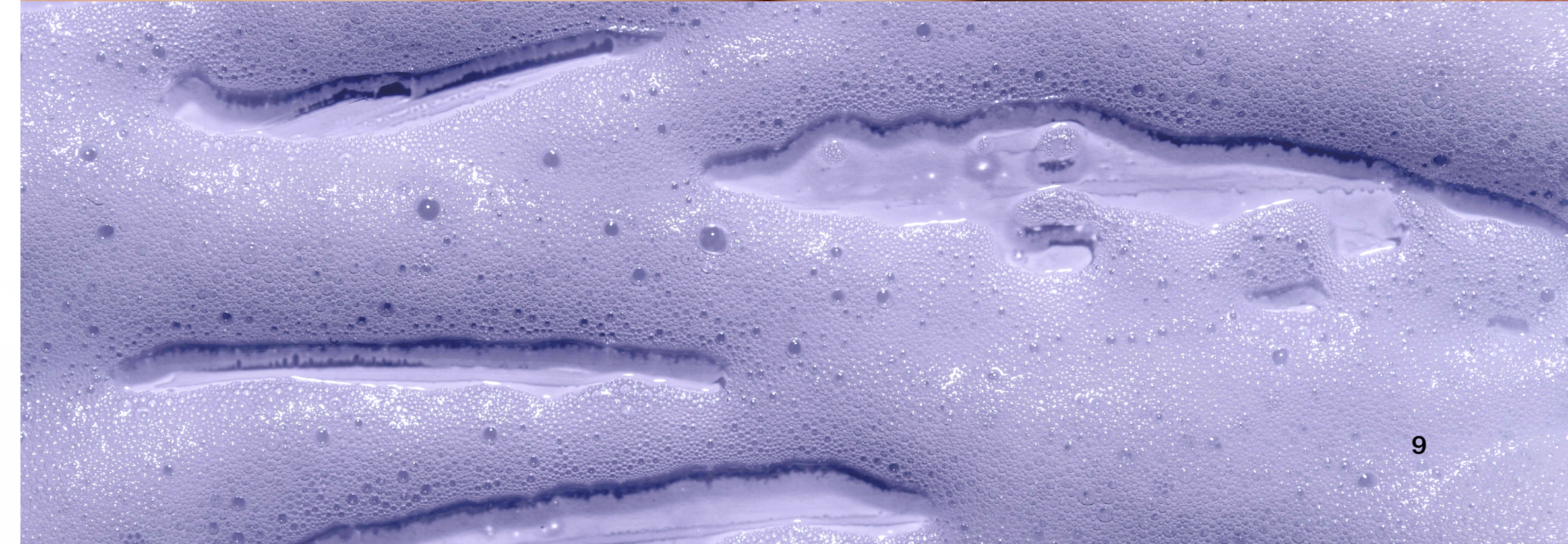
People across the organization will need to be open to new skills and boundaryless ways of working. Teams will need the skills to understand new technologies that include artificial intelligence, machine learning, and deep qualitative and clinical research that can reveal a dynamic view of consumer nuances.

As science-led products are increasingly paired with diagnostic devices, marketers will need the knowledge to deliver product + service + device offerings that meet individual needs. C-suite leaders will need to be able to adapt to a suite of evolving skills in their teams as they shift focus to science- and human-led products.

Beauty brands that organize these capabilities across cross-functional processes, e.g., innovation, informed by data and insights, can rapidly respond to scientific developments and early market shifts and consumer signals, allowing them to continuously reinvent their portfolios.

4. Building on a digital core

Being a leader in this new world requires a digital core that gives enterprises the ability to manage and process the level of





consumer data that will now be needed and deliver the level of consumer experiences now being requested.

A strong digital core enables the deployment of the new set of capabilities needed to gain competitive advantage in the science-led future of beauty. For example, using data and diagnostic tools to recommend the right products to a woman—from youth through pregnancy and old age. La Roche-Posay's MyRoutine AI is an AI-powered, dermatologist-developed digital tool that scans a user's skin and recommends a personalized skincare regimen and respective products.^{xiv}

While diagnostics will be important, beauty brands will need to rely on their digital core to integrate data from a variety of sources. Brands can use advanced data analytics and insights to spot early consumer signals and market shifts that can help identify adjacencies and new category opportunities.

Building a digital core is not a one-time project – it must be continuous to incorporate new technologies. For example, foundation models are becoming one of the biggest step changes in the history of AI – they are opening the door to new AI applications and services that were difficult or impossible to build before. With the right digital core, AI-generated content becomes accessible across the enterprise becoming an essential creative partner in the development of hyper-personalized and contextualized digital content.

Beauty has a new look and it's centered on human needs and backed by scientific discovery. Those that want to lead in this era must cut across boundaries and continuously reinvent, centering around a digital core and new ways of working that establish a culture and capability for ongoing reinvention. It's an attractive proposition for growth and a new frontier of performance, and it's achievable with the right capabilities, people, operating model and technology.

Is your business ready for its beauty makeover?

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