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# Emerging Trends Transform Beauty Industry Business Models in a Post-Pandemic World

Beauty Brand Disruption

**PLUGANDPLAY**  
**RETAIL**

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# Introduction

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In recent years, we have observed a gradual yet profound transformation in the way that consumers think about beauty, skincare, makeup, and cosmetics. A new range of consumer behaviors is coming to light. Shoppers are expecting more from brands and from themselves when it comes to attitudes and perceptions around beauty, health, and skincare. Accelerated by the outbreak of COVID-19, new trends are emerging. Today's post-pandemic consumers demand even more from the brands they choose, especially when it comes to business models.

The effects of the pandemic on the \$500 billion beauty industry have been felt around the world. In the last 12 months, the beauty sector including skin care, cosmetics, hair care, fragrances, and personal care has experienced significant disruption due to the pandemic. According to McKinsey, **thousands of brick-and-mortar stores were shuttered, effectively shutting down 30% of the beauty-industry market overnight**. Beauty brands in all shapes and sizes feel the pressure as they are forced to adopt new strategies to engage with consumers and rethink business.

Even in the face of the pandemic, the beauty sector has adapted quickly and performed well during this period. This adaptation has been especially evident online as the pandemic has accelerated the rapid growth of e-commerce in the beauty

and skincare space. In May, e-commerce spending reached \$82.5 billion in a single month, **an increase of 77% from the year before**. For those who are in the right place, digitally-ready, and nimble enough to quickly pivot, the pandemic's disruption represents more of an opportunity than a threat.

Consumer behavior is shifting in the way that shoppers engage with brands and in how they make decisions about the products they purchase and use on a daily basis. For example, due to wearing face masks, today's post-pandemic shoppers currently spend more on eye makeup and do-it-yourself home facial and spa treatments have exploded. Subscription beauty boxes delivered to your door have been incredibly popular and, with the increase of video conferences, brightly colored lipstick and eyeshadow have come into fashion. In addition to changing buying habits, consumers now spend more time researching products and ingredients and have become more selective about the types of products they buy. With these shifts, brands have little choice but to innovate.

# Digital Business Models are Driving the Future of Beauty

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Large beauty retailers have traditionally leveraged their scale and influence to grow in the retail space. Data from Nielsen suggests that as much as 96% of brick-and-mortar beauty retail channels are owned by top 20 cosmetics brands. Unlike the upfront costs of being in brick-and-mortar, online digital channels have almost no barrier – making it easy for beauty-focused startups to enter. Don't have the money to open a big retail shop on Main Street? No problem. Launch an e-commerce storefront or sell directly through Instagram. Digital channels effectively level the playing field for all brands. The same Nielsen study found that **86% of ecommerce beauty channels are owned by companies outside of the top 20 cosmetics brands**. Digital business models may have started out as an entry point for fledgling brands, but they're now an essential success factor.

Consumer preferences for brands were already changing before COVID, but now more than ever, brands are competing for the attention of consumers and it's becoming harder to stand out. This is especially true in the digital world where new brands with a digital-first approach are disrupting the traditional business model and drawing attention away from big brands. In this report we will explore how digital business models, consumer trends, and shifting audience behaviors are changing the face of the beauty industry.



# Leverage Five Trends to Drive Digital-First Disruption

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Despite the significant shift of consumer lifestyles as a result of the Coronavirus pandemic, people continue to remain committed to the use of their favorite skincare and makeup products. Consumers continue to look for ways to make themselves feel just a little bit more “normal” even when stuck at home. While some habits have changed, consumers have showed a resilience in their commitment to skincare regimens during this period.

Five trends lie at the intersection of future business models for both large and small brands. Each of the trends includes micro trends that, together, drive the trend forward:

## 1. Digital-First Culture

Social First Brands (no website, sold directly through social)  
Multi-Channel Networks (MCNs)  
Influencer marketing

## 2. Direct-to-Consumer (D2C) Ecosystems

Online subscription services  
Membership platforms  
Data-driven advertising

## 3. Hyper-Relevance

Locally sourced products & services  
Consumer driven data & insights  
Niche category focus (acne, eyelash extensions, lip plumping)

## 4. Safety & Transparency in Science

New ingredients  
Unique formulations  
“Free from” claims

## 5. Purpose Driven Sustainability

All natural “clean” products  
Reimagined “old world” recipes  
Unique sustainable business models (reusable containers, subscriptions)

The beauty space is constantly changing and with this in mind, brands should consider how these trends overlap and interact.

# Digital-First Culture

Every year consumers spend an increased amount of time online. In 2020, the average consumer **spent about 6.5 hours a day online**. Over half of that time was spent on a mobile device. *If this trend continues, we will soon be spending more waking hours staring at a screen than engaging in the physical world.*

The outbreak of COVID-19 has dramatically increased the amount of time consumers spend online. At the same time, it has changed the way they engage with one another and brands through mediums like Zoom, social media, and live streams. Consumers expect more from brands and hold them to a higher standard now that they are constantly being exposed to Direct-to-Consumer brands via social and digital advertising.

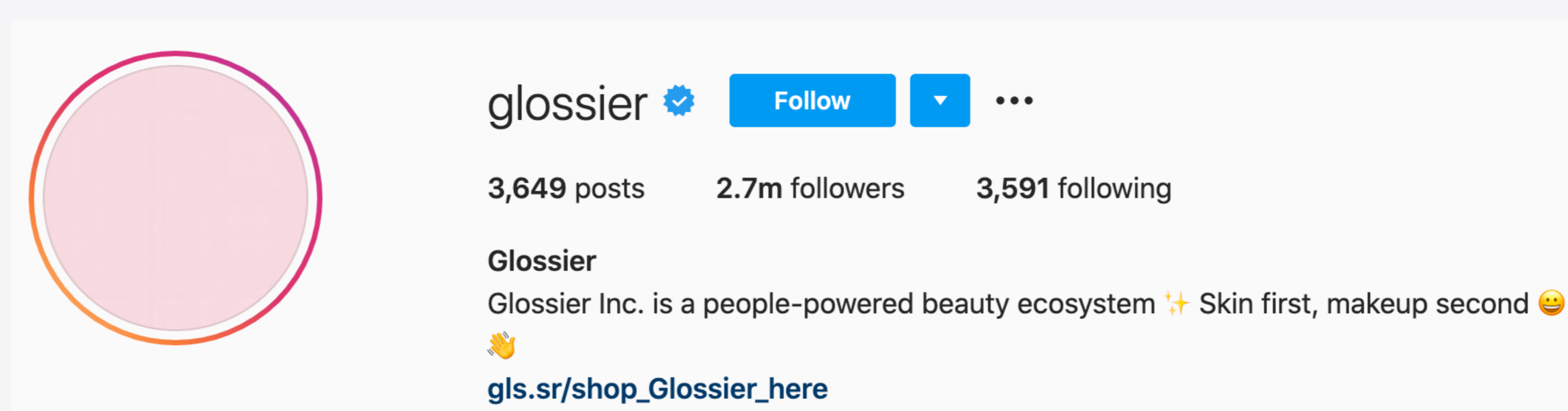
Consumers are also influenced by brands in more ways than ever before. Digital advertising allows brands to target and re-target individuals based on specific interests. Social media enables

consumers to engage with brands directly. Nowhere is this more relevant for beauty brands right now than on visual social platforms like Instagram and TikTok. In fact, **over 70% of consumers say they have made purchase decisions on fashion, beauty, or style-related products after seeing something on Instagram.**

**Noteworthy innovators leveraging digital-first culture include:**

## Glossier

Although not the upstart it once was, Glossier is one of the quintessential Direct-to-Consumer brands that has been able to form a strong relationship with consumers based on a strong, direct relationship with consumers around the world. The brand began building a community of rabid fans before selling a single product. It first launched in the form of the beauty blog, "Into the Gloss." Today, the brand has over 2.7 million followers on Instagram and positions itself as a "people-powered beauty ecosystem."





## CeraVe

CeraVe, the skincare brand developed by dermatologists in 2005, has exploded in popularity among millennials and Gen Z audiences after influencers across TikTok began mentioning the product as part of their daily skincare regime. Videos mentioning the brand have received over 307 million views on the platform. Viewing mainly driven by posts from the influencer Hiram (@skincarebyhyram), who has over 6.7 million followers on TikTok and 4 million followers on YouTube. Recent demand for the brand has been driven primarily by TikTok influencers. This has brought to light the importance of the online channel for brand growth.



**skincarebyhyram** ✓

Hiram

Follow

913 Following 6.7M Followers 245.9M Likes

4 Million on YouTube 🗣️ #BlackLivesMatter

🔗 [youtu.be/A8VizkP1GIA](https://youtu.be/A8VizkP1GIA)

# Direct-to-Consumer (D2C) Ecosystems

Direct-to-Consumer (D2C) e-commerce is a strategy where a brand sells direct to an end consumer rather than via a retailer or partner. For startups and new beauty brands, adopting a D2C business model and brand strategy can be beneficial for several reasons. Direct-to-Consumer brands are better able to manage the data they have on specific customers. The closer they are to their customers, the better they will be at developing products and messaging that resonates with them. In a D2C model, businesses are also better able to curate their brand persona across all channels.

Most consumers are looking for something special, though they may not be sure where to find it. While some consumers are spending more on specific beauty solutions such as anti-aging products, others are more interested in a brand's positioning and sustainability. Brands that connect to their target demographic directly will be better able to serve them the content and the products they want. This is why we are seeing a rise in the number of D2C brands that are choosing to maintain closer ties with their consumers along their decision making journey.





Noteworthy innovators leveraging D2C models include:

## Beauty Pie

Beauty Pie is a new kind of D2C beauty brand which positions itself as a luxury beauty buyers' club. It was founded by beauty entrepreneur Marcia Kilgore and has attracted tens of thousands of subscribers who each pay a monthly fee to access deals from luxury beauty and skincare suppliers. As a customer, you can expect to receive up to 80% off luxury products released on a monthly basis. The rise in popularity of subscription and membership platforms in the D2C space will continue as more brands recognize the importance of building long-lasting relationships with customers by continuously surprising and delighting them.

**BEAUTY PIE™**

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"...ISN'T SO MUCH DISRUPTING THE INDUSTRY, AS BLOWING IT TOTALLY WIDE OPEN"  
**VOGUE**

LEARN MORE

**BEAUTY PIE™**

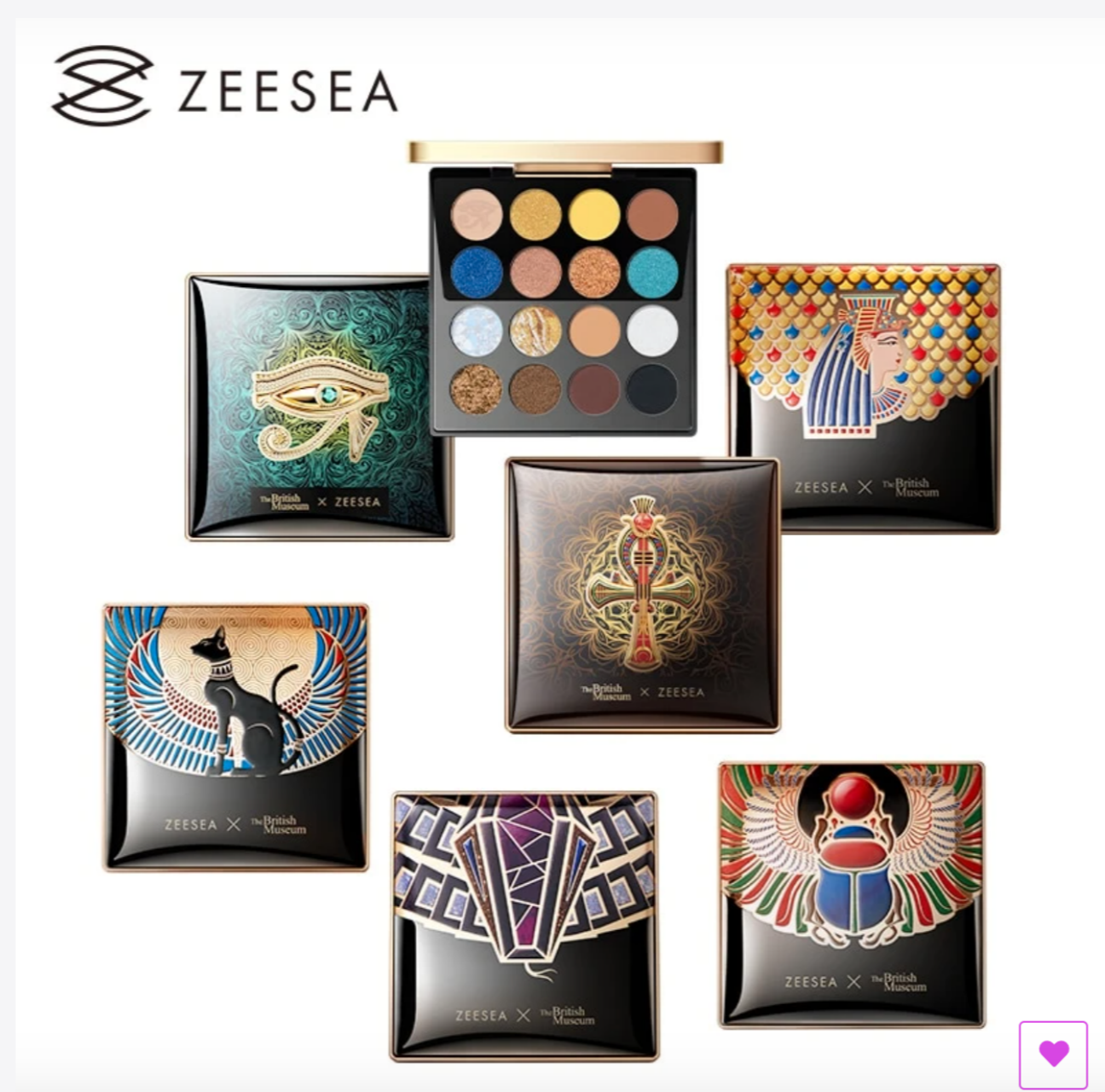
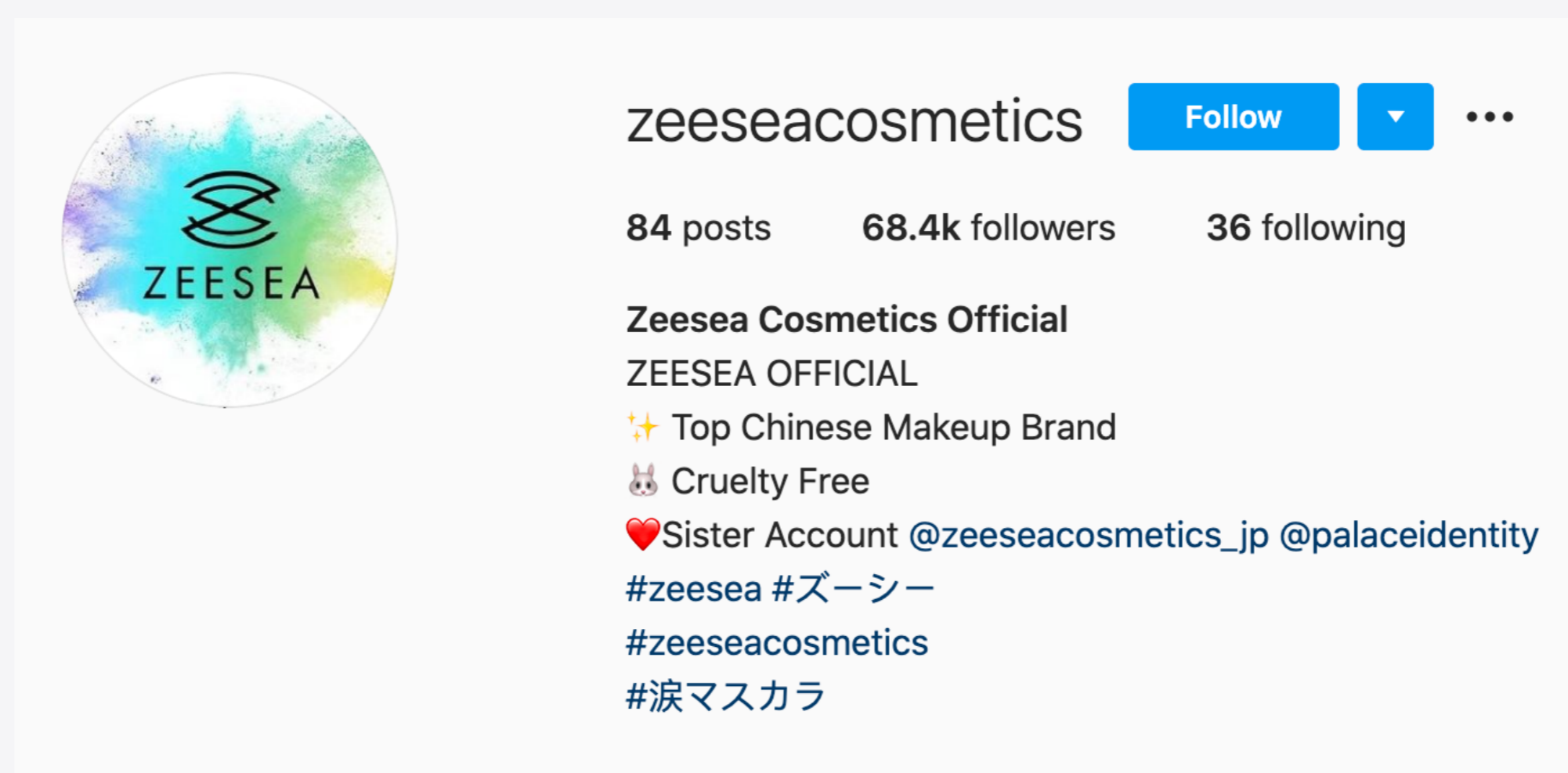
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CHOOSE YOUR **MEMBERSHIP**

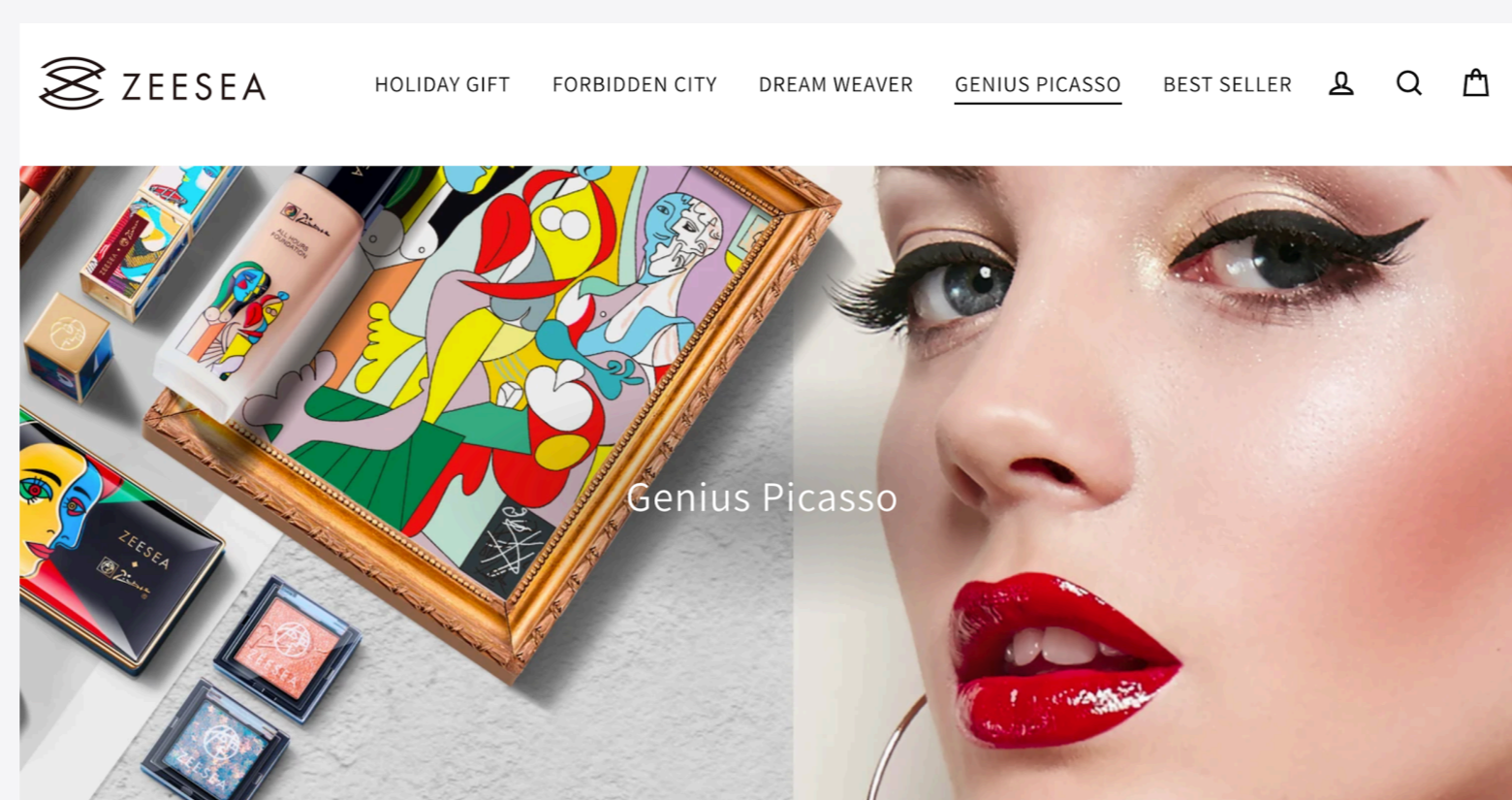
| £99 YEAR   | £30 MONTH  | £20 MONTH  | £10 MONTH  |
|--|--|--|--|
| <b>SAVE 17%</b>  |  |  |  |
| ✓ SHOP FOR UP TO £100 of luxury beauty products each month | ✓ SHOP FOR UP TO £300 of luxury beauty products each month | ✓ SHOP FOR UP TO £200 of luxury beauty products each month | ✓ SHOP FOR UP TO £100 of luxury beauty products each month |
| + PLUS A BONUS £100 on your first month                    | + PLUS A BONUS £200 on your first month                    | + PLUS A BONUS £150 on your first month                    | + PLUS A BONUS £100 on your first month                    |
| ✓ BUT YOU'LL SAVE UP TO 80%* on TYPICAL PRICES             | ✓ BUT YOU'LL SAVE UP TO 80%* on TYPICAL PRICES             | ✓ BUT YOU'LL SAVE UP TO 80%* on TYPICAL PRICES             | ✓ BUT YOU'LL SAVE UP TO 80%* on TYPICAL PRICES             |
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| ★ DOUBLE THE PIEDAYS! 🎁 📍                                  | ✓ PIEDAYS! 🎁 📍   | ✓ PIEDAYS! 🎁 📍   | ✓ PIEDAYS! 🎁 📍   |
| ★ ACCESS OVERSHOP 'TOP-UPS'                                |  |  |  |
| ★ EARLY LAUNCH ACCESS                                      |  |  |  |
| <a href="#">JOIN NOW</a>                                   | <a href="#">JOIN NOW</a>                                   | <a href="#">JOIN NOW</a>                                   | <a href="#">JOIN NOW</a>                                   |

## ZeeSea

ZeeSea Cosmetics is a leading Chinese cosmetics brand that was established in 2011 and sells both D2C and via retail. ZeeSea has partnered with leading galleries and museums to co-produce makeup and cosmetics that allow users to express their interest in art. Partnerships with the British Museum and the National Gallery have led to the launch of products including the British Museum Egypt Collection. The brand has also embraced social-first selling with over 68 thousand followers on Instagram.



[The ZeeSea National Gallery Egypt Collection]

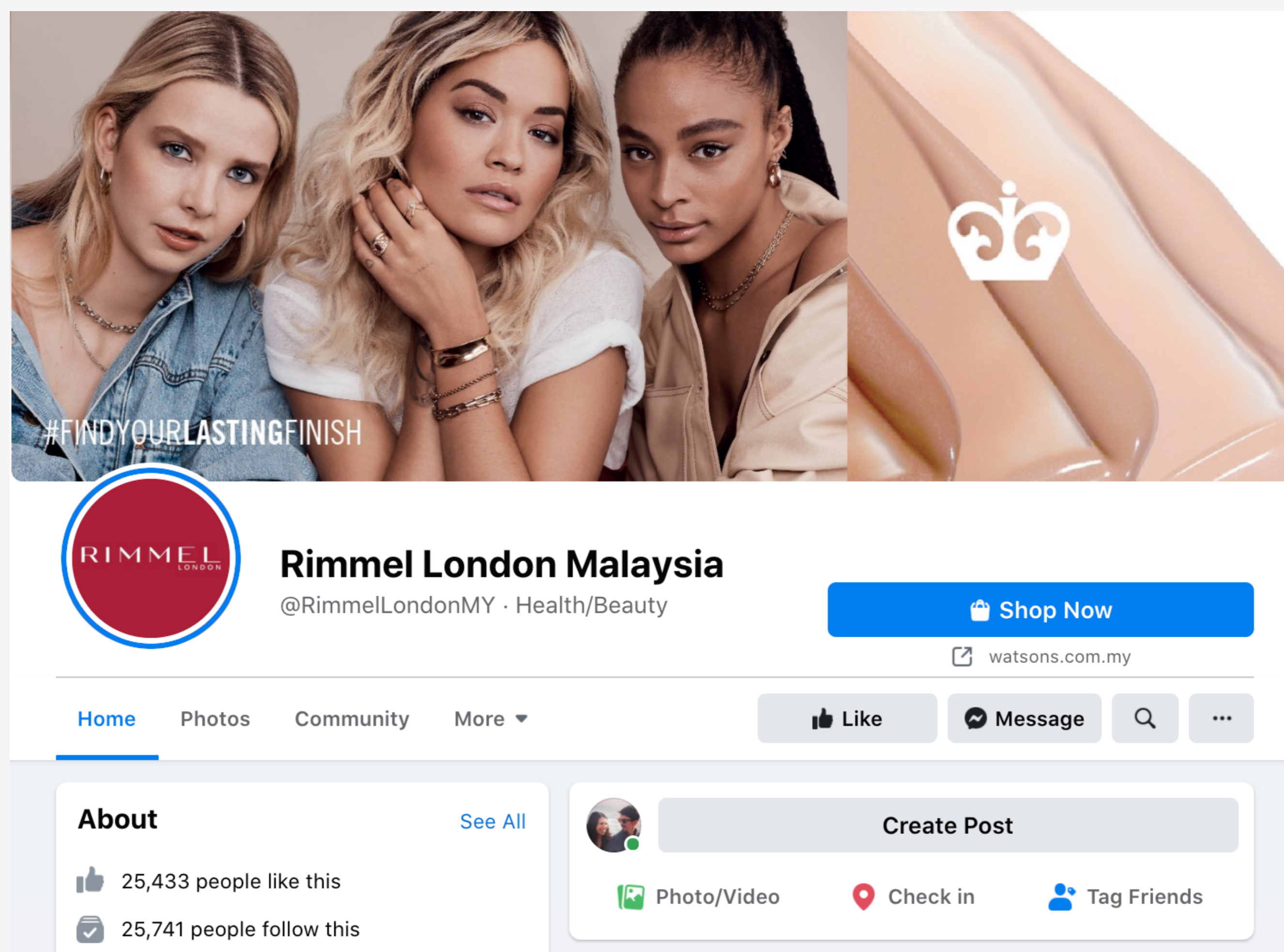


[The ZeeSea Picasso Collection]

# Hyper-Relevance

Consumers want to engage with brands that can cater to their individual needs in a personalized way. In order to be hyper-relevant to consumers, brands need to consider their positioning in three key areas:

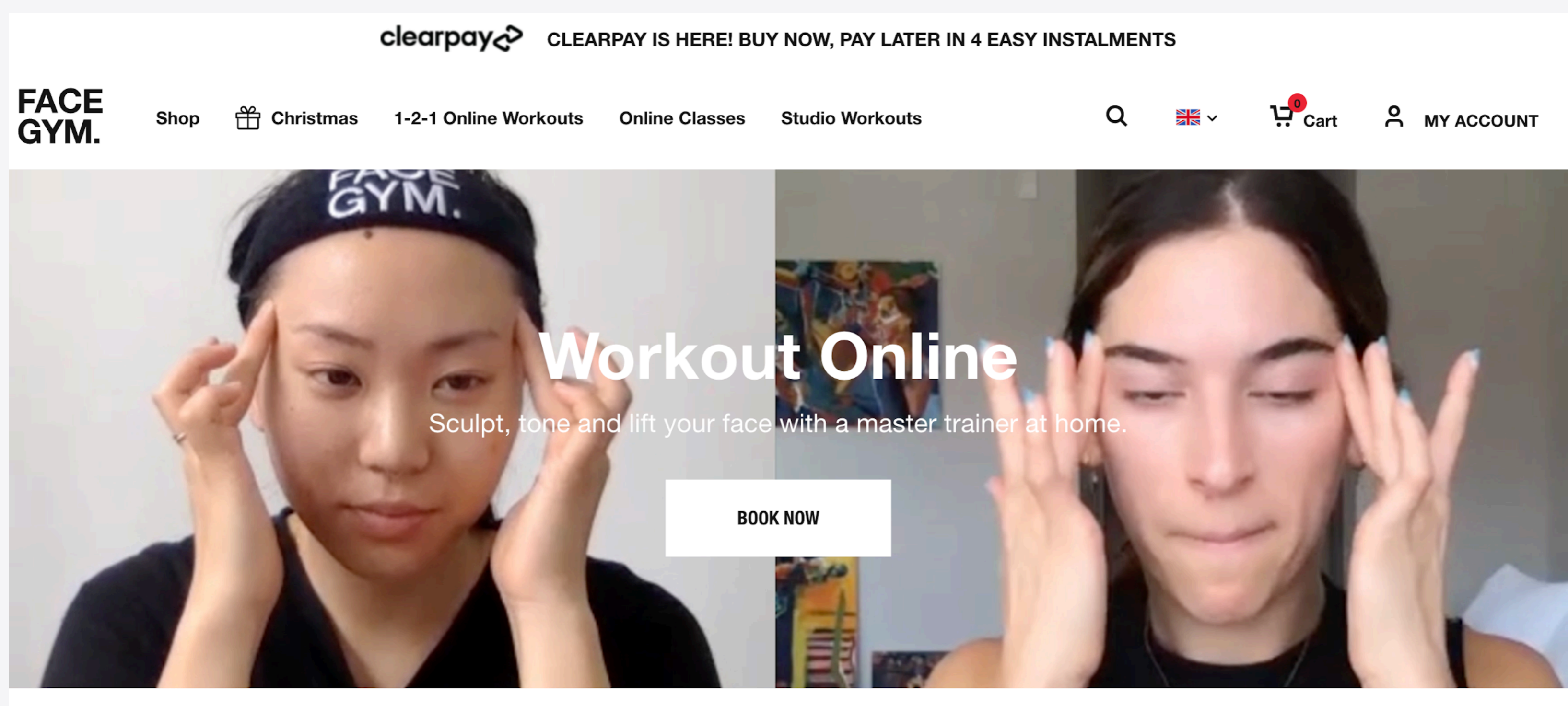
**1. Marketing & Messaging:** Brands that understand their audience's needs and desires at a personal level will be better able to engage with them through messaging and marketing material that resonates. **Rimmel** is a brand that has been able to leverage hyper-relevant messaging to target niche audiences during global campaigns. The brand launched in Malaysia and developed a targeted and localized digital strategy driving 130k+ in engagement within the first month and ranking 3rd in category Share of Voice within a year.



## 2. Business Models:

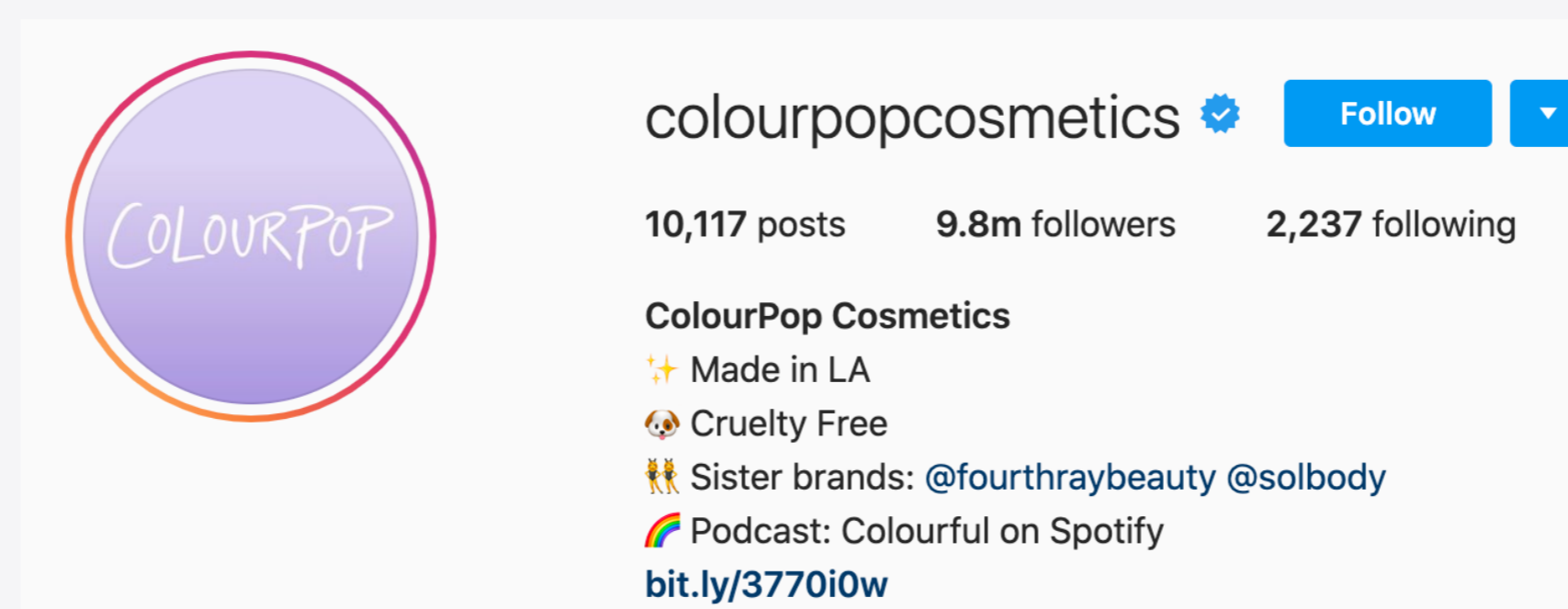
Business models that capture value by providing customers with unique experiences will thrive in the coming months. Consumers are continuously looking for businesses that can deliver courses, events, activities, and unique solutions wherever they are and at whatever stage of the customer journey they find themselves.

**FaceGym** has adopted a unique business model which allows them to leverage an increase in interest around DIY facials and at-home spa treatments. FaceGym goes beyond just selling products by offering online courses and one-to-one online workouts for consumers interested in doing sculpting and facial toning exercises at home.



**3. Products & Services:** Small brands that are able to develop products that are tailored to a unique subculture, demographic group, skin type, or target region will see success. Examples include high SPF products for warmer climates or at risk audiences, skincare products for those interested in high-endurance sports, or makeup for young fans of specific TikTok aesthetics (see [Soft Girl Aesthetic](#) - the latest teen trend).

**Colourpop**, founded in 2014, has skyrocketed in popularity through unique product launches focused on vibrant eyeshadows sold exclusively through social media where they have gathered a powerful tribe of over 9.8 million followers on Instagram.



Another brand doing well is Chinese beauty brand Chando. Jala's **Chando** is frequently featured on Tmall's bestseller lists which has struck a chord with Chinese consumers thanks to its use of local ingredients sourced from the Himalayas and inclusive marketing.



[Natural CHANDO Himalayan Membrane Law Lavender Hydra Mask]

# Safety and Transparency in Science

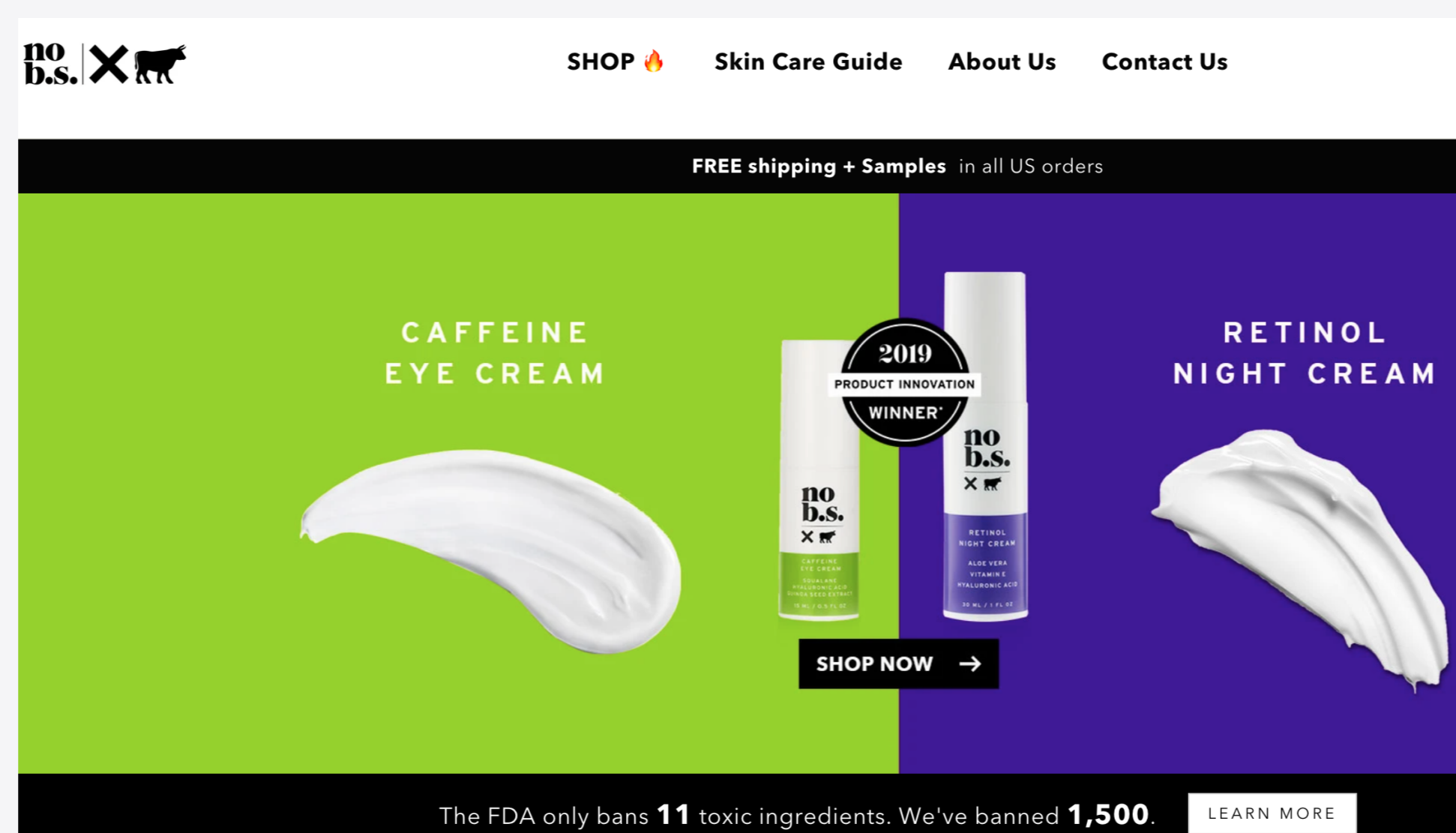
The last few years saw a rise in claims about natural and organic beauty products and specific claims around science, transparency, and safety were on the rise through 2020. Consumers want science-driven claims, science-accredited influencers, and ingredients that provide them with a sense of safety and security. When brands talk about products that are backed by science, they are most often talking about performance. Products with science backed ingredients **need to deliver results which can be seen immediately**. Brands that are able to do this and show the impact of skincare routines through social media, will be able to break away from the pack in coming months.

Safety is also a key driver for brands in the skincare and beauty space. The topic of safety has been front and center for brands in the pharma and biotech categories for a while, but in recent years this has become an area of focus for the skincare and beauty space. For beauty brands, a product that is “safe” means a consumer knows that they don’t have ingredients such as sulfates, parabens, or other toxins.

**Noteworthy innovators leveraging safety and transparency include:**

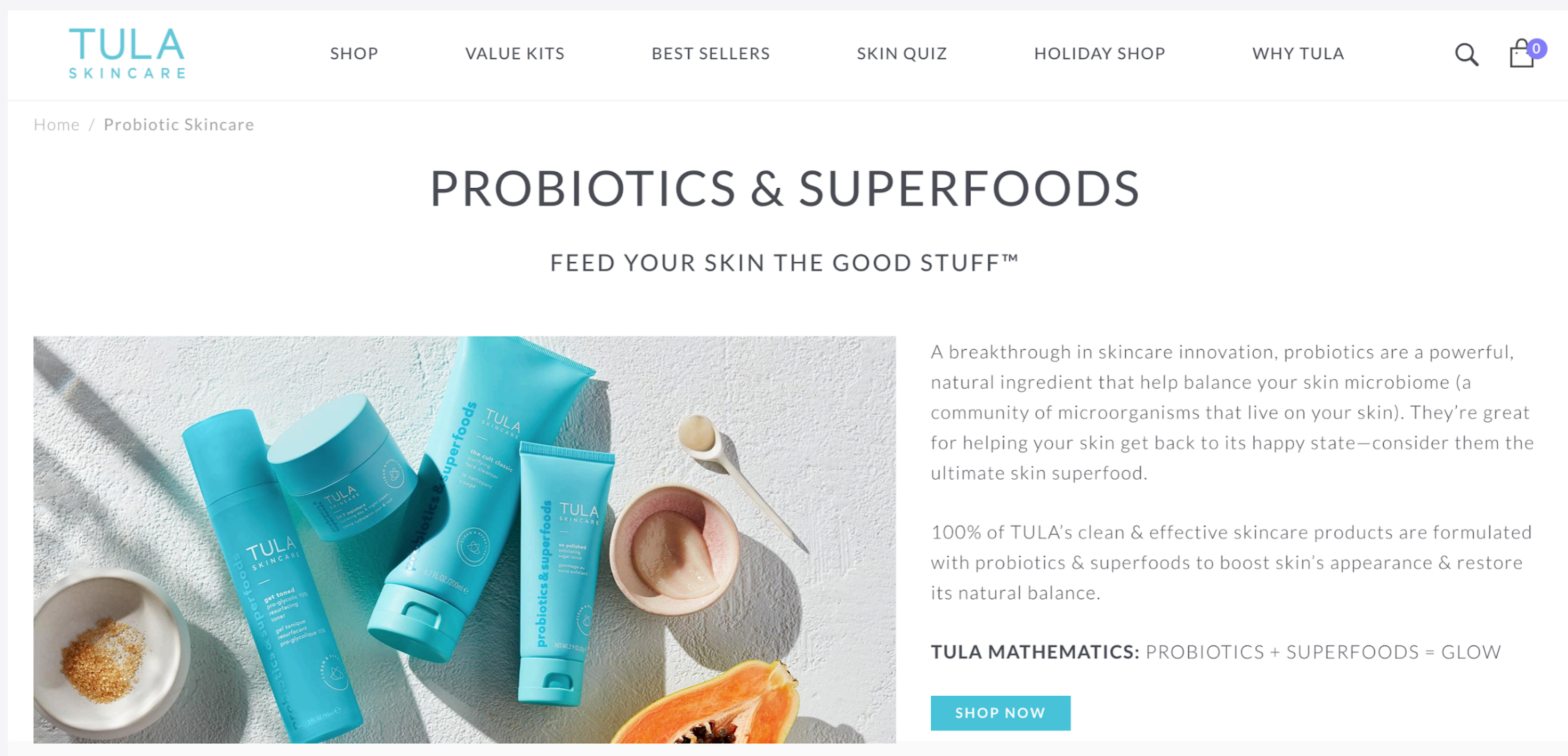
## No B.S.

The D2C beauty and skincare brand **No B.S.** has established itself as a brand committed to cutting out complex ingredient lists and exaggerated promises, and focusing instead on providing customers with the bare basics and giving buyers exactly what it says on the label. They put transparency at the core of their brand proudly proclaiming, “the FDA only bans 11 toxic ingredients, we’ve banned 1,500.”



# Tula

**Tula** positions itself as a leader in probiotic skincare that is delivered directly to consumers through a D2C business model. Tula has seen a **spike in sales of over 400% during the Covid-19** pandemic. Tula's brand positioning doubles down on language around clean and effective probiotics that provide the skin microbiome with the nutrients it needs to thrive.



The screenshot shows the Tula Skincare website's product page for 'PROBIOTICS & SUPERFOODS'. The page features a navigation bar with links for SHOP, VALUE KITS, BEST SELLERS, SKIN QUIZ, HOLIDAY SHOP, and WHY TULA, along with search and cart icons. Below the navigation is a breadcrumb trail: Home / Probiotic Skincare. The main heading is 'PROBIOTICS & SUPERFOODS' with the tagline 'FEED YOUR SKIN THE GOOD STUFF™'. A photograph displays several Tula skincare products in teal packaging, including a spray bottle, a jar, and tubes, alongside a bowl of golden granules, a spoon, and a slice of papaya. To the right of the image, there is a paragraph of text explaining the benefits of probiotics and superfoods for skin health, followed by a statistic: '100% of TULA's clean & effective skincare products are formulated with probiotics & superfoods to boost skin's appearance & restore its natural balance.' Below this is the slogan 'TULA MATHEMATICS: PROBIOTICS + SUPERFOODS = GLOW' and a 'SHOP NOW' button.

**TULA**  
SKINCARE

SHOP VALUE KITS BEST SELLERS SKIN QUIZ HOLIDAY SHOP WHY TULA

Home / Probiotic Skincare

## PROBIOTICS & SUPERFOODS

FEED YOUR SKIN THE GOOD STUFF™

A breakthrough in skincare innovation, probiotics are a powerful, natural ingredient that help balance your skin microbiome (a community of microorganisms that live on your skin). They're great for helping your skin get back to its happy state—consider them the ultimate skin superfood.

100% of TULA's clean & effective skincare products are formulated with probiotics & superfoods to boost skin's appearance & restore its natural balance.

**TULA MATHEMATICS:** PROBIOTICS + SUPERFOODS = GLOW

SHOP NOW

# Purpose-Driven Sustainability

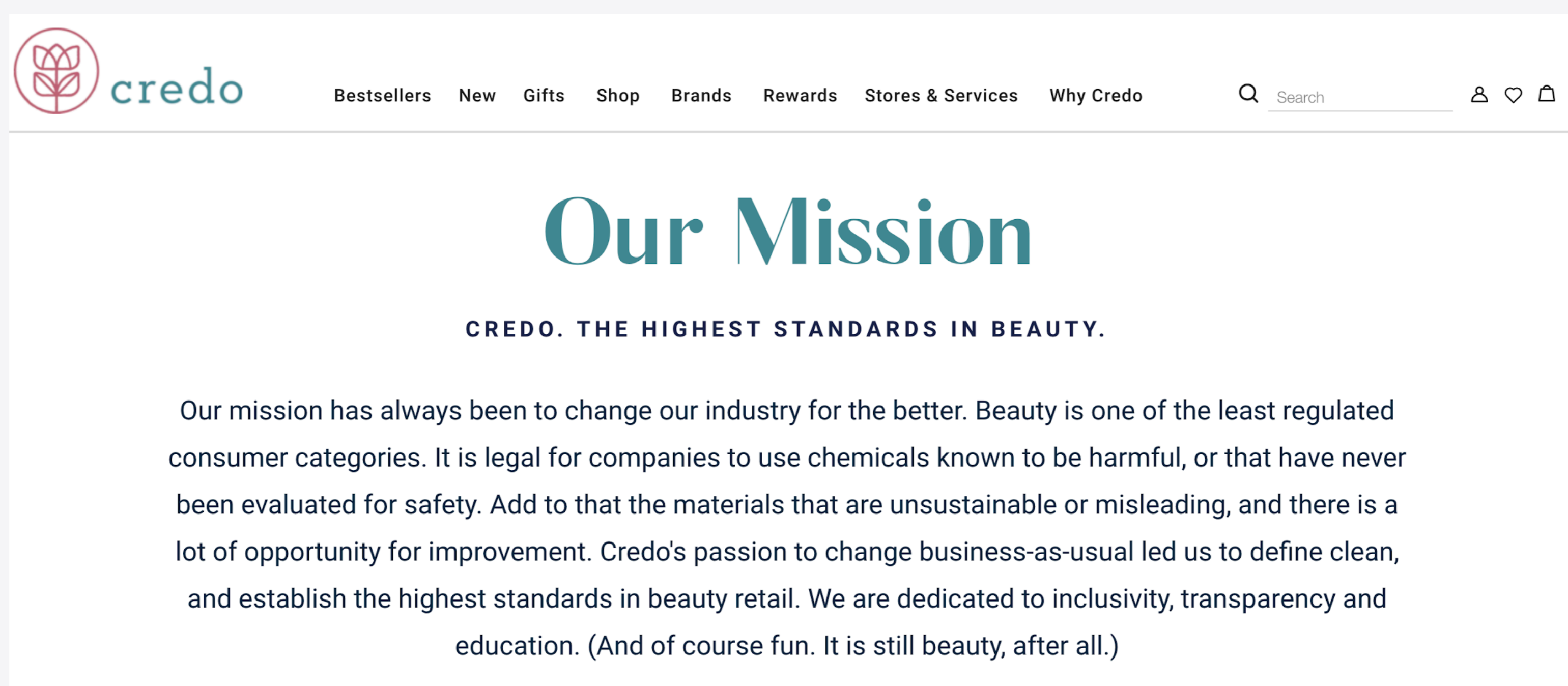
In the hyper-competitive beauty and skincare space, being considered a commodity is the death knell for any brand. Leaders in the beauty space don't sit quietly on the sidelines. They make their voices heard and they stand out from the pack using their mission, vision, and passion.

Consumers increasingly want relationships with brands that convey purpose. In fact, a **2020 study of over 8,000 consumers** commissioned by Zeno Group found that consumers were 4 times more likely to purchase products from purpose-driven companies. Not only that, consumers were four times more likely to recommend a purpose-driven brand to friends and family and four times more likely to trust the brand compared to non-purpose-driven companies. It's clear from the data that having a purpose and being transparent builds trust and loyalty.

**Noteworthy innovators with a focus on purpose-driven sustainability include:**

## Credo

**Credo's** self-stated mission is "to change our industry for the better." They have been inspired by the fact that the beauty sector remains one of the least regulated consumer categories. It is with this in mind that Credo positions itself as a purpose-driven brand, trying to bring "clean beauty" to the masses.



The screenshot shows the top navigation bar of the Credo website. On the left is the Credo logo, which consists of a stylized flower icon inside a circle followed by the word "credo" in lowercase. To the right of the logo are several menu items: "Bestsellers", "New", "Gifts", "Shop", "Brands", "Rewards", "Stores & Services", and "Why Credo". Further right is a search bar with a magnifying glass icon and the word "Search". On the far right are three icons: a person, a heart, and a shopping bag. Below the navigation bar is a large heading "Our Mission" in a teal color. Underneath the heading is the tagline "CREDO. THE HIGHEST STANDARDS IN BEAUTY." in all caps. The main body of text describes Credo's mission to change the beauty industry by establishing the highest standards in beauty retail, focusing on inclusivity, transparency, and education.

**credo** Bestsellers New Gifts Shop Brands Rewards Stores & Services Why Credo Search

## Our Mission

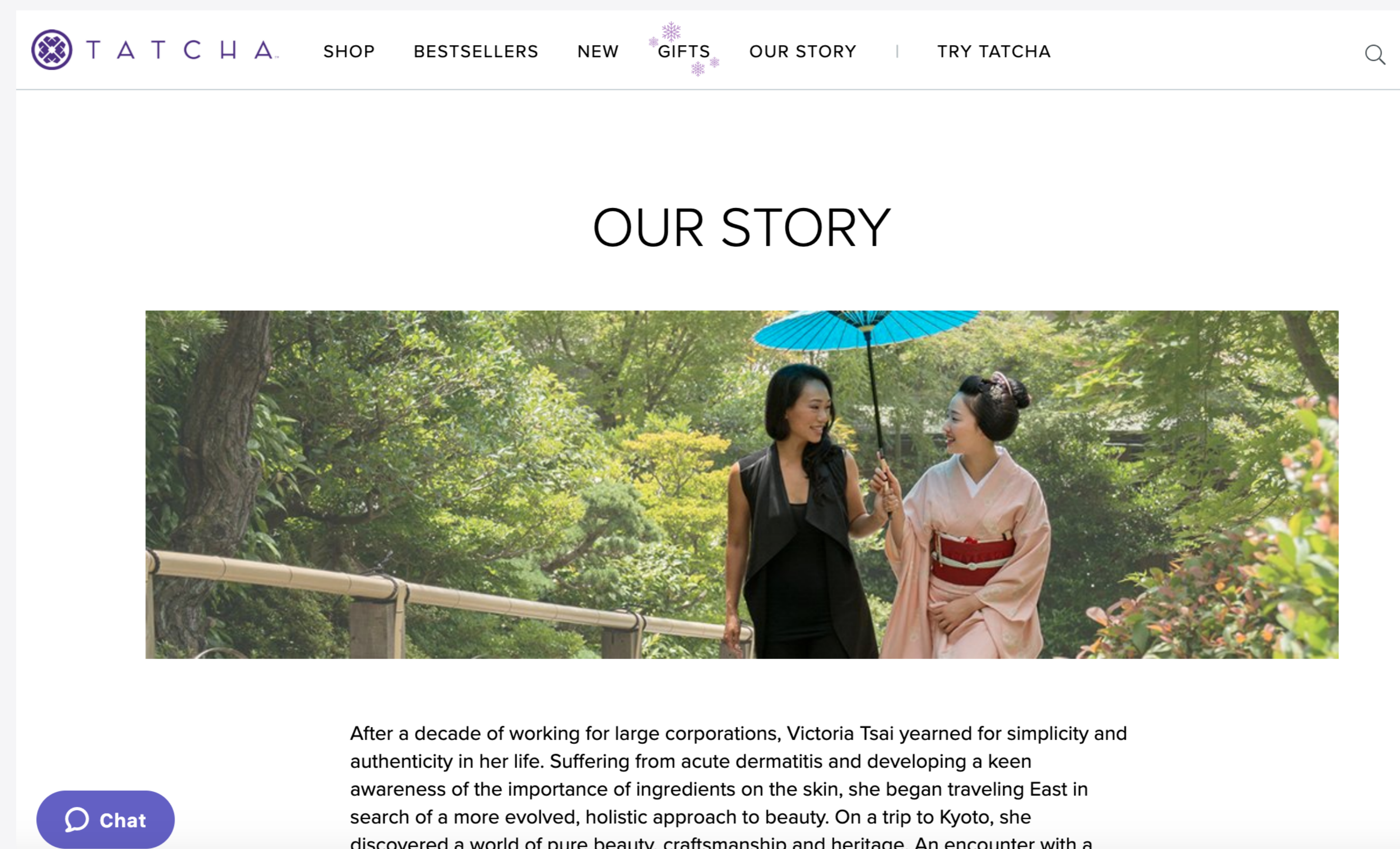
**CREDO. THE HIGHEST STANDARDS IN BEAUTY.**

Our mission has always been to change our industry for the better. Beauty is one of the least regulated consumer categories. It is legal for companies to use chemicals known to be harmful, or that have never been evaluated for safety. Add to that the materials that are unsustainable or misleading, and there is a lot of opportunity for improvement. Credo's passion to change business-as-usual led us to define clean, and establish the highest standards in beauty retail. We are dedicated to inclusivity, transparency and education. (And of course fun. It is still beauty, after all.)




# Tatcha

Tatcha was founded in 2009 by Vicky Tsai. After traveling to Japan, Tsai developed a keen interest in the beauty routines, regimens, and ingredients used across the region. The business has focused on producing high quality products with only the best, simplest ingredients. Interest in clean beauty in the prestige category has driven major brands to take notice. Unilever acquired the Japanese clean-beauty brand Tatcha for \$500 million in 2019.



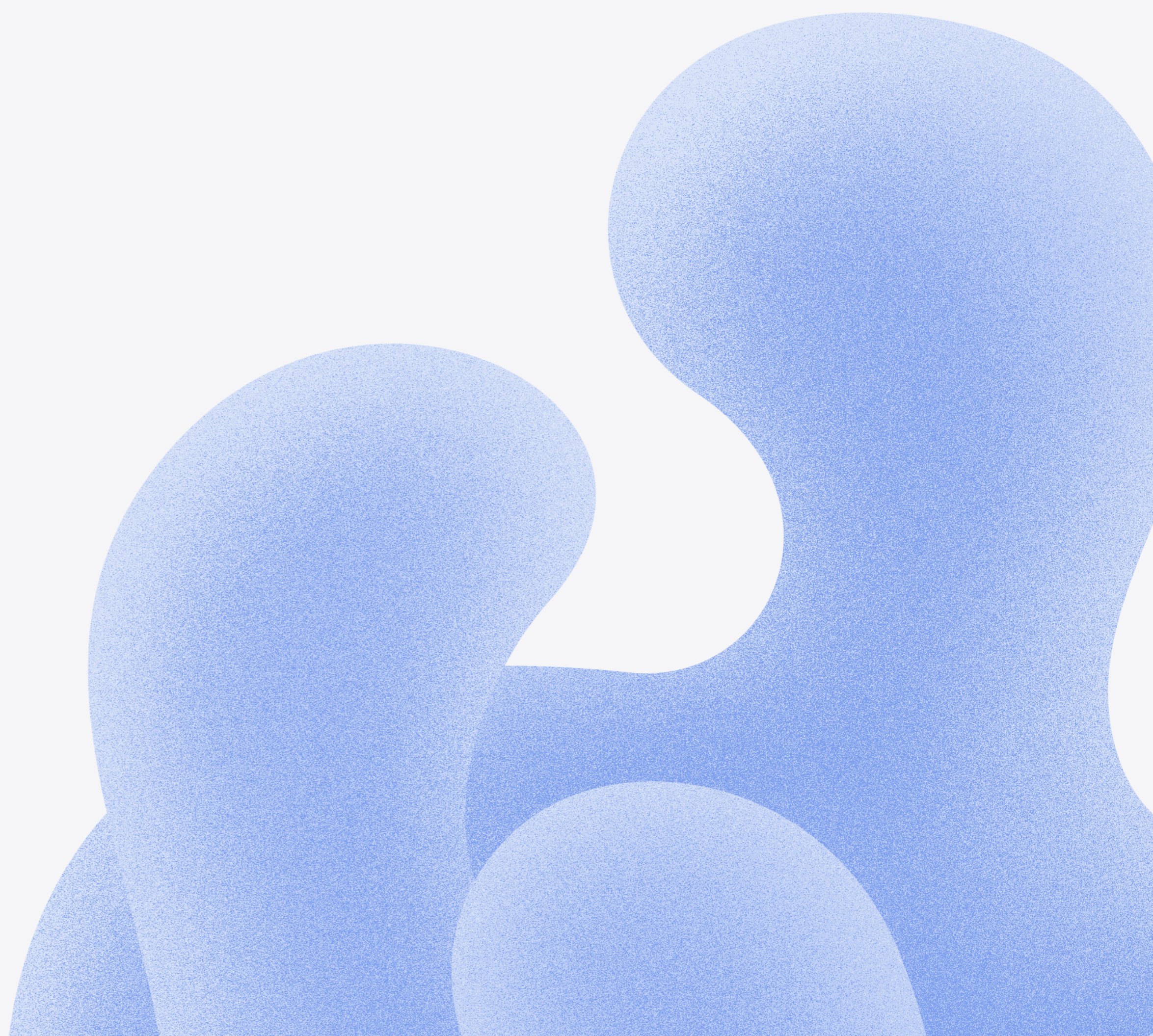
T A T C H A. SHOP BESTSELLERS NEW GIFTS OUR STORY | TRY TATCHA

## OUR STORY



After a decade of working for large corporations, Victoria Tsai yearned for simplicity and authenticity in her life. Suffering from acute dermatitis and developing a keen awareness of the importance of ingredients on the skin, she began traveling East in search of a more evolved, holistic approach to beauty. On a trip to Kyoto, she discovered a world of pure beauty, craftsmanship and heritage. An encounter with a

Chat



# A Bright Future for Beauty Brands Looking to Accelerate Growth

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Over the last several years there has been an influx of new beauty and skincare brands entering the market. Most being digital-first e-commerce businesses. The entrepreneurs at the heads of these companies have addressed changing consumer preferences and behavior by driving innovation in marketing, e-commerce, distribution, product development, and testing to push the boundaries of what it means to be a beauty brand. Some brands, like those profiled in this report, experienced rapid growth because they developed business models, brand positioning, and products which resonated with their target audience, while others have been unable to scale quickly because of lack of resources, experience, or opportunity.

Each year, the beauty space is becoming more crowded. It is harder to stand out and command attention than it was 5 years ago, but with the right team and the right resources brands can accelerate growth quickly.



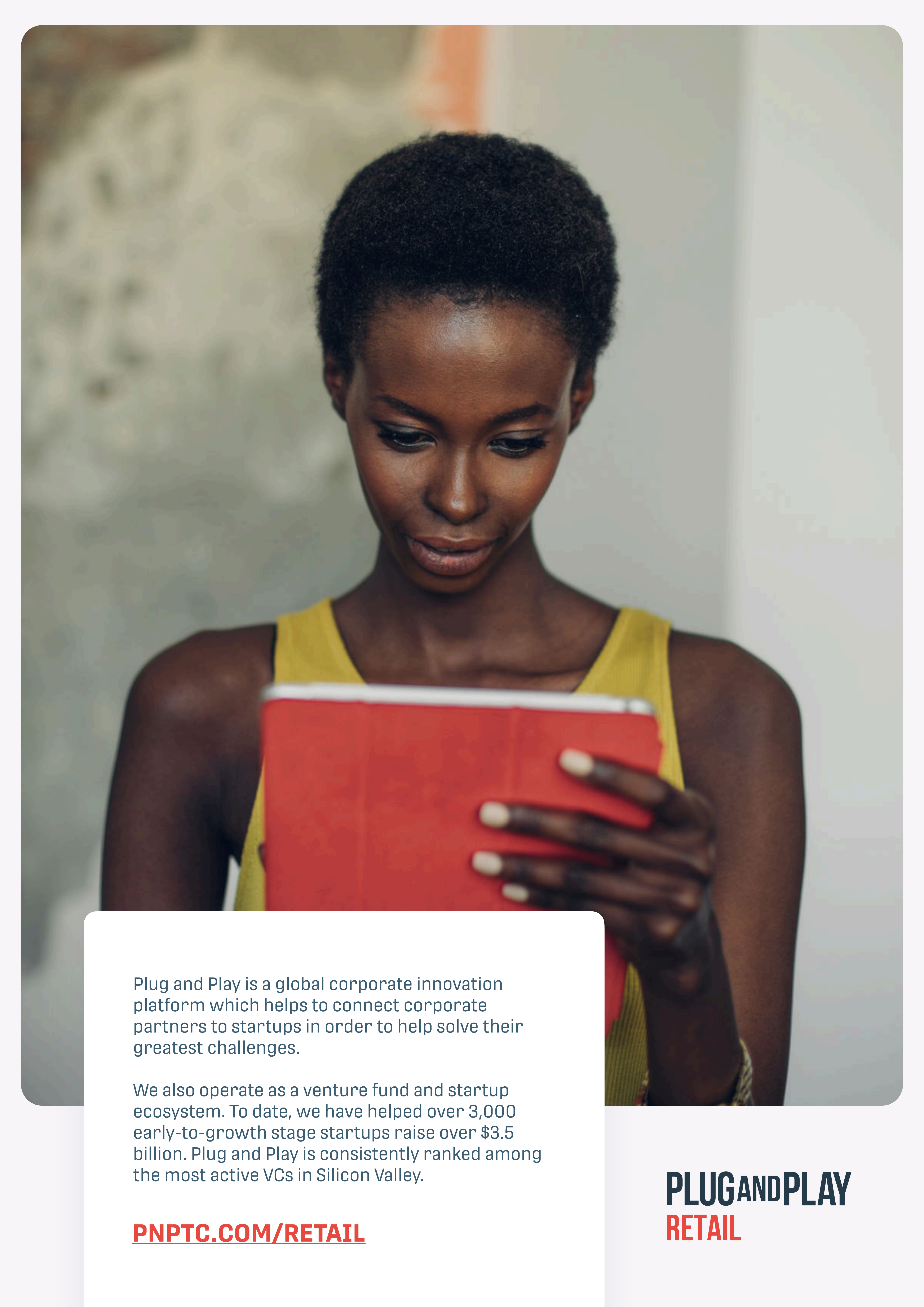
It can be hard for small brands to make a name for themselves or to stand out. Entrepreneurs are looking for rapid growth, but in many instances lack the experience or resources to take their idea to the next level. At the same time, big brands often struggle to move as fast as startups even though they are rich in experience and have access to more resources. There is a lot of opportunity for both big and small players in the beauty space – especially when they work together.

The concept of “co-creation” is important in the beauty industry. Co-creation requires multiple entities to come together to generate solutions or new business concepts that

wouldn't be possible to accomplish alone. Innovation networks, like those created by Silicon Valley's Plug and Play, build win-win relationships between corporations and startups that are based on the principle of co-creation.

If you want to accelerate growth as a startup founder or entrepreneur, perhaps two brains are better than one. If you're a startup looking to make a big splash, consider how partnering with a big brand to build out a new business model or product offering might be mutually beneficial. Although it's not a necessity or a requirement for success, joining forces in this way can often lead to even greater growth in the long term.





Plug and Play is a global corporate innovation platform which helps to connect corporate partners to startups in order to help solve their greatest challenges.

We also operate as a venture fund and startup ecosystem. To date, we have helped over 3,000 early-to-growth stage startups raise over \$3.5 billion. Plug and Play is consistently ranked among the most active VCs in Silicon Valley.

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