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Holistic Wellbeing: BEYOND Beauty

CAPSTONE WHITE PAPER

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ABSTRACT

The U.S. beauty industry has entered a new era of the evolving consumer who prioritizes a happy and fulfilled life through physical and mental well-being. To cater to the renewed consumer needs, the beauty industry will need to redefine its purpose, prioritizing humanity over vanity. In order to survive and thrive, the industry will need to go *beyond* topical, *beyond* transactional, *beyond* transparency, and *beyond* traditional ways of selling.

Shifting consumer behavior and preference will overhaul traditional ways of doing business in the short and long-term for beauty companies. Consumers will identify products and services as essential and nonessential, placing emphasis on essential products that promote health and wellness. In a post-COVID-19 era, the concept of luxury will be altered, with disposable income shifting towards wellness-oriented products becoming the new luxury. Increased dependency on digital selling platforms will drive luxury to go *beyond* its traditional selling model, merging with mass. The need to provide consumers with high-touch service offerings will drive beauty brands and retailers to create virtual intimacy via technology. The consumer need for science-based products and trusted service will lead to a new selling model that goes beyond transaction and towards relationship and service based, where the Professional Health Concierge guides consumers to more holistic health, wellness, and beauty routines.

However, for beauty to move *beyond* its traditional purpose and function, several factors will need to take place. Mergers and acquisitions will need to move towards the marriage of the beauty, health, and wellness sectors, reflecting the portfolio of Johnson & Johnson. Technology will need to become the ultimate connector that brands use to create intimacy and connection. A new marketing model of the infinite consumer will need to take center stage, focusing on emotions through a shared interpersonal and purposeful relationship with consumers. Connection and trust will be the key factors in taking beauty *beyond* vanity to humanity.

CONTENTS

INTRODUCTION 4

METHODOLOGY 4

BEAUTY & WELLNESS THROUGHOUT HISTORY 5

THE U.S. CONSUMER..... 6

 Nation in Despair 6

 The Sick-Care Nation..... 9

 Aspirational Longevity..... 10

 Evolving Male Consumer..... 11

INDUSTRY 12

 Beauty Redefined..... 12

 Essential & Nonessential Beauty Products 13

 Beauty Spiritualization..... 15

 The Rise of Psychedelic Wellness 16

 Mergers & Acquisitions 17

RETAIL..... 20

 Beauty Unification 21

 The New Retail Model for Lux: Digital Distribution 22

 The New Selling Model 23

 The New Epicenter: Home 25

TECHNOLOGY TAKING BEAUTY BEYOND..... 26

CONCLUSION 29

BIBLIOGRAPHY 30

INTRODUCTION

For centuries, unattainable beauty ideals have pressured women to put vanity before health, spending disposable income on beauty products that promise to make them look more beautiful. For years, makeup products have covered up stress-related acne while pricey skin care products have promised women younger-looking skin. Overtime, the beauty consumer has evolved. Instead of prioritizing vanity, this consumer is seeking a happy and fulfilled life which, at the core, means mental and physical well-being.

However, Americans are nowhere near the aspirational wellness and longevity that they seek. The nation is ridden with chronic and pervasive stress brought upon by economic hardship and glaring inequality, loneliness, isolation, sleep loss, burnout, and societal pressures. The staggering increase of 386.5% and 157.6% in drug overdose and alcohol-related deaths respectively in the past twenty years are the symptoms of mental and emotional pain (Rivas, 2019). Moreover, the nation operates in a “sick-care” system, where doctors more frequently treat symptoms rather than addressing the root cause of the problem with 17% of premature mortality attributed to deficiencies in health-care access (Wells, 2019). Despite spending \$3 trillion annually on healthcare, the world’s wealthiest nation ranks 68th in life expectancy among the developed nations (Etehad & Kim, 2017).

As the nation continues to tackle the systemic health issues, the impact of the global pandemic brings to question – how much longer can beauty brands continue to sell the idea of vanity instead of selling the notion of wellness, humanity, transparency, and products that deliver scientific results? The beauty industry will need a new purpose and will have to take action to ensure consumers feel safe and satisfied by delivering performance-driven products and services backed by science. In order to address the current needs of consumers, beauty will need to go *beyond* topical, *beyond* vanity, *beyond* traditional ways of selling, and think *beyond* the traditional consumer. Most urgently, beauty will need to be redefined.

The purpose of this academic paper is to: 1) Explore the history of beauty and wellness and their fundamental purpose. 2) Define the needs of the evolving U.S. consumer by addressing the nation’s health, the “sick-care” system, and the individual quest for quality longevity. 3) Discuss the actions the industry must take to redefine beauty, inclusive of essential and nonessential categories, beauty spiritualization, psychedelic wellness, and the future of mergers and acquisitions. 4) Explain how retail will react to consumer needs and alter their ways of selling. 5) Address technology’s role in moving the industry *beyond* beauty.

METHODOLOGY

In pursuit of distinguishing, defining, and making informed recommendations on the future of holistic wellness in the United States, students from the Fashion Institute of Technology’s (FIT) Cosmetics and Fragrance Marketing and Management (CFMM) class of 2020 spent a semester building a Capstone presentation. Students amalgamated two years of research and insights and implemented primary and secondary research to obtain content from all angles. Primary

research included field studies conducted in France, Denmark, Sweden, and the United States. It should be noted that field studies intended to be conducted in the United Arab Emirates and India were cancelled due to the onset of the COVID-19 pandemic. To supplement this research, students conducted primary research on Survey Monkey, surveying 546 respondents in the United States, to understand the perceived valuation and opportunity to expand the wellness industry. The audience was comprised of Americans, of which 57% were females, 43% males, ages 18 to 60+, with household incomes between \$0 to \$200K. In addition, students conducted intensive desk research, collectively watched 30+ documentaries, sourced publications, conducted local store visits, and engaged with industry leaders through one-on-one interviews across the globe.

Two world events occurred during the Capstone research and preparation: the COVID-19 pandemic and resurgence of the “Black Lives Matter” movement. While the research and presentation were derived from a broader industry lens, both events had a significant impact in shaping the trajectory of the work

BEAUTY & WELLNESS THROUGHOUT HISTORY

The evolution of beauty and wellness has transcended throughout centuries in American culture. Throughout the 19th and 20th century, advertising companies like JWT defined American beauty “types” through ad images illustrating ideal feminine beauty on the cover of popular women’s magazines. Historians identified the various beauty types as “Steel Engraving Lady,” the post-Civil War “Voluptuous Woman,” the “Gibson Girl” (1890s), and the “Flapper” (1910s). Eventually these types evolved into the “New Woman” image that appeared in the mid-twentieth century, altering perceptions of what women could be and do (Jones, 2010). The “New Woman” was active, often portrayed as playing sports or riding a bicycle, and through various manifestations, conveyed the new social, political, and economic possibilities for womanhood.

Mid-20th century television also had an impact on beauty which was multi-faceted and profound. It was the platform that turned beauty pageants into international media events, showcasing the “Miss Universe standard of beauty” in terms of face, figure, proportions, and posture (Jones, 2010). Hollywood and fashion magazines were mediums that greatly contributed to the diffusion of American beauty, lifestyle, and fashion ideals (Jones, 2010). As images of the ideal standards of beauty continued to infiltrate media outlets, simultaneously, women evolved their role in society. Women began entering the work force and playing a more equal role in the household. The maintenance of these previous “cover page” standards of beauty began to grow unrealistic and unattainable.

The women’s liberation movement and the sexual revolution of the 1960s and 70s, posed challenges for the beauty industry and women began to question whether beauty did more to liberate or enslave them (Jones, 2010). Feminists criticized the industry and felt that it offered women no choice but to aspire to be young and beautiful or feel like a failure. As a result, advertisements in the late 70s early 80s began to shift to show assertive and independent women in control of their own lives (Jones, 2010). In the 90s, brands touted a more natural looking

approach to beauty with the launch of new brands like Bobbi Brown Cosmetics. The American woman slowly started shifting away from vanity, as she developed stronger self-acceptance and felt empowered to enhance natural beauty versus alter it.

In tandem to beauty shifting further away from vanity, wellness evolved to be a holistic approach to self-care. Wellness, although its inception in the U.S. occurred in the 1950s, began its profound movement between 1980 and 2000, as medical, academic and corporate worlds took notice. In the 1970s Dr. John Travis opened the world's first wellness center in California, and from there, throughout the 80s, wellness centers spread across the U.S. During the 1990s and 2000s, workplace wellness programs, fitness and spa industries, and self-help experts took off, bringing wellness mainstream. According to the Global Wellness Institute, the global wellness market represented 5.3% of global economic output in 2018 and has grown 12.8% in the last two years (McGroarty, 2020). Often associated with wellness and well-being, eastern approaches have infiltrated western culture (Walton, 2016), with over 37 million people in the U.S. practicing yoga, up from 20 million in 2013. More than 80 percent of people aged 18 to 34 are already spending a quarter of their disposable income on health products and services (JLL, 2018), resulting in the projection that the U.S. corporate wellness market will reach around \$15.5 billion by 2024 (Cision, 2019).

Positive future growth in the wellness industry is undeniably needed, with 75% of people in the U.S. described as unhealthy (Eklund, 2016). However, because it is not democratized, wellness is not solely the answer. Access to nutritional consultations and therapy sessions are luxuries that only the top 1% can afford. The future of beauty will depend on how it can definitively and successfully merge with wellness in order to deliver beauty *beyond* vanity.

THE U.S. CONSUMER

The U.S. consumer has been faced with multiple adversities over the course of the last decades. The nation has dealt with the 9/11 terrorist attack, the recession of 2008, and the recent global health pandemic. Although this nation is admired by many countries globally, and the "American dream" is still an aspiration to many, the toll that the nation's lifestyle has taken on the greater population, needs further examination. For the country, individuals, and consumers to thrive, quality of life needs significant improvement. The beauty industry has the responsibility to provide the consumer with opportunities to do so, regardless of income level and social standing. The consumer section of the academic paper addresses: i) The nation in despair, inclusive of the rise in micro pandemics, ii) Challenges of the "sick-care" system, iii) Individuals' quest for longevity, and iv) The evolving male consumer.

Nation in Despair

In the 1960's the United States had amongst the highest life expectancy in the world. Today, despite spending \$3 trillion annually on healthcare, the world's wealthiest nation ranks near the bottom of major developed nations in life expectancy, driven primarily by death related to drug overdose, chronic liver disease, and untreated mental illness that leads to suicide.

The nation’s prevalent lifestyle leads to severe physical and mental health conditions, some of which are the cause and effect of economic hardship, glaring inequality, loneliness, isolation, sleep loss, burnout, performance, and societal pressures. Access and affordability of mental health practitioners is an inhibitor to mental health diagnosis and treatment. Mental health visits are considered a “luxury” as they are often not covered by insurance and subject to costly co-pays. Most Americans struggle to get the help they need to overcome depression and anxiety, and instead, are self-medicating with drugs and alcohol.

Table 1 depicts statistics on deaths from unnatural causes in the United States in 2018. Suicide is the tenth biggest cause of death, with 90% of the deaths having diagnosable mental health conditions at the time that they occurred (AFSP, 2020). Alcohol is the third leading preventable cause of death in the United States, with alcohol-related deaths among ages 16+ doubling in the past two decades (NIAAA, 2020). Rise in health-care costs and lack of individual responsibility has led to the country’s opioid crisis. Pharmaceutical companies have heavily marketed opioids and doctors have over prescribed them to manage pain. The result has been drug abuse, leading to 47,000 deaths in 2018.

Table 1: Death from Unnatural Causes in 2018

Cause	Per Year
Suicide	47,520
Drug Overdose* due to Opioids	47,000
Alcohol-related causes	88,000

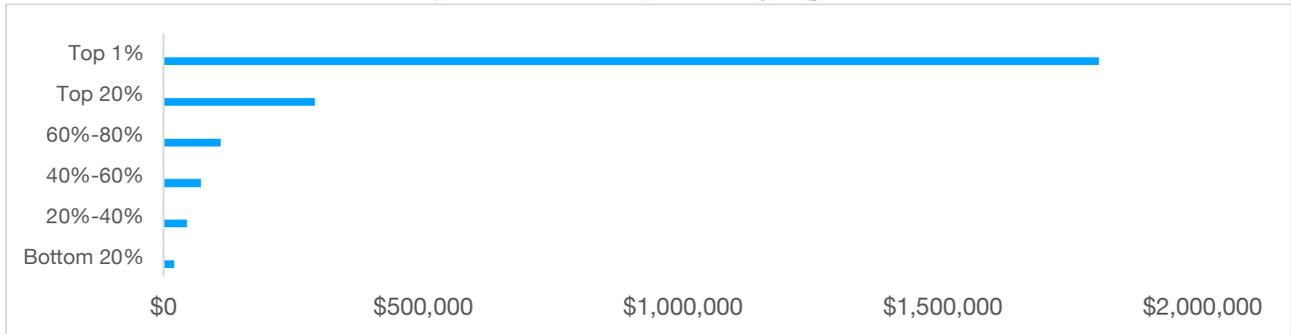
Source: Center for Disease Control, National Institute of Alcohol Abuse, 2020

*32% involve prescription opioids

An interruption in the system is required to reverse the curve from despair, to living a healthy lifestyle that incorporates physical health, mental health, and wellness. This interruption will need to deliver affordable and accessible mental and physical health care services as well as widespread education on the effects of drug and alcohol abuse.

The wealth gap in the United States further exacerbates mental health conditions, leading to chronic stress, anxiety, depression, bipolar disorder, and addiction. Figure 1 depicts the income gap between the top 1% of the population, 85 times that of the bottom 20%. Studies explain that the high-income inequality in countries such as the U.S., are correlated with worse physical and mental health, along with higher levels of violence and less productive economies.

Figure 1: The Gap Between the Top 1% and the Top 20% in the United States
U.S. before-tax income by income group, 2016



Source: Congressional Budget Office, *Inequality.org*

The COVID-19 pandemic has amplified the income and racial disparities in American society by disproportionately impacting minorities and the low-income populations. Data from New York shows Blacks/African Americans were twice as likely to die from COVID-related causes than Whites (CDC, 2020). The CDC states that the differences between racial and ethnic groups are often due to economic and social conditions, resulting in lack of health care and the prevalence of pre-existing health conditions (CDC, 2020). The table below shows the likelihood of Hispanics and Black/African Americans being uninsured is, respectively, three and two times that of Whites.

Table 2: Likelihood of being uninsured compared to Whites by Ethnicity

Race/Ethnicity	Number of times more likely to be uninsured than the Whites
Hispanics	3 times more likely
Black/African Americans	2 times more likely

Source: Center for Disease Control, 2020

The above-mentioned statistics show the importance of financial resources in preserving physical and mental health in individuals. The CFMM proprietary consumer survey shows financial stability as being a key contributor to well-being (CFMM, 2020). An interruption at all levels is, thus, needed to drive society to better health and well-being. Industries such as health, wellness, and beauty will need to evolve to accommodate the changing needs of consumers. Moreover, the industry will need to take actions that will lower end costs to consumers, to ensure access and affordability by all income levels.

Rise in Micro Pandemics

The tradeoff between well-being and optimum performance is prevalent in the American lifestyle. Micro pandemics such as burnout and sleep loss have risen, in line with performance pressures at work.

Burnout is a rising micro pandemic in the country. A nationwide survey on the quality of working lives conducted by Deloitte indicates that 77% of employers in the United States say

they have experienced employee burnout at their current job on more than one occurrence, while Table 2 depicts the extent of employee burnout in the workplace, with over 50% of employees feeling tired because they’re working too much. Performance pressures give rise to another prescription drug – Adderall – as men in high performance jobs turn to the drug to enhance performance.

Table 2: Nationwide Survey on Quality of Working Lives

Employee Responses on work	% of Respondents
Felt tired because they’re working too much	50%
Felt that their employers not doing enough to prevent and alleviate burnout	70%
Millennials stating that they have left their job due to burnout	50%
State they’re exhausted from work	50%

Source: Deloitte, *External Workplace Well-Being Survey*

Sleep loss is cited as one of the biggest public health challenges impacting individuals in the 21st century. In the FIT proprietary consumer survey, 79% indicate that sleep is the second most important contributor to wellness and well-being. Sleep impacts individuals on a physical and mental level, and its lack lowers the immune system and promotes tumors, inflammation, and stress. The World Health Organization (WHO) has declared any form of night shift work as a probable carcinogen. Studies suggest that losing one hour of sleep during daylight saving time shows an increase of 24% in heart attacks the following day (ACC, 2014).

Loneliness affected three in five Americans in 2019, a 13% rise in loneliness since 2018 (Renken, 2020). Over 46% of respondents in the FIT proprietary survey lists intimacy as a key contributor to well-being (CFMM, 2020). The rise in loneliness can have life threatening consequences (HRSA, 2020), with individuals feeling left out, poorly understood, and lacking companionship.

The rise of micro pandemics further contributes to the nation in despair. Burnout, sleep loss, and loneliness are silent diseases that impact many Americans. An employee-centric approach from companies to provide more flexibility is required. Moreover, building intimacy and trust will be required of brands to connect with their consumers to take goods and services *beyond*.

The Sick-Care Nation

The American health care system is broken. The infrastructure of a “sick-care” system treats symptoms rather than the root cause of the problem (Etehad & Kim, 2017). Up to 30% of U.S. surgical procedures are performed without exploring other alternatives (Müllenbeck, 2017). Moreover, doctors often opt for costly medical procedures instead of advocating healthier lifestyles and better nutrition. Almost 80% of diseases can be prevented with lifestyle changes, but only 6% of the doctors are trained in nutrition. With over 75% of Americans eating unhealthy diets (NUNM, 2016), diseases can be prevented by education and motivation to forego unhealthy eating habits and opt for healthier alternatives.

Health costs constituted almost 18% of GDP in 2018 (HCCI, 2019). The costs can largely be attributed to lack of transparency in cost structure and inefficiencies in the system. Patients are often unaware of the cost of their health visits, treatments, and tests until they receive their bills. A study conducted by ClearHealthCosts.com showed that the same services can vary in prices by over 1,000%, even at clinics less than a mile apart.

An overhaul of the entire system is required in order to make health and wellness efficient, effective, and transparent. Individuals will need to be guided in better lifestyle choices to prevent disease and health issues. Merging of health and wellness with beauty can have positive implications on the consumer experience by gaining the trust of the consumer. Beauty needs to recognize the needs of the consumer and look at ways of providing solutions *beyond* topical.

Aspirational Longevity

Aspiration of longevity is for the individual to achieve sustained quality of life that incorporates a healthy body and balanced mind. Since the recession in 2008, consumers have started questioning the luxurious nature of their possessions and are losing trust and even interest in aspirational brands of choice. Disposable incomes have shifted from purchasing products, to services and activities that enhance the quality of life.

However, wellness is not democratized and participation in the wellness industry has become a new status symbol. Premium priced wellness services that range from \$35 SoulCycle classes to \$500-an-hour personal trainers cater to a privileged consumer base. As the idea of wellness as a luxury continues to permeate societies, the gap widens between upper, middle, and lower classes due to accessibility. The wealthiest 1% of consumers have access to the best nutrition specialists, medical experts, and cutting-edge technology, while those living at or below the poverty line show increased instances of diseases or illnesses, including diabetes, heart disease, and arthritis.

Higher income is associated with greater longevity throughout the income distribution. Table 1 depicts the correlation between income distribution and life expectancy from 2001 to 2014. Men and women in the top 5% income distribution group have recorded an increase of 2.3 and 2.9 years, respectively, in life expectancy compared to 0.3 and 0.04 years for men and women in the bottom 5% income distribution group.

Table 6: The Association Between Income and Life Expectancy, 2001 – 2014

Income Distribution	Increase in Years in Life Expectancy from 2001 to 2014	
	Men	Women
Top 5% of income distribution	2.3	2.9
Bottom 5% of income distribution	0.3	0.04

Source: JAMA Network, 2016

Longevity is a luxury that high-income earners can afford. In order to grow and thrive, the industry will need to become more accessible for all income levels and bring in a new consumer that is willing to become a part of the wellness lifestyle. Longevity should not be a luxury, but rather a universal quality of life expectation that incorporates a healthy body and balanced mind.

Evolving Male Consumer

Brands are already starting to see men's interests expand beyond stereotypical male masculinity. The shift from the pursuit of the perfectly chiseled muscular body towards more holistic and in-depth ways to care for themselves and enhance their appearance has become the priority. Only 7% of men globally relate to the way masculinity is perceived in mainstream media; 69% of men feel misrepresented by brands (Chitrakorn, 2019).

As the de-stigmatization of masculinity continues to evolve, a strong desire for mental health and wellness infiltrate this demographic. For years, men have felt the pressure to show little emotion, even at the cost of negative, long-term effects on their relationships, performance, and overall well-being. Thus, men are turning to prescription drugs and other social drivers to self-medicate instead of addressing the root cause of mental health issues. Men constitute 75% of annual suicide victims in the U.S. (Pappas, 2019). Celebrities such as Prince Harry have brought awareness and attention to men's mental health issues. In January 2019, the American Psychological Association issued its first-ever psychological practice guidelines for working with men and boys, taking into account their gender experiences. It is an important development, given research by mental health technology company Medibio, which found that 73% of men who have mental health disorders are completely unaware they have a problem (Medibio, 2018).

The men's actives market has also seen extensive growth in recent years. Lululemon's men-focused campaign in 2017 had the goal of driving the men's category to 25% of its total business (Fernandez, 2019). Men are also increasingly taking on meditation and yoga practices. Searches for "man meditation" imagery rose by 126% between 2016 and 2017, and, in a 2016 survey, 28% of yoga practitioners that responded were men, up from 17% in 2012 (Fernandez, 2019). Communities like Boys of Yoga, founded in the UK by Michael James Wong, encourages boys from all over the globe to follow and practice yoga to empower themselves and connect towards a path of strength, calmness, and focus.

Male consumers are shifting towards putting more importance on how they look and feel, driving the male grooming market to an estimated \$63bn by 2022 (Ebrahim, 2018). With 78% of Gen Z agreeing that gender doesn't define a person as much as it used to, the evolution of the male consumer from Baby Boomer to Gen Z will come with a drastic shift in consumer behavior (Holland, 2019). Moreover, men place more importance on trust, as 39% purchase a new launch product because it's from a trusted brand (Holland, 2019).

As beauty shifts *beyond* vanity, and as the U.S. continues to tackle rising issues like the sleep loss pandemic, loneliness, and increased depression rates paired with a "sick-care system," the male consumer will become a new acquisition target for beauty and wellness brands. Beauty's new purpose will capture him as he sees the connection to health and well-being.

INDUSTRY

The consumer behavior shifts discussed above will force the beauty industry into action. The global pandemic has accelerated change by forwarding pre-existing trends faster than anticipated. For the last few decades, the consumer has put vanity before their health, investing more money in beauty products and services than their own health care. However, the pendulum has swung with the impact of COVID-19.

The individual's impact on living a longer and healthier life happens both inside and outside the doctor's office. In fact, 70% of a person's health and longevity are determined by the actions the individual takes (Heid, 2019). Westerners look to eastern cultures to learn and implement more methods of holistic healing into their beauty and wellness regimens. Practices like yoga, meditation, aromatherapy oils, naturals, and adaptogens are coming more to the forefront. With the U.S. corporate wellness market likely to reach around \$15.5 billion by 2024, growing at a CAGR of approximately 8% from 2018 to 2024, the idea of focusing on inner beauty design versus exterior design, has been a major consumer behavior shift (Cision, 2019). The consumer wants to know which products, services, supplements, and exercise routines can be taken or done in order to get to the root cause of the challenges that they face. The focus will no longer be about the instant gratification of a makeup application, but instead, about the products and rituals that will generate sustained, long-term beauty.

Overall, the industry must respond to these needs in order to survive and thrive in the long-term. Beauty and health care industry drivers need to be informed of these shifts to best prepare to service the holistic wellness consumer. The following sections will outline how the industry needs to act by: i) Redefining what beauty means to the consumer, ii) Assigning new beauty categories to essential and nonessential, iii) Integrating spiritualized beauty, iv) Integrating psychedelic wellness into an assortment of strategies and service offerings, and v) Merger and acquisition of brands in the health and wellness sectors.

Beauty Redefined

As the nation deals with rising healthcare costs and a "sick-care" system filled with challenges, the beauty industry will be called to action. In the United States, more than 80% of healthcare costs are spent on diseases that could be modified or even reversed through behavioral and lifestyle changes (Batra, 2019). As marketers and product developers, our responsibility is to provide easy methods to alter and change these behaviors. The industry needs to go back to basics; back to its roots, during a time where beauty and health co-existed.

The origins of this industry were paired hand and hand with health and hygiene. During the last decades of the 19th century, entrepreneurs began to market soap and other toiletries more explicitly as aids to beauty, progressively moving these products along a spectrum from hygiene to cosmetics (Jones, 2010). However, as the cosmetic industry continued to evolve into the 20th century, the marketing of toothpaste in drugstores required a different set of skills than the launch of a prestige fragrance in a department store. Beauty and health became so far apart that they

required different marketing tactics, selling strategies and separate corporate business divisions. Beauty lost its way and began to focus heavily on selling a mantra of hope not efficacy.

Anita Roddick, the founder of the Body Shop, was quoted saying, “I hate the beauty industry. It is a monster industry selling unattainable dreams. It lies. It cheats. It exploits women. Its major product lines are packaging and garbage (Jones, 2010).” With rising skepticism, comes loss of trust. It is now a game-changing moment where beauty companies need to fundamentally change how they think about their business. They need to be part of the issues that matter for this world as consumers are now belief-driven buyers. According to an Edelman report, 2020 is the year for trust in competence and ethics and brands that succeed are the ones that align with consumer thinking and their welfare. By solely focusing on the product, trust comes from only half the population (Edelman, 2020). The food and beverage industry has taken major strides in supporting the welfare of its consumers – no advertising to kids, smaller snack sizes, and plant-based foods. Heineken redesigned bars to make it harder for people to leave the bar when intoxicated (Edelman, 2020). Beauty has every opportunity to be the “hero” industry but right now it is failing.

As of 2017, only 41% of America’s women wear makeup daily, while 25% wear it weekly (Statista, 2017). Consumers have lost trust in makeup brands that tout false promises. CVS pharmacy has already made major changes by announcing in 2018 that it will end air brushing in ads for beauty products. By 2020, CVS Pharmacy will indicate through a watermark stamp, any images that have not been significantly retouched (Werner, 2018). This is a response to consumer needs to want real and attainable beauty, and efficacious products that promise real results. In a recent consumer survey, applicants were asked, “If you had \$100 extra dollars to spend on a product, service, or activity that contributes to your wellness, what would you spend it on?” Only 12% responded beauty products and services (CFMM, 2020).

The combination of the rising skepticism within the industry paired with the rising concern about health care is the catalyst for redefining beauty. It is time to go back to basics, back to where this industry is rooted. The future will need to have beauty and health merging more directly. If consumers do not trust the products, services, images, and results that brands are providing, the industry as we know it will become obsolete. The following sections explain further the actions that the industry need to take to create beauty’s new identity.

Essential & Nonessential Beauty Products

For thousands of years, beauty and health have been closely integrated; however, these two industries have separated as a result of industrialization. Efficacy, not myth, became the mantra of medicine, but the beauty industry went in the opposite direction. Although functionally effective products were developed, beauty for the most part became focused on image, and selling hope and aspiration (Jones, 2010). Today, in a post pandemic era, this is no longer enough. The beauty industry has lost consumers’ trust as they struggle to understand its essential value in their daily lives. Consumer behavior has been impacted, with 80% of consumers changing their daily behaviors because of COVID-19 (Firmenich, 2020). With CPG already the second lowest trusted sector

in business, (Edelman, 2020), the beauty industry must instill trust with its consumer and prove it can provide both essential and nonessential value.

In a post pandemic world, the consumer will demand that brands consider health as part of a beauty routine and discard the idea of selling false hope. In an online survey, 50-60% of U.S. & U.K. consumers said they used more consumer goods products that treat hygiene, protection, care, and repair and 15-30% said they used less cosmetics, makeup, perfume, and hair styling products since quarantine started (Firmenich, 2020). Makeup has shown declining sales over the past two years. During COVID-19, makeup showed a decline of 67% while prestige skin-care has showed the slowest dollar decline of -33% (NPD, 2020). During a time when half the human face is covered with a mask, how will makeup prove its purpose?

The industry must recognize that COVID-19 changed the way people think and interact with beauty; the categories and classifications must change. Industry executives will no longer reference haircare, makeup, skincare, and fragrance. Instead, the industry will be broken out into categories of *essential*, and *nonessential* beauty products.

Industries outside beauty have already recognized this segmentation of essential and non-essential. Specifically, in home and interior design, the “KonMari” system, developed by Marie Kondo, demonstrates a way to clean, think about your life, and make space for what really matters. Users report that the “KonMari” system can have a profound effect on their lives, eliminating waste and spending on only the things that are essential to their daily lives (Daforge, 2019). Additionally, the transportation industry has been recently affected as the concept of ride sharing gained popularity. One study found that as many as 25% of current American drivers could benefit from ditching their vehicles in favor of ride-sharing services (Passy, 2019).

For the beauty industry, the future will be a reflection of what has already started taking shape. The new industry nomenclature is further defined in the following ways for beauty: Essential, will communicate the delivery of health and well-being to the end consumer through claims backed by science. Nonessential will communicate emotion, lifestyle, and image. To support this reclassification, the new beauty categories of essential and nonessential will be further defined by the following: *Essential* will be any product that has to do with hygiene, protection, care, and repair; this includes products from previously defined skincare, body care, body & facial cleansing, hair care and treatment categories. *Nonessential* will be any product that transforms and alters one’s appearance. This will be anything that previously fell within color cosmetics, hair styling/dye, nail polish, and ancillary add-ons.

In the CFMM student survey, 87% of respondents identified “myself” as having the primary responsibility of ensuring they have the right information to live a healthy lifestyle (CFMM, 2020). Consumers feel that they have the power and the choice to pursue and spend in ways that will positively impact their state of well-being; it is the role of the industry to make that direct and clear for them. No longer can the industry continue down the path of selling the idea of hope versus efficacy. Although consumers will still have the desire to be transformed by nonessential beauty products, clear distinctions between the two categories, with trusted messaging will be required.

Beauty Spiritualization

According to a 2020 Firmenich report, consumer mindset has shifted from fit to healthy, from outward facing to inward facing (Firmenich, 2020). As the industry moves to the new world of reclassification, brands must realize the importance in the practices of achieving beauty through rituals *beyond* the use of topical products; addressing the needs within. Wellness practices like meditation and yoga specifically have gained popularity as ways to combat stress, improve mental performance, and ultimately seek joy. In 2012, less than 10% of U.S. adults reported practicing yoga, whereas in 2017, over 14% did. For meditation, the rise was threefold, from 4% to 14% over the same years (Walton, 2018). When put into motion and practiced consistently, it's the small actions that add up to major results, achieving true beauty and timeless aging (Pink, 2017). Although the word wellness is the word of today, the future is about well-being. Merriam Webster defines well-being as “the state of being happy, healthy, or prosperous” (Merriam-Webster, 2020). The term “well-being” implies an emphasis on mental and emotional states of being, and a focus on reaching an ultimate state of life satisfaction.

According to an upcoming Mintel report on health management trends for 2020, more than half of adults say their reason for setting health and wellness goals each year is to feel happier (Wroble, 2020). However, brands flood social media, magazines, and even newspapers with information about anti-aging methods, and tips and tricks for enhancing external beauty without addressing happiness. As the industry moves *beyond* talking to consumers about how to execute the perfect smoky eye, executives also must lean into the idea that people want to live a life that centers on the philosophy of living better, more wholly and more truthfully (Pink, 2017). As outlined in Shel Pink's book *Slow Beauty*, the author explains that at the heart of the *Slow Beauty* philosophy, the biggest component of any beauty program should be wellness and self-care. The *Slow Beauty* philosophy is not a quick fix, it is the idea of a sustainable beauty alternative with solutions that last over time. *Slow Beauty* brings to the forefront the idea of unconditional love and self-acceptance for oneself, countering the age-old beauty ideal of striving for unrealistic and unattainable standards (Pink, 2017). It is time for the beauty industry to start approaching beauty rituals beyond the “3 Step” regimen and look towards the future, *beyond* product. What can brands deliver to the consumers that cultivates loyalty and longevity? With 96% of respondents in a recent survey agreeing that wellness is the active pursuit of products, activities, choices, and lifestyles that lead to a state of holistic health, there is a significant opportunity for the future of beauty to take more direct and science backed holistic approaches to marketing and selling beauty products (CFMM, 2020). Brands will have to deliver on more than functional attributes of products and address the ritualistic needs of consumers.

Capitalizing on the rise of ritual is also a strategic action the industry must take to acquire a new consumer. A Rutgers University business professor describes ritual consumption as the holy grail of consumer loyalty. Professor Kaufman-Scarborough goes on to explain that the key to achieving such success is in establishing a meaningful emotional connection with your audience. Solving a functional need is not enough (Probst, 2017). Feeling emotionally connected to a brand and having a shared social identity from and through rituals is what will attract and retain

consumers, and technology is the key to scale ritual, providing accessible ritual guidance regardless of location (Barr, 2020). In a recent survey of over 500 people, respondents 18-29 and 30-44 said they would give up an hour spent online to gain time spent on a wellness related activity (CFMM, 2020). For brands, the solution in a post pandemic world, where the dependency on technology has increased, is to bring that wellness ritual to life on the screen. Why not allow consumers to feel good for being online and gain something healthy from it? In the U.S., 50% of Americans teeter on the edge of burnout (Doerr, 2020) and 30% of humans experience anxiety, but only one in 10 seek treatment (Cole, 2019). Brands must find a way to tackle wellness issues and incorporate them into their product and service offerings. This will drive both long-term consumer loyalty and sustained, healthy growth.

The Rise of Psychedelic Wellness

Consumers demand that the industry understand their holistic beauty and health needs intimately, including their search for solutions that go *beyond* exterior beauty. Thus, similar to how medical marijuana and CBD have proven to be valuable in medical fields, and have infiltrated the food, wellness, and beauty industries, psychedelics have the opportunity to be the next wave of destigmatized drug use. The concept of micro-dosing will become a common practice among healthy users, who want to bring a greater sense of openness, calm, and self-awareness into their lives as another form of meditation.

The use of psychedelics dates to 9000 B.C. in ancient cave drawings from Saharan aboriginal tribes in North Africa (Kabil, 2016). These substances became more widely popularized among western culture in the late 1950s, after researcher Albert Hoffman became interested in their benefits (Kabil, 2016). Unfortunately, despite early promising results, the use of psychedelics and psychedelic research in the U.S. was shut down in 1970 by President Nixon through the Controlled Substances Act (Kabil, 2016). Now, 50 years later, these substances are showing a resurgence (Kabil, 2016).

Micro-dosing, or taking an incredibly small amount of a chosen psychedelic substance, started among Silicon Valley's elite as an alternative to Adderall. This allowed for increased focus, but with more holistic well-being benefits, like increased creativity, decreased anxiety, and overall prosocial attitudes (Kabil, 2016). The practice of micro-dosing has since expanded beyond the valley's engineer audience, adopted by communities of people seeking the wellness benefits of these substances. In a recent survey, 26% of people reported improved mood and 14.8% reported improved focus when using small amounts of psychedelics (Anderson et al., 2019). When ingesting such a small amount of the substance, users can gain the benefits without the negative effects; 79% of participants rated that the psilocybin experience increased their current state of well-being, compared to 21% from the control (Psychopharmacology, 2006). In a case study done by Goop, featured in the documentary "The Healing Trip" as aired on Netflix, participants showed that depression subsides for a few months, but can recur again (Goop, 2020); for cancer patients six months out, they showed measurable reductions in anxiety and depression that were sustained (Goop, 2020). Addicts one year out were still abstinent. Out of 1,000 people

in university clinical trials given psychedelics in a control setting, none had negative impacts post experience (Goop, 2020). Many people had patches of bad experiences during the sessions when confronting traumas or their cancer, but these were succeeded by good moments (Goop, 2020). Bad trips or challenging trips, as researchers call them, can be very productive. Some people do react with episodes of great anxiety during the session, but afterwards they are happy they had the experience and found it very productive (Goop, 2020).

The FDA & DEA granted “breakthrough therapy” status for some psychedelic substances, opening the doors for psychedelic research, especially as it relates to the treatment of mental illness, from anxiety and depression to PTSD, OCD, and addiction. LSD and psilocybin are non-toxic and non-addictive drugs, there is no lethal dose of either (Allday, 2019). Unfortunately, since these substances are either naturally occurring or were invented by scientists of the past, the patent opportunities are limited, thus being less compelling for big pharma companies to actively research at this time (MAPS). For now, research is being funded by private investors who believe in the beneficial nature of these substances and are being carried out by organizations, like Multidisciplinary Association for Psychedelic Studies (MAPS).

As more research is conducted and evidence continues to grow in favor of psychedelics, the pharmaceutical and health care industries will strategically monetize the opportunity. As beauty and health merge, will psychedelics become part of the product assortment or service menu beauty brands will offer? Brands need to tap into the deep psychological and emotional needs of their consumers and offer them safe, trusted, and accessible health-care options, complementary to essential and nonessential beauty products.

Mergers & Acquisitions

Over the last decade, merger and acquisition (M&A) teams and private equity firms have found beauty deals to be a lucrative investment. The year 2019 was record-breaking in beauty, with activity outpacing 2018 activity by 19%. Most notable deals were Unilever’s estimated \$500 million acquisition of Tatcha and Coty’s estimated \$600 million purchase of a majority stake in Kylie Cosmetics. Furthermore, The Estée Lauder Companies acquired full control of Have & Be Co., the company behind skincare giant Dr. Jart+, and Shiseido acquired cult-favorite Drunk Elephant. This record year follows three straight years of growth with an average of 100+ transactions per year (Brown, 2020).

While most of the M&A activity has been led by U.S. and European conglomerates, there has been a growing appetite from private equity firms. In 2019, private equity firms made up 47% of total beauty deal activity (Schiffer, 2019). Despite the record-breaking year, the question remains: Is there a beauty bubble mounting? The industry appears to be at a tipping point - acquire or be acquired. Struggling to foster innovation or create brands themselves, the large strategic players have been taking over the small players (Balon, 2019). The beauty industry is a strong investment category because of its high margins and recurring purchase patterns (CB Insights, 2019). However, the beauty market has become highly saturated, driving

consumer fatigue and leading to decreased category performance in both mass and prestige channels.

M&A activity within the health and wellness category is accelerating, increasing the pressure on the beauty industry. The year 2019 set a record, with over 4,900 (funding?) rounds closed and overall start-ups raising \$54 billion in equity funding. Telehealth M&A activity dominated with behavioral health and health care being the focal point (CB Insights, 2020). This follows groundbreaking deals that occurred through 2017 and 2018, such as the CVS and Aetna partnership, an unlikely pair that created the nation's largest health innovation company (CVS Health, 2018). As the expedited pace of technology innovation continues, the health and wellness category will continue to advance driving an increased interest in M&A activity from large corporations and private firms alike.

Accelerating the risk of a mounting beauty bubble has been the onset of the COVID-19 pandemic. The global economy has been forced to shut down due to widespread lockdowns thus halting M&A activity. Companies are facing a lack of debt financing and face-to-face meetings for business deals (Klebnikov, 2020). The pandemic has also changed consumer behavior. Consumers are streamlining purchases and spending less as unemployment puts pressure on monthly budgets. Most of the world is sheltering in place, wearing little or no makeup at all. The new "mask culture" has eliminated the need or desire to wear makeup. In these trying times, beauty brands and companies are facing steep sales declines, and with uncertainty surrounding the reopening of the economy, it is unclear when beauty brands and companies will recover. While the beauty industry is facing a threat, the health and wellness industry will be positively and fundamentally changed by the Coronavirus. Increased investments in digital health, telemedicine, medical-tech, and health care delivery companies will become more important to the health-care system and innovation will accelerate at unprecedented speed (The Middle Market, 2020). Heightened awareness of health amongst consumers will continue to drive interest in M&A activity within the health and wellness sector both now and in future years.

Moreover, the pandemic has driven a divide that forces consumers to think about their purchases as *essential* or *nonessential* to their overall health and well-being. Under beauty's new purpose, brands' M&A strategies will focus on merging beauty with health and wellness companies. Could L'Oréal merge with Walgreens Boots Alliance to create a seamless consumer health, beauty, and wellness experience? Could Pfizer acquire Glossier and leverage its strong innovation pipeline to bring health and wellness benefits to new consumer products? These are all possibilities and imperatives as the beauty industry prepares to go *beyond*.

This would not be the first time in history where beauty and health companies merged. Beginning in the late 1950s, pharma companies sought interest in the beauty industry because of its low labor costs, minimal capital expenditures, and high product margins, resulting in the opportunity for large companies to add successful brands to their growing business units. In 1962, Pfizer bought Coty, Bristol-Meyers acquired Clairol, and Eli Lilly purchased Elizabeth Arden. While many of these companies dissolved beauty brands in favor of high value cash buyouts in the 1980s, there was one clear winner during this period whose model still remains

today and is the leading threat for companies in the future state of the beauty industry: Johnson & Johnson.

In the late 1960s, J&J successfully combined its non-prescription drugs, first aid, and toiletry categories into one segment called “Consumer Health,” encompassing all aspects of internal and external beauty, a segment that still exists today. At the heart of the J&J mission is “keep[ing] people well at every age and every stage of life” and is demonstrated by its diverse yet synced portfolio of Skin Health, Self-Care, and Essential Health brands, which include Neutrogena, Aveeno, Tylenol, Motrin, Band Aid, Johnson’s, and OGX (Johnson & Johnson, 2020). This business model proves to be the biggest threat to beauty companies today. For over 60 years, J&J has found a way to enhance the lives of consumers by focusing on their internal and external health. Through the existing portfolio, J&J could easily infuse their research and development expertise to develop meaningful innovation focused on healthier communities and improving the mind and body of its consumers. J&J is one step ahead of other beauty companies which will have to rely on future M&A activity to focus on the benefits of merging beauty and health and wellness brands, ultimately taking the industry *beyond*.

As a result of the impending threat of J&J, a case study that the beauty industry can learn from is the merger of CVS and Aetna. CVS is one of the largest retail pharmacies in the U.S. with nearly 90 million members and filling more than 2.5 billion prescriptions per year. It serves more than 37 million Americans through its CVS Minute Clinic. Aetna, a leading health insurance provider, covers nearly 39 million people in the U.S. Together, these two leading organizations can transform the consumer health experience by building healthier communities through a new innovative health-care model that is local, easier to use, less expensive, and puts consumers at the center of their care (CVS Health, 2020). This merger will facilitate better patient-doctor or patient-pharmacist access and foster face-to-face relationships between patients and pharmacists, who can create action and change behavior (Santhanam, 2018). New products and services will become available to consumers, creating access, and patients who require medication can walk into their local CVS to discuss their medication with their physician and avoid hospitalizations (Frakt, 2017). By integrating Aetna’s medical information with CVS Health’s analytics and pharmacy data, the new company can develop ways to engage consumers in their total health, leading to better connected care, earlier interventions, lower medical costs, and improved health outcomes (CVS Health, 2020).

A more recent example of health and wellness M&A activity that directly threatens the beauty industry is Nestlé’s agreement to acquire a majority stake in the collagen brand Vital Proteins, which was announced in June 2020, marking the first-ever acquisition of a collagen-based wellness company. Vital Proteins is America’s top selling collagen brand with over 150 collagen-based vitamins, supplements, and food products. Vital Proteins’ mission is to promote overall health and longevity through the fundamental collagen protein (Forbes, 2020). Vital Proteins, along with many other brands, is a part of the \$144 million beauty supplement category, which saw a 60% increase in 2018 compared to the prior year (Menayang, 2018). With the landscape of health trends constantly changing and the increasing accessibility to health and nutrition

information, consumers are blurring the lines of what types of products they use to maintain their health. Where beauty products were previously used to maintain appearance, consumers are looking to vitamins and supplements to enhance their appearance as a part of their overall well-being (Shridhar & Holmes, 2019). This trend has been accelerated due to the COVID-19 pandemic as seen by Vital Proteins' 50% increase in product demand since the outbreak of the virus (Robert, 2020). As consumers shift their focus towards a more holistic approach to healthcare, beauty brands must ensure they are looking *beyond* their traditional competitors and product categories as disruption and growth within the health and wellness categories continues to accelerate (Shridhar & Holmes, 2019). The recent M&A activity between Nestle and Vital Proteins is just the first of non-traditional beauty brands to merge, blurring the lines between health, wellness, and beauty.

The merging of beauty and health and wellness companies or brands directly benefits both consumers and corporations. For the consumer, the merging of health and beauty brands will ultimately lead to lower end costs and more accessibility for all. For corporations, health and wellness M&A will fundamentally change companies, which will now acquire brands for reasons beyond their portfolio, ultimately shifting to acquire for capability. This capability will provide unique connections to consumers, a differentiated experience, and increased access and value. This is how the beauty industry will go *beyond* its current purpose of serving surface level needs and truly impacting the overall health and well-being, and ultimately lives, of consumers.

RETAIL

As the metamorphosis of the consumer alters the dynamic of the beauty industry, a change in the retailing landscape that goes *beyond* topical and *beyond* transaction is inevitable. The shifting of these pillars creates fissures in the current distribution system, allowing the industry to envision a new commerce model that goes *beyond* traditional ways of selling. The section below examines how retail will evolve into the new connective tissue that serves as a platform for the consumer to engage with the newly defined industry.

The retail space will evolve *beyond* traditional selling models that are rooted in retail history. Over the past decade, traditional retail models have been put to the test. This period of turbulence began with the 2008-09 financial crisis that led American shoppers to abruptly pull back on spending, resulting in retail sales falling 3.6% in 2009. When consumers did not return to their heritage points of commerce, a financial lag caused retail bankruptcies of Barneys, Sears, and Radio Shack, along with 9,000 other store closures in 2019 (Wahba, 2019). Tech-driven browsing, in addition to Amazon's ascent, has profoundly challenged the traditional brick-and-mortar formula. Price comparison and convenience has superseded lackluster retailer merchandise and a "copy-paste" in-store experience. How can the beauty industry learn from the past to enhance its resilience in a post-pandemic era?

In today's retailer ecosystem, brands need a fully integrated retail experience for consumers to feel connected and engaged in both digital and brick and mortar settings. As the beauty industry converges with tangent industries to create a holistic wellness ecosystem, retail

will conform to the shifting needs of the evolving consumer. The impact of COVID-19 has forced retail to accelerate better service for the consumer at more challenging points of sale, but not all brands and companies have succeeded. The retail evolution will manifest itself in three concepts: i) Beauty unification, ii) The new retail model for luxury, iii) The new selling model, and iii) Home as the consumer epicenter.

Beauty Unification

Today, 67% of traditional luxury consumers agree: “Many mass brands now offer a level of quality comparable to luxury brands.” (Danziger, 2019) This “luxury for less” mindset has infiltrated shopping behaviors, with businesses like Everlane drawing customers away from landmark luxury brands. In understanding this behavior, it is important to consider that traditional luxury consumers’ disposable incomes have stayed constant, even amid economic turbulence. Thus, there are other non-financial forces influencing how the wealthiest consumers choose to invest their money and time. Is the traditional luxury business at risk of devaluation in the eye of the consumer?

Regardless of this financially reliable consumer, luxury retailers have failed to remain relevant in the current cultural context. Their laggard approach to building an optimized e-commerce ecosystem has been an unforgiving factor that has led to an irretrievable loss of market share. With the onset of COVID-19 and the forced closure of all luxury retail outlets, the Boston Consulting Group predicts that the luxury market will plunge between 25 to 35 percent over the course of 2020 (Williams, 2020). This decline is partly attributed to luxury businesses struggling to acclimate to the ecommerce-driven ecosystem that offers more channels for accessibility (Williams, 2020). To date, online sales of luxury retailers only represent 10% of the luxury market. Chanel, who has notably refrained from building an ecommerce platform to maintain its anachronism at the top of the luxury market, is expected to fare as well as its digitally inclined competitors, a testament to the lack of impact ecommerce has on luxury revenue (Fernandez, 2020). The question at hand is will this have to change? Will luxury be forced to become more digitalized in a post-pandemic era as traditional brick and mortar experience is forever altered?

Signs of distress were evident prior to the strike of COVID-19 with both Barneys and Henri Bendel going out of business in 2019. With the added pressures expedited by a global pandemic, other illustrious companies - Neiman Marcus, Saks Fifth Avenue, and Nordstrom – are now at risk more than ever before. The loss of these luxury retail doors has brought down the walls that once segregated luxury retail from mass. If heritage luxury retailers are no longer physically standing, what will define luxury? The brick-and-mortar shutdowns have subsequently fostered a new digital ecosystem in which both luxury and mass players are forced to compete or share of voice. How will luxury brands deliver a high touch experiential selling service through a screen? How will they differentiate themselves virtually? This is the new luxury distribution dilemma.

Beauty is an industry that has struggled to differentiate its luxury categories from its mass contemporaries. Accessible dupes for high-end beauty products challenge the underpinnings of luxury beauty brands. In addition, COVID-19 consumer behavior has exposed the importance of highlighting “essential” product elements in both luxury and mass portfolios. With the cosmeceutical category, consisting of cosmetic products with bioactive ingredients, projected to reach \$85 billion by 2024, luxury is pushed to be efficacious (Shahbandeh, 2019). Currently, there is little differentiation between luxury and mass formulas and claims. The key distinguishing characteristic of luxury beauty brands is the intimate and highly sensorial discovery experience offered in-store (Danziger, 2019). As luxury brick and mortar retail outlets continue to fall, luxury *beauty* brands will lose part of this competitive advantage. To become more accessible, luxury beauty brands will enter new ecommerce channels like Amazon where selling Tom Ford cosmetics alongside L’Oréal Paris leaves little differentiation of luxury and mass aside from price.

The gap between luxury and mass markets will become much narrower due to the loss of traditional luxury retail pillars as well as shifting consumer values. Luxury beauty brands must make strong investments and shifts in resources to focus on providing the consumer with the virtual intimacy they will demand. As beauty unifies, the industry must listen to consumer needs in order to tap into emotional drivers, and find new ways to sell products and services by taking a 360 approach.

The New Retail Model for Lux: Digital Distribution

In confronting the reality that traditional brick and mortar luxury retailers have gone dormant, luxury beauty brands need to build a strategic roadmap for how to penetrate digital platforms. Luxury businesses have profited from exclusivity that elevates the consumer to make them feel special. By contrast, ecommerce was built to open channels and democratize platforms (Prickett, 2014). While these fundamental differences have made it challenging for heritage luxury brands to expand on ecommerce, technology is the catalyst that disrupts this notion. Understanding the psychology behind luxury spending helps to define the role technology will need to play in order to achieve the luxury experience online.

Luxury brands successfully integrated these psychological influences in store. However, one setback was that these imagined in-store experiences always had physical limitations due to store size, location, or cost. By contrast, digital retail has the potential to be boundless and expand untapped creativity to build digital destination hubs. Using the same principles and psychology that promote luxury spending, luxury brands will need to curate personalized and intimate shopping experiences online. Integrating sensory elements, creating personalized “lookbooks,” and providing live online support are some ideas that can elevate the luxury online shopping experience.

These tools are especially relevant for luxury beauty brands. As Ulta’s retail model has demonstrated, touch and smell are important sensory elements in the product exploration journey. Sending curated sample boxes with QR codes that link to the corresponding ecommerce pages is

one way to deliver these in-store sensory elements (Peeples, 2010). To scale the integration of sensory perception into the online shopping experience, cost efficient techniques must be employed. Research shows that sound can connote perceptions of complementary sensory elements – the most common being smell (Peeples, 2010). Making “scents out of sounds” on an ecommerce platform can help to elevate the online shopping experience. Building lookbooks, cosmetic brands can leverage comprehensive data on consumers, pulling from their Pinterest looks, upcoming events, and skin concerns, to curate product recommendations most relevant to their needs. However, the biggest opportunity in digitizing the luxury experience may be the use of telecommunication. Virtual intimacy or infusing emotional selling tactics into the digital commerce experience must be achieved. This goes beyond an online chat; this is the merging of consumer’s social profiles and footprints to intimately know who they are.

In the meantime, one of the most pertinent questions is whether luxury brands will venture into distribution on Amazon. The risk of allowing the consumer to compare a L’Oréal Paris lipstick with a Tom Ford shade on the same product page, resulting in the consumer trading down, has been a major deterrent. Adding a Tom Ford lipstick into the same cart as household cleaning products significantly diminishes the elevated luxury experience (Donnelly, 2019). However, more than 70% of Americans with incomes of \$150,000 or more have Amazon Prime memberships, suggesting that Amazon is a hub for potential luxury customers (Social Media Today, 2018).

Amazon’s introduction of a new platform for luxury fashion brands has arrived. To date, Amazon had already become a leader in apparel sales, surpassing Walmart in 2018 as the top U.S. apparel retailer in the U.S. (Keyes, 2020). On this new luxury platform, participating brands will have the ability to manage the aesthetics and interface of their “Amazon store” as well as their product selection and pricing. If successful, this new model of luxury brands living within the Amazon platform could open the floodgates to mass luxury distribution across all categories and channels. Although not reported yet, it is possible that Amazon could integrate blockchain technology to offer product tractability and fight against counterfeit selling, adding the last layer of security to tear down the barrier of entry to Amazon buying luxury brands (Keyes, 2020). This differentiated model of Amazon selling would mean that both mass and luxury items would be digitally retailed on the same site, while maintaining a personalized and elevated consumer experience.

The New Selling Model

Nearly 46% of practicing medical physicians plan to make a career change within 12 months. Leading reasons for this active choice include burnout and a sense that they are too detached from the emotional side of care in their work (Talent Finder, 2019). These highly trained and skilled medical professionals feel they have lost their sense of purpose in medicine; they find it difficult to connect with their patients while maintaining their personal wellness goals. This may be attributed to the lack of emphasis medical schools put on holistic wellness. Students in medical schools across the country, spend less than 1% of lecture time learning about diet as a preventative healthcare measure (Fu, 2019).

In parallel, as the beauty industry intersects with health and wellness, a critical topic of discussion is how consumers will be educated in this new comprehensive wellness ecosystem. Present day beauty consultants, defined as cosmetic and skincare salespeople, whose objective is to meet sales goals while personalizing customer service, work within the perfect infrastructure to service the future wellness-centric consumer.

Today, the median annual income for a beauty consultant is \$21,780 (Study.com, 2020). For comparison, the median salary for a general physician is \$187,200. It would be difficult to envision a physician walking away from their practice to adopt the traditional beauty advisor model for a tenth of their salary. Medical professionals can take an elevated role within the Professional Health Concierge network as a BeWell Expert, providing clinical comprehensive wellness services that require medical degrees. Simultaneously, beauty consultants become BeWell Advocates by receiving training to become certified in non-clinical, recreational holistic wellness. Thus, this network would be comprised of two tiers within the Personal Health Concierge:

BeWell Advocate

A BeWell Advocate would be trained to provide a comprehensive wellness regimen to the customer at the point of sale. An example of a customer interaction with the Advocate could be a trip to a local CVS where the advisor provides a comprehensive regimen to treat their eczema with traditional topical solutions as well as recommendations for their diet, sleep patterns, stress reduction opportunities, and a gut microbiome analysis.

BeWell Expert

In the same vein, a BeWell Expert would also advise on holistic regimens to prevent, confront, and treat wellness issues, but would have medical training on clinical solutions for their patients' holistic wellness needs and prescribe medication when needed.

The point at which the holistic wellness patient would interact with the BeWell Expert is an intersection that the traditional model of in-office clinic visits does not support. One way to address this is to integrate the BeWell Expert into the retail experience by giving them an office where the patient is shopping. To amplify the expertise of the BeWell Expert further, a digital telehealth platform is envisaged, where they would be able to provide information to a greater audience. An emergent trend coming out of the COVID-era cultural shift has been the "Great Influencer Shakeout," a movement that challenges the true value proposition of pre-COVID social influencers. Researchers predict that the way of evaluating cultural leaders will result in a sweep of influencers that do not generate substantiated content backed by research or science (Lieber, 2020). Instead, those that have expertise in the content they provide will own the prime influencer spot. This platform lends itself well to BeWell Experts, establishing them as the new influencers.

The New Epicenter: Home

The standard definition of a home is functional, yet static. It is described as “the place where one lives permanently, especially as a member of a family or household” (Lexico). However, the meaning of a home has evolved into something more sentimental, connoting feelings of a safe place to “be” comfortable. Recent changes in shopping behaviors have stretched the definition of a home further, with networks such as HSN and QVC and online shopping allowing the home to become a place of commerce. However, the COVID-19 impact on daily routines and rituals centered around the home is undeniable. The home has turned into the epicenter of the individual’s life.

During the COVID-19 pandemic, technology played a crucial role in keeping society functional in a time of lockdowns and quarantines, and this technology may have a long-lasting impact beyond COVID-19 (Xiao, 2020). Americans and individuals around the world have been seeking ways to connect and entertain. With nearly all public gatherings called off, Americans are seeking entertainment on streaming services like Netflix and YouTube and looking to connect with one another on social media outlets like Facebook, contrary to previous behavior, they are doing so from desktop rather than mobile.

Table 8: Increased Traffic in Social Media and Streaming Services on Desktop vs. Mobile

	Website	Mobile App
Facebook	+27%	+1.1%
Netflix	+16%	+0.3%
Youtube	+15%	-4.5%

Source: Koeze, 2020

Americans are also seeking out ways to connect through video chat with Zoom use up over +200% since February 2020. With this long-term effect beyond the pandemic, consumers will demand a new standard of connection and the expectation will be that brands get to know them intimately in this more defined virtual world. U.S. retailers' online year-over-year revenue growth is up 68% as of mid-April, surpassing an earlier peak of 49% in early January, and online conversion rates increased to 8.8% in February, reflecting a level of shopping urgency typically seen during Cyber Monday (Columbus, 2020). How can virtual selling accelerate this growth even further?

Table 9: Increase in Video Chats Due to COVID-19

	Daily App Sessions	
	Before February 29	During Pandemic
Zoom	2.2 Million	7.0 Million
Google Classroom	2.3 Million	4.5 Million

Source: Koeze, 2020

The home fitness industry was prepared to meet this demand. Rises in sales of stationary bikes and treadmills peaked during home confinement. New and innovative home fitness smart technology has created a sustainable business model that researchers predict will maintain traction even after consumers are able to leave their homes (Zakowicz, 2020). The Peloton model pioneered this new landscape. While their standing bike serves as a piece of the value proposition, it is the online community of friends, “virtual high-fives,” and instructors that keep users motivated and on track with fitness goals that engage the consumer long term. Peloton also collaborated with ESPN to host a live “All-Star Ride,” bringing celebrities and athletes together to provide sports entertainment under COVID-19 restrictions (ESPN, 2020).

People are recognizing the value of operating out of their homes on a grand scale. This newly learned consumer behavior will transcend the pandemic, influencing all industries. Brands will need to navigate how they reach the consumer in their newly established epicenter, the home. Brands need to go *beyond* transaction on a digital platform and use technology to build community, trust, transparency, and high-touch service. It is about bringing the full point-of-sale experience to be out-of-home. Now more than ever, retailers and brands will need to create an elevated in-home shopping experience to remain relevant. The mergers and acquisitions outlined in the previous section will be the key to the synergies needed to bring beauty and wellness to life in the same digital universe.

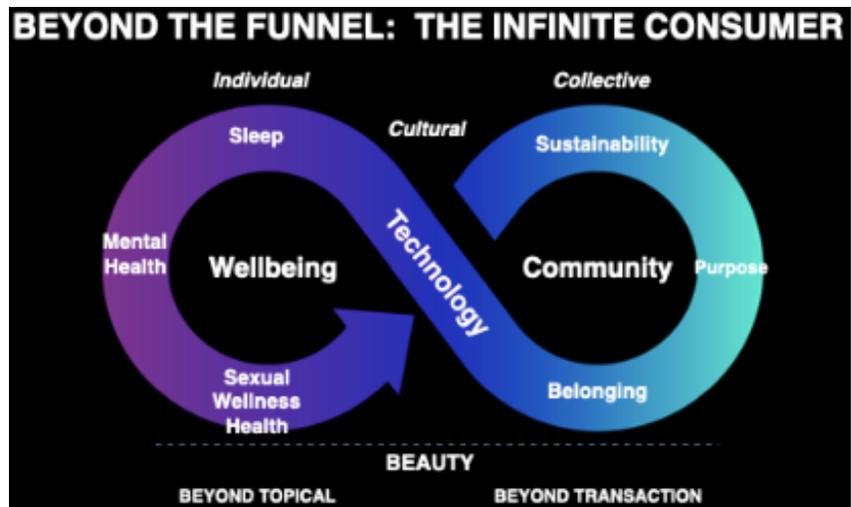
TECHNOLOGY TAKING BEAUTY BEYOND

For beauty to move *beyond* its traditional purpose and function, technology must become the ultimate connector leveraged by consumers, the industry, and retailers. In recent years, the benefits of tech have come into question. Virtual distance, the term used to describe when people are physically together but detached due to being consumed by their technological device, has been the cause for many feeling a sense of loneliness (Wardynski, 2019). However, the future needs to be about virtual intimacy and brands must use technology to create virtual intimacy in order to survive in this “always on” tech world. Consumers will be looking for companies that use technology to address their needs *beyond* topical beauty. Technology is the “how” of change; humanity is the “why.” Technology and beauty will have to come together at a larger scale to move towards providing holistic diagnostics to consumers.

Johnson & Johnson is a leader when it comes to launching revolutionary beauty tech innovations, spending \$9bn on research and development. Additionally, 50% of tech collaborations come from outside J&J walls with tech startups (Ghaim, 2020). J&J has been focused on providing transformative experiences to their consumers without having to leave the home, even before COVID-19. For example, J&J found a way to democratize light therapy. What would cost upward of \$100 per light therapy session at a dermatologist appointment, the Neutrogena light therapy mask costs \$40, equating to \$.77 per use (Ghaim, 2020). The adaptation of technology may in fact allow brands to scale their approach by providing the end consumer with lower costs.

Artificial intelligence will also play an important role in taking beauty *beyond*. One benefit of AI is the efficiency of product development, using data to strategically produce products that reflect current demand – without any human error or guesswork (Jervis). Judging by AI advances and what customers currently want from their health and beauty products, personalization will lead AI's integration into the industry. The ability to hyper-customize health and beauty products to reflect biological identity will greatly expand (Jervis). The most successful brands will be the ones who can offer the most technologically advanced bespoke service to the end user - whether that constitutes recommending the perfect shade of makeup, or ensuring that the customer receives the right supplements tapered to their unique body composition (Jervis). Additionally, voice-based AI, product personalization, and chatbots will become ubiquitous within the personalized beauty and skin-care market. As consumers take a more well-rounded approach to beauty that encompasses health and wellness, the beauty and cosmetics industry will find holistic approaches with technology integration (Jervis).

With the embrace of technology and the new perspective on how to connect with the consumer, we have created a new marketing model; the infinite consumer (CFMM, 2020). As the beauty industry evolves *beyond*, the consumer remains at the heart of everything we do. Today, our consumers' lives are in constant disruption - individually, culturally, and collectively. Brands must go beyond traditional boundaries and connect with consumers in all aspects of life, providing fundamental human needs that go beyond today's linear consumer and brand relationship. The needs of the infinite consumer will fundamentally shift the business strategy. The evolving and thriving wellness industry will be the catalyst for merging the health and beauty categories. Our consumer is at the heart of this new structure; to properly serve the infinite consumer, our industry will need to lean into emotional needs and move forward with passion and purpose. No longer should marketers be looking at the marketing funnel to help drive awareness, conversion, and loyalty. Although these basic marketing principles remain important, the marketing funnel will need to shift from a linear model, focused on the end transaction, to an omni-model that is focused on emotions through a shared interpersonal and purposeful relationship with consumers at all touch points of their lives. Brands must use technology to create intimacy of scale and provide ways in which consumers can be part of a community, feel a sense of purpose, and see beauty as a category that goes beyond vanity.



CONCLUSION

The U.S. beauty consumer continues to evolve. Instead of prioritizing vanity, this consumer is seeking a happy and fulfilled life, which, at the core, means mental and physical well-being. Today's consumer is becoming increasingly demanding, looking for accessibility, transparency, and trust from their brand of choice. Moreover, the consumer values safety and effectiveness that are science-based to help them have a long, healthy, and happy life.

In order to address the current needs of consumers, the beauty industry will need to be redefined and its new purpose will need to be found. In order to survive and thrive, the industry will need to go *beyond* topical, *beyond* vanity, *beyond* traditional ways of selling, and think *beyond* the traditional consumer. The “be-well” approach to the consumer will need to be one that speaks to the mind, body, and soul and is what will differentiate winning companies. The onset of COVID-19 should be used as a step change as consumer shopping behavior will be altered in both the short and long-term. Consumers will identify products and services as essential and nonessential, placing emphasis on essential products that promote health and wellness. For beauty to stay relevant, the out of touch campaigns that sell vanity will need to change, becoming more relatable and redefining what beauty means to the individual. Mergers and acquisitions will need to move towards the marriage of the beauty, health, and wellness sectors, taking example from the portfolio of Johnson & Johnson as the future of beauty.

Consumers' perspective of luxury goods and services is changing. In a post-pandemic era, not only will luxury be altered by the change in the brick and mortar landscape, but it will be altered in consumer perception. Increased dependency on digital-selling platforms will drive luxury to go *beyond* what it previously was able to deliver in a traditional brick-and-mortar environment. Beauty brands and retailers will need to use technology to create virtual intimacy, connecting to consumers and providing them high touch service offerings on a consistent basis. Moreover, a new selling model will help the industry go beyond transactional to more service-orientated model. Under the Professional Health Concierge umbrella, a BeWell Advocate would be trained to provide a comprehensive wellness regimen to the customer at the point of sale and the medically trained BeWell Expert would advise on holistic regimens to prevent, confront, and treat wellness issues through clinical solutions.

However, for beauty to move *beyond* its traditional purpose and function, technology must become the ultimate connector, leveraged by consumers, the industry, and retailers alike. The future needs to be about virtual intimacy and brands must use technology to create virtual intimacy in order to survive in this “always on” tech world. Consumers will be looking for companies that use technology to address their needs *beyond* topical beauty. With the embrace of technology and the new perspective on how to connect with the consumer, a new marketing model is also developed - the infinite consumer - the new omni-model that is focused on emotions through a shared interpersonal and purposeful relationship with consumers. Brands and companies must use technology to create intimacy of scale and provide ways in which consumers can be part of a community, feel a sense of purpose, and see beauty as a category that goes beyond vanity.

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