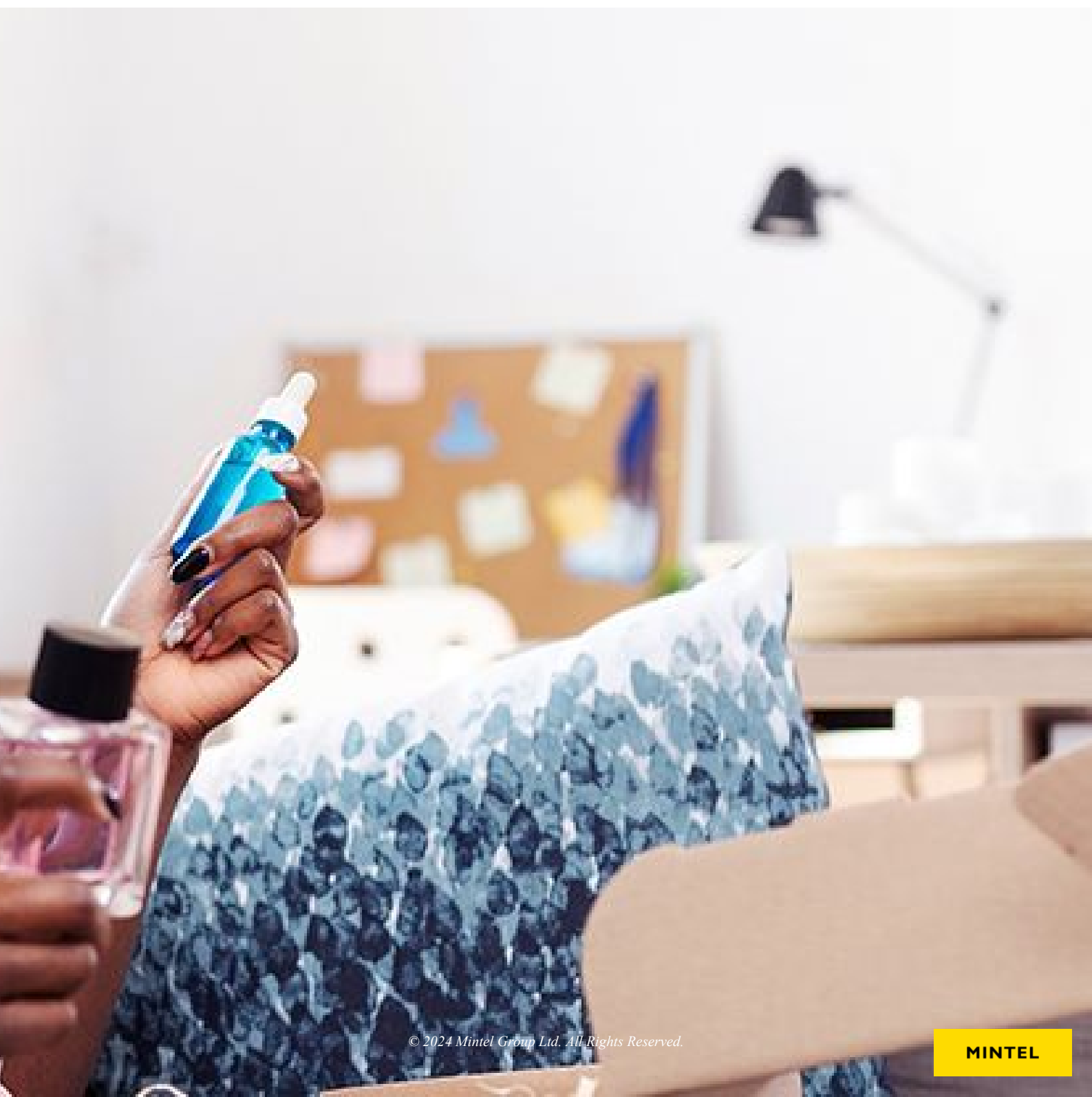


BEAUTY ONLINE – GERMANY – 2023

The beauty ecommerce industry has to address sustainability and fairness issues while offering the flexibility, convenience and bargains Germans are accustomed to.



Susanne Krenz, Principal Research Analyst - Beauty and Personal Care



Beauty Online - Germany - 2023

This report looks at the following areas:

- The impact of inflation and the Ukraine conflict on the online beauty category
- Infrastructure challenges and ethical issues associated with ecommerce and online delivery
- German online BPC buyers' comparatively low interest in digital innovations and its effect on online beauty
- How to grow the beauty and grooming subscriptions category
- The importance of sustainability in online beauty retail
- Purchase factors and barriers
- How to connect with specific demographics, including Millennials and Gen Z
- Consumer attitudes and behaviours pertaining to online beauty shopping



The beauty ecommerce industry has to address sustainability and fairness issues while offering the flexibility, convenience and bargains Germans are accustomed to.

Overview

Although the online beauty market fell in 2022, this is expected to be temporary dip as sales are forecast to rebound in 2023, even in the face of the current economic downturn. **48% of German adults** buy beauty and grooming products online.

However, a flourishing ecommerce market also means increasing pressure on Germany's urban infrastructure and a consequent need to develop more sustainable last-mile delivery: **24% German BPC online buyers** would prefer sustainable shipping options and **49% of German adults** say fair work conditions are a sign of an ethical retailer.

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German consumers like discounts – **43% of online BPC buyers**, especially those aged 16-34, say discounts would encourage them to buy new beauty products. Average consumer interest in new digital technologies is low, so introducing innovative retail tech such as virtual try-on tools (which are most popular among digitally savvy younger adults) or the metaverse will likely be challenging.

In the beauty subscription category, retailers can grow their customer base by offering improved cancellation options (which appeals to **22% of online BPC buyers**) and better customisation (especially important to the most enthusiastic beauty subscribers aged **16-24**). Companies can also curate lifestage-specific boxes targeting older women.

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Report Content

EXECUTIVE SUMMARY

Key issues covered in this Report

- Overview
- The five year outlook for beauty online

Market context

- The cost-of-living crisis impacts ecommerce
- The industry needs to tackle the infrastructure issues of the ecommerce/delivery market...
- ...and address the ethical issues associated with online delivery

Mintel predicts

- Market dip in 2022
- Market size and forecast

Opportunities

- Target under-35s with discounts and special offers...
- ...and encouragement to sign up for beauty subscriptions
- Focus on underserved consumer groups such as older women
- Help consumers make more sustainable choices when shopping online
- Quick download resources

MARKET DRIVERS

The German economy

- The cost-of-living crisis is holding back the post-COVID-19 recovery
 - Graph 1: key economic data, in real terms, 2019-24
- Inflation continues to be the key concern in 2023 for consumers, brands and the economy...
- ...impacting financial wellbeing and consumer expenditure
- The cost-of-living crisis impacted ecommerce in 2022

The growth of digital technologies

- Digital infrastructure needs development
- Consumer interest in VR and the metaverse is low

Factors associated with delivery

- Finding new solutions for last-mile delivery

- Product returns negatively impact sustainability
- Improve the human element of online delivery
 - Graph 2: agreement that promoting the fair treatment of workers best defines an ethical retailer or brand, by age, 2022
- Gorillas: putting the treatment of delivery drivers top of mind
- The cardboard/paper shortage is starting to affect ecommerce companies
- Boomerang trials a deposit-based ecommerce packaging system
- Faircado helps consumers to shop more sustainably

MARKET ACTIVITY

Sector size and forecast

- The market dipped 1.8% in 2022...
- ...but will rebound strongly in 2023

Channels of distribution

- Bricks 'n' mortar continues to dominate German beauty retail
- Online beauty buying is more popular among under-35s
 - Graph 3: online vs offline shopping for BPC products, by age, 2022

WHAT CONSUMERS WANT AND WHY

Purchasing beauty and grooming products online

- 25-34 year olds have reduced their online beauty buying
- Fragrances and facial skincare lead online purchases
 - Graph 4: online purchase of beauty and grooming products in the last 12 months, by product type, 2021 and 2022
- Female shoppers lead for online makeup and skincare buys
- Drugstores continue to lead for BPC buying...
- ...with dm and Rossmann both posting strong results for offline and online businesses

Encouraging factors for online shopping for beauty and grooming products

- Free delivery is the top motivator to shop online
- Free delivery tops the rankings
- Eco-friendly delivery is only half as important as free shipping
- Willingness to pay more for eco-friendly delivery might rise once the economy rebounds
- Retailers can further help consumers to reduce their CO2 footprint by highlighting the environmental cost of product returns
- Toern pioneers sustainable product returns
- Product samples are an important online purchase driver

- Snappd offers recyclable single-dose sample sachets

Use of beauty and grooming subscription services

- BPC subscription services must be flexible and convenient and give discounts
 - Graph 5: factors that would encourage use or more frequent use of beauty and grooming subscription services, 2022
- Signing up for loyalty rewards
- Flexibility and enhanced rewards are key
- Offer greater flexibility in subscription intervals
- Curate subscription boxes for older women...
- ...or focus on lifestages such as menopause
- Boost the customisation factor by making it a game...
- ...or leave product selection entirely up the consumer

Online beauty and grooming shopping behaviours

- German consumers like discounts and impulse shopping
 - Graph 6: online beauty and grooming shopping behaviours in the last 12 months, 2022
- German consumers like a bargain and buying BPC on impulse
- Younger buyers are careful with their money
- Data privacy is a concern for younger Germans

Attributes of online beauty and grooming tools

- Online beauty diagnostics and try-on tools do not (yet) play a significant part in the customer journey
 - Graph 7: attributes associated with online beauty and grooming tools, 2022
- Virtual try-on tools mostly resonate with very young consumers
- Brands could organise pop-up demonstrations of digital customisation or diagnostic tools in store

RETAILER ACTIVITY

Retail innovation

- Shiseido explores the metaverse in a collab with Douglas
- Luxury fast delivery start-up Arive becomes a local marketplace
- Douglas and Gorillas receive an award for beauty delivery collaboration
- Douglas launches skin diagnostic tech on its app

Social commerce and live streaming

- Social commerce remains a niche retail channel in Germany
- Live streaming in Germany: still not mainstream
- TikTok's live streaming in the post-pandemic UK has been slow to gain traction...
- ...as other social media companies are rolling back live streaming activities in Europe

Direct to consumer

- In decline? DTC in the US
- DTC in Germany
- Inspired by Beauty Pie: Uncorrupted Beauty

APPENDIX

Appendix – products covered, abbreviations, consumer research methodology and language usage

- Products covered in this Report
- Abbreviations
- Consumer research methodology
- A note on language

Appendix – TURF analysis methodology

- TURF analysis methodology
- TURF analysis

Appendix – market size and central forecast methodology

- Forecast methodology
- Forecast methodology – fan chart
- Market size – value
- Market forecast and prediction intervals – value

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