

FRAGRANCE AND PERSONAL CARE

## Is drop retail the next step in the digital transformation of beauty brands?

July 7, 2020



*The simplified product structure and streamlined supply chains make it easier for DTC brands to shorten the development cycle for new products. Image credit: MAC Cosmetics*

By [Alexander Wei](#)

Subscribe to **Luxury Daily**  
Plus: Just released  
State of Luxury 2019 **Save \$246 ▶**

Initially popular with streetwear brands, the drop retail model soon caught on with luxury labels and now beauty brands are jumping on the bandwagon as well.

On June 23, MAC Cosmetics announced the launch of its "MAC Underground" program, which offered its beauty community access to limited edition drops. Its first product a highlighter compact released for Pride was limited to 1,000 units only. It sold out within 55 minutes.

Unlike its main product line, MAC Underground is conceived as an exclusive limited collection distribution channel for loyal customers and will release new products occasionally.

[According to Ukonwa Ojo, chief marketing officer of MAC Cosmetics](#), MAC Underground will unveil a new collection one or two times per quarter. As a pilot program within the Estée Lauder Cos portfolio, other brands may emulate this same model in the future as well.

The positive response to MAC Underground's first collection is encouraging. Due to the pandemic, brands have been hard hit across the board given the reduction of offline activities for potential client recruitment and beauty brands are not spared.

While [skincare brands especially those that promote clean beauty are arguably in greater demand](#) given the larger proportion of people working from home and growing focus on health and wellness, the cosmetics category has proven to be less popular. This is exacerbated by the now-ubiquitous surgical mask, which negates the need for a fully made-up face when outdoors.

[According to market research firm NPD Group](#), total makeup sales in the United States fell by 22 per cent year-over-year in the first quarter of 2020, to a value of \$1.4 billion. The Estée Lauder Cos.' [fiscal 2020 third-quarter results ending 31 March](#) released on May 1 shows declining sales across every category. Global makeup sales were down significantly 22 per cent year-over-year, to \$1.15 billion.

While 1,000 units of a \$30 highlighter might barely be a drop in the ocean for brands that have lost millions of dollars because of COVID-19, it certainly helps to pique and revitalize the attention of shoppers during this consumption downturn.

That said, MAC is not the only brand in the beauty industry to dip its toes in this sales tactic the drop retail model has influenced many direct-to-consumer (DTC) beauty brands since their inception.

Pat McGrath Labs is no stranger to the drop strategy as well.

During Prada's Spring 2016 show, the seasoned makeup artist sent models down the runway with lips painted a highly pigmented, shimmering gold.

The beauty and fashion worlds were immediately abuzz about this mysterious new product, but no official statement was released by either brand, adding to the intrigue.

A week later, Ms. McGrath and her team staged a [guerilla takeover of the Tuileries](#), painting the faces of celebrities and passers-by alike with the metallic powder. Details were later revealed on Instagram, with the mysterious "gold dust" later christened Gold 001 being offered in a limited quantity of 1,000 packets on the Pat McGrath Labs website for 24 hours only. They sold out in a matter of minutes.

If there is one thing the product drops by MAC and Pat McGrath Labs has shown is that generating hype and creating products in limited quantities have proven to be an effective strategy across product categories even beauty.

However, these releases need to be generated at a substantial pace in order to make an impact in terms of marketing and branding.

The simplified product structure and streamlined supply chains make it easier for DTC brands to shorten the development cycle for new products.

That said, it is not impossible for legacy makeup brands to adopt this drop model as well.

At present, conglomerate-owned beauty brands such as Make Up For Ever, Becca and NARS regularly release seasonal, festival-related and thematic limited edition collections.

However, these launches which usually encompass a few color tweaks within existing palettes or specially designed packaging have become run-of-the-mill for consumers.

Instead, brands can consider consolidating these fragmented collections under an exclusive retail channel and refining their promotional strategy not unlike what MAC did with its MAC Underground project.

Not only does this better appeal to the novelty-loving psyche of today's consumers, it also builds on the idea of a community and releasing products to people in the know, instead of the masses.

This model also largely taps on a brand's existing customer base, which also serves to help brands strengthen their own content distribution channels and build up a loyal following.

Building up community through private traffic

DTC brands such as Glossier, Milk Makeup and China's wildly successful [Perfect Diary](#) demonstrate the value of community.

For beauty brands these days, building up a community is the next step up from a loyalty program. Today's consumers no longer want to be treated as a statistic, categorized by their spending. They want to be heard, to be treated with privilege and even to be involved in the development process of products.

Incorporating these elements into its marketing and product development strategy was what propelled Glossier to superstar status.

Glossier founder Emily Weiss famously collects opinions and ideas from followers through social media, as well as her beauty blog *Into the Gloss*, which reportedly [doubles up as a "focus group" for the brands in terms of product development as well](#).

Developing exclusive channels for product drops also presents itself as an opportunity for brands to better understand their consumers. These channels largely leverage a brand's [private traffic, which can provide more operational possibilities](#) than simply reaching out to followers on social media channels such as Facebook and Instagram.

Not only can brands better comprehend their consumers from a data perspective, but they can also better engage with and target customers that have a real interest in the brand.

Appealing to a wider consumer base

For legacy beauty brands, the drop concept also gives them the opportunity to refresh their image and appeal to a larger consumer base.

Following the popularity of its 2019 collaboration with Kith, Este Lauder chose to work with streetwear brand again this year, releasing a makeup kit for Women's Day. The set included lipstick, foundation, lip liner and mascara.

This collaboration between a traditional beauty brand and an edgy streetwear brand is reminiscent of the [collaboration between Polo Ralph Lauren and Palace released in November 2018](#) yet another project that was met with much success.

By adopting this model, legacy beauty brands can use it as an opportunity to could collaborate with unexpected brands or artists, without affecting or diluting their existing brand image.

Seen as a project on the side and not as part of the main line, these exclusive drop collections give beauty brands the freedom to try something different perhaps even experiment with a style that is more popular with the younger generation.

Furthering the omnichannel experience

The drop retail model may also serve as an impetus for brands to rethink their ecommerce and omnichannel strategy in the West.

At present, when brands launch new products and collections via social media platforms such as Instagram and Facebook, the consumer's purchase intention remains a challenge to capture because of the lack of strong ecommerce integration on these platforms.

More often than not, brands redirect these consumers to their official Web sites or retailer sites such as Sephora or Ulta to complete the transaction. Inevitably, some consumers will be lost in the transition process.

In China, luxury fashion brands such as Burberry, Louis Vuitton and Moncler have been tapping on WeChat to release their limited-edition product drops to much success.

Besides the obvious benefits of an integrated social tool that not only pushes information about exclusive drops to followers and tracks user behaviors, it also offers shoppers a seamless purchase journey.

With the help of WeChat Mini Programs, consumers can explore the exclusive product and purchase it directly within the WeChat ecosystem with a single click. While highly viable for beauty brands in the Chinese market as well, few have leveraged this model to its full potential.

There may not be a current equivalent in the West at the moment, but the success of WeChat as a drop retail channel is in its community and seamless consumer journey something that brands can replicate internationally by building exclusive, brand-owned channels for their product drops.

Ecommerce functionality can then be easily integrated, giving consumers a better shopping experience online that matches what is offered offline.

Beyond its ability to drive brand awareness and achieve short-term marketing gains, drop retail should also be viewed as a long-term customer recruitment and retention strategy by beauty brands. If the sneaker brands can do it, why cannot beauty?

*Published with permission from [Luxury Society](#), a division of DLG ([Digital Luxury Group](#)). Adapted for clarity and style.*