

Research Proposal: Launching Enhanced Naturals

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(I) Opportunity

The beauty industry has been experiencing exponential growth with changing lifestyles and the availability of information. Digital platforms accelerate information flow, allowing customers to make the best purchase decisions online and offline. The changing consumer preferences have pushed many manufacturers to launch beauty products with natural ingredients. Today, consumers demand more beauty products with a high percentage of natural ingredients (Rosemarin, 2021). Beauty products with natural ingredients stand a better chance of penetrating markets.

The retail landscape is shifting, leaving established and new brands to fight for market share. In the past, high-end brands enjoyed high sales volume since customers associated them with superior quality. SEPHORA has always maintained a sizeable inventory of high-end products, unlike ULTRA (Elkins, 2020). Consumers looking for prestige brands would make purchases from SEPHORA. Mass retailers like Walmart, Target, and CVS are challenging the positions some popular brands like ULTRA and SEPHORA enjoyed.

Despite the decline in the color cosmetic industry in 2019, the sector experienced growth in 2020, with mass retailers gaining. Prestige Brands in the cosmetic industry face cutthroat competition following mass retailers' aggressiveness. Since most color cosmetic customers are young consumers, they spend less on the category (Elkins, 2020). Their savvy characteristics limit them from making out-of-budget purchases. Nonetheless, they still purchase prestige brands depending on the desire to fulfill particular needs.

Younger consumers have realized insignificant quality differences between prestige products or brands and budget brands. Targeting this consumer group with all-natural ingredients-based products requires relative price consideration (Elkins, 2020). For new brands, price differentiation is critical to appealing to different consumer groups. Brands can

employ premium pricing while targeting high-end consumers and penetrative or discount pricing for low-income consumer groups. Participating in the beauty industry requires an 'eye-on-the-consumer' strategy to gain better market insights.

(II) Background

ULTRA and SEPHORA remain top-selling beauty brands in the United States with incredible profitability. The two companies have kept costs low by offering quality products and a strong selection. Consumers have identified with the brand, thereby lowering advertising costs and increasing profit margins. ULTRA Beauty sales grew by 14% in 2018 and 65% during the first quarter of 2021 (Kohan, 2021). SEPHORA and ULTRA have institutionalized competitive rewards program that makes subsequent customer purchases affordable.

ULTRA and SEPHORA introduced a 'without list policy' for all their product lines. The without-list policy echoes the brands' clean strategy, eliminating harmful ingredients (Ultra Beauty, 2022). Beauty products consumers are increasingly changing their tastes and preferences beyond the standard product price bargain. Studies have shown that some ingredients are harmful in most traditional beauty products (McDonald et al., 2022). Consumers demand vegan, paraben-free, phthalates-free, kid-friendly, and eco-friendly products.

The term 'clean product' used in this proposal and borrowed from ULTRA and SEPHORA implies customer choice. Consumers of contemporary beauty products have a long list of preferences and demands (Ultra Beauty, 2022). New entrants in the beauty industry should embrace the clean product strategy. Embracing such a strategy strengthens consumers' confidence and enhances brand image and loyalty. Enhanced Naturals will likely attract all consumer groups since its products embrace a clean strategy.

Enhanced Naturals product line aligns with contemporary consumer choices and preferences, kid-friendly and eco-friendly. Kids have sensitive skin and remain a fragile consumer group to satisfy. Beauty product manufacturers have embraced natural ingredient strategies to appeal to this group (McDonald, 2022). Parents and guardians have demonstrated their preferred choices for shopping for their children. They remain on the lookout for brands and products that contain all-natural ingredients.

(III) Thesis

The beauty industry offers a huge growth opportunity and greater profitability. New brands should offer quality products, a strong selection, and competitive rewards programs (Rosemarin, 2021). Such strategies will lead to a significant reduction in the cost of sales and enhanced brand visibility. Based on market data, Enhanced Naturals should launch products using natural ingredients strategy to capture the market. ULTRA and SEPHORA are some of the most successful beauty brands relying on this strategy.

The business environment is awash with market uncertainties that hinder growth and expansion. Coronavirus (Covid-19) spells upheaval every aspect of human life, leading to a dip in cosmetic sales (Ma & Kwon, 2021). Despite the challenging business environment witnessed in the last two years, ULTRA and SEPHORA continue to grow. They succeeded in convincing consumers to consider non-essential purchases. Consumers heeded the call and began making targeted beauty purchases that kept the industry afloat.

ULTRA and SEPHORA used a marketing strategy mix to achieve their sales target. These strategies included varying discount pricing, home deliveries, and virtual makeup try-on (Ultra Beauty, 2022). These strategies led to a significant increase in sales, and retailers are integrating virtual try-on technology. The new technology helps consumers make the best purchase decision unique to their skin type. Beauty product consumers no longer engage in blind shopping; the new technology facilitates informed purchases.

Based on the data, competitive rewards programs, strong selection, and quality products need to get supported with metrics. There are many perspectives that agree and disagree with these cost-reduction strategies. Studies like Elkins' (2020) highlighted innovation and technology as the major driver for profitability. Further research should get conducted to provide sufficient evidence for the opportunity. The current study will bridge the gap between the best strategy alternatives for new brands for sustainable profitability.

(IV) Anti-Thesis

The beauty industry does not offer a huge growth opportunity for new brands. Offering quality products, strong selection, and a competitive rewards program do not guarantee greater profitability. These strategies are unlikely to reduce the cost of sales and enhance brand visibility. Ultra and Sephora are some of the most successful beauty brands not relying on this strategy. Based on market data, Enhanced Naturals should launch products using other strategies aside from natural ingredients.

The virtual makeup try-on technology has led to a growing demand for color cosmetics. In 2019, giant beauty retailers experienced sales deep because of dwindling innovation in color cosmetics (Elkims, 2020). ULTRA and SEPHORA suffered the same fate since they depended on new products or brands. The shaky market outlook in the absence of innovative products requires brands to innovate. Beauty brands such as Enhanced Naturals can continually invest in research and innovation.

Continuous investment in research and innovation helps bridge market gaps and enhance brand value. Different consumer groups have indicated a complete shift in consumption patterns. For example, in 2019, Laura Elkins' study revealed a significant decrease in sales in the makeup category (Elkins, 2020). Teens were no longer going for makeup, which created a negative market perception. Consumers were going for other market alternatives that promised greater results and were safe.

The beauty industry does not offer security buffers for industry stalwarts. During a period of market uncertainty, brands suffer the same fate, as evidenced in 2019. The 2019 sales dip affected industry leaders such as Piper Jaffray, Estee Lauder, ULTA, SEPHORA, and L'Oreal (Elkins, 2020). Every brand reworked its survival strategy to regain a foothold in each market niche. Innovation was critical in driving sales growth post-2019, and brands reworked their branding communication strategy.

The changing market dynamics require companies to rebrand or extend their product lines. Sometimes competitors take the first step to upset the market, forcing others to copy or innovate. Most companies extended their product line to accommodate the new product. The introduction of lip gloss led to a diminishing demand for lipstick and lip liner (Elkins, 2020). During uncertainty, rebranding, or extending product lines, Beauty firms must make strategic investment and expansion decisions.

(V) Methodologies

The study will explore issues related to the beauty industry using a descriptive research design. Data collected will be qualitative and use comprehensive review analysis for evaluation. The study seeks to review all publicly available information from popular business databases like IBISWorld. Keywords for the study include beauty industry statistics, Ultra and Sephora financials, and beauty industry strategies. Articles published before 2016 and written in English will get selected.

A total of 50 articles will get picked for analysis based on four themes, beauty and cosmetics, natural ingredients, profitability, and strategies. Only articles published within the last six years will get considered. A qualitative content analysis method will be used to analyze these articles. The outcome will get recorded in an Excel sheet below the four main themes. A final analysis will be completed to facilitate the development of strategic alternatives for Enhanced Naturals.

(VI) List of Deliverables

A report prepared in a Word document detailing the beauty industry market insights will be prepared. Enhanced Naturals Company will receive the report for further action toward a successful product launch. Market data, such as financials, will get presented in charts and graphs for comparison. The report will be written in English and follows a standard format using simple vocabulary. Likewise, a 12-15 minutes PowerPoint presentation capturing all the information in the report included

Likely Result from the Data Analysis

The half-a-trillion-dollar industry presents several opportunities companies can utilize to enhance profitability. The rise of self-aware beauty consumers can benefit or destroy a brand depending on the chosen business-level strategies (McDonald, 2022). Popular brands like ULTRA and SEPHORA are implementing and integrating several business-level strategies. Successful strategies help them enjoy industry leadership and increase market share in the unpredictable market. ULTRA and SEPHORA have weathered the devastating effects of the pandemic through strategic marketing.

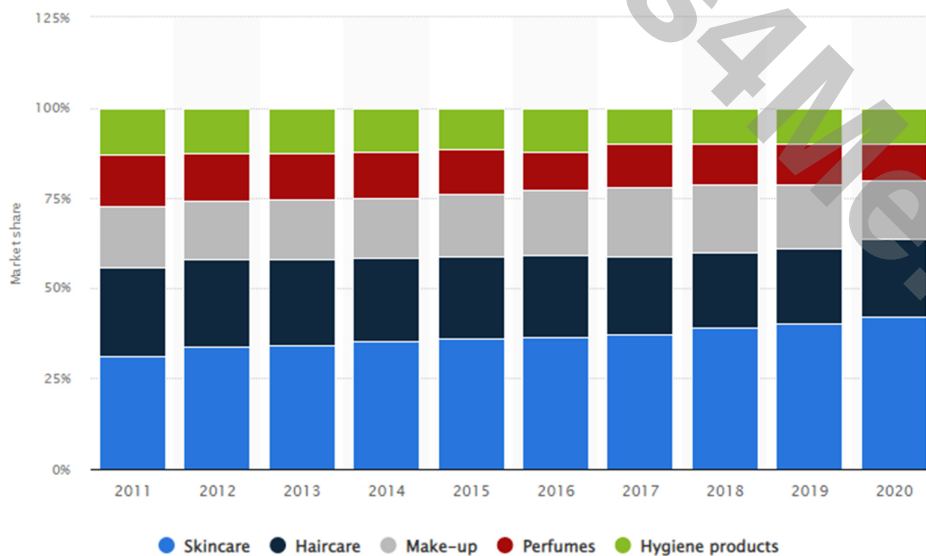


Fig. 1: (Statista, 2022) Statista. (2021, March 17). *Breakdown of the cosmetic market worldwide by product category, 2020*. <https://www.statista.com/statistics/243967/breakdown-of-the-cosmetic-market-worldwide-by-product-category/>

Social media remains a critical component of virtual try-on technology. Virtual makeup-try-on has become an internet sensation for beauty lovers who want to make informed purchases. The technology tracks every inch of the face, applies virtual cosmetics, and lets consumers decide (Elkins, 2020). New brands can harness its benefits and ride on its popularity to sell. It triggered voluminous online purchases during the pandemic, leading to a shift in the beauty shopping experience.

Beauty consumers have always preferred in-store purchases since it allows them to sample. Pre-pandemic market research revealed that 56 percent of beauty consumers preferred in-store purchases over online (Elkins, 2020). However, the pandemic led to a significant increase in online shopping for beauty products (Zackiewicz, 2020). The cosmetic try-on technology instilled confidence among beauty shoppers, making them feel they made the best purchases. Today, beauty products remain the top five most purchased product categories online.

Social media remain a rich and contemporary marketplace to brand and sell. Online shopping is the new trend in beauty purchases, and brands are increasing their presence online. Social media platforms such as TikTok, Instagram, Snapchat, and Facebook present market opportunities for companies to explore (Zackiewicz, 2020). There are millions of users across most of these popular media platforms every second. Enhanced Naturals stands to gain a meaningful market share by integrating the digital marketplace.

Top brands like SEPHORA have become social media sensations and use the opportunity to sell. The company continues to enjoy a competitive edge through its cross-channel sales strategy. It has gained a loyal audience and turn consumers through its

personalized messaging (Elkins, 2020). The messaging technique creates a personal appeal that leaves many consumers wanting more. Enhanced Naturals stands to gain by adopting these top marketing strategies and becoming one of ULTRA and SEPHORA brands.

Enhanced Naturals, one of the clean beauty brands, can strengthen its clean product image. The company uses 100 percent natural ingredients across its product range, including sunscreen, among other skincare products. Natural ingredients, unlike synthetic ones, do not react with different skin types. Such product attributes have made them suitable for kids. Parents remain careful in their product selection, and all-natural brands like Enhanced Naturals will be parents' favorite.

The use of natural ingredients in skin care products is a new trend that strengthens brands. It captures the desire and aspirations of contemporary consumers who are making a careful selection (McDonald, 2022). Most existing products have targeted the aging population and teenagers, leaving out kids. Many brands fear that some synthetic ingredients in their brands can harm children. The introduction of Enhanced Naturals' kid-friendly product will fill the huge market left by top brands.

Children are playful and spend most of their days outdoors or indoors playing. Parents want to see their children looking good and fresh. One of the best ways to target children through kid-friendly products is to promise all-day freshness. Enhanced Naturals skincare products for kids must contain natural ingredients that guarantee a fresh look and all-day freshness (Ma et al., 2018). The success of such products relies on the careful selection of natural ingredients.

Enhanced Naturals can capture the beauty market through an easy wash off proposition. People wear makeup for different occasions, some for a short period while others prefer it all day. An easy wash-off makeup will appeal to many who desire to wear more than one makeup a day. No beauty enthusiast likes to struggle to remove makeup since intense

pressure causes skin irritation. An easy wash-off makeup promotes the best skincare practices and eliminates skin irritation.

Consumer loyalty is critical to the growth and expansion of the Enhanced Naturals brand. One of the best ways to enhance consumer loyalty is to ensure all makeups are water-soluble. Basic simple water-soluble makeups are easy to wash off and protect the skin. Most successful brands such as Unilever, McDonald's, and Palmolive brand harnessed the power of children (Haryanto & Moutinho, 2016). Introducing play makeup for kids will grasp children at a tender age.

Building a strong brand value and image requires strategic expansion to explore new markets. Enhanced Naturals should consider direct sales through well-established digital marketplaces like Amazon (Zaczkiewicz, 2020). Direct sales will facilitate healthy engagement with consumers and enhance brand reputation. To increase sales, the company can also use ULTRA and SEPHORA-rich distribution channels. Also, it should engrave a green icon on all its product as a mark of clean beauty.

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