



RetailX

# Health & Beauty Marketplaces

2023

In partnership with:



# Introduction



The health and beauty sector encompasses a diverse range of products, from personal care items that everyone buys through to premium skin care and celebrity-backed colour cosmetics. As such, a customer's journey could be a quick, value-driven purchase with the site of choice being the grocery store, online pharmacy or a health and beauty retailer.

Marketplaces, such as Amazon, offer consumers this fast value-driven proposition. It has grown by understanding the core of what drives consumers to purchase online, not just in one category but across multiples, and in different countries and across borders. The deep pockets of Amazon's R&D, along with inventiveness and customer-driven approach, has enabled it to disrupt different categories in turn.

It's unsurprising that marketplaces continue to attract a much higher level of traffic than brand and retailer's own ecommerce sites. Marketplaces understand the price and convenience factors driving consumer purchasing and offer a fast and easy way for customers to purchase. Even multi-sector sites, which encompass marketplaces as well as retailers selling across a variety of categories, gather a larger share of web traffic than sites focused purely on selling cosmetics. This is a generalisation that will alter depending on specific country or marketplace vs retailer assessed but globally and at regional level it holds true.

Customer purchases are also driven by inspirational content, user-generated images and virtual try-ons leading to a more relaxed shopping journey driven by entertainment and newness rather than need. This is particularly true in the health and beauty category where self-image and products are inextricably linked. As the following RetailX research shows, this offers a place for specialist niche marketplaces and social-media-turned-commerce platforms to compete.

For retailers already established as leaders in the beauty or skin care category extension through a marketplace offers relatively risk-free, low cost growth with higher margins than more traditional retail models.

This report adds more depth to these themes, puts health and beauty marketplaces in context and highlights consumer behaviour. It also brings to life the opportunities open to multi-sector marketplaces, brands, retailers and social platforms.

**Ian Jindal, CEO, RetailX**

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# Everyone is a customer

Sales of health and beauty products are increasing online but at a slower pace than during the pandemic

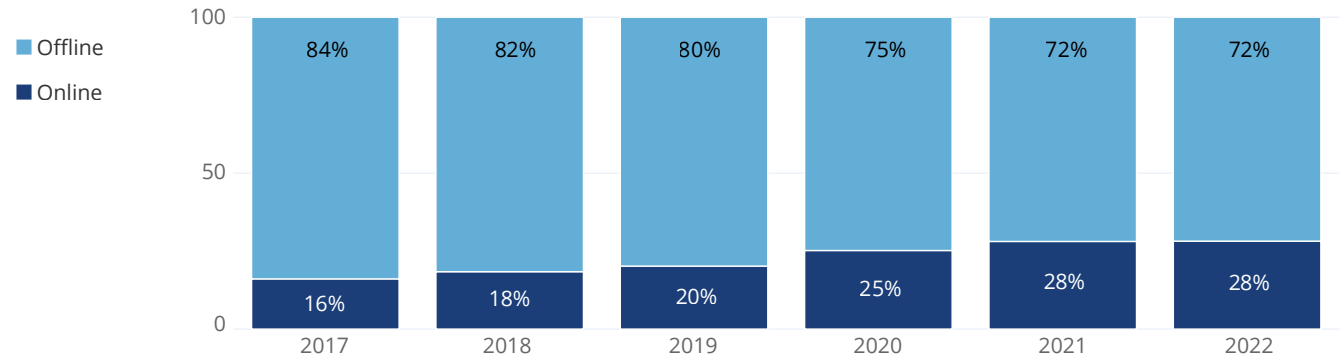
The health and beauty market encompasses a diverse range of products from personal care basics such as soap and toothpaste to celebrity-endorsed fragrances and colour cosmetics. The market for each differs in size, with market drivers and opportunities for brands and retailers changing due to customer base, country and socio-economic factors. Overall, the sector has been growing and sales are predicted to increase, but will continue at a slower pace online than was experienced during 2020 and 2021.

Personal care accounts for by far the largest part of this sector, with sales online in 2022 reaching almost \$120bn globally. This is up from \$79.4bn in 2019. Encompassing sales of products including soap, shampoo, toothpaste and deodorant, personal care has the largest market in terms of overall sales, as well as claiming the largest customer base since they are items that are bought by, or for, everyone.

This area also accounts for a greater level of spend per person than other areas of the health and beauty market. In fact, consumers spend double if not three times the amount on personal care products than they do on items classed as health care or beauty.

## After Covid boost in 2020, health & beauty care online sales split stagnates

Beauty & health care ecommerce online revenue % share worldwide, 2017-2022

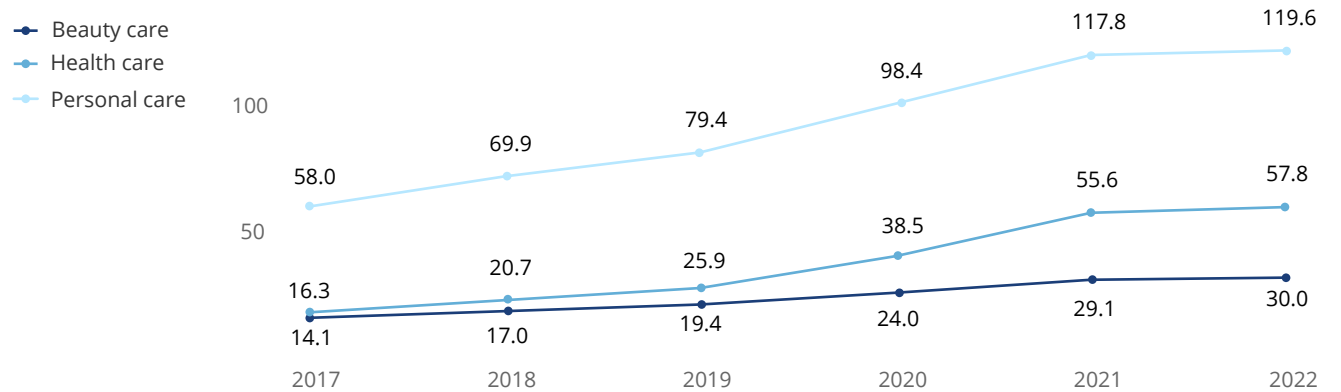


Note: % split include sales on beauty, health, personal, and household care  
Source: Statista Digital Market Insights

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## Beauty and health care categories slowed down online revenue growth in 2022

Beauty & health care ecommerce revenue worldwide (bn USD), by category, 2017-2022



Source: Statista Digital Market Insights

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A number of global brands dominate the personal care market. Colgate, Lifebuoy, Sunsilk, Dove and Nivea are among the brands chosen most frequently by consumers, according to Kantar. Of course, brand penetration and customer choice differs by region and across countries. Always, Signal and Dove are the best-selling brands in Saudi Arabia, while Nivea is the leading skin care brand in the United Arab Emirates.

### HEALTH CARE

Products coming under the category of health are those that can be bought over-the-counter (OTC), such as plasters, vitamins and analgesics rather than requiring a prescription. The market for these items is slightly larger than the beauty market.

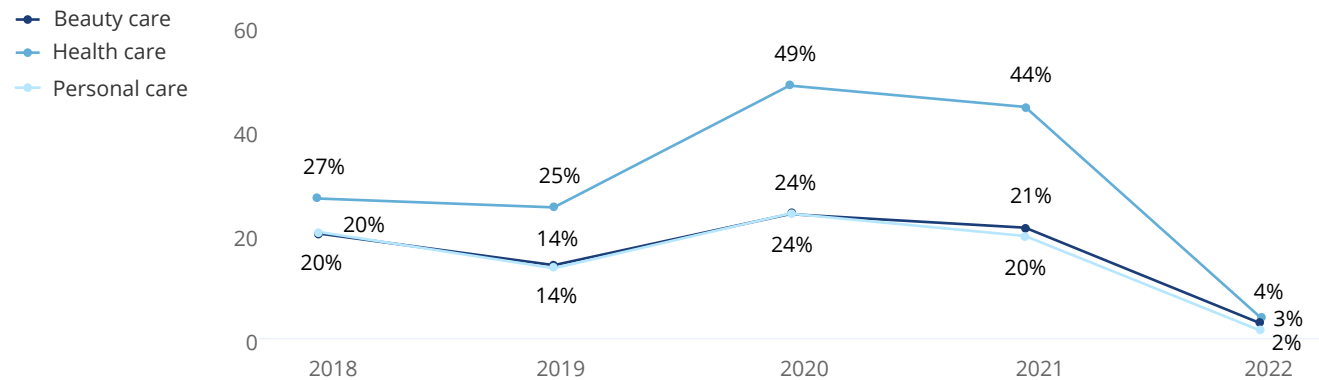
Until 2019, the health product market online was only slightly larger than the beauty market but the pandemic altered what and how consumers were buying.

Between 2019 and 2020, the market rose by 44.6%, as consumers increased the amount they spent online. This per capita spend is predicted to remain higher for the foreseeable future. By 2027, per capita online spend on health care products will reach \$60.02. This compares to the lower amount of \$53.61 spent by individual consumers online on beauty products.

As with the personal care category, the health market is dominated by global players, especially within the OTC pharmaceutical part of the market. As examples, consumers are familiar with brands such as Bayer, Pfizer, Johnson & Johnson, Sanofi, Reckitt Benckiser and GlaxoSmithKline.

## After years of double digit growth, beauty & health care categories slowed down online sales significantly in 2022

Beauty & health care ecommerce revenue % change, by category, 2018-2022

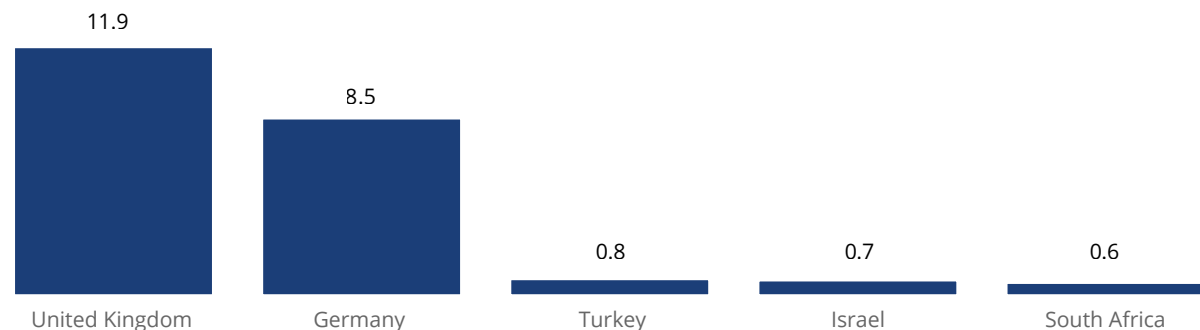


Source: Statista Digital Market Insights

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## There is still a remarkable gap between European and rest of EMEA countries in online revenue for health and beauty sector

Revenue for the health and beauty online sector (bn USD), by country, 2022



Data shown is using current exchange rates and reflects market impacts of the Russian-Ukraine war.  
Source: Statista Digital Market Insights

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There are also a number of bricks-to-clicks retailers leading markets across a number of different European countries. Walgreens Boots Alliance, which owns the UK's health and beauty leader Boots, operates across 13,000 locations in the US, Europe and Latin America. Through healthcare services, its own products and retailing across the categories both off- and online, Walgreens Boots Alliance claims to be "reimagining local healthcare and well-being for all as part of its purpose. In order to create more joyful lives through better health."

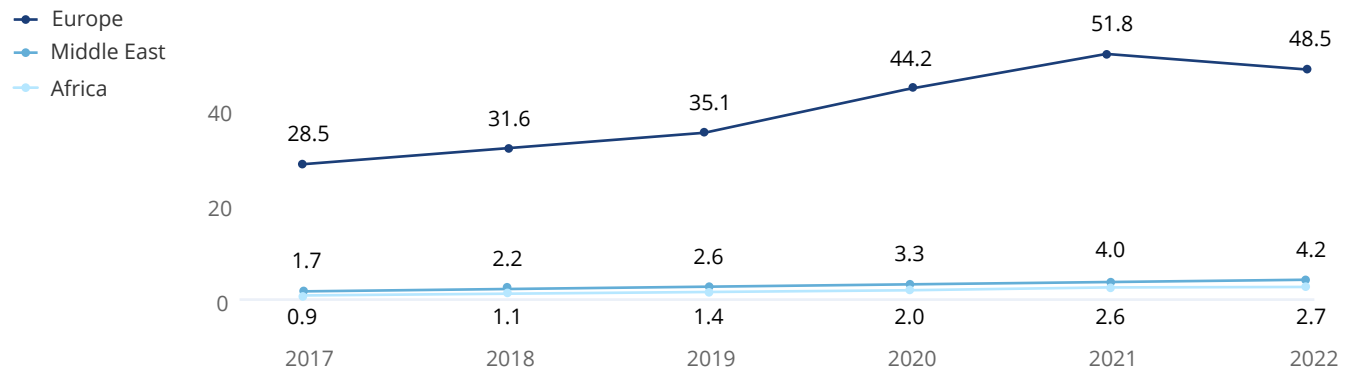
AS Watson Group owns the UK's Superdrug chain, Kruidvat in the Netherlands, Trekleister, Rossmann and luxury perfumery ICI Paris XL. It is expanding its operations in the Middle East currently having opened the first Watsons health and beauty store in Saudi Arabia in 2021.

While the Covid-19 pandemic boosted sales of personal care and health products, its impact on beauty & cosmetics sales was not the same. 2020 and 2021 were challenging for the beauty & cosmetics industry. Covid-19 restricted people's movement, which, in turn, reduced the number of occasions for socialising (and using cosmetics). Similarly, moving the work environment from the office to online reduced the opportunities for beauty & cosmetics, especially in the leisure and hospitality industries.

On top of this, supply chains were affected both on an ingredient and component level as well as logistically. The war in Ukraine and rising inflation in a number of markets have also been cited as areas of concern for retailers and brands.

## Europe leads personal care ecommerce in EMEA but revenue declines in 2022

Personal care ecommerce revenue in EMEA (bn USD), by region, 2017-2022

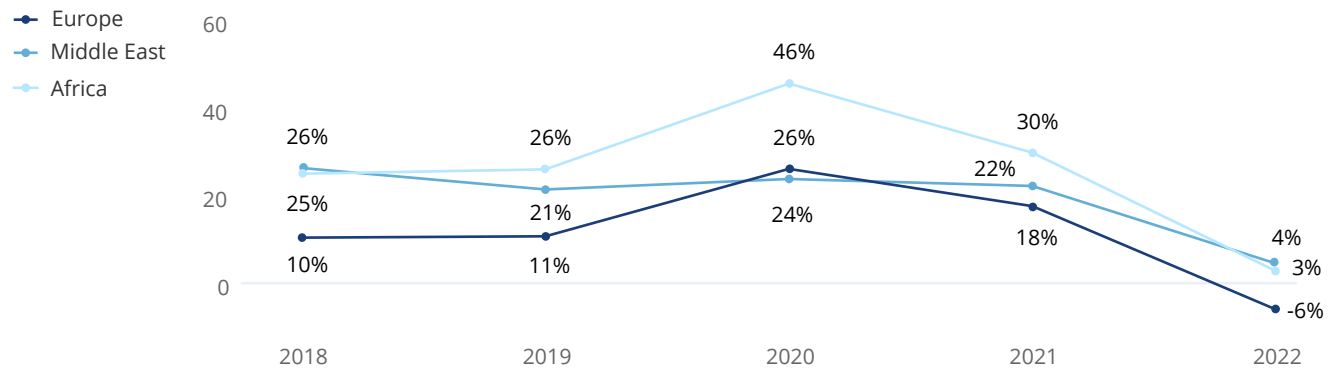


Source: Statista Digital Market Insights

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## Personal care ecommerce growth in EMEA stalls in 2022 led by Europe declining value

Personal care ecommerce revenue % change in EMEA, by region, 2018-2022



Source: Statista Digital Market Insights

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### THE SHIFT TO BUYING ONLINE

What the pandemic did do was provide a boost for ecommerce as consumers, more used to purchasing health and beauty products in bricks-and-mortar stores, moved their purchasing online. Consumers at home also spent more time educating themselves about the products they were buying, the provenance of ingredients and learning from influencers on social media, especially those showing new makeup looks.

Online accounted for 20.6% of skincare sales in 2020 and gained further ground on bricks-and-mortar retailing in 2021 to account for 22.3% of the total. Colour cosmetics sold online in 2019 accounted for 9.3% of total cosmetics sales, rising to 19.1% in 2020 and 18.1% in 2021.

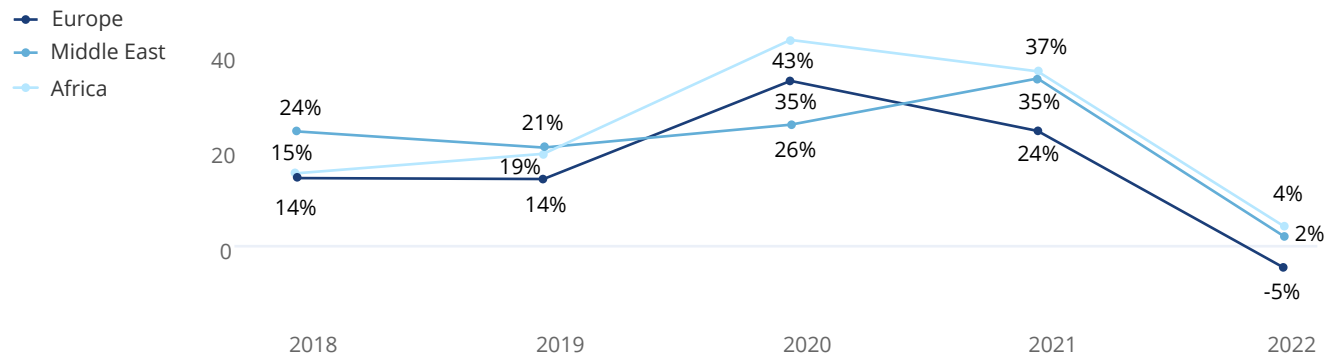
For some brands these figures are even higher. L'Oréal, which has invested heavily in digital technologies in recent years, saw sales in 2022 increase by 23% over 2019's turnover, which is a testament to how it innovated online through D2C, social and marketplaces during the crucial years of the pandemic. Ecommerce accounts for 28% of its sales.

In China, where marketplaces are the dominant channel, L'Oréal brands topped the rankings for each beauty category on Tmall. This further consolidated the Group's leadership, notably in luxury, where L'Oréal surpassed 30% market share in 2022.

At the same time that brands have been moving to sell direct to consumers, elevating their social media presence and strengthening omnichannel services, so marketplaces have been expanding their own offering and presence.

### Health care ecommerce growth drops while Europe declines in value

Health care ecommerce revenue % change in EMEA, by region, 2018-2022

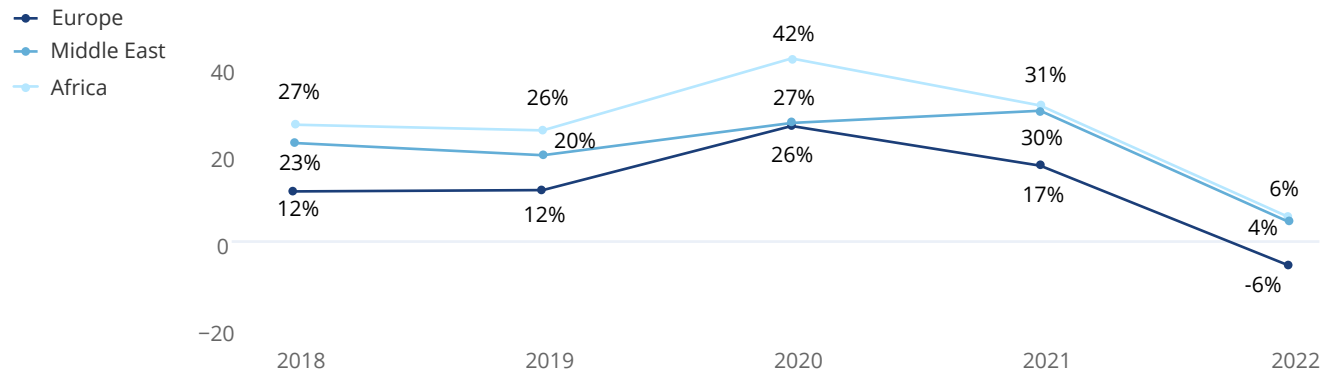


Source: Statista Digital Market Insights

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### Beauty care ecommerce falls in Europe, while Middle East and Africa slow down growth significantly

Beauty care ecommerce revenue % change in EMEA, by region, 2018-2022



Source: Statista Digital Market Insights

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Amazon's annual revenue for 2020 was \$386.064bn, an increase of 37.62% over 2019's figures. The marketplace and technology company has seen revenue increase further. Revenue for 2021 increased by 21.7% year-on-year and rose by a further 9.4% in 2022 over 2021 to reach a height of \$513.983bn.

Amazon is not alone in reporting growth. Third-party marketplaces are booming globally, with Europe seeing their use surge post-lockdown. Third-party online marketplaces are predicted to be the largest and fastest-growing retail channel globally over the next five years, and will account for nearly two-thirds of all online sales by 2027.

Marketplaces in Europe already account for around half of all ecommerce sales across the region, a figure approaching \$200bn in 2022, up from an estimated \$150bn in 2021 and double 2020's level, according to the RetailX European Marketplaces report.<sup>[1]</sup>

The share of market in each country does differ with the European marketplace landscape not being an even one. For example, in the UK, purchases on marketplaces account for around 64% of ecommerce sales. In Spain, Italy and Poland, it is closer to 50%. Yet in Greece, marketplaces account for less than 1% of ecommerce.

Despite this dichotomy in usage, uptake of third-party marketplaces among European consumers is accelerating in all regions and ecommerce is predicted to account for nearly a third of global health and beauty sales by 2026. This is an increase over the 28% attributable to online channels at the end of 2021.

### WHAT MAKES A MARKETPLACE?

When looking to explain what a marketplace is, Amazon is often used as an illustration. However, it is no longer technically a 'pure' marketplace, since selling its own brands as well as those of merchants and recognised brands, alongside offering warehousing, logistics and marketing, make it a mixed marketplace.

A true 'pure' marketplace is a platform that allows other merchants to sell their wares, which makes eBay the quintessential marketplace since it is purely a selling platform that allows sellers to sell and handle the payments on each transaction.

To confuse things further, pureplays and omnichannel retailers such as Douglas, and more recently Superdrug in the UK, are both retailers and mixed marketplaces, selling their own brand items on their websites as well as those of other brands.

And what of supermarkets selling online? These sell more than just groceries and sell a range of known and own brands. They are never considered as marketplaces, yet one could easily argue that they are.

There are also non-transactional marketplaces that simply link buyers and sellers and leave them to sort out how they pay each other. There are business-to-business marketplaces servicing business 'shoppers'.

Third-party marketplaces are also increasing among health and beauty retailers, not as a market through which to sell their own goods but as a way to expand their own ecommerce platform, online sales and provide more of an endless aisle to customers.

There are even marketplaces for carbon trading, marketplaces on the dark web and a range of sites that allow charity shops to sell second-hand goods online.

Social media sites, too, are allowing merchants to sell from within their platforms, acting in many ways like pure marketplaces but also, in some ways, like non-transactional sites and even B2B sites.

All these platforms could be considered marketplaces, defined by the fact they are not pure retailer or brand ecommerce sites. Yet this is a distinction that is blurring.

No matter the type of marketplaces – whether open or closed, B2C, B2B, peer-to-peer (P2P), white-label or branded, vertical vs horizontal – these platforms are providing health and beauty shoppers and retailers with another option for selling.

What is clear is that the convenience and ease of use of marketplace platforms brings together search, purchase, delivery and returns. This blend is increasingly being seen as the way that ecommerce works for both merchants and consumers.

### References

<sup>[1]</sup> <https://internetretailing.net/reports/european-marketplaces-report/european-marketplaces-market-report-2022/>

# Consumer behaviour

Health and beauty customers spend more online overall than other shoppers and choose marketplaces for convenience and lower prices

Health and beauty products have traditionally been bought in bricks-and-mortar stores, and for the majority of sales physical stores are still the go-to point-of-sale for most consumers.

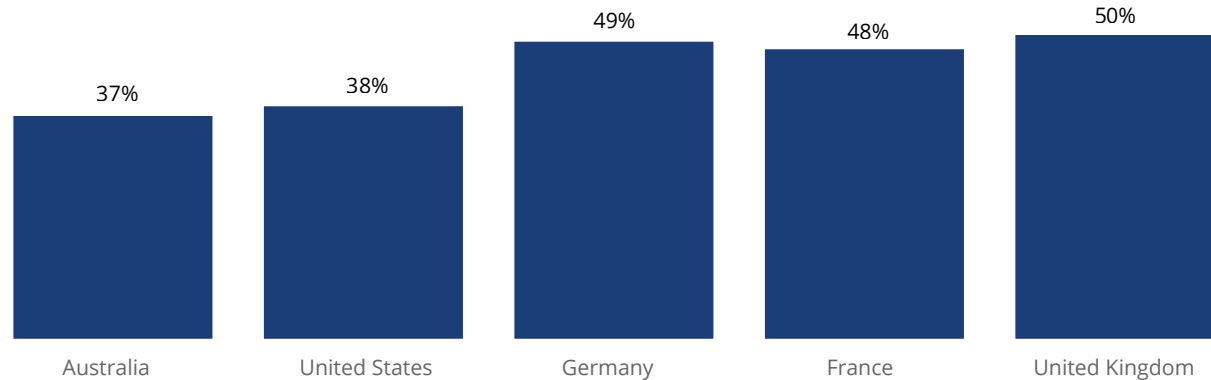
Local pharmacies provide a quick shopping experience for customers who know exactly what they want to buy, while the beauty section of department stores has traditionally offered more of a relaxed way to browse and buy. Separated into areas for different brands, bricks-and-mortar department stores often have staff on hand to offer inspiration and advice to customers individually.

The share of the health and beauty sector held by offline retailing is being eroded by ecommerce as shoppers turn to the internet for many purchases across different sectors of retail, including the health and beauty categories.

Some purchases, such as personal care items, are being included in online orders from grocery stores. Health stores account for a further share of the market as they have tried to capitalise on consumer enthusiasm for the health and wellness trend.

## Buying health and beauty products online is more common in European countries

Share of population buying health and beauty products online, by region, 2022 (%)

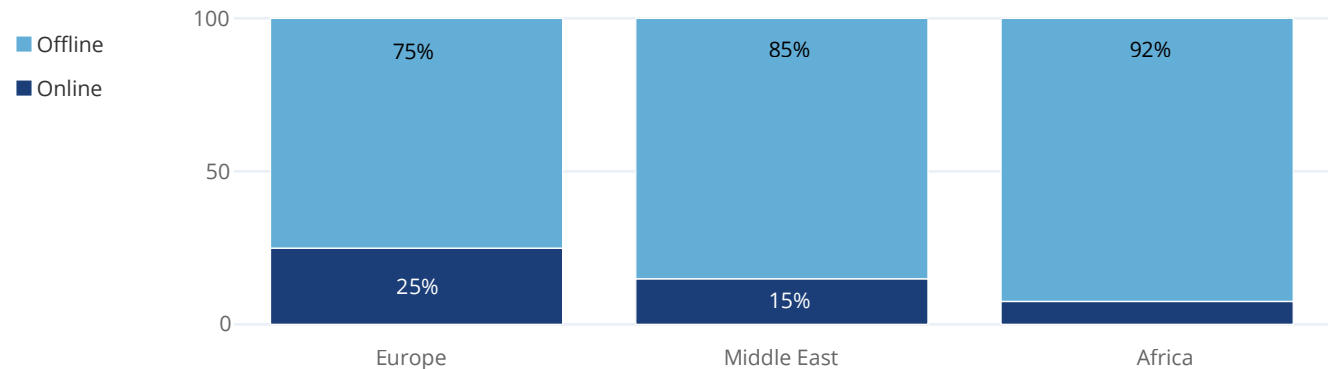


Based on 500 residents of featured regions aged 18-64, August 2022. Results are stratified by age and gender. Question: "What do you shop for online?" Source: RetailX Consumer Observatory

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## European shoppers more prone to shop health & beauty care online

Health & beauty ecommerce online revenue % share in EMEA, by region, 2022



Source: Statista Digital Market Insights

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This further links with sustainability, and consumer desire for retailers to not only sell products that are good for them with scientifically-backed claims, but also cause less harm to the planet.

During the pandemic, shoppers switched increasingly to the internet for their shopping putting pressure on retailers and brands to accelerate their digital plans and fulfilment capabilities. Categories that had seen steady online growth in the preceding years saw a huge rise in ecommerce revenue in 2020. For example, personal care sales online in Europe rose by 26% in 2020 above the previous year, which had only seen sales rise by 11%. In Africa, the same category increased from 26% growth in 2019 to 46% in 2020. In 2021, it saw 30% growth.

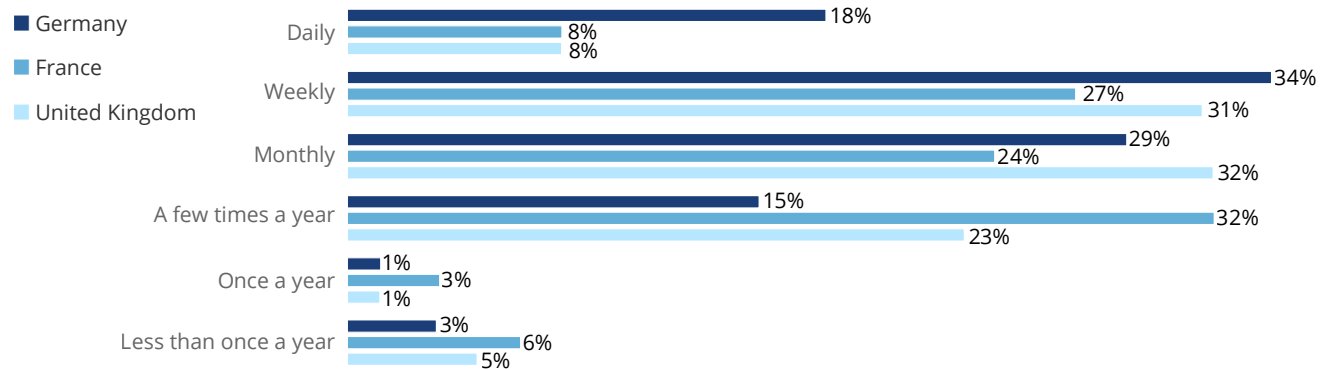
Online growth returned to lower levels in 2022 with sales in some categories declining online as consumers returned to more pre-pandemic behaviour.

What has remained consistent is the higher level of spend from health and beauty customers in Europe across all areas of online retail. The majority of online health and beauty customers spend more than \$120 a month online, with 13% spending up to \$600 each month online across all categories.

This is emphasised by the fact the majority of online health and beauty shoppers are within the age group classified as millennials. Consumers aged 25-34 account for 32% of health and beauty purchasers, while making up 29% of online shoppers overall. In the age groups either side, online shoppers outnumber those who buy from this category.

## French health and beauty shoppers are least influenced into purchase by ads

Frequency of ad influence into purchase among health and beauty online shoppers, by region, 2022



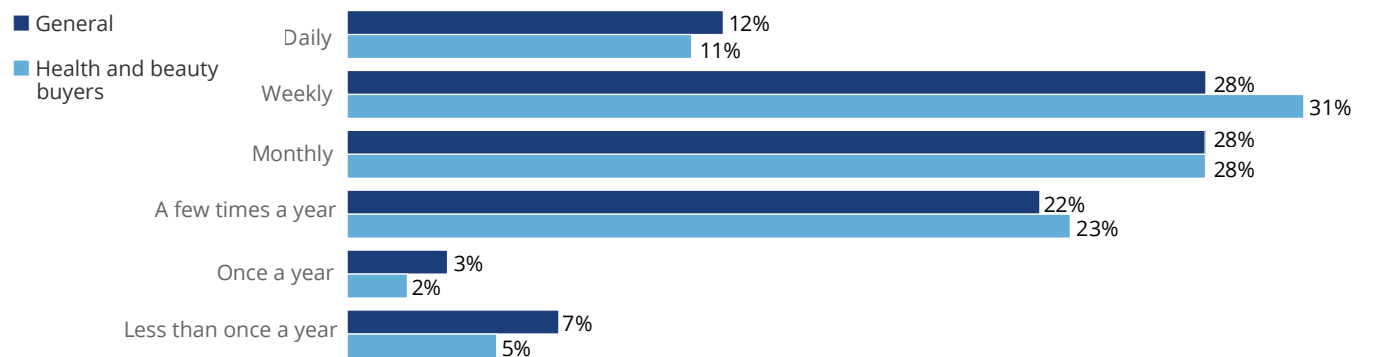
Based on 1500 residents in Germany, France and United Kingdom aged 18-64, August 2022. Question: "How often is it that seeing a product ad on a channel or service leads you to make a buying decision?"

Source: RetailX Consumer Observatory

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## Health and beauty shoppers are more influenced by ads

Frequency of ad influence into purchase, general shoppers vs health and beauty buyers, Europe, 2022



Based on 1500 residents in Germany, France and United Kingdom aged 18-64, August 2022. Question: "How often is it that seeing a product ad on a channel or service leads you to make a buying decision?"

Source: RetailX Consumer Observatory

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Across Europe, 25% of online shoppers say they are more likely to buy health and beauty products from an ecommerce site than they are to visit a bricks-and-mortar store. This is far higher than the 15% in the Middle East and 8% in Africa. This is likely to change over the coming years as the number of consumers buying health and beauty products online in the Middle East increases.

### CONSUMERS & MARKETPLACES

Marketplaces have also seen a large increase in customers, as well as in the frequency with which consumers shop with them. Services such as Amazon Prime, which gives a customer unlimited free delivery for a fixed monthly charge, not only makes shopping on the marketplace convenient but also gives consumers an incentive to return more frequently rather than visiting another site.

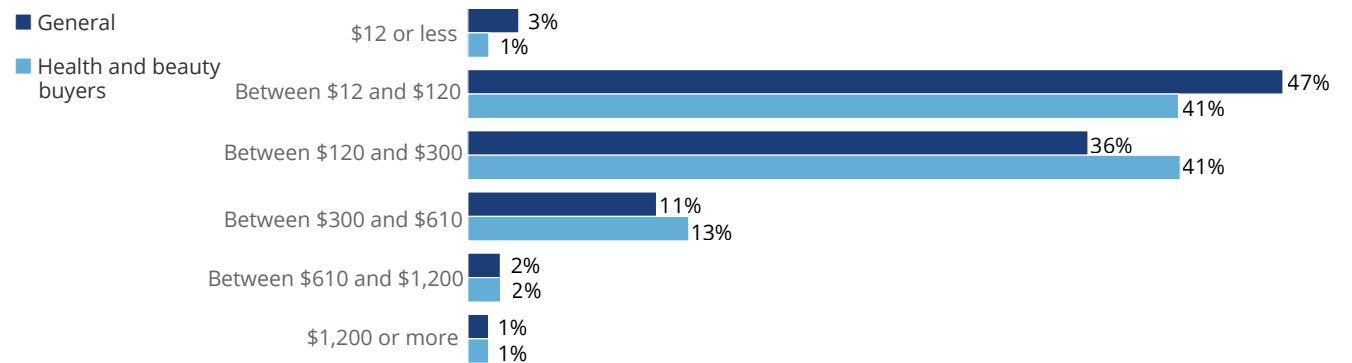
Price and convenience are important to consumers. Once they know what product they want to buy they want it for the least amount of outlay. They also don't want hassle with the purchase, something that Amazon understands with its one-click checkout.

This sentiment is still valid today. More than a third of consumers in the UK (38%) now purchase indiscriminately online, saying they "don't care" where they buy from "as long as it works".

It's not just UK consumers. 40% of consumers in the US, 46% in Australia and 48% in Germany say the same. This makes retaining customers even more important since it shows that customer loyalty can be exchanged for a simple, effective experience that delivers, something that marketplaces do well.

## Health and beauty shoppers spend more money online

Average monthly spending for online shopping, general shoppers vs health and beauty buyers, Europe, 2022

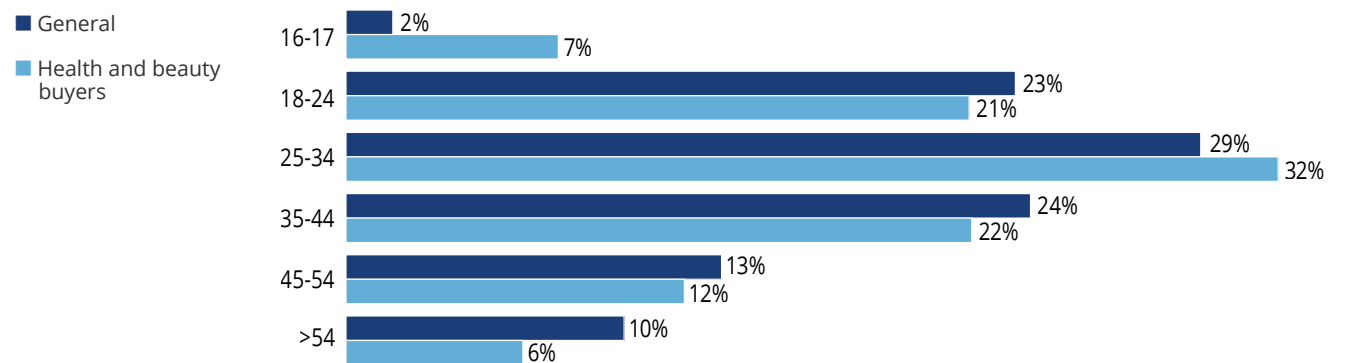


Based on 1500 residents in Germany, France and United Kingdom aged 18-64, August 2022.  
Question: "How much do you spend on average per month online?"  
Source: RetailX Consumer Observatory

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## Millennials make up the bulk of online shoppers for health and beauty products

Average age of online shoppers, general public vs health and beauty buyers, Europe, 2022



Based on 1500 residents in Germany, France and United Kingdom aged 18-64, August 2022.  
Source: RetailX Consumer Observatory

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Price and convenience are given as the main reasons by consumers in Europe when asked why they shop with marketplaces. This is understandable as these reasons have been cited as important by shoppers since ecommerce became a mainstream shopping channel. Marketplaces have the advantage over traditional retailers as prices can be kept keen as multiple sellers offering the same item on a marketplace compete on price to attract customers.

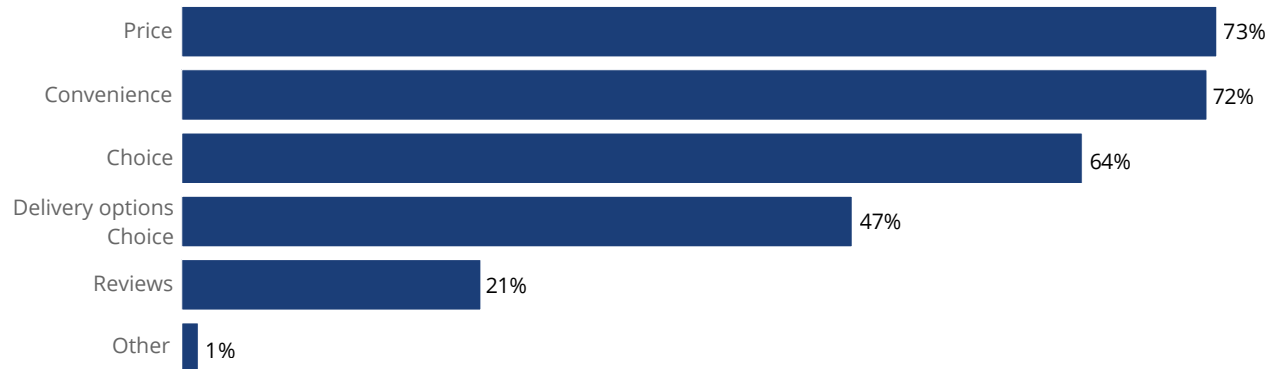
This also ensures choice for customers, something again that is cited by multiple shoppers in Europe as a key driver of why they decide to shop online on marketplaces. With their endless aisles and ability to scale through opening up to more third party sellers, marketplaces are not constrained by space in the way that constricts selling space in a bricks-and-mortar store or a pureplay retailer’s warehouse.

Smartphones have made shopping online even more convenient and this has played further to the advantages of marketplaces, such as Amazon with its large R&D budget and customer-first approach. The quick, convenient and easy shopping journey enabled by marketplaces is something that’s appreciated by customers around the world.

“Personalising the customer experience and streamlining processes will help keep customers engaged. It’s not only about the quality of the product, but also the experience before and during the purchasing process,” says Anne-Catrin Sallaba, Director of EMEA Customer Success at HubSpot. Something that’s going to become even more important with inflation and the cost of living crisis facing consumers in many countries.

## Price and convenience are key drivers in the use of marketplaces

Drivers for shoppers to use marketplaces, 2021

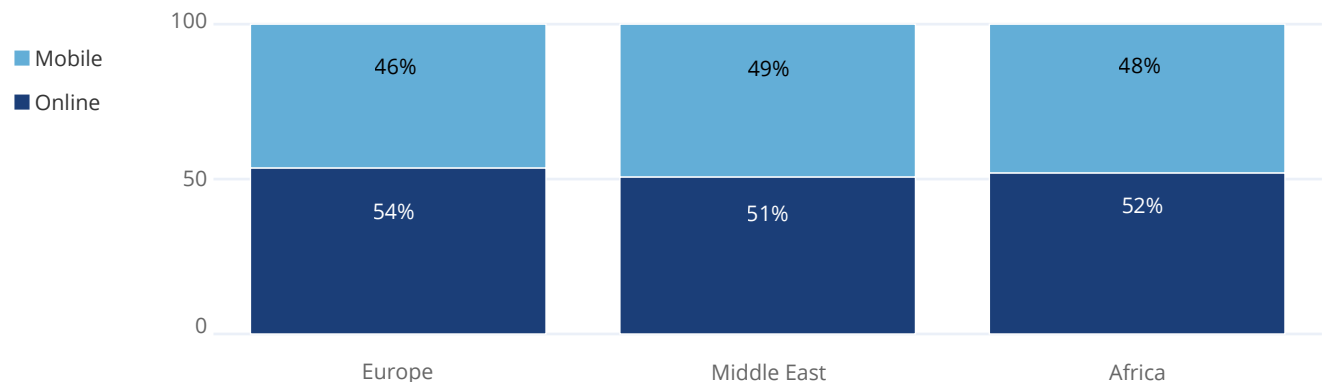


Source: RetailX Consumer Observatory

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## Beauty & health care in the Middle East displays higher online mobile sales

Beauty & health care mobile vs desktop revenue % split in EMEA, by region, 2022



Note: % split include sales on beauty, health, personal, and household care  
Source: Statista Digital Market Insights

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# Marketplaces operate across EMEA

Europe is the largest market for health and beauty products but the Middle East and Africa offer higher growth.

Overall online growth has slowed in the past year following the rush to online seen during the pandemic and the resulting greater-than-predicted rise in many retail sectors.

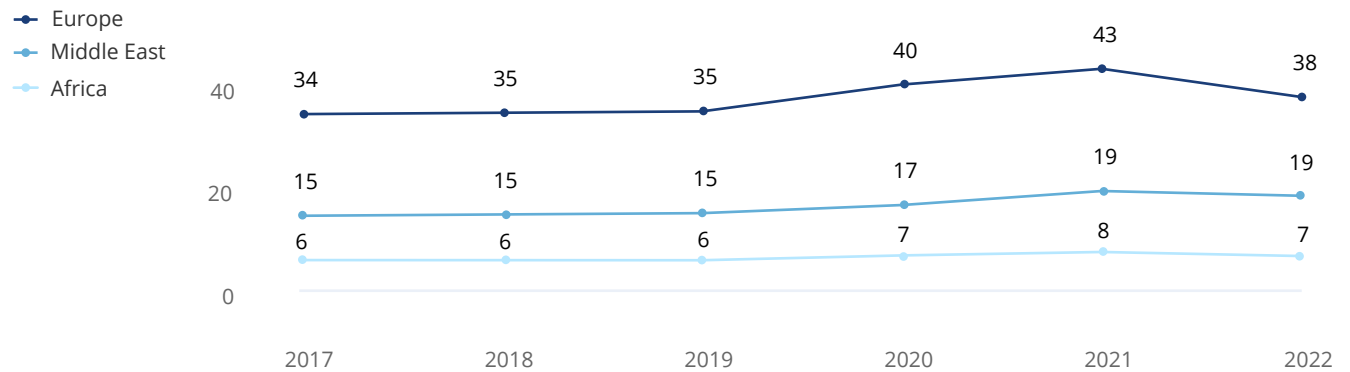
As a result, customer spend online across all areas of health and beauty has declined, with the amount each consumer spends online on personal care, health care and beauty products all dropping in 2022. However, the sector is still growing just at a slower rate. In fact, when compared against 2019, ecommerce sales and the health and beauty sector are both operating with higher revenues. This can be seen across Europe, the Middle East and Africa.

## MIDDLE EAST

Of course, looking at this at a regional level will only give a high level view rather than being indicative of shopping patterns in individual countries and it is always worth gauging markets at a population level rather than purely looking at their overall value. For example, Iran and Turkey have the largest overall beauty and personal care markets in the Middle East (valued at \$6.7bn and \$5.6bn in 2021) but this is mainly due to their large population sizes.

## Beauty care ecommerce revenue per user declines in 2022

Beauty care average revenue per user in EMEA (in USD), by region, 2017-2022

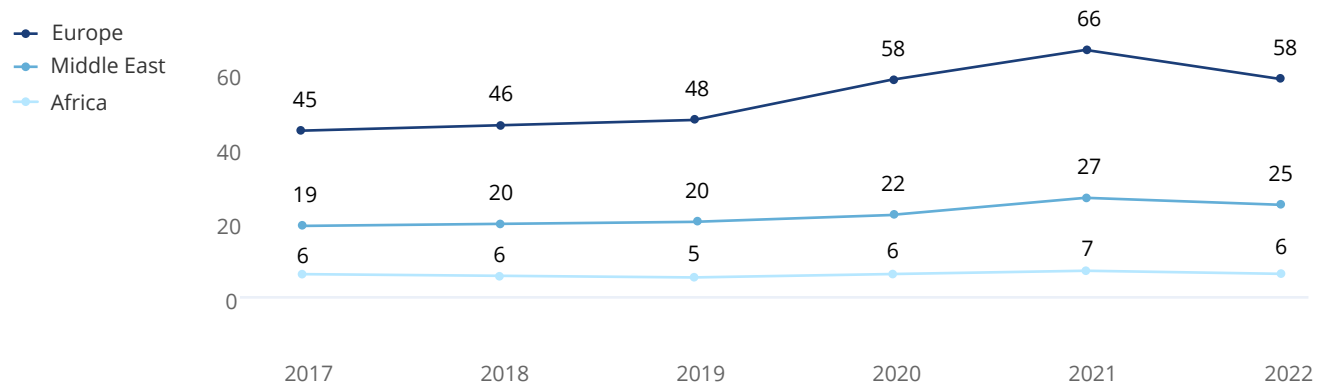


Source: Statista Digital Market Insights

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## Health care ecommerce revenue per user declines in 2022

Health care average revenue per user in EMEA (in USD), by region, 2017-2022



Source: Statista Digital Market Insights

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Israel's population of 9.2m is far smaller than either Iran or Turkey's 84m but consumers in the country spend a lot more on beauty and personal care. <sup>[1]</sup>

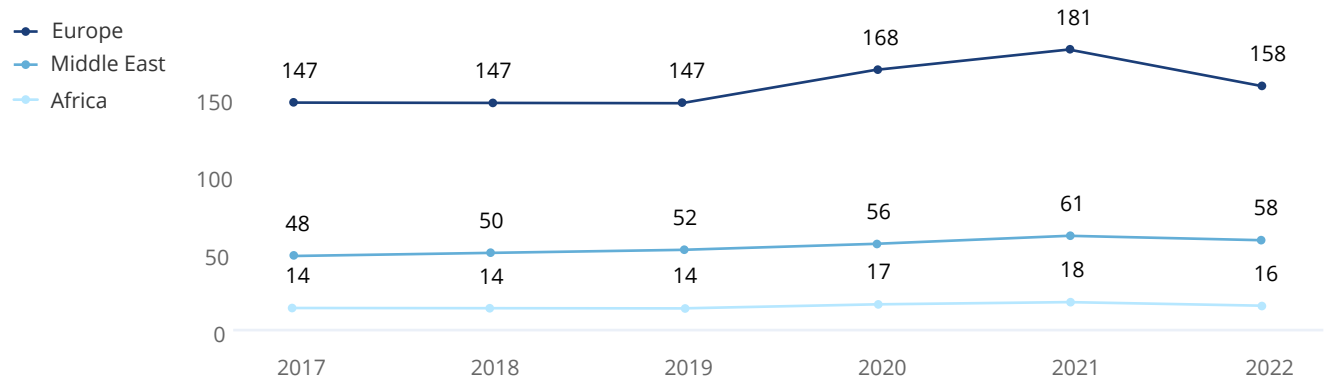
The Middle East is an interesting region for health and beauty since it has a predominantly young population with a preference for smartphones and using social media and some countries have very high per capital GDP. All of these factors align well with the entertaining ways in which beauty companies attract customers online.

This adoption of technologies extends to marketplaces and mobile apps as well. The instances of consumers saying marketplaces are their preferred channel for accessing the digital services of a multitude of industries being higher than consumers in Europe, Latin America or North America. In fact, it's almost on par with consumers in Asia where marketplaces account for a greater share of ecommerce than in other regions of the world. 12% of consumers in Egypt prefer to connect with services such as insurance, travel, groceries, fashion, entertainment and healthcare via marketplaces, compared to just 6% in Europe.

Marketplaces such as Hepsiburada, which enable customers to buy across multiple categories including health and beauty, have been investing in international expansion. Its Hepsiburada Global app enables customers outside of Turkey to buy from domestic sellers. Domestically, as expected during a natural disaster, the marketplace saw sales drop during the week of 6 February when the earthquake hit southeast Turkey and northern Syria.

## Personal care ecommerce revenue per user declines in 2022

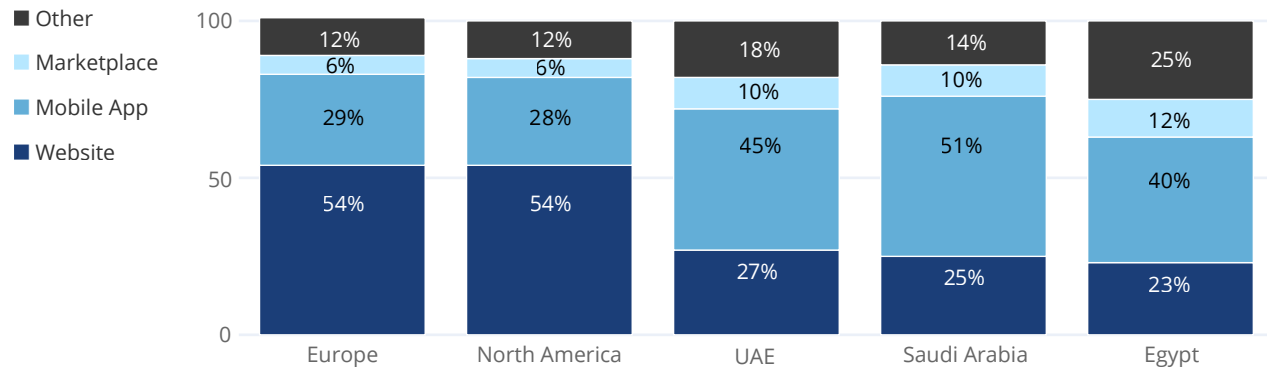
Personal care average revenue per user in EMEA (in USD), by region, 2017-2022



Source: Statista Digital Market Insights

## The Middle East shows high adoption of marketplace models compared with other regions

Most frequent way to access provider's digital services, by region, 2022



Source: McKinsey Global Digital Sentiment Survey

The company is helping with relief efforts in the area through its logistics operations as well as helping customers to donate money and goods. Major marketing campaigns, events and media advertising were all put on hold.

## AFRICA

Africa's population is growing and becoming increasingly digital as services are rolled out at speed. Mobile phones are the device of choice for many consumers to access the internet and shop online. While the percentage of internet users is lower than the global average – just 27% of internet users shop online across the continent – this has risen sharply in recent years and will continue to grow. Just 33% of the population were internet users in 2019 and of those 19% shopped online.

Of course, this varies by country. At 45%, the percentage of internet users shopping online in South Africa is closer to the global average. South Africa also has a young population. 53% of its population is under 30, a key demographic for retailers wanting to attract customers online as well as for those selling in the health and beauty sector. 28% of South Africans are under the age of 15, so ideal for brands entertaining, educating and attracting potential new customers via social media, something that the beauty industry in particular does well. Being able to form a connection with these young shoppers will be essential for long-term growth.

Also, 26% of South Africans cite convenience as the key driver for choosing to shop online, something that marketplaces are well aware of and able to offer. For example, online store Takealot.com's mission is

“to be the most customer-centric online shopping destination in Africa” and has built a foundation on the premise that the customer comes first.

Storefronts on the Cape Town-based retailer-come-marketplace are enabling brands, including Bayer, Nestlé Health Science and Clarins, to reach the 1.8m shoppers it attracts during 10m visits each month. It is estimated that marketplace sellers generate 36% of Takealot's \$300m in annual sales currently and that the proportion of marketplace sales is increasing each year.

Africa is not just home to large marketplaces with a wide reach or cross-border ambitions, although Nigeria's Jumia already operates across 11 countries in the continent. Niche marketplaces, including Nigeria's Beauty Shop from GlamAfric, give consumers a more select offering focused specifically on beauty.

## EUROPE

It is Europe where consumers spend the most online and subsequently the most on marketplaces. Figures from France are indicative of the pandemic's impact on the ecommerce industry over the longer term.

French retailers had a challenging time in 2022 as online sales declined substantially (-16%) in the first half of the year compared to 2021's revenue figures, which were boosted by consumer behaviour during the pandemic. Sales steadied in the second half of the year, according to French ecommerce association Fevad, with sales finishing the year up 19% compared to 2019.

The health and beauty sector saw an even higher increase, with online sales in 2022 being 29% above 2019's figures. Marketplaces have also been given a longer-term boost. Marketplace sales, of all product categories, increased by 30% compared to 2019. This growth is higher than that reported for all the B2C sites that make up Fevad's iCE 100 index.

Of course, Amazon has been long established in Europe. Its first international sites were launched in the UK and Germany. Since those early days, Amazon has expanded to other countries in Europe as well as across EMEA. Belgium is the latest country to see a dedicated Amazon site launch.

Amazon does not have a stronghold on ecommerce in all European countries. In the Netherlands, Bol.com has a dominant position, a point of which consumers in the country are proud. In August 2022, the marketplace welcomed its 50,000th sales partner.

China's Alibaba also has ambitions in Europe. It has been investing heavily to expand the position of AliExpress as well as the recently launched Miravia. This Spanish fashion and beauty marketplace is targeting higher income consumers with mid-range and high-end products. Meanwhile, Spain's Perfume's Club has ambitions to be market leader in the beauty and wellness sector.

<sup>[1]</sup> <https://internetretailing.net/reports/retailx-sector-reports/middle-east-beauty-2022-ecommerce-region-report/>

# CommerceHub & ChannelAdvisor

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**Expert insight****Isabel Holdaway****Director of Marketing, ChannelAdvisor**

We all became more comfortable buying online during the pandemic for products that we had traditionally associated with in store purchases. Health and beauty, once the mainstay of the beloved department store, also benefited from this shift. As we saw department stores disappear from high streets, the obvious opportunity for health and beauty brands was the online department store. The marketplace.

As strategies have evolved and the landscape shifts with new and old players starting to play in different parts of the e-commerce ecosystem, health and beauty brands are re-evaluating channel selections with a clear focus on profitability as the sector feels the pressure of a tightening on discretionary spend as a result of a tough economy.

Winners in more challenging times will be those brands and retailers that can adapt quickly. With a

close eye on the bottom line, they will search out opportunities to reach new audiences and grow in new markets. The ability to adapt quickly relies on having the right technology to underpin e-commerce operations and business strategy. A central platform to manage all channel integrations, feeds, product data and digital marketing can give health and beauty sellers the ability to tailor their channel strategy quickly and easily, with performance insights to help them optimise both new and existing selling channels.

The most prevalent buying group for health and beauty products is the tech-native millennials. This group is online savvy, very engaged in social media and receptive to advertising across multiple platforms. Research shows that retail media is playing a significant role in the online buying journey, and, with the success of Amazon's advertising portfolio, we're seeing these programmes being introduced across multiple channels and marketplaces. The opportunity to position product at specific stages of the buying journey can give health and beauty sellers the ability to stand out against the competition. With these ad packages being so important to ensure product visibility, here are some tips for retail media success:

1. Don't neglect your product content.
2. Refine targeting on product detail pages (PDPs) with Sponsored Products.
3. Clean up your account structure to enable automation.
4. Automate your ad management.

The economic conditions will certainly impact online retail in 2023, but for smart health and beauty retailers and brands, opportunities for growth and success exist if you get your strategies right, you adapt quickly and you have the right technology infrastructure and partner to support you in achieving your business goals.



ChannelAdvisor, a CommerceHub company, is a leading multichannel commerce platform whose mission is to connect and optimise the world's commerce. For over two decades, ChannelAdvisor has helped brands and retailers worldwide improve their online performance by expanding sales channels, connecting with consumers across the entire buying cycle, and providing actionable analytics to improve competitiveness.

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# Marketplaces offer more than a sales opportunity

Marketplaces are appealing to brands while enabling retailers to expand their own presence online and offer customers a more curated experience

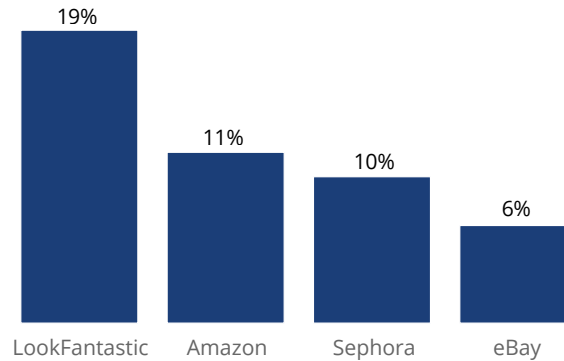
How brands use marketplaces shows the power that these platforms now have in the wider retail environment, often forming part of brands' omnichannel strategies. They are the first choice for many customers shopping online and for brands that have to follow where the customer goes, they offer a risk-free way to sell online. Any misgiving they may have had in the past about ceding brand identity or customer data to marketplaces is long gone.

Europe's luxury brands have been embracing the marketplace model created by Tmall as a way to reach high spending Chinese consumers. This has opened the way for them to work with marketplaces in other regions and enabled them to learn lessons from Asia's mobile-first consumers.

Of Europe's Top500 brands, as identified by RetailX, 477 of them have a presence on at least one marketplace, either listed directly by the brand, resold by a merchant or sold by a third party. In fact, 84% of Top500 retailers and brands in Europe have a profile within at least one marketplace globally.

## LookFantastic was the marketplace which appeared the most when searching for beauty brands on Google

Times each marketplace appeared among the first five Google search results for beauty brands



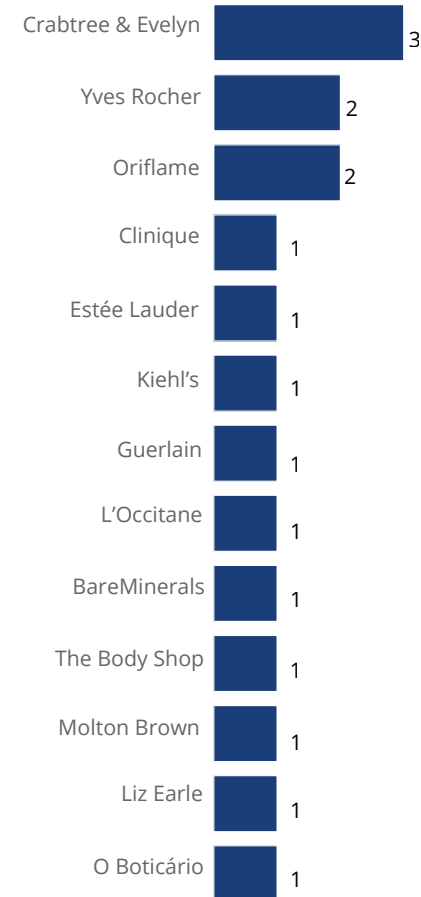
The 21 beauty brands with most global web traffic were studied. Google searches conducted from United Kingdom, Israel and South Africa, Feb 2023. Graph shows average values for all regions  
Source: RetailX

As research by RetailX shows, the majority of the leading beauty brands within the RetailX Top500 ranking sell online on marketplaces. For example, Clinique and Estée Lauder are both sold on the key marketplaces for health and beauty in EMEA.

Of the 21 brands making it into the Top500 ranking, it is only Clinique and Estée Lauder that appear on all of these leading health and beauty marketplaces. Natural and ethical brand Lush, which sells via bricks-and-mortar stores as well as its own D2C site, doesn't sell on any other platform. The same is true of Brazilian cosmetic company O Boticário.

## Crabtree & Evelyn is the brand which relies most on marketplace visibility for sales

Number of distinct marketplaces appearing among the first five Google search results, by brand



Google searches conducted from United Kingdom, Israel and South Africa, Feb 2003  
Source: RetailX

## RetailX Top500 beauty brands and the marketplaces on which they sell

BRAND/ MARKETPLACE	EBAY	AMAZON	DOUGLAS	HEPSIBURADA	LOOKFANTASTIC	SEPHORA	ALIEXPRESS	TAKEALOT	SUPER-PHARM
Clinique	✓	✓	✓	✓	✓	✓	✓	✓	✓
Estée Lauder	✓	✓	✓	✓	✓	✓	✓	✓	✓
Guerlain	✓	✓	✓	✓	✓	✓	✓	✓	✓
MAC Cosmetics	✓	✓	✓	✗	✓	✓	✓	✓	✓
Kiehl's	✓	✓	✓	✓	✓	✓	✗	✗	✓
Chanel	✓	✓	✓	✓	✗	✓	✓	✓	✗
L'Occitane	✓	✓	✓	✓	✗	✓	✓	✗	✗
BareMinerals	✓	✓	✓	✓	✓	✓	✗	✗	✗
Benefit San Francisco	✓	✓	✓	✓	✓	✓	✗	✗	✗
NYX Professional Makeup	✓	✓	✓	✓	✓	✗	✓	✗	✗
Molton Brown	✓	✓	✓	✗	✓	✗	✗	✓	✗
Yves Rocher	✓	✓	✓	✓	✗	✗	✓	✗	✗
The Body Shop	✓	✓	✓	✓	✗	✗	✗	✗	✗
Crabtree & Evelyn	✓	✓	✗	✓	✗	✗	✗	✓	✗
Oriflame	✓	✓	✗	✓	✗	✗	✓	✗	✗
Rituals	✓	✗	✓	✓	✓	✗	✗	✗	✗
Liz Earle	✓	✓	✗	✗	✓	✗	✗	✗	✗
Space NK	✓	✗	✗	✗	✗	✗	✗	✗	✗
Bottega Verde	✗	✗	✗	✗	✗	✗	✗	✓	✗
Lush	✗	✗	✗	✗	✗	✗	✗	✗	✗
O Boticário	✗	✗	✗	✗	✗	✗	✗	✗	✗

Between these two extremes are a mixture of business models utilising different channels and marketplaces. Clinique, Estée Lauder, Guerlain, MAC and Kiehl's are the only Top500 beauty brands to sell on Israel's Super-Pharm, while South Africa's Takealot is the only marketplace on which Bottega Verde products are sold.

### OPPORTUNITIES FOR BRANDS

Many health and beauty brands are owned by holding companies under whose umbrella other beauty brands are grouped either by price point, such as luxury or mass market, or by product type. L'Oréal, with its large portfolio of brands, including L'Oréal Paris, Garnier, Maybelline New York and Lancôme, is the highest valued company within the personal care and beauty sector. It is Colgate though that ranks higher in terms of the most frequently bought FMCG brand. Colgate comes in at number two globally (behind Coca-Cola) as the brand of choice for consumers. It is also the only brand with above 50% market penetration, according to Kantar.

Lifebuoy, Dove and Sunsilk also appear in Kantar's ranking of the most chosen FMCG brands of 2021. All three come under the Unilever umbrella, the second ranked beauty and household conglomerate. Unilever is valued at US\$26bn. Unilever highlights the bundling opportunity of marketplaces open to companies in the health and beauty sector, especially those with lower priced or mass market appeal.

Selling bundles of multiple products, or multiples of the same product, via their own D2C site or a third party marketplace, overcomes some of the cost of

fulfilling orders while increasing average order values. Bundles can also be used to help customers try new products by including new items with household favourites or adding lower performing products with best sellers in order to clear stock or entice customers to switch.

For example, Dove shower gel is sold on Amazon as a pack of six either as a one-off purchase or with an option to subscribe and save. The customer can choose how often they want future orders delivered and can cancel at any time. The brand page on the US site gives more information about the brand and offers bundles of different Dove products.

In recent years, advent calendars have been used by the beauty sector to great effect to attract new customers, clear stock, test product and try out different bundles. They also give an opening onto marketplaces for premium and luxury brands not wanting to dilute their aura of exclusivity.

A large part of the health and beauty sector comprises these premium and luxury brands and the value proposition of mass market isn't necessarily the messaging they want to get across to customers. Nor do they want to be listed next to lesser brands or a competitor. However, they still want to be where the majority of customers convert online and that is on marketplaces.

For some brands, marketplaces are key to them being seen online. Conversely, customers searching for a beauty brand may be the lead that a marketplace needs to convert a consumer into a customer in the health and beauty category.

Marketplaces can also offer brands a one-stop shop for gaining an online presence handling customer acquisition, payments, returns and, in some cases, easy fulfilment options. Multi-national marketplaces, such as Amazon or eBay, also enable brands to acquire new customers via cross-border trading or to test consumer appetite in new markets through exposure on localised country sites. The Chalhoub Group's Faces retail chain has introduced an online marketplace enabling it to test a brand's potential with Middle East consumers without having to stock products itself, something that's an added advantage for the group that operates franchise stores for European brands in the region.

### RETAILERS CREATING MARKETPLACES

Marketplaces and brands are not alone in wanting to expand their offering to new markets or into new product categories. Like Amazon, Bol.com started as an online book shop before opening to third party sellers in other categories. Today, it sells across a wide range of fashion, home and leisure categories, including health and beauty. Likewise, the endless aisle is appealing to omnichannel and pureplay retailers.

Beauty is a natural addition for fashion retailers while also giving pharmacies and health stores a way to attract new customers. The marketplace model enables retailers to extend their online offering without the need to carry stock or extend facilities. A retailer may already stock 70% of a brand's inventory but the remainder could be sold online through a marketplace addition to their ecommerce site, de-risking the expansion to a certain extent for the retailer. Product is held and fulfilled by the third party seller so the retailer is not responsible for

storing large volumes of stock as they would have to do if selling via more traditional models. It also means that out-of-stocks are less likely to occur.

It also keeps responsibility and the burden of pricing, fulfilment, content creation etc. with the brand and thus increasing margin for retailers not having to handle these areas, explains Jessica Christenson, regional vice president for the UK & Ireland, marketplace solution provider Mirakl. Retailers can also showcase smaller, niche or local brands enabling both the brand and the retailer to test markets or customer segments.

“The insight niche marketplaces have into their customers and their individual shopping behaviour offers brands a greater opportunity,” says Christenson. Retailers can see which brands customers are browsing and searching. The retailer can then invite brands to their marketplace, further testing the product with customers, targeting marketing and running personalisation campaigns. Loyalty schemes are prevalent in the health and beauty sector and give retailers insight into customers across physical and digital channels giving brands an opening to access further data and engagement.

Retailers can maintain control over the products that are offered on their marketplace enabling a more curated model than that of the third party seller marketplaces. Brands can be chosen for a variety of business reasons, to resonate with existing customers, as a way to profit from the next big thing or to quickly expand to attract customers via the latest TikTok trend. These retailers understand the beauty marketplace and their customers.

Luxury fashion marketplace Farfetch entered the beauty arena in April 2022 following its acquisition of luxury beauty retailer Violet Grey earlier in the year. The acquisition gave it immediate beauty industry expertise as well as a curated selection of products to kick start its move into the category. Its marketplace has remained focused on the premium end of the beauty sector, offering sought-after products from 100 brands including globally-known names and indie brands. Keeping it on track is the Farfetch Beauty Global Collective, “a carefully selected international committee of brand founders, industry experts and creative visionaries who will educate, inspire, and build a sense of community,” the company says.

Farfetch also offers a shopping experience more akin to shopping on a beauty brand’s site as sellers can leverage the platform’s technology capabilities, which include virtual try-on for cosmetics. The AR technology links with images from the shopper’s camera enabling them to see what different colour cosmetics would look like on without having the physical product in their possession.

UK health and beauty retailer Superdrug is also listening to its community. “We have a community on the website of 27,000 active customers who are doing peer-to-peer sharing. When we did that, we had no idea whether that would really take off, but we just let it. It’s kind of an organic thing and we just let that take off. And that generates some energy and some interesting insights. We don’t necessarily mine that data. But we’ve definitely got an active group of customers that everyone sort of helping each other and talking about products and sharing recommendations. And that’s really good to see,”

says Superdrug’s IT director Andrew Cobb, explaining how marketplace sellers can access the network effect of its community as an initial selling tool to get their brand known.

German beauty retailer and marketplace Douglas has taken things further and is actively working with sellers and the brands it retails. Combining first-party data from its ecommerce sites, bricks-and-mortar stores and CRM data, Douglas Marketing Solutions is actively helping brands to reach customers across its channels. This includes targeted adverts on its own sites and social, sponsored product slots, product testing to generate reviews on the ecommerce sites and via Instagram as well as 360 degree campaigns encompassing on and offline.

Retailers with a strong level of customer engagement have the opportunity to use customer data to optimise engagement and monetise traffic and that’s something we’ll see a great growth in over the next 12 months,” says Christenson.

“I think the transparency and the ability to do that is a win for the consumers as everyone is listening to them and it is a win for the retailer and consumers as it will optimise the onsite activity and make sure that they are not overwhelmed and the right product is being surfaced to them at the right time.”

Of course, a brand and retailer can always choose to extend a product’s reach into bricks-and-mortar stores should customer appetite make it a win:win proposition.



## Retailer Insight

# Douglas: A marketplace pioneer continues to expand

Steffen Maschke, head of partner program at Douglas explains to RetailX why the premium beauty retailer launched a closed and selective marketplace

Douglas is an international success story selling a wide mix of health and beauty items across cosmetics, skincare, hair care and perfume in multiple countries in Europe. Founded in Germany in 1910, Douglas operates a network of 2,000 bricks-and-mortar stores as well as online sites including Douglas.de.

In 2019, the retailer, which considers itself a digital-first business, became the first beauty retailer in Europe to incorporate a marketplace solution into its ecommerce platform, pioneering the move by this sector to enable third parties to sell on their ecommerce sites. Douglas utilises the Mirakl platform which has since been implemented by other retailers in the health and beauty space as well as those selling across other product categories.



The Douglas marketplace began with a select few highly curated trading partners and 10,000 products. In its first year, this expanded to more than 100,000 items for sale. Today, the retailer works with more than 200 partners, 3,000 brands and offers more than 200,000 SKUs across its marketplaces in Germany, Austria, the Netherlands, Poland, France and Italy. What, in 2019, the company called “a key strategic pillar of our platform strategy and an enabler for achieving sustainable success,” is proving its worth and is a model that Douglas plans to expand to new international markets.

“Douglas aims to become a one-stop-shopping platform with the best customer experience, so the launch of our partner program (this is what we call the marketplace) was a logical step for the company,” says Steffen Maschke, head of partner program at

Douglas, in response to why the company decided to open a marketplace for third party sellers.

“We see it as an added value for our customers, as they benefit from the partner program by being able to choose from an even larger assortment and – along with it – a higher availability of products. In this way, we can ensure that customers always find exactly what they are looking for. At the same time, Douglas’ leading position in Europe as a premium beauty retailer is being strengthened by the partner program, which brings new growth opportunities in our core segments,” he told RetailX.

Douglas operates a closed and selective marketplace so its partner program is not open to every brand. “We carefully select our partners after applying through a special form on our corporate website.

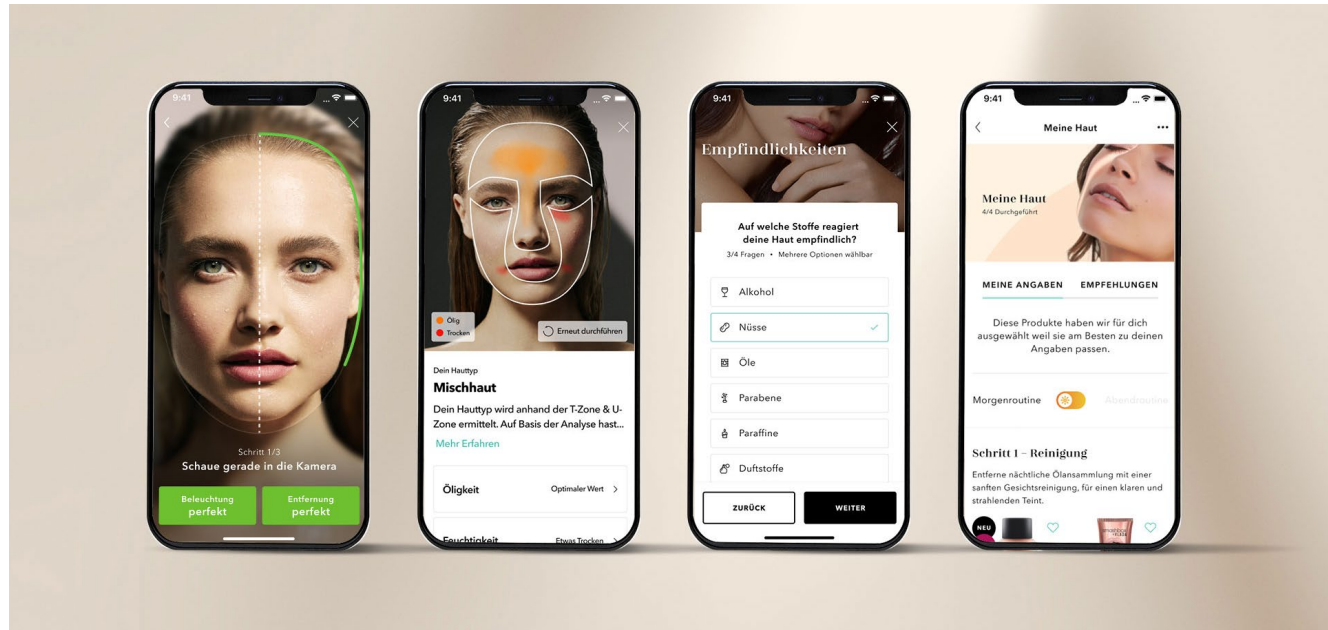
Following a positive review, our partners and their products are seamlessly integrated at Douglas thanks to clear rules and guidelines," explains Maschke. Douglas keeps control of the customer experience and customer services throughout the shopper journey remaining both seller and point of contact for customers even if their order consists of products from different partners. This is to ensure that the business retains its premium positioning.

The business is also able to communicate with partner brands on a personal, fast and constant basis, and so is able to respond quickly to changing customer needs and market trends, something that is monitored closely. "Thanks to the fact we carefully select our partners and present their products in a high-quality beauty environment, we can maintain our premium standards and thus a positive reputation for both sides," says Maschke.

### PIONEERING DIGITAL SERVICES & EXPERIENCES

Douglas also offers marketing services to brands enabling them to maximise the opportunity of the Douglas partner programme and its retail operations. Product testers, targeted messages through the use of Douglas' first party data, social ads, user generated content and on-site campaigns can all be run with Douglas Marketing Services' advertising solutions.

Douglas is also at the forefront of merchandising the beauty category in ways that resonate with consumers. Content such as videos and livestreaming inspire and teach customers about different beauty brands, product application and techniques, as well as giving the retailer an opportunity to interact with customers in real-time.



The skin analysis tool gives customers tailored product recommendations

Shoppers can enter competitions and claim discounts against different products and brands while taking part in the livestreams. They also provide a commercial opportunity for health and beauty brands, including Honest Beauty and Clarins which have participated to date, to give away product.

On its mobile app, customers can analyse their skin and have products suggested simply by taking a picture of themselves with their smartphone camera. The AI tool combines data from the image with information that the consumer enters manually to determine skin type, level of hydration, oiliness and wrinkles to give tailored skincare product recommendations.

Tools such as these give added value to customers and help support their purchasing decisions while ensuring fewer bad buys and product returns. They also help Douglas increase the conversion rate of its mobile app.

Online sales are now more than double what they were before the pandemic, with Douglas reporting ecommerce sales of €1.2bn in its latest full financial year. Total company sales rose by 17% to €3.65bn in the 2021/22 period. The company is also expanding in other areas. In 2022, Douglas acquired Dutch online pharmacy Disapo, expanding its business further into the health sector and adding to the Douglas partner program.

# Key player performance

The performance of key marketplaces in the health and beauty sector highlights the spread of business propositions

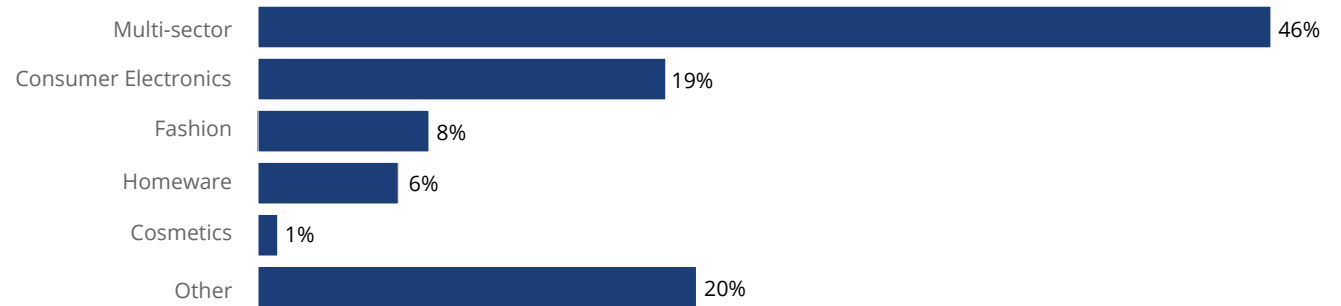
The level of total sales on marketplaces has been growing at double the rate of ecommerce overall, according to marketplace software provider Mirakl. In 2021, marketplaces reported year-on-year growth of more than 80%.

In France, marketplace sales in 2022 were 30% higher than they were in 2019. Although this is slightly less (-1.6%) than numbers reported for 2021, the overall increase against the pre-pandemic figure is higher than that reported by a cohort of 100 leading online retailers in the country, according to French ecommerce industry Fevad. Overall, retailers in France saw sales online decline by 7% in 2022 compared to 2021, although the average basket size had increased by 6.9% to €65 in that time.

Interestingly, Fevad reports an increase in the number of businesses selling online, with the number of active merchant sites increasing by 5%, equivalent to more than 10,000 new sites in one year. The number of brands and retailers selling online expands the pool for customer choice as well as for potential new marketplace sellers as retailers expand their offerings to multiple channels.

## Multi-sector sites gather a much bigger share of web traffic than cosmetics only sites

The fraction of web visits to the Europe Top1000 retailers by European consumers, split by sector, 2022

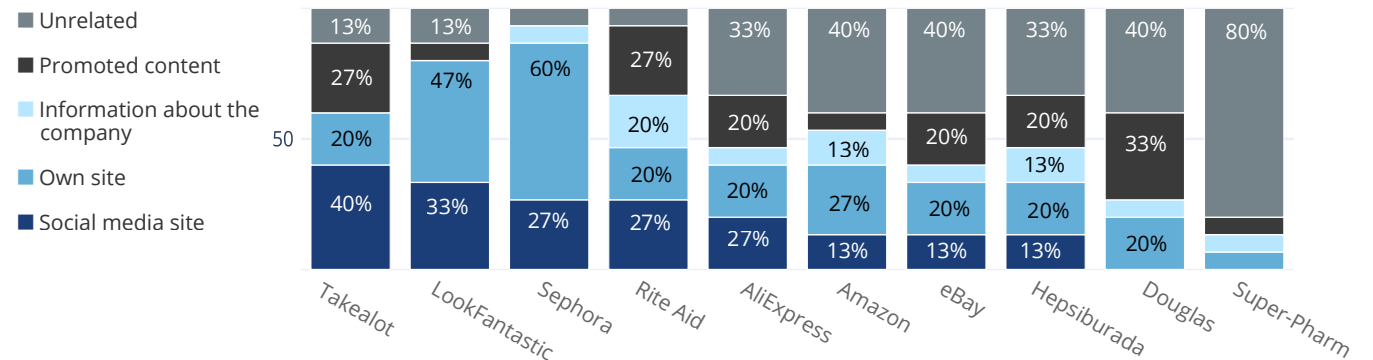


Note: "Europe" refers to the EEA, the UK and Switzerland  
Source: RetailX, drawing on data from SimilarWeb

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## Takealot is the marketplace with most social media sites present among its first search results

First five Google search results for each marketplace, by type of site



Google searches conducted from United Kingdom, Israel and South Africa, Feb 2023. Graph shows average values for all regions  
Source: RetailX

© RetailX 2023

Amazon welcomed almost 300,000 new merchants to its marketplaces around the world in the first months on 2021. 115,453 of them started selling on at least one of its sites in Europe, with the UK, Netherlands and Germany being the most popular choices. Amazon sites in Turkey, Saudi Arabia and United Arab Emirates also saw an increase in brands and retailers selling for the first time.

In Europe, SMEs selling on Amazon account for more than half of everything the marketplace sells. In 2021, these SMEs sold more than 2.2bn products with their export sales amounting to more than €14.5bn. SMEs are not alone in selling on Amazon. It is also an essential channel for leading brands.

Examining the performance of key marketplaces in EMEA for the health and beauty sector, it is unsurprising that Amazon holds a dominant position in terms of traffic and revenue. Its US site accounts for a third of all beauty and personal care products sold in the country, second only to sales of clothing, home and kitchen. On its Prime Day in 2020, products classified as health and beauty were the third most sold category on the site.

In EMEA, the US corporation operates eight third party seller sites within the EU (Belgium, Germany, France, Italy, Netherlands, Poland, Spain, Sweden) as well as in the UK, Turkey, Saudi Arabia, United Arab Emirates and Egypt. It plans to launch in Nigeria and South Africa in 2023.<sup>[1]</sup>

This position does come with a price. Between 2010 and 2020 Amazon invested more than €100bn in its European businesses.

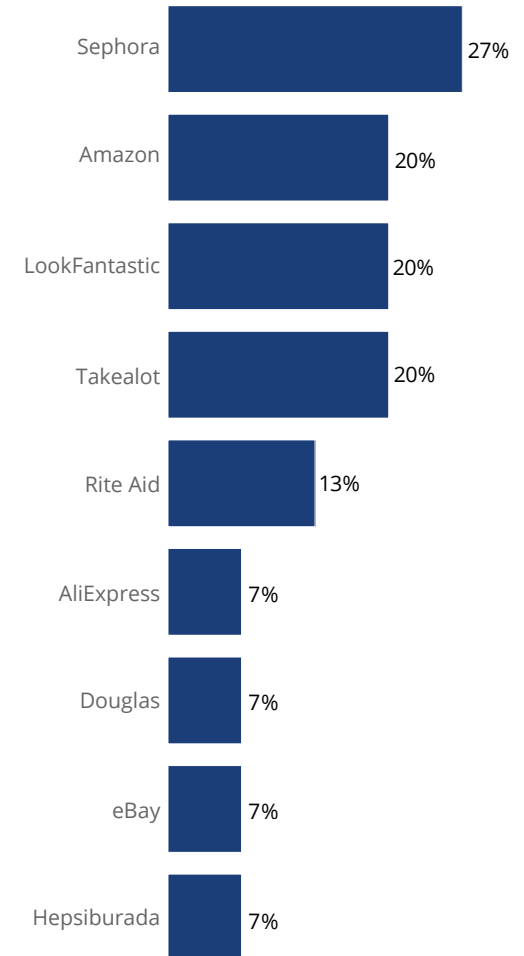
Amazon will need to keep investing if it is to keep ahead of AliExpress. Owned by Chinese retail-to-technology company, Alibaba, AliExpress is growing fast in Europe. Having introduced European brands to Chinese consumers via its Tmall Global marketplace, Alibaba is keen to do likewise for Chinese brands (and others) in Europe enabling cross-border trade around the world. By undercutting Amazon, AliExpress hopes its reduced fees will attract European brands and retailers to its sites. Around 11,000 merchants were registered with AliExpress Spain in 2021, 35% more than in the previous year. This helped the company to a 200% rise in gross merchandise volume in Spain that year.

More recently Alibaba launched Miravia in Spain, the country which is among one of the key markets for AliExpress in Europe. It ranks in second place in the country behind Amazon. The launch of Miravia is an attempt to capture a higher share of the mid-to-high end market, with products appearing including fashion and beauty predominantly from European brands.

While multi-sector marketplaces enable price-conscious consumers to find and buy products easily and quickly once they know what they want to buy, they are not places to browse or on which to dwell. So, while Amazon, AliExpress, eBay and Hepsiburada marketplaces attract a greater number of visits online they do not necessarily have the highest revenue in the health and beauty sector nor attract consumers seeking inspiration or advice or offer every brand the experience they want to give customers. "Amazon is not a replacement for Sephora," says Riccardo Basile, CEO and co-founder, beauty marketplace Agora.

## Sephora is the marketplace with most social media visibility

Times a social media site appeared in the first five marketplace Google search results, by marketplace



Google searches conducted from United Kingdom, Israel and South Africa, Feb 2023. Graph shows average values for all regions

Source: RetailX

© RetailX 2023

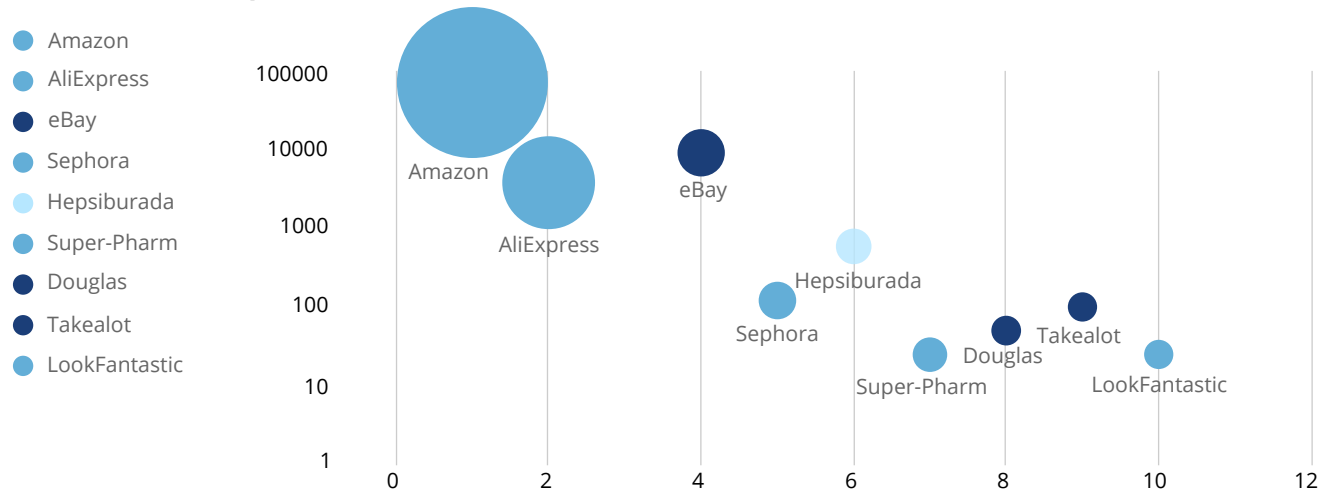
Beauty retailer and marketplace Sephora reported revenue of \$2.2bn for 2021 up from \$1.9bn in 2020. This is higher than that of general marketplace Hepsiburada which reported 2021 full year revenue of \$1.3bn. Founded in France in 1969, Sephora is owned by luxury goods group LVMH. It has a global presence and operates online via 30 ecommerce sites. 12 sites are in Europe and seven in the Middle East. It also operates bricks-and-mortar stores. In 2021, Sephora acquired UK beauty marketplace Feelunique rebranding it as Sephora the following year.

Fellow premium beauty retail-to-marketplace business Douglas is also seeing sales growth online. Total sales in its latest full year were up 17% on the previous year and 18.3% higher than pre-Covid levels. Ecommerce has grown even faster in recent years reaching €1.2bn in 2022. Online sales are now more than twice as high as before the pandemic and account for 30% of the company's total business.

Douglas pioneered the move by Europe's beauty retailers to invite third parties to sell on their ecommerce sites. The German company started with a select few highly curated trading partners and 10,000 products in 2019. The marketplace offering multiplied in its first year to more than 100,000 items for sale. What was called at the time by the company "a key strategic pillar of our platform strategy and an enabler for achieving sustainable success," has proved its worth.

Speaking about the latest financial results, Group CFO Mark Langer said, "The results prove that we are on the right track. Our performance this year was also strengthened by the return of social life

### Size of marketplaces

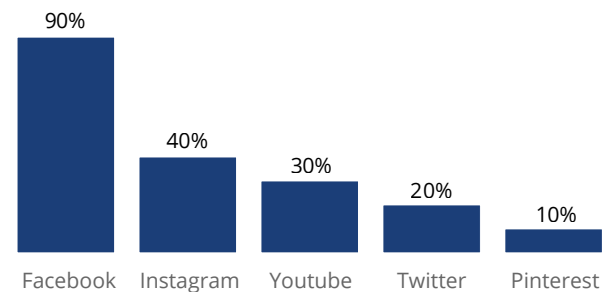


Note: X axis= ranking of marketplace according to revenue  
 Y axis = annual web traffic (in million visits)  
 Bubble size = revenue 2021 (in bn USD)

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### Facebook is the social media platform appearing the most upon marketplace Google search

Times each social media site appeared in the first five marketplaces Google search results, by platform



Google searches conducted from United Kingdom, Israel and South Africa, Feb 2023. Graph shows average values for all regions  
 Source: RetailX © RetailX 2023

after Covid-19 restrictions were eased. Less mask-wearing means more make-up and more lipsticks. And the strong mix of our store and online offer, unique shopping experiences, customer-focused marketing and exclusive offers such as Billie Eilish's new fragrance has been met with catch-up demand from customers."

<sup>[1]</sup> <https://www.theafricareport.com/234135/amazon-accelerates-in-africa-much-to-the-chagrin-of-local-players/>



# Social marketplaces

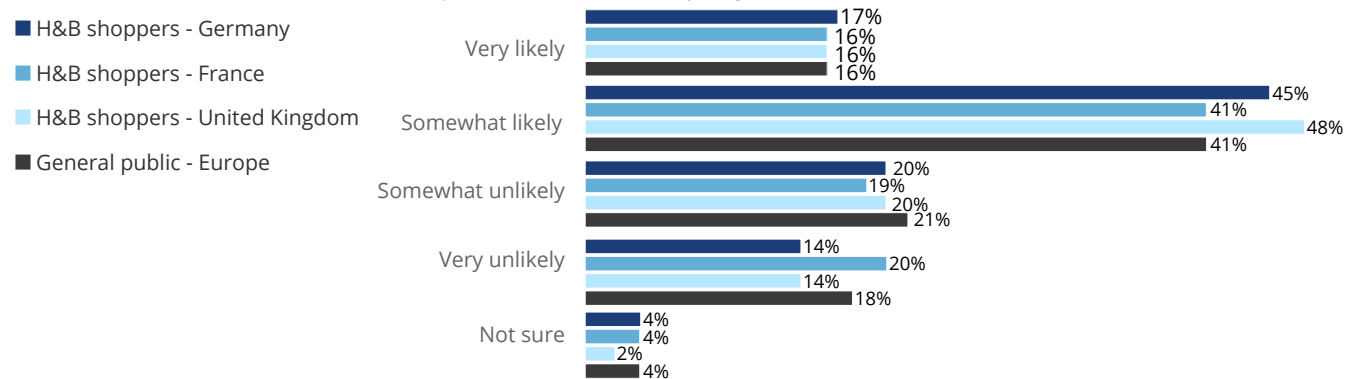
Rich content has pervaded D2C sites and niche marketplaces as consumers look for inspiration, but will new marketplaces combining the best of social and commerce take top spot?

Show a consumer an array of beauty or skin care products and it will raise an emotion somewhere between joy and despair. The beauty blogger who sees skin care as an all-encompassing hobby will delight in the range. While for others, understanding the mix of hyaluronic acid, retinoids, alpha-hydroxy acids, vitamin C, natural this and organic that, it is much harder for them to make a buying purchase based on the choice on offer. Differentiating the benefits of a fluid costing £150 and a £20 cream takes more than reading a few pointers on product packaging. "Digital hasn't made this better," believes Alex Perez-Tenessa, founder of beauty retailer Trendio.

Educating and advising potential consumers and recommending products used to be the premise of beauty counters in traditional bricks-and-mortar department stores. Shoppers could be educated about new products, receive advice on makeup looks and be recommended products to buy – whether that's a lotion, mask, serum or cream. Alternatively, they were introduced to a brand and that's what they bought every time going forward.

## Health and beauty shoppers from France feel less influenced by social media when making purchase decisions

Effect of social media influencers in purchase decision, by region, 2022



H&B = Health and beauty. Based on 200-400 health and beauty online shoppers in each of the presented regions and 1500 general eshoppers in Europe aged 18-64, August 2022. Question: "In your experience, how likely are content creators such as social media influencers to point you to buy products?" Source: RetailX Consumer Observatory © RetailX 2023

Magazine editorials and adverts had a role to play in advising shoppers as well, as did the cult of celebrity going back to the early days of Hollywood.

Today, that role has been taken over largely by social media. Influencers, such as Kim Kardashian, Kylie Jenner and Huda Kattan, have transformed the beauty and cosmetics industry; moving it on by showing their followers how to apply products or create new looks to launching their own fragrance, beauty or cosmetics brand.

It is not surprising that consumers who buy health and beauty products are more likely to purchase a product after seeing it on social media than consumers who don't shop this category, such is the influence that content creators can have. 45% of beauty buyers say they are "somewhat likely" to buy a product recommended by a content creator, such

as a social media influencer. This is above the response of 41% of general online shoppers when asked the same question. Consumers in the UK and Germany are even more likely to be attracted to a beauty product and buy than their counterparts in France.

Content creators are not just influencing purchasing through product recommendations. The lessons that consumers are learning about makeup techniques on social media are being seen in their purchasing habits as well. Consumers are switching up their daily skincare routines and changing makeup looks.

Their increased knowledge of specific product ingredients, their origins and how they are produced and used is reflected in rising sales of natural and organic cosmetics, while a mass market item used by the right influencer can result in sales rocketing.



Social media sites have been trying to capitalise on the influence that content creators have on visitors trying different formats of storefronts and ecommerce links, but for consumers social media is not a shopping centre. “People go to social sites with a different mindset than Sephora,” says Perez-Tenessa. These channels work well for what they are but the former Amazon Prime VP and CVS head of beauty is not so sure that they will become shopping channels.

Perez-Tenessa is one of a number of business leaders seeking to change how consumers shop for beauty products by combining the best of social and marketplaces. These new marketplaces are becoming destinations where consumers can be inspired by content, educated by influencers, recommended products and easily make a purchase all on the one platform.

These new platforms are not being developed to work on PCs but, instead, going straight to where the majority of customers are – on mobile. The smartphone apps are working with content creators to produce short videos about beauty products, either reviewing them or using them to create new looks, in the same way that they would do on TikTok or other social platforms. The products mentioned have to be from brands which have signed up to the platform as a third party seller.

The platform ensures that the content meets its standards and in the case of Trendio, content creators are auditioned and then coached in how to produce content in the best way. Content is also edited, if necessary, with manual checks ensuring that relevant products are tagged to appear at the

bottom of the screen so that consumers can click through to the correct product page to buy the item or purchase easily with a one-click checkout, if already registered on the platform. Personalisation means that the most relevant clips are surfaced for each consumer making them more likely to click through to view a full video.

For consumers and brands, apps such as Trendio and Agora are shopping sites. In fact, Trendio sees itself as a retailer inviting both brands and content creators to ensure a curated experience for customers. “We are an alternative to Sephora,” says Perez-Tenessa. However, for now, Trendio is only available to US shoppers while Agora operates in the UK. Both have ambitions for Europe.

It is from Asia that these social marketplaces take inspiration. Consumers browse these sites in the same way that they would flick through videos on TikTok until they find one they want to watch. They can choose to follow specific content creators and view their videos, see clips from multiple people or look at the stores created by the marketplace or curated by a particular content creator. Livestreaming, the social selling phenomena that is mainstream in Asia, is incorporated into these beauty sites as well and is seen as an important revenue stream.

Consumers in EMEA are becoming more accustomed to livestreaming and Perez-Tenessa believes live is “critical” for creating the right experience for beauty marketplaces in the US and Europe. It may not become as widespread as in China since the number of content creators willing to create an hour-long video for the level of rewards is not as high in Europe.

However, when livestreaming is used, it converts at a much higher rate than recorded video. “Some livestreams have a conversion rate as much as 10%,” says Riccardo Basile, co-founder of Agora and Lazada.

Perez-Tenessa expects Trendio to incorporate an equal amount of live and recorded video on the platform over the next 12 months. While they will account for a 50/50 share of the content, livestreaming’s higher conversion rate will see it generating 80% of product revenue.

Video is expected to be pervasive in the health and beauty sector, increasingly being used by brands and retailers. This, in combination with the fact that a larger share of wallet is moving to mobile, highlights how there’s a space for a customer experience that’s as satisfying as walking into a store and chatting with an advisor. This is particularly true of the UK market which Basile believes is already saturated with retailers vying for sales of the top ten brands.

These developments in the industry have not gone unnoticed by Amazon.<sup>[1]</sup> The Inspire tab on its shopping app enables a similar experience combining TikTok and Instagram-type videos and photographs with its marketplace offering. Of course, Amazon has experimented with different content offering a number of user experiences as social platforms have come and gone over the years. Whether it, or any of these new mobile video-based marketplaces, can combine the inspiration of social with the quick-to-purchase advantage of a marketplace is yet to be seen.

<sup>[1]</sup> <https://techcrunch.com/2022/12/08/amazon-launches-inspire-a-tiktok-like-shopping-feed-that-supports-both-photos-and-videos/>

# AGORA

**Company:** Agora

**Headquartered:** London, UK

**Founded:** 2019

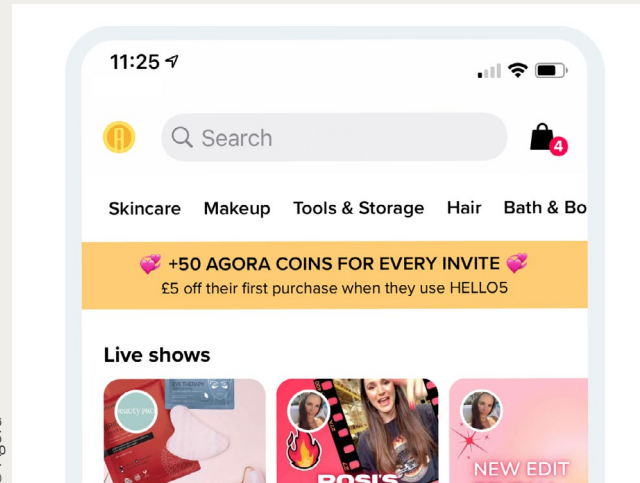
**Online:** [www.agoraworld.co](http://www.agoraworld.co)

## Video-led beauty commerce app

Agora is a beauty, skincare and wellness video shopping platform available only via a mobile app in the UK. It brings together brands, independent content creators and a marketplace model to give consumers an engaging way to buy beauty products.

Brands sign up to the platform as they would for Amazon or eBay, providing product content and pricing information. They are also responsible for fulfilling orders placed by customers through the Agora platform.

Where Agora differs from a traditional marketplace model is that sales are driven by independent content creators uploading videos or streaming live product reviews or general beauty content.



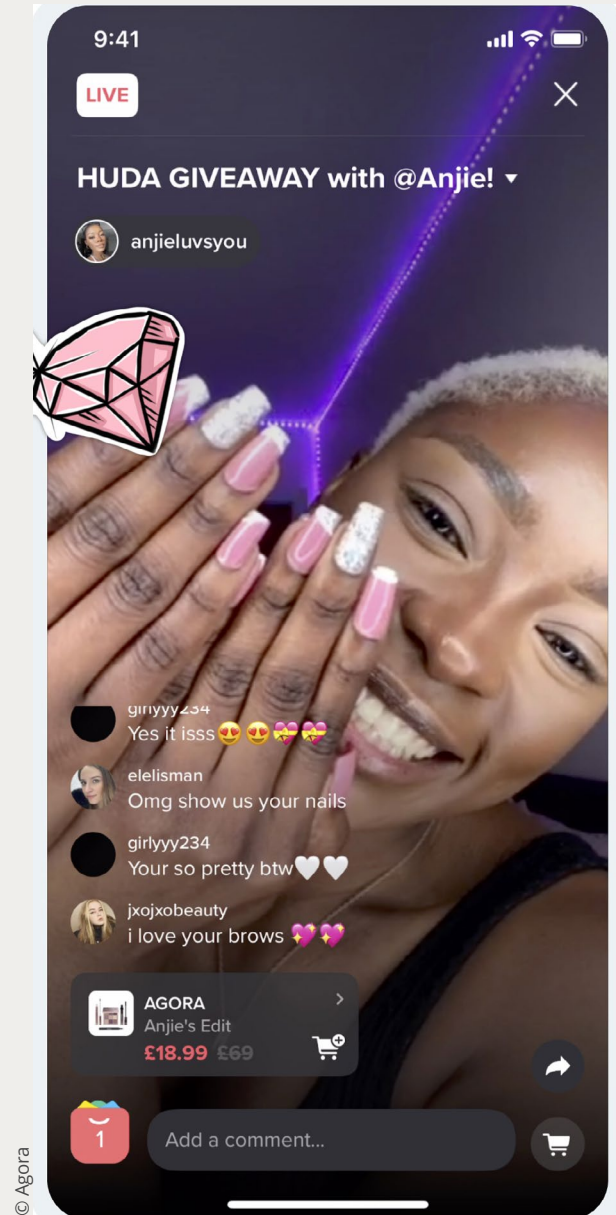
© Agora

**Mobile app Agora is one of a new breed of social commerce marketplace**

The content creators add tags for any products used or mentioned in their video and this enables consumers to add the products to a shopping basket and checkout, all within the platform. Shoppers also receive loyalty points against purchases and when introducing friends to the app. Loyalty points take the form of in-app currency called Agora coins. These coins can be exchanged for free make up and beauty items.

The content creator receives commission for any sales they make for the brands.

In March 2023, a store front feature was added to the app enabling content creators to build their own store by tagging products they like from among the items listed for sale.



© Agora



**Company:** Amazon

**Headquartered:** Seattle, US

**Founded:** 1994

**Online:** www.amazon.com

## US giant continues to disrupt retail

Amazon splits the health and beauty sector into different categories depending on which country site is being viewed. In the UK, these are: All Beauty; Premium Beauty; Health & Personal Care; Diet & Nutrition; Men's Grooming. Some hair and personal care products are also included in its Subscribe & Save scheme.

The US behemoth continues to manoeuvre around the health sector, testing ways to fully enter the primary care space in the US and, of course, this could impact on how it approaches the sector in other countries. At the start of the millennium, Amazon partnered with drugstore.com in the US enabling customers to buy from 20,000 health and

### Amazon has ambitions in the health sector but beauty remains a big seller

beauty products but the company was subsequently acquired and closed by Walmart.

In 2020, it launched Amazon Pharmacy as an online service offering two-day fulfilment of prescriptions for Amazon Prime subscribers in the US.

Its Amazon Style Feed offers a shoppable stream of influencer-curated content on the Amazon shopping app for customers in the US and India to explore fashion, home decor and beauty items.

In Europe, Amazon operates a traditional marketplace model, with products sold via individual product pages as well as from branded stores. For example,

customers can shop Maybelline's bestsellers, bundles and individual products within its branded store on Amazon.co.uk.

Overall, beauty was one of Amazon's best performing categories over the 2022 holiday period. E.l.f moisturiser and essie nail polish were among the best selling stocking fillers while a Laneige sleep mask was one of the gifts most-loved by customers.



**Company:** eBay

**Headquartered:** San Jose, US

**Founded:** 1995

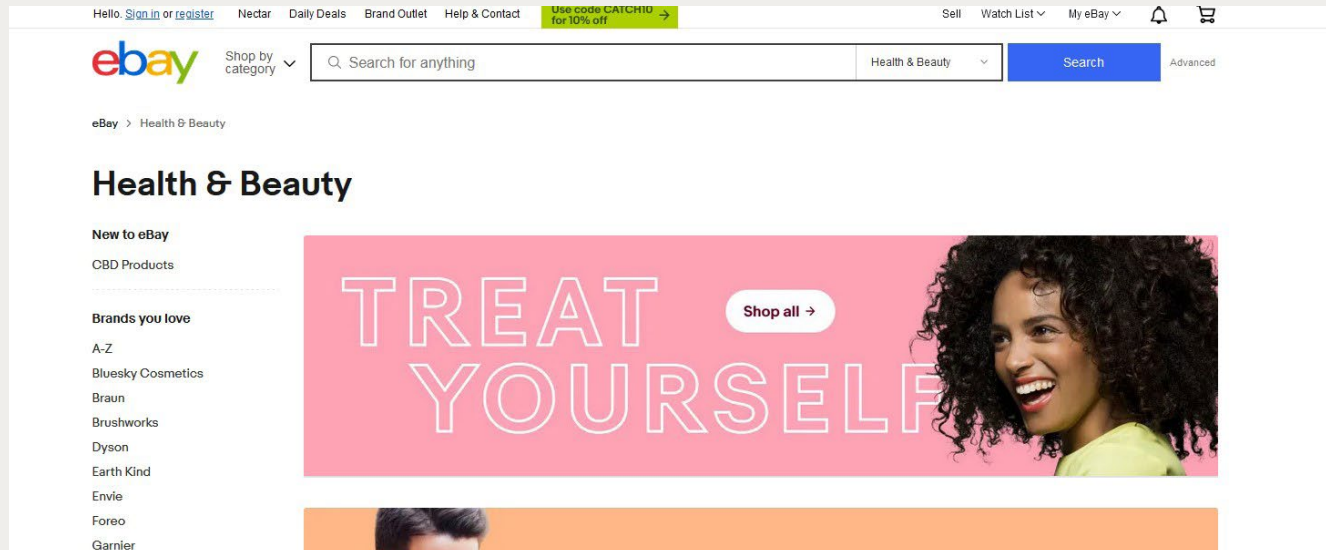
**Online:** www.ebay.com

## Partnering to regulate listings for consumer safety

eBay's importance in the health and beauty market and the prominence given to the category varies across different eBay sites. For instance, on ebay.co.uk the category appears in the top navigation, while on the main US dotcom site, health and beauty is relegated to a position within 'Other categories', as it is in France, Spain and Germany.

Once found, the beauty category highlights hair care, fragrances, make-up, skin care and men's grooming as well as manicures, vitamins, elderly care and medical items.

The messaging on the UK country site is a mix of discounted pricing, "treat yourself" and items



### Health and beauty appear in the top navigation of eBay UK

that are trending. It also includes an A-Z list of brands enabling shoppers to browse easily or click through to items they are seeking.

There is a certain level of consumer safety around the health and beauty category, more notably in China where consumers turned to Western brands following health scares.

eBay does have a long-standing commitment to the safety of its consumers and this is seen in its own reporting system and proactive efforts taken over the years to prevent prohibited items from being listed. In 2021, eBay announced that tests of a portal through which trusted authorities can remove prohibited items from sale on eBay sites was successful.

Now trusted authorities that have been invited to use the portal can take down any listing from the marketplace themselves, where they have evidence of a risk to consumer safety, without needing approval from the marketplace. This eliminates the need for a second level of approval, thus streamlining the process.

Australia's Health Products Regulation Group was among the first authorities invited to partner with eBay in this manner. As Wolfgang Weber, eBay's Global Head of Regulatory said at the time, "There are many challenges which come with policing a marketplace, and while this has always been a priority for us, teamwork between the government, authorities, and marketplaces is needed to ensure consumers can stay safe shopping online."

# hepsiburada

**Company:** Hepsiburada

**Headquartered:** Istanbul, Turkey

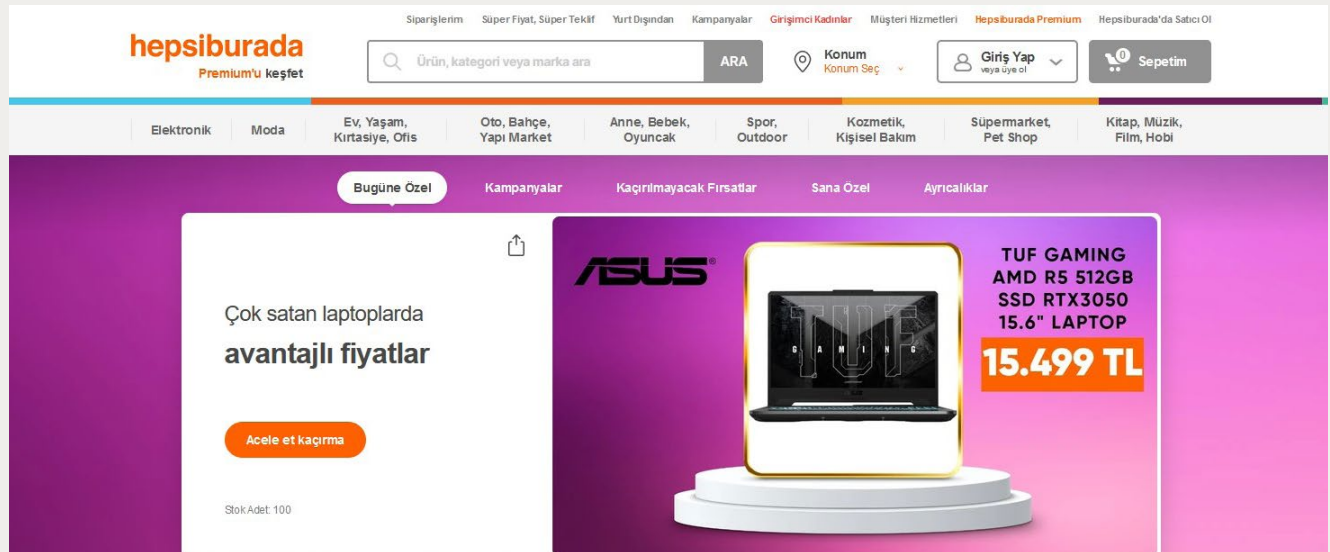
**Founded:** 2000

**Online:** www.hepsiburada.com

## Hepsiburada expands domestic and international markets

Hepsiburada maintains a leadership position in Turkey's ecommerce industry where it operates as a marketplace and a retailer in its own right. It also offers logistics and payments solutions for companies selling on its marketplace as well as offline.

GMV during its Q3 2022 period increased 26% to TL10.7bn (€0.53bn), with revenue up 6.9% when the impact of inflation was taken out. This led to the marketplace increasing its GMV growth forecast for the year from 60% to "around 70%".



Hepsiburada continues to lead the market in Turkey

The number of products for sale on Hepsiburada continues to grow, as does the number of merchants using the platform to sell across borders. The number of products on the platform increased 89% from 76.9m as of the end of September 2021 to 145 million by the end of September 2022.

The Hepsiglobal mobile app is also expanding the reach of Turkey's merchants overseas. As of the end of June 2022, Hepsiburada had seamlessly connected customers with 89,700 active merchants.

The majority of marketplace parcels are delivered by Hepsiburada's fulfilment service Hepsijet. Highlighting the growth of the service, 53% of orders

were delivered via Hepsijet at the start of 2022. By November 2022, this had grown to 73%. Orders were up 1.7 times above the level customers placed in November 2021.

On 11 November, during Hepsiburada's discount shopping festival, the marketplace recorded both its highest sales value and highest number of customer orders for a single day. Sales of washing powder, toilet paper and nappies were particularly high.



# SEPHORA

**Company:** Sephora

**Headquartered:** Limoges, France

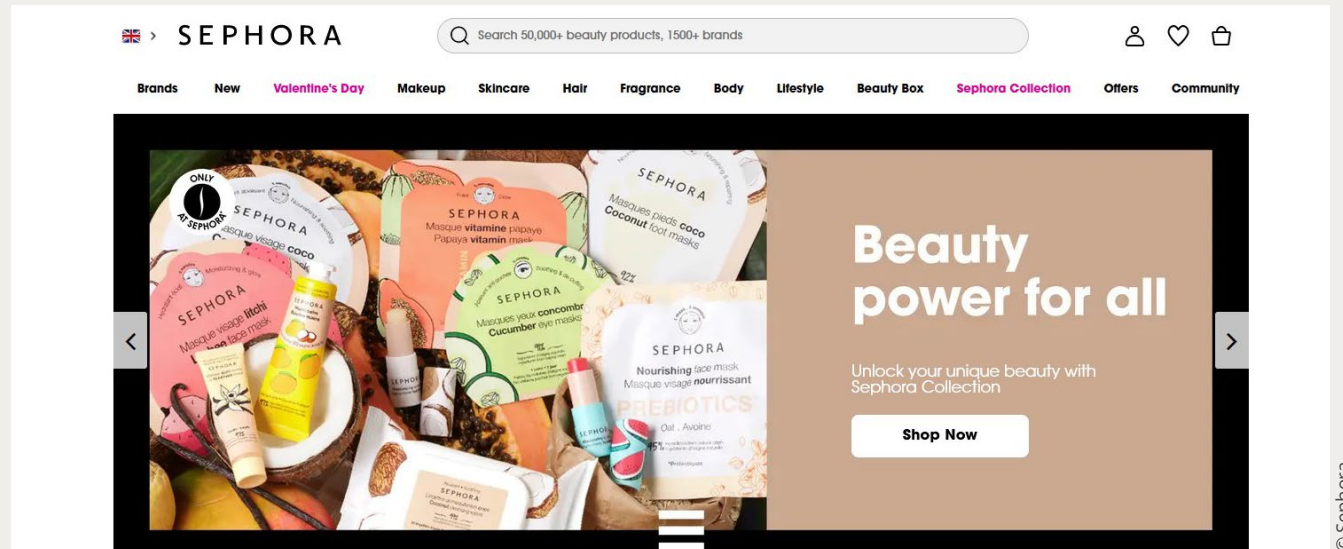
**Founded:** 1969

**Online:** www.sephora.co.uk

## Prestige beauty returns to the UK market

Prestige beauty retailer Sephora was founded in France in 1969. Now owned by LVMH Moët Hennessy Louis Vuitton, the company has a network of more than 2,600 shops in 36 markets. Sephora also sells online via more than 30 ecommerce sites, through mobile apps and social media networks.

Sephora is going through a period of expansion, particularly in Asia and Latin America, and in the UK where it acquired beauty marketplace Feelunique in 2021. It officially entered the UK market in 2022, redirecting customers from Feelunique to a UK domain for Sephora. The company has also opened a bricks-and-mortar store in London's Westfield shopping centre.



### The acquisition of the Feelunique marketplace gives Sephora an entry point to the UK

Its first UK store offers a curated selection of products from 135 brands including some that are exclusive to Sephora UK. These include Makeup by Mario, GXVE by Gwen Stefani, One/Size by Patrick Starr, Vegamour, Skinfix, Commodity and Sephora's own collection. The bricks-and-mortar store is also debuting brands in physical retail for the first time in the UK, including Tarte, Glow Recipe, Supergoop!, Danessa Myricks and Kosas. Alongside these is an expansive assortment of brands known and sold via its website and app, including Fenty Beauty, Drunk Elephant, Ilia, Milk Makeup, JVN, REM Beauty, Gisou, Dior, Tom Ford and Jo Malone.

At the time of the Feelunique acquisition, Sephora president and chief executive Martin Brok commented: "The transaction is a key step in

Sephora's European growth strategy and marks a first step for Sephora's presence into the United Kingdom, one of the top 10 biggest prestige beauty markets worldwide, with a very high level of digital adoption. UK consumers have a strong appetite for a carefully curated prestige beauty offer that is tailored to their needs, and provided through a consumer-centric, seamless experience."

Sephora has a high profile in the beauty industry and is well-known by consumers. Before its entry to the UK market, 43% of consumers who bought health and beauty products online were aware of the brand. In the US market, which it has been part of for a long time, awareness among shoppers stands at 74%, with 21% of survey respondents being customers of the brand.





**Company:** Superdrug

**Headquartered:** Croydon, UK

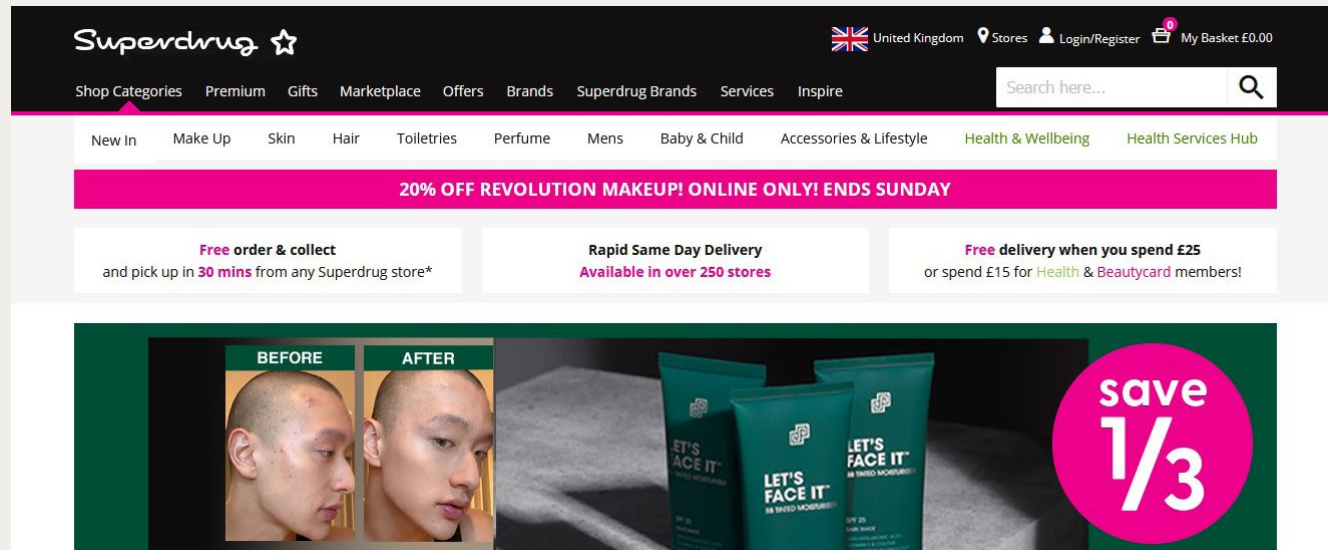
**Founded:** 1964

**Online:** www.superdrug.com

## Championing smaller brands

Superdrug is the UK arm of international health and beauty company AS Watson which owns 12 retail operations in 27 markets. Superdrug extends to more than 830 bricks-and-mortar stores in the UK and Ireland as well as online. Well known for championing products trending on social media, Superdrug launched its own third-party seller marketplace in November 2022 integrating the Mirakl SaaS solution into its existing SAP ecommerce platform.

300 brands were onboard for the launch. Commenting at the time, Superdrug marketing and ecommerce director Matt Walburn, who led the development of the Marketplace at Superdrug, said: "Marketplace is the exciting next step in our digital transformation programme. Our intention is twofold; to promote diversity



### Superdrug's marketplace launched with 300 brands onboard

by supporting entrepreneurs and small businesses within the industry and to dramatically increase our range on Superdrug.com; broadening and strengthening our accessible beauty and health offering to our customers."

As Superdrug's IT director Andrew Cobb explained to InternetRetailing, once a seller brand is accepted and onboarded by the marketplace team, each brand uploads its own product listings to the website. They are automatically pushed by the marketplace system into their correct place in the site taxonomy, where they can be found by shoppers, either through search or by browsing. "We don't favour them in the search systems, we don't promote them," says Cobb.

"It's all very organic so if they become popular it's because they've got a great product and people are interested."<sup>[1]</sup>

When an item is sold, payment goes into a holding account and is released to the brand via Mangopay once shipping is confirmed. Brands handle their own shipping, and Superdrug earns commission on each transaction with the aim of earning back its costs over three years.

<sup>[1]</sup> <https://internetretailing.net/strategy-and-innovation/interview-andrew-cobb-of-superdrug-on-launching-a-marketplace>

# Beyond 2023

**While some parts of the health and beauty sector are necessities, the beauty category is inextricably linked to consumer confidence – something that can always be swayed**

2022's high inflation rates are dropping, in the Eurozone at least, with inflation down to 8.5% in February 2023 from 9.2% the previous December. However, prices remain volatile and recent rises in interest rates are putting pressure on consumers.

High costs are not restricted to Europe. In January 2023, inflation reached a five-year high of 25.8% in Egypt, a country which has already seen its currency devalued by nearly 50% since March 2021. In South Africa, inflation dropped slightly to 6.9% in January, down from 7.2% at the end of last year. However, many consumers are seeing food prices continuing to rise.

This squeeze on consumers' discretionary spending power in turn affects what they are buying outside of the necessities of home, food and energy. For many, saving on non-essential purchases is a top priority.

In fact, 61% of shoppers are concerned about their financial situation, according to a survey of more than 11,000 adults across 11 countries. Millennials (66%) and Gen X (64%) are the most worried, according to the Capgemini survey. Baby boomers

(55%) are the least worried. More than four in 10 (44%) said they were reducing their overall spending, 42% in the UK alone, with 73% making fewer impulse purchases, 69% cutting back on non-essential expenses – from electronics to eating out – or delaying luxury purchases.<sup>[1]</sup>

## DEATH OF THE LIPSTICK EFFECT

This is expected to impact on the products that consumers buy as they shift purchasing to lower priced products or save money for 'treats'. The 'lipstick effect' coined over 25 years ago, suggests in times of economic downturns sales of affordable luxuries, such as lipstick, rise as consumers seek out small, uplifting indulgences. However, LookFantastic has found that UK consumers are turning to hair products instead. Searches for hair rollers, hair straighteners and hair oils increased by 103%, 47% and 60% year-on-year respectively in October 2022. By comparison, searches for lipstick, lip balm and lip gloss all fell – with lipstick seeing the biggest decline year-on-year.

LookFantastic owner THG believes that haircare and personal grooming may also prove to be among the biggest recession-busting sectors, since analysis of UK spending during the 2008 global financial crisis shows that spending on clothes and haircare and personal grooming increased by 3% and 1% respectively. During this time spending on health and personal care only dropped by 4% and 5% while transport, home furnishings, restaurants and hotels all declined 10% or more.

"Across the beauty category, we are seeing consumers turning to 'affordable luxury' products from

established brands for their essential beauty needs, as economic challenges play out," says Lucy Gorman, ceo of THG Beauty. "Similarly, the 'Skinification' of haircare trend is continuing as consumers prioritise skin, hair and scalp health as part of holistic wellness regimes. We're seeing this across THG's own portfolio of prestige brands and in the thousands of premium brands that retail directly online through the likes of LookFantastic and Cult Beauty.

"While the recession will undoubtedly tighten spending, it is clear that UK consumers' desire to look and feel good has not waned, and if the last recession is anything to go by the beauty, haircare and personal grooming sectors may prove to be some of the biggest recession busters."

Consumers' search for 'value' could be a boost for other marketplaces. After all, consumers say they were first drawn to shop on marketplaces because they offer convenience, competitiveness, choice and multiple delivery options. The pandemic heightened this with shoppers turning to online with increased frequency and the cost of living crisis could yet prove the same as consumers seek out the best prices and convenient delivery.

Over half (52%) of UK consumers say that shopping online has delivered better value during the months of high inflation. The survey conducted by Mirakl also found that 64% of consumers anticipate increasing their level of online spending over the coming year. Buy now pay later, subscribe & save and payment in instalments are becoming more commonplace online and services such as these will help consumers.

## GROWTH OF NICHE MARKETPLACES

Marketplaces are growing and are expected to continue doing so. Overall, the marketplace sector is worth close to €200bn and while Amazon's dominance has decreased slightly under pressure from other marketplaces, it still attracts more than half of all shoppers, according to the RetailX Marketplaces report. Consumers globally conduct 46% of their online shopping (on average) through marketplaces, a 10% increase year-over-year from 2021, according to Mirakl. So, what does this mean for 2023 and beyond?

Any growth in marketplace sales is good for Amazon and the other large multi-sector marketplaces, hence brands having to be where their customers shop. It is also positive for the specialist marketplaces within the health and beauty sector such as the 'traditional' retailers that have expanded from bricks-and-mortar to online and omnichannel. Their understanding of their customer base and use of data through personalisation and loyalty schemes will enable them to offer customers the value proposition they are seeking, at whatever price level that may be. Cheap does not necessarily equate to value so understanding what drives each customer will become more important, especially as value can reduce brand loyalty.

It is these specialist marketplaces that have proliferated in recent years – Faces, Superdrug, Perfume's Club, Boots – and this growth is expected to continue as retailers look to expand the breadth of products they sell in a low-risk and relatively low-cost way, as well as having a way to compete with the pureplay marketplaces. In effect, market leaders in

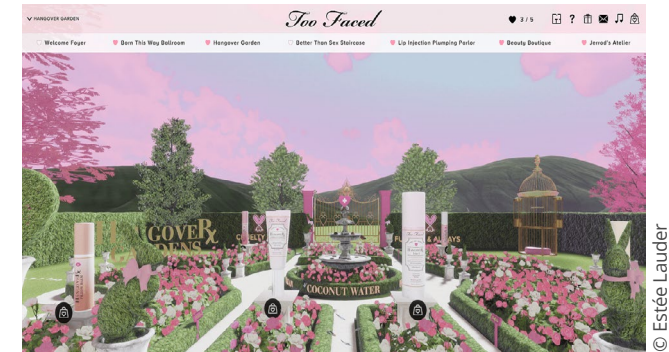
the health and beauty sector can further extend their leading position and 'own' their niche by combining the power of their brand's ecommerce site with a marketplace model.

As Paul Skeldon notes in the RetailX Marketplaces report, "France's Carrefour and Spain's El Corte Inglés have taken the department store/superstore model from the 'real world' and translated it online. In the case of Carrefour, it essentially runs two sites – its own and its marketplace – so that primarily in France, but also in Spain, it is collecting traffic from both the non- and mixed-marketplace data.

"This level of market dominance indicates that these retailers – along with many others in these regions – have already seen the consumer interest in marketplaces and embraced it, making it their own. It is also interesting to note that in these markets, Amazon isn't the dominant presence, showing that these retailers have cornered that market quickly and effectively."

## SOCIAL AND TECHNOLOGY

Technology and social media are further changing the health and beauty arena creating interesting intersections. Social media is undoubtedly the route for product inspiration and what happens on social media does convert to sales. 75% of Estée Lauder's marketing budget is spent on collaborations with social media influencers, according to Forbes. Interesting developments are taking place around the checkout online. Brands and influencers have made TikTok a force to be reckoned with in the beauty sector and the platform, that calls itself focused on entertainment rather than social, is trying to capitalise



© Estée Lauder

## Estée Lauder embraces the metaverse for its Too Faced arm

on the captured consumer by working with Shopify to enable storefronts to be built.

Conversely, brands and retailers are trying to increase the entertainment and educational side of their ecommerce sites. Augmented reality try-on, videos and livestreaming are all being adopted alongside live chat with beauty consultants offering an experience more akin to a bricks-and-mortar store offering. Video and AR will become more pervasive across the sector and marketplaces wanting to offer more than a quick sales journey for a shopper who knows exactly what they want to buy will be embracing these technologies.

The metaverse takes the concept of rich content, social and commerce a step further. Even if it doesn't become a place with marketplaces for consumers to buy physical products immediately, there is already a growing appetite for virtual ones.

<sup>[1]</sup> <https://internetretailing.net/customer/saving-money-is-the-top-priority-for-shoppers-in-cost-of-living-crisis-study/>

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# Conclusion

The health and beauty sector includes a diverse range of products from personal care and vitamins to luxury skin care and celebrity-endorsed fragrances. Personal care is the largest segment, with Europe being the region within EMEA with the greatest share of market. The same is true of online sales.

After years of double digit growth, online sales in the health and beauty categories slowed down significantly in 2022 compared to the previous year as consumers returned to shop in physical bricks-and-mortar stores. That said, online sales are still growing, with marketplaces accounting for even greater growth than that being recorded by retailers.

Of the different segments of this product sector, it is beauty that offers interesting developments, especially when taking into account that the bulk of online shoppers in this category are millennials. Swayed by content creators and social influencers, this age group, and their younger counterparts in GenZ are seeing a shakeup of social media, commerce and marketplaces.

In turn, marketplaces, brands and social platforms are responding with richer content and new opportunities for engagement and interaction. The definition of what a marketplace is will continue to blur.

If you'd like to contribute to future RetailX research or share your insights into marketplaces or the health and beauty sector, we'd be interested in your thoughts. Contact [research@retailx.net](mailto:research@retailx.net)

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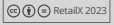
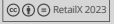
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