

Indie brands

on

Skin care



KEYWORDS

INDIE BEAUTY,
COSMETICS,
NICHE BEAUTY,
SUPPLY CHAIN,
DISTRIBUTION,
MARKETING.

Indie beauty: BEAUTYSTREAMS shares a state of affairs and future outlook on niche industry players

WED

MICHAEL NOLTE

SVP Creative Director, BEAUTYSTREAMS, Miami, Florida, USA

ABSTRACT: In today's flourishing yet competitive beauty market, indie brands face myriad challenges. Financial constraints hinder growth, exacerbated by supply chain disruptions and rising operational costs. Distribution complexities arise in the shift towards omnichannel experiences, while traditional marketing strategies falter as returns on investments lessen. However, inter-industry collaborations offer a promising avenue for indie beauty brands to captivate younger demographics seeking novelty and connection. By leveraging authentic storytelling, embracing value-driven propositions, and ensuring accessibility for all, indie brands can navigate these obstacles to carve out their place in today's competitive market. Embracing innovation, sustainability, and transparency, while catering to niche markets, positions indie players to thrive in such an evolving landscape. This paper aims to provide an analysis of the current state of the indie beauty market and explores the future challenges and opportunities of niche, indie beauty brands.

INDIE BEAUTY: BEAUTYSTREAMS SHARES A STATE OF AFFAIRS AND FUTURE OUTLOOK ON NICHE INDUSTRY PLAYERS

Today, the beauty market is flourishing but is simultaneously saturated and competitive, with multiple brands entering the game every day. It is becoming challenging for smaller, more recent players such as indie brands to grab market shares, stand out among competition, and seduce a demanding consumer. The first indie brands emerged in the early 2000's, transforming the beauty landscape, using direct-to-consumer selling, quick and low-cost marketing, unique offerings, and outsourced product development. The foundations of indie beauty were disruptive at the time and remain a relevant business approach to beauty today. As NielsenIQ notes, indie beauty brands represent US \$30.5 billion in sales and capture a 32% dollar share of the category. Indie brands are now outpacing the growth rate of the total beauty and personal care market, growing 15.7% year over year versus 9.9% for total beauty and personal care (1). Nevertheless, in a saturated beauty industry, it might be difficult for new indie brands to break into the market without a uniquely differentiated offering. Even existing indie players have faced challenges that have forced them to close in the last years. Due to funding challenges, it has become difficult for some indie brands to deal with the challenges of growth: the rising costs of operation make new product development difficult, budget constraints create barriers to develop omnichannel presence, and influencer marketing programs are failing to deliver a real return on investment. According to McKinsey & Company, while the past decade has seen new and independent labels benefit from steadily lower barriers to entry, growth beyond a successful initial run to achieve meaningful scale remains elusive for many. Out of 46 brands founded in or after 2005 with global retail sales of US \$50 million to US \$200 million by 2017, only five exceeded US \$250 million in global retail sales five years later, in 2022 (2).



FUNDING, SUPPLY CHAIN, DISTRIBUTION... MYRIAD CHALLENGES FOR INDIE BEAUTY BRANDS TO CARVE OUT THEIR PRESENCE ON TODAY'S MARKET

FUNDING, SUPPLY CHAIN, DISTRIBUTION... MYRIAD CHALLENGES FOR INDIE BEAUTY BRANDS TO CARVE OUT THEIR PRESENCE ON TODAY'S MARKET

Although the beauty industry is a dynamic one, financial challenges and funding represent important barriers for indie beauty brands. Fundraising is a critical aspect of business growth for indie brands, whose business models heavily rely on social media to secure capital for development, innovation, and expansion, and to leverage the brand's awareness and success. On a competitive market such as this one, limited resources can affect the growth of indie businesses, for everything from product development to marketing, to distribution and internationalisation. As business owners, it is important for founders to demonstrate financial stability and have a clear path to profitability, through clear business models, market opportunities, and organisational structures, to secure investments. This can be particularly challenging during times of slow growth or uncertain economic periods.

Supply chain issues are also among the challenges indie brands are facing. A global pandemic and its subsequent lockdowns, wars, and inflation have all impacted the beauty industry supply chain. While established brands or big players have the foundations to manage the situation, this can be a real point of concern for small indie brands which are facing an unexpected rise in production costs, as they don't have the same liquidity reserves as their larger counterparts. While a new generation of ingredients, formulas, and packaging suppliers targeting small beauty players can supply smaller quantities, indie brands are at risk of facing higher prices, out-of-stock situations, shrunken margins, and subsequent loss of income and profitability. These difficulties have a direct impact on the brands' capacities to innovate and differentiate themselves with strong product offerings.

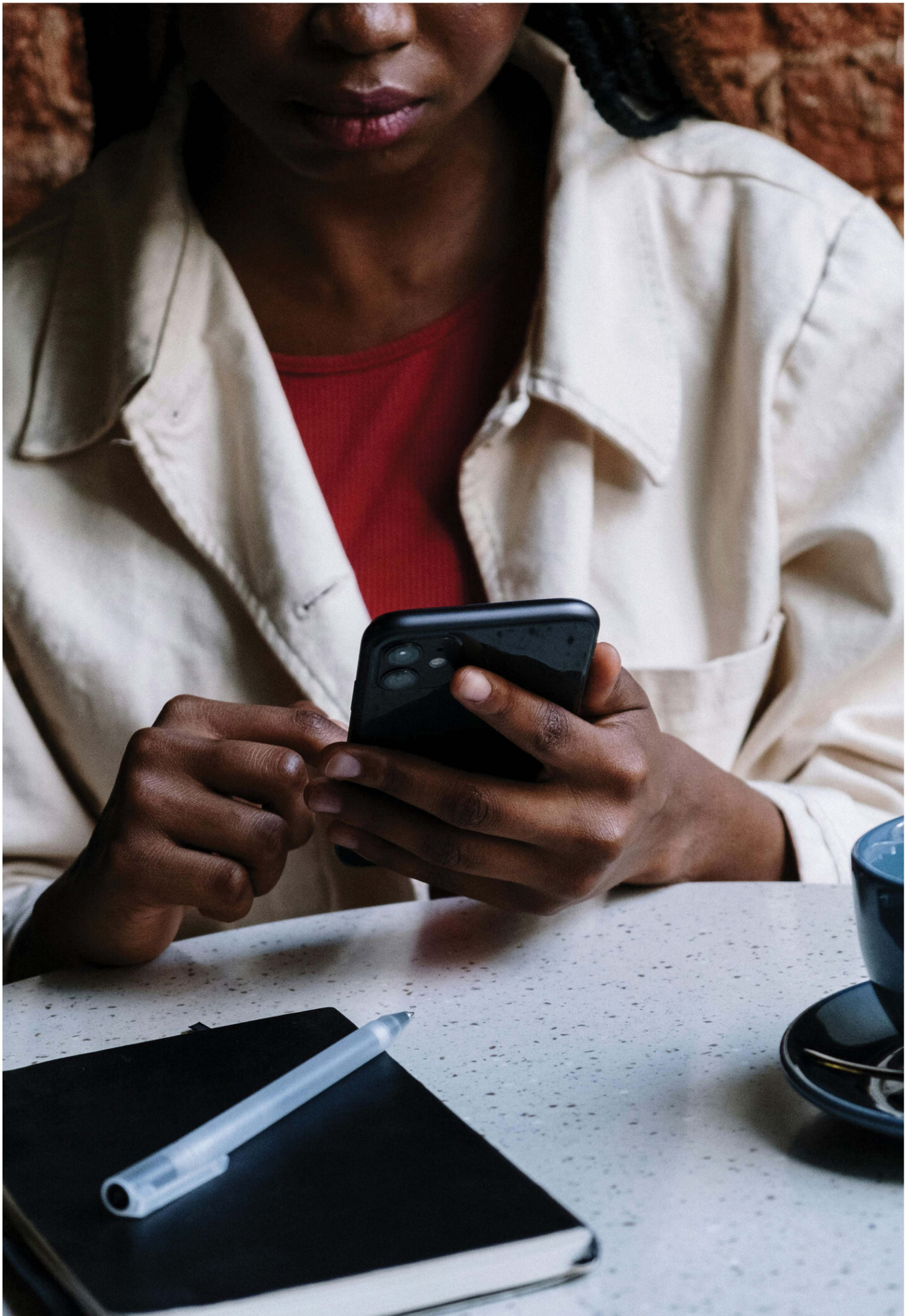
At a time where omnichannel shopping experiences are becoming the norm and something that consumers simply expect, especially amongst younger buyers who grew up in a highly connected, digital world, distribution is also a challenge for indie companies. While their business models traditionally relied on direct-to-consumer distribution, allowing them to control costs, channel expansion has become necessary to develop sales and attract consumers. The hybridisation of retail is pushing the entry of digital native brands into the physical world. These online-born brands need to develop an offline presence via brick-and-mortar stores that combine the advantages of the digital sphere with an immersive, physical experience as part of the purchasing journey. While in recent years, traditional retailers have been supporting indie brands by giving them more presence online and offline through partnerships, limited brand budgets and increased costs are pushing indie brands to rethink their distribution strategy and develop meaningful physical experiences to stay relevant in such a competitive omnichannel space.

Finally, while digital and influencer marketing were the foundations of indie brands, they are now facing significant challenges as social media advertising and its related costs do not generate a viable enough ROI anymore. Apple's iOS 14.5 update and higher advertising costs on Facebook, Instagram, and Google have contributed to the Direct-to-Consumer strain. Indie brands that have long relied on social media advertising at low costs to present their brands to consumers without a physical presence are now facing much higher advertising spends and stronger competition.

INTER-INDUSTRY COLLABORATIONS: THE NEWEST WAY OF CAPTURING YOUNG DEMOGRAPHICS

Gen Z and Alpha consumers seek novel products that stand out from the crowd and now expect to be entertained by the brands they interact with. Brand collaborations have emerged as a popular way for indie beauty companies to stay relevant with Gen Z and Gen Alpha worldwide, and remain a driving force behind successful marketing, breathing new life into how consumers perceive the brand. Inter-brand but also inter-industry collaborations are a hot topic on the market, offering entertainment and direct engagement. Collaborations among indie brands and influencers are also on the rise. Brands are joining forces with mega-celebrities, musicians, micro-influencers, and athletes, in an effort to appeal to the young generation. By launching creative partnerships with other brands, indie beauty companies give young consumers something they've never experienced before and expose their brand to new audiences. Some indie beauty companies are thinking outside the box with unexpected crossovers and limited-edition partnerships with fashion and streetwear players, with the cultural and artistic sectors, or with the food and beverage industries, an effort that is paying off and resonating with young, savvy buyers.

The acutely mindful demographic that is Gen Z and Alpha continually yearns to make an emotional connection with the brands they purchase from, whether that's from an ethically conscious standpoint or from a sentimental one. Unique marketing campaigns and product development collaborations allow indie brands to keep their product offering fresh and unique, but they also increase their ability to expand their market and truly resonate with consumers in terms of developing tastes, trends, and market relevance. While there is of course an inherent risk associated with cross-industry collaborations – as one brand doesn't have control over another – when executed effectively, they can be a tool for partner brands to leverage each other's audiences, create a sense of excitement and novelty, tap into new markets and territories, and help drive sales growth. With competition for consumers' attention increasingly intense, exclusivity becomes key. In that spirit, unique collections and products co-branded as "limited-edition" resonate particularly well with the young generation who seek creativity, singularity, and fun through both digital and physical experiences.



BRAND STORYTELLING, VALUE-DRIVEN MARKETING, AND ACCESSIBILITY: OPPORTUNITIES ABOUND FOR INDIE BEAUTY BRANDS TO SUCCEED

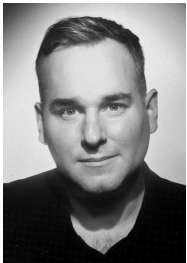
On a beauty market where new products are launched every day, indie beauty brands will have to rethink their initial approach, offer their community a unique and clear value proposition, develop authentic marketing and communication strategies, stay ahead of innovation and trends, and review distribution channels while ensuring adequate funding and resources. Indie brands must refocus their brand's values on their founder-creator with authentic storytelling and strong DNA and rework their offering with products that offer strong scientific, clinical, and laboratory-backed claims to build trust with consumers. They will need to further invest in clean, cruelty-free, biotech formulas that hold the key to the future of sustainable, safe, and efficient beauty. To differentiate themselves, indie brands must tap into underserved, niche markets like the intimate and sexual wellness category, menstrual or menopause and andropause fields, psychedelic-adjacent wellness products, and beyond.

As conscious consumers prioritise truth and information when buying products, values such as authenticity, integrity, and transparency have become crucial in the beauty industry, prompting better brand accountability. Today's consumers, especially those among younger generations, are well-versed in differentiating greenwashing and authentic impact. These consumers expect openness from indie brands, and they won't hesitate to boycott products and services if they disagree with a brand's stance on important issues such as health, environment, ethics, community, diversity, human rights, or animal welfare. Such consumers are informed, purpose-driven, and focused on discovering brands that align with their values. Recognising consumers' growing expectations of transparency and sustainability will lead indie brands to increasingly share best practices in communicating such transparency and environmentally friendly practices. This will in turn help consumers make more informed purchase decisions.

While consumers may be willing to pay a premium for high-end luxury products, they also look for affordable options that provide value for their money. With inflation having been felt in recent months, consumers are actively comparing prices and cutting back on nonessential spending. In times of economic challenges, cost-effective indie brands will be the go-to options for consumers. Convenience and accessibility will play a key role in guiding their shopping decisions as they now shop where is most convenient for them. Budget-conscious consumers are looking for affordable price points without sacrificing on ingredients and experience.

Digital presence will also continue to remain relevant for indie brands, but they will need to approach distribution with omnichannel strategies in mind. Retail concepts and standalone stores can help to draw consumers back to brick-and-mortar by combining "phygital" and experiential qualities. Brands must consider new stores designed to serve not only as a shopping experience but also as "retailtainment," blending retail, multi-sensory and experimental spaces, and a personalised retail approach. Already a relevant means of commerce, livestreaming is a new way for indie brands to connect with new consumers to the brand and boost sales. With social selling already an important channel to reach new consumers, the travel retail and hospitality channels also create opportunities for indie brands to further develop their international presence and awareness.

References and notes



About the Author

MICHAEL NOLTE

Michael Nolte leads BEAUTYSTREAMS' global team of over 200 industry professionals, providing color forecasts, consumer insights, and market insights to companies worldwide. With trends, creative vision, and color forecasting at the heart of his expertise, Michael also leads the company's development of in-depth, beauty-dedicated trend reports. In addition, he directs BEAUTYSTREAMS' Bespoke Division on marketing and product development projects including market strategy, consumer insights, and branding for companies like AmorePacifi, L'Oréal, Mistine, Shu Uemura, Florasis, Wella, Philips, Unilever, and P&G.



MICHAEL NOLTE

SVP Creative Director, BEAUTYSTREAMS, Miami, Florida, USA

References and notes

NielsenIQ. The rise of indie beauty [Internet]. Place of Publication: NielsenIQ; 2023 October [cited 2024 February 22]. Available from:

<https://nielseniq.com/global/en/insights/report/2023/the-rise-of-indie-beauty-insights/>

McKinsey & Company. The beauty market in 2023: A special State of Fashion report [Internet]. Place of Publication: McKinsey & Company; 2023 May [cited 2024

February 22]. Available from: <https://www.mckinsey.com/industries/retail/our-insights/the-beauty-market-in-2023-a-special-state-of-fashion-report>

