

FRAGRANCE AND PERSONAL CARE

Online beauty sales drop as consumers go in-store: report

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Beauty retailers must meet consumers in stores if they want to sell products. Image credit: Sephora

By NORA HOWE

The beauty industry remains resilient in the face of numerous challenges. However, data shows that online sales are down, suggesting consumers want to return to physical shopping in this high-touch category.

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According to its [2022 Ecommerce Prestige Beauty Spotlight](#), analytics and consumer transaction data provider 1010data found that online sales between 2021 and 2022 fell 14 percent a stark reversal of the 51 percent increase seen in the prior period. That being said, beauty retailers must continue honing their digital capabilities and online presence to keep up with changing shopping sentiments.

"Despite recent pressures including supply chain challenges, tight labor markets and rising inflation, retailers are reporting continued growth in the beauty category," said Jonah Ellin, chief product officer at 1010data, in a statement.

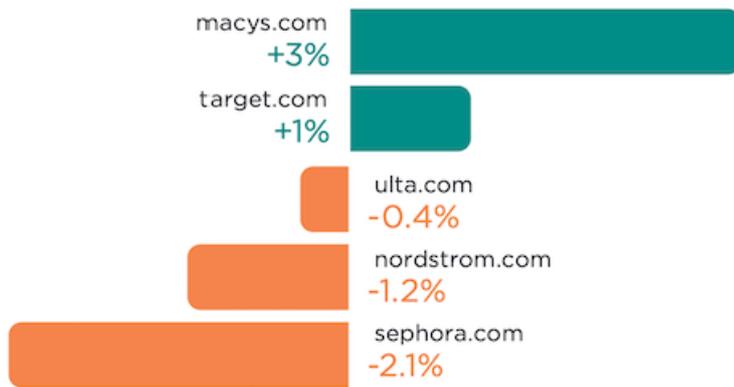
"While our data registers a drop in online sales, the overall positive increase in year-over-year earnings stated by retailers in their earnings reports, suggests a movement back to shopping in stores, at least when it comes to this high-touch category."

For this report, 1010data examined Q1 earnings reports from key U.S. retailers such as Sephora, Ulta, Nordstrom, Macy's and Target.

Shifting behavior

While beauty retailers saw more than \$3 billion in sales through online channels in the last year, a 36 percent increase compared to 2020, there has been a 14 percent decline between 2021 and 2022.

Amid this online slowdown, however, the data shows that some subcategories still managed to grow online and certain retailers thrived. Shoppers still found ways to express their individuality and experimented with new trends and brands.



Macy's is picking up share in the prestige beauty space, likely at the expense of leading competitor, Sephora. Image credit: 1010data

Of the categories analyzed, fragrance captured the most share at Macy's with a 3.3 percent increase, suggesting people have returned to more consistent in-person social engagements. Suncare rose 0.2 percent and hair appliances, body care and lip products each rose 0.1 percent.

Despite the recent push for skincare and beauty, facial care products fell 1.8 percent at Macy's.

The shift away from skincare to eye and face makeup in the past year can be somewhat attributed to a hybrid return to the office. More likely, however, is a return to social activities, such as dining out, parties and out-of-home entertainment.

At prestige beauty retailers, outside of Macy's and Target, 1010data found a drop across most product categories with the exception of fragrance.

Even those opting to make purchases online are still going to the store to pick up their items.

Convenience appears not to be driving online purchase decisions as Macy's showed the only share growth in the delivery space, with all other retailers holding stagnant or declining.

When looking at buy online, pickup in-store (BOPIS) or click and collect orders, Sephora was the clear winner with 7.8 percent growth in this space.

Overall, a return to brick-and-mortar continues to drive growth in the beauty space. The significant drop in prestige beauty shopping online signifies that shoppers prefer the experience of shopping for makeup in person rather than ordering online.



Despite the rise of e-commerce and digital presence, luxury brands recognize the power of in-store experiences. Image credit: Valentino

This just underscores the importance that brands and retailers should be placing on in-store experiences.

Return to retail

Last year, luxury travel retailer DFS Group continued its investment in China with the opening of a new beauty hall. In partnership with Shenzhen Duty-Free Group, DFS opened the network in the Chinese province of Hainan in a ceremony attended by representatives from Mission Hills, both groups and more.

The beauty hall boasts more than 80 global leading beauty brands, such as Dior, Lancme, Este Lauder and Christian Louboutin, in a space spanning more than 68,000 square feet over two levels ([see story](#)).

Cond Nast-owned beauty publication Allure is offering a 360-degree shopping experience with a new store in New York. Located on Lafayette Street in the city's SoHo neighborhood, the Allure Store sells an editorial-led selection of beauty products integrating the publication's positioning as a beauty authority.

The curated offerings include more than 280 makeup, haircare and skincare items from more than 150 brands ([see story](#)).

"One key to success in 2022 and beyond will be for retailers to focus on their in-store presence and online education and marketing to meet their customers where they want to be," Mr. Ellin said.

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