

Makeover of the Makeup Industry – Towards Digitalization of the Cosmetics Industry

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Abstract

The economy of the 21st century is synonymously known as a Digital Economy. Economies if categorized on the basis of technology, they are divided in two, pre and post digital era: the Traditional versus Digital economies. This paradigm change in economies from a traditional to the digital economy has been possible due to the Advancements in the Digital Technologies. As the digital transformation swept across economies certain sectors were slow to adapt to the digitalization wave than the others. Some of the pioneer sectors to adopt this disruptive change known as digitalization were the ICT, Media, Finance, Pharmacy, Manufacturing sectors. Service sectors especially the customer-facing service industries such as Beauty, Health, Auto etc., which banked on personal face to face interactions to enhance the customer experience were the laggards in adopting the digital technologies in their interaction with customers. The Beauty sector especially jumped the bandwagon of digitalization tardily. This sector deals with a range of products such as - skincare, hair care, cosmetics, fragrances, appliances etc., also from the service aspect the industry offers services such as salons, and spas. Similar to the clothing retail industry the beauty industry has moved on from being a brick and mortar try and buy industry to a virtual try and buy industry. How has this transformation happened, what are the drivers that have forced on this change? The present paper examines the Digitalization of the Beauty Industry; it proposes to examine the phenomena called Digitalization from the perspectives of both the manufacturers and consumers.

Key Words: *Digitalization, Beauty Industry, Cosmetics Industry, Digital Transformation, Digital Technologies*

Introduction

What is Digitalization?

Digitalization is a transformation; from an industry point of view it is defined as integration of digital technology into the everyday activities of the business. Better worded it is the digital transformation of organizations' everyday operations. According to the article: *What Is Digital Transformation?* Digitalization fundamentally changes how you operate and deliver value to customers. It is the process of moving to a digital business. (2016).

Operating in a digital economy; digitalization has been in the offing for a long time. The digital transformation happening in recent times is much different from what it was a few decades ago, the early 60's saw an acquisition of digital assets, if an organization had digital assets it meant the transformation happened i.e., if you were using digital technology such as computers or automated machinery that helped conduct business process digital transformation was a foregone conclusion. Then came the concept of digital usage i.e., the company should engage digitally with its stakeholders such as customers and suppliers, distributors etc., that meant implementation of a customer care department along with a digital inventory management system. The recent times have seen a more complete transformation which requires a strategic digital innovation incorporating digital assets, digital usage along with a digital workforce.

Why Digitalization?

As digital technologies make progress it makes sense to implement them since the benefits offered far surpass the difficulty encountered due to transformation. The benefits of digital transformation if listed, is as follows: improved efficiency, better customer experience, cost savings, revenue growth, flexibility, better employee engagement and culture, better supply chain management, better operating model, improved competitive advantage (Mroczkowska, 2020). Going by the benefits that digitalization offers it can be inferred that digitalization is imperative.

Though there still exists' this ambiguity regarding what is digitalization: is it the automation of processes, or is it a continuous change process, or is it a strategy. What is clearly evident is that all sectors have jumped the bandwagon of digitalization- Be it the pharmaceutical, agricultural, construction, educational or IT companies, every organization is different and Digitalization may mean different things to different industry sectors and all are vying in implementing it. (Bloomberg, 2018)

Industry Digitalization

It is established that digitalization is the way forward. How digitalized is each sector depends on the measured digital index, which in turn depends on the index categories - digital assets, digital usage and digital workforce (*Which Industries Are the Most Digital (and Why)?*, 2016). Digital competencies can help a company surge ahead, by gaining competitive advantage. Examining the state of digitalization across sectors, the rate at which adoption is taking place is different across different sectors. Some have jumped the bandwagon early on and are reaping the benefits of digitalization. Some of the sectors that have pioneered the digitalization journey are the media and telecom, followed by retail, financial and automotive sectors. (Mc Kinsey Global Institute, 2019)

The retail industry comprises of all such companies that are involved in the buying and selling of goods and services. Retailing was one

of the sectors that jumped the bandwagon of digitalization early on. Not many in the retail sector have been able to resist the digital transformation. Digitalization has enabled retailers to improve their business processes and become more customer centric. Digitalization has impacted consumer behavior lines, digital platforms have transformed the way of shopping from offline to online. Digitalization changes the very nature of production and provision of services by introducing completely new technologies and service delivery platforms (Shcherbakova, 2019). The retail industry will be increasingly influenced by the digital transformation and organizations need to be future ready.

Though many industries have moved towards digitalization, the beauty industry is one such industry that lagged behind.

Why is it that the beauty industry is a laggard in the adoption of digitalization?

The Global Beauty Industry is worth USD 274 Billion and the share of the Indian Beauty industry is USD 5 Billion, it is predicted to grow at an annual rate of 25% to touching USD 20 billion by 2025. These staggering figures are an indication of the potential of the Beauty/Cosmetics and Skincare Industry. For an industry that has tremendous growth potential the industry lacks in the adoption of digital technologies in its primary and secondary business activities of the value chain.

The primary reason is that sales in the beauty industry depended on in person shopping. Except for skincare and hair care products, if one was buying color cosmetics or fragrances the customer preferred visiting the store, trying on the product, then decide to buy the product if they felt that it suited their preferences.

For long the industry operated on the premise that consumers would buy the product only after sampling the product. For the organization this meant that there would have to be retail outlets provided with sufficient samples that the customers come and check in person before buying. The sales assistant if trained regarding

product usage, it could enhance the customer experience by helping the customer make better choices. For example when a consumer walks into a beauty/cosmetics store and the sales assistant is able to help the customer pick a product that suits his/her skin condition and the product in turn has worked well. The knowledge that the sales assistant has gained through proper training has bettered the consumers experience adding value to the interaction.

Digitalization of the Beauty Industry

The beauty/cosmetics industry can be categorized as a consumer facing industry, sales were predominantly carried out through in person visits to the brick and mortar stores. Marketers were dissuaded to make the transition from offline sales to online. It was a big NO NO, marketers believed unless consumers sampled the products i.e., tried the products on themselves they would not be willing to buy the product.

Though there was initial hesitancy in the beauty industry to adopt digitalization, many organization realized that they either change now or perish. They were many changes some disrupting, some gradual that propelled the beauty/cosmetics industry towards digitalization some of them can be summarized as follows:

Changes in demographics, technology, and community are driving seismic shifts in the beauty and cosmetics market (Quick Books Commerce, n.d.).

Demographics

According to Craig (2019), Consumers are now in the driver's seat – they are no longer going to be told what to do or what do buy. They know what they want and they will interact with brands how they want to.

Profiling the millennial consumers they are known to be technology savvy and there exists a willingness in them to try new things, they are more adventuresome in shopping than the older generation. A large percent of today's

population are millennial consumers who are digital natives.

The millennial women are on a journey of self exploration. When it comes to makeup they are more conscious of the fact that makeup can make you look your best, and help them put their best foot forward.

Putting these two aspects (willing to try new things and tech savvy) together it is understood that consumers of makeup/beauty products have changed they are ready to move forward, it is only a matter of the product offering that has to change.

Technology

Even as recently as the early 2010s, we could not have imagined how deeply ingrained technology would be in the way we shop. But today, we're buying everything from a made-to-order skin routine to our monthly sundries online (Sapre, 2020)

More and more people are turning to the internet for their product search and research. People have gotten used to buying from online platforms, no more there is hesitancy on their part. Even the disinclined consumers today are willing to purchase online.

Beauty and cosmetics brands that resist e commerce might soon find their slice of the market shrinking. The traditional channel of distribution, the brick and mortar store has been replaced by the online platform. There isn't just one reason for the sea change in consumers behavior, there are varied reasons it can be attributed to: it could be that consumers are already used to purchasing other products, the ease and convenience of other products i.e., the experience of the purchase has prompted them to also buy beauty product online. Cosmetics brands have quickly moved from a product-based model to an experience-based model. It is no longer just about the product.

The other reason the shift to online purchasing could be the plethora of product choices available in an online store which is not available in an offline store. Online stores offer multi-

brands on a single platform which often is not the case in offline stores.

Breakthrough technologies such as Augmented Reality and Virtual reality have changed the marketing landscape of the beauty/cosmetics industry and promoted online shopping of beauty and skin care products.

Brands, especially consumer-facing ones, have been turning their attention to artificial intelligence (AI) and augmented reality (AR). These relatively new technologies have particularly popular applications in the beauty and cosmetics industry, enabling both B2C and B2B buyers to virtually try on makeup before committing to a purchase (Quick Books Commerce, n.d.).

In the beauty/cosmetics industry as technology has progressed, so has the extent of digitalization progressed. Production has moved from mass to exclusive/customized. Operational processes such as supply, inventory, and delivery have been automated. Automation has led to the creation of an opportunity for better service, better relationships; be it with customers or suppliers.

Community

For the sellers of beauty/cosmetics products the downside to online shopping was how to build trust. One of the major roadblocks to the smooth transition to online platforms was trust, when it came to buying makeup/cosmetics from an online platform it involves a certain amount of risk in terms of: whether the product purchased is a genuine product, there is lack of a touch and feel of the product, there is a risk that the color cosmetic chosen does not actually suit the customer.

The risk could be disseminated if there was someone or something that could instill trust. It was the influencer community to the rescue. Cosmetics/Beauty product consumers turned to beauty influencer for reviews regarding products that they wished to purchase.

It is not the friends or family who became the opinion leaders they were displaced by the influencer community. Based on the influencer

reviews purchases were being made e-WOM known as e- word of mouth (online reviews) played an important role in influencing the attitude eventually the purchase decision of consumers. Social feeds such as Instagram, facebook played an important role. Millennial consumers are more likely to trust and purchase a particular brand based on the reviews or post of an influencer. The power of video was the latest trend to hit the beauty/cosmetics industry. Video reviews on Youtube made by beauty influencers could make or break a brand; that was the power of video. The online community became the persuaders who could convince consumers to buy a product.

Trends in the Beauty/Cosmetics Industry

Consumers of Beauty/Cosmetics products say that usage of the beauty/cosmetics products instilled a sense of confidence in them. These changes in consumers perceptions, tastes and habits along with technology has revolutionized the beauty industry. To catch up with the changing times digitalization became imperative. There have been so many changes adorning the industry. Trends such as:

- Inclusivity
- AI Technology
- Personalized Experiences
- Subscription Services
- Clean Beauty
- Big Data
- Influencers
- Brand Partnerships
- Hyper- Personalization

All of this means that the industry is embracing the changes and technology plays an important role in how the transformation happens without any hiccups.

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