WGSN BY ASCENTIAL

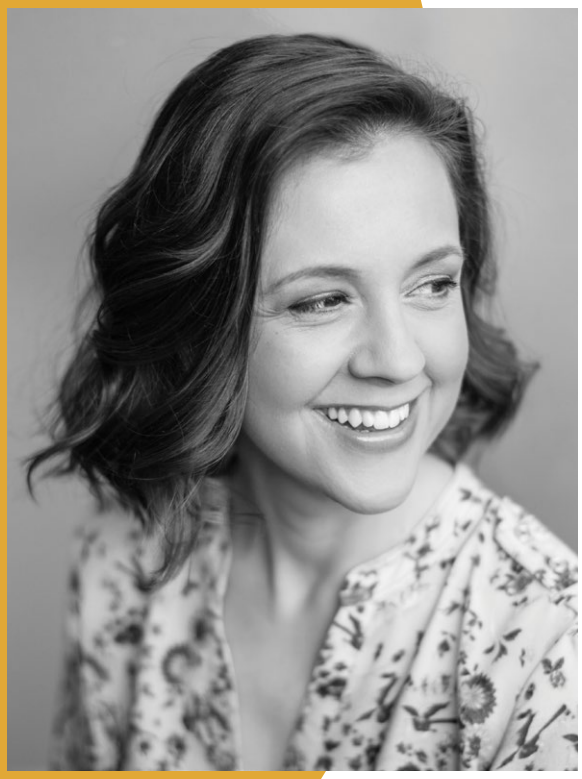
Gen Z: Building New Beauty

What the next-generation consumer wants from your brand and your products

By Laura Saunter & Jemma Shin, WGSN Beauty & Insight

In partnership with

COSMOPROF WORLDWIDE BOLOGNA



The turbulent and multidimensional lifestyles of Gen Z will define beauty for the next decade. Is your business ready?

To understand this fascinating cohort – one that will make up 40% of consumers by 2020 – is to appreciate their fundamental fluidity. They live between digital (URL) and physical real life (IRL) worlds, with minimal distinction between the two.

This 'phygital' duality of physical and digital creates tensions for Gen Z to navigate, and shapes their consumerism. The brands that resonate and win will be the brands that help them find their way.

I've been fascinated by the split-world personality of Gen Z ever since we deep-dived into this cohort back in 2018. Our latest white paper goes even further into how they seamlessly inhabit online and offline worlds and, specifically, what it means for those in the beauty business.

Gen Zers champion the beauty of human diversity in all its forms and yet are laid low by the pressures of 'selfie esteem'. Hungry for digital experience and interaction, they also feel overwhelmed and in need of a tech-free sanctuary.

Gen Z: Building New Beauty, published for Cosmoprof 2019, is the latest white paper from the WGSN Beauty & Insight teams. By getting under the skin of the consumer, we show how beauty brands can travel alongside Gen Z as they criss-cross between their URL and IRL worlds. Only by sticking close to these young shoppers will brands ensure that their new product strategy hits the mark.

In creating this report, we heard from many beauty executives that they needed more support in both understanding different generational attitudes and identifying the right products to answer their needs. It has inspired us to develop a new 360-degree service designed to help the industry develop its next generation of hero products.

Launching in spring 2019, WGSN Beauty is a brand-new digital subscription and consulting platform that has been shaped in direct response to the needs of those of you in the beauty industry. The product works alongside WGSN Insight, and also addresses the unique needs of the beauty sector, from packaging and ingredients, to colour, texture and fragrance.

For more information on how WGSN Beauty can help your business, please visit **lp.wgsn.com/beauty**

Carla Buzasi
Managing Director, WGSN

Carla

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What Gen Z Wants From Your Brand

Culturally agile, self-educated and highly allclusive, Gen Z will define beauty for the next decade. And although two polar-opposite segments exist in this generation – the competitive, follower-focused and style-driven Gen Me, and the collaborative, feelings-focused and belief-driven Gen We – its open, fluid nature means that this cohort can move between Me and We effortlessly, sometimes unconsciously, and often contradictorily.

This is a generation that is growing up with its time split between two worlds – the fast-paced, constantly evolving digital world (URL) and a physical in real life (IRL) world that seems to throw up new challenges, stresses and obstacles to overcome every day – and it's this parallel existence that defines how they shop for, and experience, beauty.

Their IRL world is viewed through a URL filter, so they care less about distinguishing between the two, aligning the value and social kudos of their digital assets with what they own in real life. Brands that understand and authentically act on this will open up a wealth of opportunities to connect with this 'phygital' cohort in both spaces, creating a more fantastical and fictional aesthetic for colour cosmetics, haircare and body.

Gen Z prizes brands that offer moments of calm, sensorial experiences and products that support their physical, mental and emotional well-being, especially if they also appeal to this cohort's strong beliefs in protest and activism, positive messaging, sustainability and inclusivity.

Using WGSN's research methodology, we analysed the macro shifts taking place across society, technology, industry, environment, politics and creativity. We then identified the six key drivers in consumer behaviour that are influencing Gen Zers, and the strategies you need to ensure you continue to stay relevant to them in this new phygital landscape.

Meet Your New Phygital Consumers

Radical Inclusivity

Gen Z defies generalisation and values diversity in all forms. Social media provides greater exposure to conversations about gender fluidity, positioning this cohort at the forefront of radical inclusivity as they reject gender-conforming attitudes.

Purpose to Purchase

This is more of a lifestyle decision than a trend for this generation. The purchasing pathways of these educated, eco-conscious shoppers are directly determined by ethical practices and messaging, and they strongly believe that a brand must take responsibility for both its social and environmental impact.

The Digital Wellness Space

As increased digital pressures elevate issues such as loneliness and 'selfie esteem' into high-priority concerns, holistic wellness becomes increasingly important for Gen Z. They crave moments of calm, and actively seek out brands that go out of their way to offer support in an emotionally complex world.

Knowledge is Empowerment

Gen Z is the most self-educated generation to date, with information and tutorials on any conceivable subject instantly available online at any time. Informed online communities continue to fuel demand for authenticity and transparency across the industry.

URL Convenience to IRL Experience

Picture sharing apps, such as Instagram in the West, and Weibo and WeChat in China, are Gen Z's most widely used social media platforms. They use them to educate and influence each other, as well as research, discover and transact. Shopping directly from social media will become increasingly important, as these consumers demand that real-world shopping is as frictionless as online.

The Internet of Beauty

Artificial intelligence (AI) and augmented reality (AR)-powered apps will begin to play a much larger role in customers' purchasing decisions. Extended reality (XR) is set to evolve the way Gen Z communicates, plays and shops, driving the demand for tech-enabled and playful interactions within retail environments.

Decoding Gen Z Beauty Consumers

Gen Z Beauty Spend

$368

Amount female Gen Zers now spend annually on beauty, with skincare being a leading driver[1]

18%

up year-on-year[1]

Gen Z Influencers

16%

of Gen Z are less likely to be influenced by celebrities[2]

56%

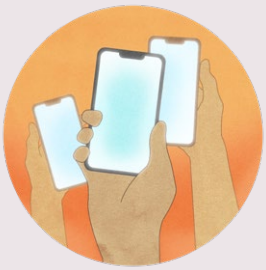
of teens can tell whether a brand is for them based on their social media accounts[3]

60%

say they use social media content to get a response from others[4]

[1][US] – Piper Jaffray Spring 2018 Survey
[2][US] – Cone Communications, 2017 "Gen Z CSR Study: How to Speak Z"
[3][US] – Awesomeness TV Network, 2017 "Gen Z: The Audience You Can't Ignore"
[4][China] –Tencent's Customer Research & User Experience Design Centre surveyed 15,000 post-00s and pulled online user data from across the country

Digital Life

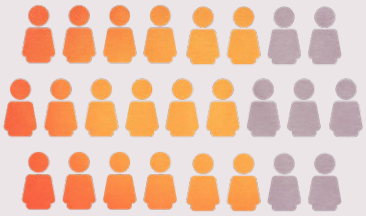


96%

of Gen Z own
a smartphone[5]

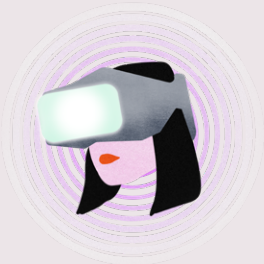
68

videos watched every
day by the average Gen Zer[6]



60%

use social media
almost constantly[7]



70%

of Chinese Millenials are
interested in using VR to
socialise virtually with friends[8]

55%

are more comfortable
connecting with people
online than in person[6]

71%

of their entertainment
consumption is streaming[6]

9 hours

average time Gen Z spends
online every day[7]

76%

of Gen Zers say they discover
brands via Instagram[9]

[5][Global] – Commscope, September 2017, "The Generation Z Study of Tech Intinates"
[6][US] – Awesomeness TV Network, 2017 "Gen Z: Leaders of the Mobile Social Movement"
[7][US] – Commonsense Media, 2018
[8]Tencent's Customer Research & User Experience Design Centre
[9]Pew Research: Social Media Use, 2018

Radical Inclusivity

Valuing diversity in all forms, with social media providing wider exposure to evolving global conversations, Gen Z is rejecting gender-conforming identities and rooting for diverse representation.

"We have morphed into a world where people are very much in touch with who they are. They are firm about it and unwilling to change or pacify themselves for anyone."

– Nai'vasha Johnson, celebrity hair stylist

Immediate opportunities

New masculinity

Asian youths lead in challenging traditional perceptions of masculinity. In Korea, there are over 44k YouTube "male idol make-up" videos, mostly created by teenage boys. Sales of colour cosmetics to male teenagers increased by 71% in 2017, compared to 13% in 2016, according to Korean e-commerce giant Gmarket. Euromonitor predicts that male cosmetic consumption in China will see a YoY growth of 13.5% by 2019, well ahead of 5.8% globally.

Men's make-up launches, such as Korean brands LAKA and Sneaky, are increasing, as well as European and US gender-neutral brands such as Boy de Chanel, Panacea, Youth to The People, Non Gender Specific and Context.

Ethnic diversity growing

The runaway success of Fenty Beauty's 40-shade Pro Filt'r foundation range has inspired a host of other brands, such as Tarte and Smashbox, to follow suit and launch inclusive products. This has helped to create a much-needed new norm for skin diversity.

Black women in the US continue to embrace their natural hair, with a recent Mintel survey revealing that 40% no longer straighten using chemicals or heat styling.

"Growing up as an African American in the South, I felt so alienated from beauty ideals and mainstream products that I just made my own." – Niambi Cacchioli, founder, Pholk Beauty.

Allclusivity

Gen Z is driving the shift towards a more inclusive visual culture, leading retailers to acknowledge consumers with different abilities. On social media, a new crop of allclusive influencers, such as @aaron___philip and @joannedion_, are creating wider acceptance and achieving mainstream visibility by challenging the standard perceptions of beauty. Their mission is to encourage their followers to persevere despite the physical conditions that might otherwise have discouraged them from speaking up.

URL strategies

Beauty brands and platforms are launching inclusive online features and messaging.

In June 2018, online retailer ASOS announced it had dropped the term “beauty” on its website and marketing materials, replacing it with “Face + Body” for greater gender inclusivity.

In 2018, Pinterest enabled beauty search results to be filtered by skin tone.

In 2018, visually impaired Kathleen Sypert filed a lawsuit against Glossier for its website having multiple access barriers, highlighting the need for businesses to prioritise accessible web design. This prompted Glossier to take steps to comply with Americans with Disabilities Act standards by working with experienced accessibility consultants.

IRL strategies

Beauty stores are specifically catering to under-represented communities in the market and allclusive product design is coming to the fore.

In June 2018, Sephora began its Classes for Confidence – a series of hands-on beauty courses for customers who identify as transgender or non-binary.

Brown Beauty Co-op is a recently launched Washington, DC, beauty store for women of colour, offering a wide array of products for darker skin tones and natural hair, in partnership with “brown girl-approved” retailer Marjani.

Celebrity hair colourist Lisa Shepherd has opened a low-sensory hair salon in the UK, after one of her staff members suffered a head injury that left her unable to tolerate bright lights and strong smells. The stress-free, inclusive space features warm, low-level lighting and meditative music. “As an industry, we could be more aware of mental health and chronic illness,” says Shepherd. “My aim is to raise awareness of just how many people are alienated from a salon experience, and we have it in our hands to change this and make the salon a positive experience.”

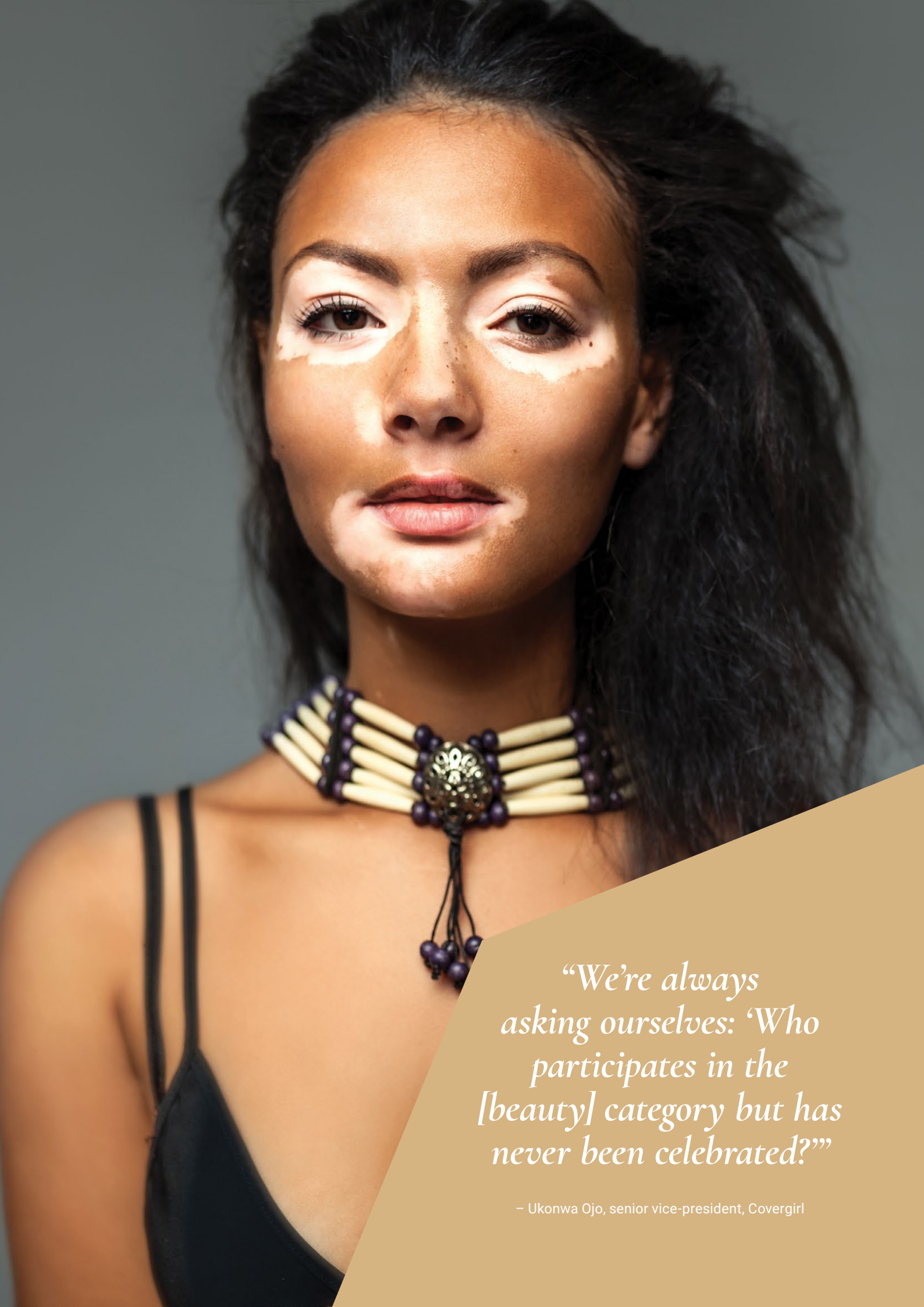
British start-up Kohl Kreatives created The Flex Collection, a set of make-up brushes tailored for people with a motor disability or disease. They feature easy-to-grip handles and self-standing designs for better comfort and control.

Future opportunities

Universal skincare

The beauty industry is aiming to become more inclusive and less Caucasian-centric. Colour cosmetics brands have been offering wider ranges of foundation shades to suit different skin tones. And now the global skincare market is aiming to follow suit and evolve. But there is still work to be done. According to a recent report by UK retailer Superdrug, 70% of black and Asian women in the UK do not feel that high street (mainstream) brands cater for them.

Pholk Beauty is a vegan, affordable skincare label created by women of colour, for women of colour. Its founder, inclusive beauty activist Niambi Cacchioli, told WGSN: “Brands like Fenty, Mented and The Lip Bar busted open the doors wide for diversity. But after you wash your face, you still have to deal with the skin. As we have more conversations about skin and educate sales associates to understand the conversation, we can really be ourselves.”



“We’re always asking ourselves: ‘Who participates in the [beauty] category but has never been celebrated?’”

– Ukonwa Ojo, senior vice-president, Covergirl

Actions to take

1

To create a credible diverse beauty offer, your brand has to be as varied as your customer base. Take the advice of US beauty YouTube influencer Jackie Aina: “Give people of colour a seat at your table – not to take our money, but to actually value our voices. Employ them to create an opportunity and space for them.”

2

Ensure that teams with different abilities, races and genders are represented in the workforce. UK-based ethical luxury brand The Soap Co. employs blind and disabled people, including those with epilepsy or people recovering from strokes.

3

Support fluid identity, provide a safe space for self-expression and celebrate differences. Fluide, a make-up label for all gender expressions, identities and skin tones, believes make-up is a transformation tool and a powerful means of self-actualisation. The brand donates 5% of profits to organisations that support LGBTQ rights.

Purpose to Purchase

Sustainability is deeply woven into Gen Zers' worldview, as they've grown up in a time when our impact on the planet and other species has become increasingly visible. According to Nielsen's 2018 global survey, 80% of Gen Z feel strongly that companies should help the environment, 68% of US Gen Z shoppers made an eco-friendly purchase, and 82% of Southeast Asian Gen Zers claim they prefer products from ethical brands.

Immediate opportunities

Anti-waste

Gen Z is seeking out the most sustainable options, particularly "Precyclers" – who think about recycling before they shop, by buying unpackaged, reusable and refillable products.

A 2019 study by VIGA and OC&C Strategy Consultants found that 27% of Gen Z prefer to buy products that can be used repeatedly, and 37% try to only buy and keep what they truly need.

The re-commerce industry is now extending beyond fashion into beauty, with online platforms Poshmark, eBay and Glambot allowing users to resell beauty products.

Cruelty-free

More than any other generation, Gen Z is embedding ethical values, such as prioritising animal welfare and favouring plant-based diets, into their lifestyles. Data from Morning Consult's 2018 Consumer Trends in the Food and Beverage Industry report highlights that 29% of US consumers aged 18-21 claim the word "vegan" on products makes them more appealing, compared to just 14% of Boomers.

Vegan beauty launches increased by 175% from 2013 to 2018, according to Mintel. The popularity of animal-free beauty continues to grow, with initiatives such as California's ban on animal-tested cosmetics, due to begin in 2020, and China launching its Leaping Bunny pilot scheme in 2018 in partnership with Cruelty Free International. This enables foreign cosmetics companies to launch and manufacture products in China without the need for post-market animal testing.

Online activism

Gen Z is using social media to educate, advocate and activate. Noteworthy influencers include tongue-in-cheek @zerowastememes, an Instagram account that posts viral-worthy content to its 45.6k followers. Gen Z sustainability activist @stevieyaaaay uses her artfully curated Instagram and blog to showcase her ethical, waste-free and natural lifestyle.

"Savvyness is a defining characteristic of today's young consumers. They may be drawn to greener, more natural or responsible brands, but they are not blindly buying them." – Krupali Cescau, brand director, Amplify.

URL strategies

Forward-thinking digital platforms offer convenient solutions to zero-waste shopping experiences and increased traceability.

Using blockchain and open data to provide supply-chain information on the ethical nature and origin of ingredients helps brands, shoppers and partners build trust and create transparency.

Loop is a circular, zero-waste shopping platform that will supply branded products by big names such as Unilever and P&G in reusable containers. When empty, these are returned, sanitised, refilled and sent back to consumers. It launches in the US and France in May 2019.

IRL strategies

Businesses are driving eco-friendly IRL initiatives and incentivising customers to use them to build long-term loyalty.

Skincare brand Haeckels offers a 40% online discount if you share a photo of yourself cleaning up a beach.

In August 2018, L'Occitane teamed up with TerraCycle to enable customers to return containers for recycling in return for a 10% in-store discount.

Lush is going a step further with entire stores dedicated to packaging-free products to raise awareness of the impact of single-use plastic on oceans. The first opened in Milan in 2018 and the most recent store opened in Manchester, UK, in January 2019.

Hawaiian Airlines has partnered with Raw Elements to offer passengers free samples of biodegradable, reef-safe sunscreen ahead of Hawaii's expected 2021 ban on coral-damaging sunscreens.

Future opportunities

Biodegradable futures

Products made from biodegradable materials, such as algae and bacteria that can be safely broken down by an aerobic or anaerobic composting process, will gain momentum. BioGlitz is the world's first plant-based glitter brand, and researchers at the University of Bath in the UK have developed biodegradable marine microbeads made up of cellulose sourced from waste.

Developed as part of an MIT Design Lab and Puma Innovation project, The Adaptive Dynamics: Biodesign, Adaptive Packaging is a biomaterial that inflates by emitting gases in response to heat, and expands to create a biodegradable protective layer around a product. This technology could potentially be utilised by the beauty industry to replace single-use packaging materials currently being used.

Waterless beauty

The UN estimates that by 2050, the demand for clean water will grow by around 30%, increasing pressure on an already stressed supply and creating scarcity. The challenge of reducing water waste, particularly within industry, will become the next high-profile global environmental challenge after plastic in 2019.

As part of its Sustainable Living plan, Unilever has implemented Water-smart – a series of initiatives and products to help users reduce their water footprint, particularly in emerging markets.

Launching at the end of 2019, P&G's new brand DS3 will feature liquid-free and plastic-free personal care items. L'Oréal has committed to reducing 60% of water consumption per finished product by 2020.

"It's not enough just to sustain. From an environmental perspective you can't just not negatively impact the world, you have to add a positive."

– Camilla Marcus-Dew, founder, The Soap Co.

Actions to take

1

Think how your product can leave a positive legacy. For example, as well as employing software to ensure its supply chain is ethical, LOLI Beauty's zero-waste, waterless and food-grade products come in reusable glass jars.

2

Clearly illustrate how your customers' actions can make a difference: 36% of Gen Z say that this type of content is more likely to grab their attention.

3

Join the packaging-free movement with unwrapped goods, or offer alternatives to plastic. Create discount and loyalty incentives around recycling and refillable schemes.

The Digital Wellness Space

In an age of anxiety, political instability, environmental turmoil and digital overload, Gen Z focuses on physical and mental health. But while 94% of them believe a healthy body and mind is the most important factor for happiness, according to a Varkey Foundation 2017 study, many are struggling to achieve this. In fact, the American Psychological Association reports that 91% in the US say they have experienced at least one physical or emotional symptom due to stress.

They are more susceptible to loneliness, with 16 to 24-year-olds three times as likely to be lonely as those over 64. This is mainly due to a lack of in-person social interactions, with some 60% of Gen Z using social media almost constantly, says a 2018 Common Sense Media report.

In addition, selfie culture and filters are intensifying self-esteem issues. Young consumers are craving moments of calm and looking to brands that acknowledge the detrimental effects of social media, offering them support and a safe haven, such as Fluff Cosmetics' new Selfiesteem feature.

Immediate opportunities

Gen Z homebodies

Today's youth are staying at home more, as they seek sanctuary in their own, personal space. Mintel reports that 67% of Gen Z say they avoid unhealthy activities such as clubbing, drinking and smoking, and in the US, the at-home self-care industry is valued at $400bn.

Deleting digital distortion

US drugstore chain CVS has banned digitally altered imagery on ads and labels, and will eliminate it in-store and across social media over the next two years. Neutrogena, Covergirl and Revlon are among 13 brands signed up to the CVS Beauty Mark initiative. Unilever brand Dove has also introduced a No Digital Distortion label.

Selfie culture backlash

Photographer Rankin's Selfie Harm project asked 15 British teenagers aged 13-19 to edit their own photograph until they deemed it "social media ready". While no one left their photo alone, most admitted later to preferring their unedited photo.

"It's time to acknowledge the damaging effects that social media has on people's self-image," says Rankin."Every platform is full of hyper-retouched and highly addictive imagery, and it's messing people up."

URL strategies

Online campaigns and educational content will help Gen Z with self-esteem, while online wellness and health apps will support phygitally minded homebodies.

Coty and Rimmel have partnered with anti-bullying charity The CyberSmile for a three-year global, AI-driven initiative, #Iwillnotbedeleted, to support victims of beauty cyberbullying. Coty found 23% of the 11,000 women aged 16-25 it interviewed had experienced cyberbullying.

US site Chillhouse's Home Vibes and Chill Merch ranges celebrate staying in. The brand has collaborated with Australian skincare brand Frank Body for a video series addressing body hair, eating disorders and sexual consent, published on a microsite, The Chill Times.

Period health app Moody Month helps girls "improve their down days and power up their best". Users input details about their cycle and emotions, and the app uses this data to create insights that help girls better understand their cycles.

IRL strategies

Tech-free sensorial store designs resonate with Gen Zers who seek out offline experiences. Brands that connect physical and virtual spaces with community hubs will boost engagement.

Danish youth retailer Boozt allows customers to opt in or out of using tech devices at its Copenhagen store. Screens, speakers and tablets are concealed in displays that blend into the background.

Website Refinery29 is helping to tackle loneliness with the launch of The Lonely Girls Club, an on-to-offline initiative that connects users in real life through book clubs, sports and social events.

Textures and transformative formulas, such as jelly-to-powder, will satisfy the need for real-life sensory experiences. Shiseido's new "breathable, buildable, and bendable" make-up range is split into categories with cosmetics grouped by textures.

Future opportunities

Emotional wellness

Mood-altering cosmetics and skincare will gain popularity. Brands will create stimulating or calming spaces and spa-inspired products, such as start-up brand Skinjay's Mission capsule line and Lush's 13 #LushMoods products.

At-home beauty devices

At-home wellness will evolve as Gen Zers invest in smart beauty devices, such as LED beauty masks and hair-removal systems, for their own spaces. According to Kline & Company, the home beauty device sector saw 71% growth in 2017, while five of the top ten digital appliances sold during Alibaba's 2018 Singles' Day were at-home beauty tools.

Inhalable wellness

Non-invasive, localised delivery systems that utilise the lungs have been clinically proven to enable molecular drugs and actives to be absorbed into the bloodstream in seconds, as well as requiring a lower dose than conventional delivery methods to be effective. Coupled with discreet, on-the-go convenience, we will see a rise in inhalable wellness products.

"Emotion is king – we're seeing the huge power of emotional influence everywhere from politics to retail, and it will only continue to dominate."

– Diana Verde Nieto, co-founder and CEO, Positive Luxury

Actions to take

1

Aim to eliminate digital manipulation in marketing materials, and monitor social media comments. Take action against cyberbullying or skin/body-shaming. In 2018, a survey of 10,020 young people by bullying charity Ditch the Label, found 42% of them experienced cyberbullying on Instagram, and 50% of comments were appearance-based.

2

IRL, create 'micro break' experiences that boost customers' wellness with calming products featuring a DIY element to encourage mindfulness. Scentiment by designer Teddy Schuyers is a DIY kit that enables users to craft their own perfume using dried fruit peel and other fragrant edibles, offering a mindful and sensorial ritual.

3

Ensure that retail staff are educated about teens and mental health, especially sales associates in stores where vulnerable Gen Z may be seeking advice about skincare or make-up application. A non-judgemental attitude and an empathetic approach is required for young, image-conscious shoppers.

Knowledge is Empowerment

Self-educated Gen Z 'skintellectuals' seek information before they buy, using sources like Beautypedia, which features reviews for over 45,000 products, and sharing advice on cult Reddit forum SkincareAddiction, which boasts over 875,000 members.

Independent watchdog apps are trusted sources of information. Korean site Hwahae has over 5m users and over 100,000 analysed products in its database, while apps such as Glowpick and QuelCosmetic help shoppers research safe, clean skincare options.

Gen Z consumers are also turning to Instagram to speak out against companies they feel are operating dishonestly, and to call out sponsored content from bloggers and influencers whom they feel have violated their trust.

62% of Gen Z beauty consumers digitally research beauty/personal care before purchasing

– Women's Marketing

Immediate opportunities

DIY beauty

Euromonitor's 2018 Beauty Survey found that almost half of consumers globally use DIY beauty products at least once a month. This desire for customisation – stripping out what they consider to be non-essential ingredients – enables them to create an ultra-personalised skin regimen.

US brand LOLI Beauty, launched in March 2018, offers Blend-It-Yourself customisation kits, giving consumers the tools and sustainably sourced ingredients to mix their own recipes.

Zandra Cunningham, an 18-year-old US entrepreneur, started making plant-based products when she was nine. She has her own product line and presents interactive DIY beauty workshops on YouTube.

Crowdsourcing

Brands are increasingly looking to harness the collective wisdom of the beauty community, engaging their customers in everything from design to marketing.

Volition Beauty asks consumers – or "Innovators" – to pitch them ideas. If chosen, they are supported through research and development, and other members vote on whether the product goes into production, earning the innovator discounts and a percentage of the profits.

URL strategies

New hyper-personalised technology diagnoses skin problems, providing customised recommendations and products.

Launched in January 2019, Neutrogena's Mask ID app 3D-prints personalised face masks based on users' skin measurements.

P&G Ventures Opté precision skincare system comprises a wand that analyses skin, and a serum that is then jet-printed onto the face.

L'Oréal's My Skin Track pH wearable measures pH levels, which can affect skin conditions such as eczema.

Atolla Skin Lab gathers data – such as moisture levels, oil levels and lifestyle factors – and feeds it into their machine-learning algorithm to create customised oils. The team then continues to monitor the skin over time to optimise the formula.

Dermalogica teamed up with BreezoMeter, a global air quality data company, to help consumers track the impact of pollution on their skin and follow the brand's recommendations.

IRL strategies

At-home kits, customised services and crowdsourcing strategies blend on and offline experiences for maximum engagement with a phygital Gen Z mindset.

New York-based Le CultureClub's Stardust Kit comes with before and after test swabs, which analyse the effectiveness of the product.

South Korea-based Agarbatti offers oils, powders, extracts and liquid actives for DIY product creation.

Smashbox's store in California features a 3D printer that can personalise lipstick and packaging with emojis, names, logos and colours.

Users of Crowd Colour can print blank palettes with their own designs and fill them with their chosen products or transfer products from other brands, playing to Gen Z's dislike of waste, and sense of value.

Developed by Shiseido's Innovation Design Lab, POSME is a teen-focused beauty brand created with high school girls. POSME's new store in Shibuya, Tokyo serves as a communication space for fans of the brand.

Future opportunities

At-home 3D printing

3D printing will enable consumers to print their own make-up palette and bring it in-store to refill. Eliminating unnecessary waste, as well as the need for product packaging and delivery costs, will resonate strongly with sustainably minded, value-driven Gen Z.

DIY store activations

Outside of the home, DIY beauty will also have an impact in-store, which will be especially key for legacy brands still invested in physical spaces. Store-hosted, live streamed DIY beauty workshops – where customers can learn to create treatments using base ingredients – will demonstrate brand authenticity and authority, while ensuring consumers feel empowered.

Total transparency

From ingredients to packaging, brands must offer complete transparency. At Korean brand Hanyul's store in Gangnam, Seoul, products are displayed alongside the ingredients, so customers can touch and smell them, as well as being able to read about their benefits.Online, LabNo offers an ingredient dictionary and counselling service, while Korean skincare company Belif lists the research-backed benefits of key ingredients on its website.

"This generation self-educates through content consumption. They're the driving influence in household decision-making. They have more information, more expertise, more insight."

– Moj Mahdara , CEO and co-founder, Beautycon Media

Actions to take

1

Use crowdsourcing strategies that shift decision-making to the consumer or provide them with the chance to mix their own products to give them full control.

2

Invest in AI and tech-enabled services that allow consumers to scan their own faces to gain customised recommendations.

3

Find new ways to allow consumers to participate in creating your brand – they crave closer interaction, whether it's discussing product queries and experiences or contributing to product creation.

URL Convenience to IRL Experience

Instagram, and picture sharing apps such as Tencent and Weibo in China, are the most widely used social platforms among teens. In the US, for example, 81% of 18 to 24-year-olds use Instagram daily, and 76% say they discover brands and trends via the platform, according to Pew Research.

Social media is also increasingly driving traffic to brand and retailer websites, up 111% YoY in 2018. As a result, marketers are investing more in the platform, with ad spend up by 177% YoY in Q2 of 2018, and 39% of brands stating they are planning to up their Instagram influencer marketing in 2019.

Instagram's impact on product development, packaging, stores and customer communication is all-pervasive, so brands have to stay relevant to this community and its influential consumer tribes.

Immediate opportunities

Designing for social

Gen Z consumers are both content makers and distributors, actively introducing and recommending new products to peers. With social feeds becoming the new magazines, how a brand lives in the market is partially owned by the customer.

Picture and video-led microblogging is pushing businesses to adapt. As Gen Z loyalty is more product-driven than brand-driven, Instagrammable packaging design is paramount, becoming central to both the consumer experience and brand identity.

A brand's aesthetics have to stand out in a selfie or shelfie. Businesses targeting the youth market need to consider if packaging will work in a flat lay, or shine in a tutorial or unboxing video. Even the delivery of a beauty formula is now Instagram-friendly, with products such as animal face masks and photogenic, iridescent gel creams being designed with the 'show and tell' function in mind.

"The foundation can run down your cheek like a teardrop; you can use Rewind mode to pull it back up, which looks cool on social. Back in the day we might have just put it in a pump, but with the dropper, when you see it on Instagram, it's 'Oh my God, what's that?'"

– Maureen Kelly, founder and CEO, Tarte

URL strategies

Brands are creating products with Instagram in mind, while new ways of shopping online make the experience more immersive and shareable.

Chanel has launched @welovecoco, a platform entirely dedicated to how its community of fans interact with Chanel products. It appears to be working, with consumers posting images with the hashtag #welovecoco in the hope that Chanel will repost them, providing the brand with free user-generated content.

In November 2018, Sephora announced that Google Home users can now play any of Sephora's make-up video tutorials with commands such as: "Hey Google, show me foundation tips videos from Sephora."

In China, WeChat, Taobao and JD.com have all embedded shopping functions into their live streaming platforms. Half of all Taobao's live streaming viewers are Gen Z.

NYX's shoppable video tutorials on Instagram Stories enable users to add products to basket while the artist demonstrates how to create a look.

IRL strategies

Digital behaviours are being translated into physical packaging.

Glossier has incorporated a physical 'swipe' into the packaging for its You solid perfume. The pale pink, weighted metal compact opens and closes using a smartphone-style motion.

EmpireEmco, a US packaging brand, created Roxanne, a stick formulation packaging solution for lipstick or concealer. The stick can be scrolled up or down, rather than twisted, and was inspired by the iPhone.

Future opportunities

URL design with meaning

Brands that gained huge fanbases thanks to Insta-friendly packaging are experiencing some backlash, as the interplay between aesthetics and results becomes rebalanced.

The rise in the popularity of transparent brands, such as Brandless and Beauty Pie, points to a growing willingness among consumers to choose function and price over packaging. For 2019 and beyond, beauty brands must combine Instagrammability with results and meaning.

"We refuse to be another brand with Millennial pink... A lot of beauty brands are dumbing down their audiences, serving them content without giving them any credit for what they're thinking. We want to be a brand that stands for something and has an opinion."

– Erika Geraerts, founder, Fluff Cosmetics

Actions to take

1

Ensure store experiences live up to the phygital mentality – Gen Z consumers may discover a brand online, but many will want to capture product for their personal audiences in IRL settings. Make sure your store can facilitate this.

2

Understand that this audience is in transition, moving from a focus on brand aesthetics to results, so ensure meaning is embedded into both design and formula.

3

This cohort will expect retailers to provide more shareable and immersive offline experiences, and is willing to travel the extra mile for the promise of quality content to share online. Make sure store experiences live up to expectations.

The Internet of Beauty

In the coming years, extended reality or XR (an umbrella term for virtual, augmented and mixed reality) is set to change the way Gen Z both plays and shops, driving the demand for tech-enabled interactions in the retail world. As tech continues to blur the line between physical and digital space, we will shift from the experience economy to the immersive economy, where an XR lifestyle becomes the norm for this generation of digital natives.

Immediate opportunities

Shoppable AR

More brands are experimenting with augmented advertising and AR-enabled shoppable features on social media. Lens Studio lets users create their own AR artworks, while Snapchat's new Shoppable AR feature allows advertisers to display and sell products through the app's lenses. In July 2018, Facebook also began experimenting with AR-enabled shoppable ads in its Newsfeed, encouraging users to try on products virtually.

Virtual influencers and 3D avatars

Avatar brand marketing is becoming part of the mainstream, with brands tapping into the popularity of fictitious social stars to promote their products. The world's first digital supermodel Shudu and pop culture icon Lil Miquela straddle the line between fantasty and reality.

In Asia, 3D avatar app Zepeto now has more than 1m teens and tweens creating their own digital likenesses and meet-up spaces. According to Mintel, 70% of Chinese Millennials are interested in using VR to socialise virtually with friends and 58% claim trying new digital products makes them happy.

URL strategies

AR-led services are opening up new frontiers in beauty, offering bespoke and engaging experiences for phygital Gen Z consumers.

In January 2018, Smashbox launched a beauty chatbot called Smashbot. Smashbot lets users virtually try out products in a photo to share with friends, talk to sales associates and shop the range. Other features include booking in-store appointments and locating the nearest retail outlet.

After L'Oréal's acquisition of beauty AR company ModiFace in 2018, the company launched Virtual Nail Salon, an AR app that virtually applies different nail polish shades and textures on live videos of users' hands.

Similar to make-up, the nail care sector can benefit from virtual experience because of its strong social element. On Instagram, the hashtag #nails has over 100m posts, while #nailart has 53m.

In February 2018, Covergirl introduced a new AR experience, created in partnership with Holition, Beamly and Walmart. The live try-on tool allows customers to virtually apply different make-up looks, without the need to download an app or log into a social account.

IRL strategies

Brands and retailers are integrating AI and AR into the shopping space to gather data and engage the next generation of consumers with interactive, playful store experiences.

The new Covergirl flagship store in New York's Times Square describes itself as an "experiential make-up playground". On entering, Google AI greeter "Olivia" answers queries and offers AI-powered beauty advice. There are also AR glam stations where shoppers can virtually try on make-up, activated by placing colour choices into a customisation tray.

Chinese department store chain Intime collaborated with Alibaba to revamp its women's bathrooms into an interactive point of sale with an AR mirror. Shoppers can virtually try on cosmetics, as well as order samples, or buy items at a smart vending machine from brands such as Shu Uemura, Benefit and Lancôme.

Following the launch of a 3D fitting room and an AR Styling Station that enables virtual make-up tests with over 60 brands, JD.com has installed AR Beauty Mirrors in the bricks-and-mortar stores of Walmart and Chinese cosmetics brand Carslan.

Future opportunities

With the rapid advancement of machine learning, we are living in an increasingly algorithm-based world. Going forwards, AI will push brands to create strategies that will see them selling both digital and physical products in new spaces.

AI-created products

AI could eventually inform creative decisions right from the initial product development stage. IBM is already experimenting with this, using AI to create a new line of fragrances. It teamed up with German fragrance company Symrise to create an algorithm called Philyra that studies fragrance formulas and customer data to produce new perfumes.

Perl, a CGI model "born and raised in the internet", is moving from promoting to designing products. She launched the first cosmetic collection made for AI by AI, "in a world where beauty isn't exclusive to humans anymore". The line starts with basics and proposes five key products including The Pixel Injection, a powerful agent formulated to fill in dead pixels and intensify the skin's DPI, and The Pixel Lipstick, a reflective oil mixed with noise for decadent shine and deep hydration. At this stage, the line is purely conceptual, but Perl claims that one day she would like to produce physical objects.

AI-generated make-up

In February 2019, Dazed Beauty made waves by featuring Kylie Jenner on the cover with AI-generated make-up. The magazine teamed with the photographer Daniel Sannwald and an AI program called Beauty_GAN, which generates looks by analysing 17,000 Instagram images.

Lukas Rudig, the creative behind Beauty_GAN, explains: "These technologies are often invisible … and as artists we have a duty to make these things visible. In the case of AI, to show people that this is nothing to be scared of. It can produce beauty, something unseen, a new aesthetic."

"As artists we have a duty to make these things visible. In the case of AI, to show people that this is nothing to be scared of. It can produce beauty, something unseen, a new aesthetic."

– Lukas Rudig, Beauty_GAN

Actions to take

1

When rolled out, 5G will unlock AR capabilities – evolving the way we shop with new, immersive real-time applications and services. Brands must prepare for the transition from e-commerce to a-commerce (augmented commerce).

2

Gen Z consumers are native omni-shoppers who crave immersive phygital experiences. Retailers that push the boundaries with new technologies will resonate with youngsters looking for sensorial and engaging ways to browse and buy.

3

As curious and boundary-pushing Gen Z increasingly seeks new experiences and social interactions in a virtual realm, brands should partner with avatar influencers and invest in creative AI programs to resonate with shifting consumer mindsets.

Conclusion

Although Gen Z craves in-person sensory experiences, the convenience and accessibility of online transactions should be replicated in their offline experiences. They flick between URL and IRL, and favour brands that understand and support them in both worlds.

Technology should be used to enhance the experience of a beauty ritual, rather than trying to replace it. Employ smart tech to make beauty hyper-personalised, analytical and diagnostic, and therefore ultra-effective, and then track and validate its efficacy. Give this consumer the power to change their personal beauty world to optimally work for them, their skin, style and hair.

Sustainability is non-negotiable for Gen Z. It's not enough for a brand to just negate any impact its production has on the world, leaving a positive legacy to make the world a better place is increasingly important to this cohort. IRL and URL messaging and activism go hand in hand, and are essential to articulate what matters to them and build campaign momentum.

Acknowledge the impact digital effects can have on people's expectations of an aesthetic. Textures and colour in colour cosmetics and hair styling can exist in both or either URL and IRL worlds. Expect the virtual to influence the physical, no matter how fantastical.

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