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DIGITAL TRANSFORMATION IN THE BEAUTY INDUSTRY

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The digital transformation of the beauty industry is a new trend, and it is also a primary method to solve the pain points of the development of the beauty industry. Digital technologies such as artificial intelligence, virtual reality, and big data drive the innovation and upgrading of the beauty industry. The innovation and upgrading of beauty products and services can provide customers with personalized services, accurately meet customer needs, improve customer loyalty, and increase industry market share. Digitizing operations, establishing databases, and sharing data through online and offline omni-channels can provide consumers with the ultimate experience while realizing the industry's modernization, efficiency, and energy-saving.

Keywords: beauty industry; digital transformation; digital technology; product intelligence; digital operation.

ЦИФРОВАЯ ТРАНСФОРМАЦИЯ В ИНДУСТРИИ КРАСОТЫ

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Цифровая трансформация индустрии красоты – это новая тенденция, а также основной метод устранения болевых точек развития индустрии красоты. Цифровые технологии, такие как искусственный интеллект, виртуальная реальность и большие данные, стимулируют инновации и модернизацию индустрии красоты. Инновации и модернизация косметических продуктов и услуг могут предоставлять клиентам персонализированные услуги, точно удовлетворять потребности клиентов, повышать лояльность клиентов и увеличивать долю рынка в отрасли. Оцифровка операций, создание баз данных и обмен данными благодаря онлайн- и офлайн-мультиканальности могут предоставить потребителям максимальный положительный опыт вместе с модернизацией, эффективностью и энергосбережением в отрасли.

Ключевые слова: индустрия красоты; цифровая трансформация; цифровые технологии; информация о продукте; цифровая операция.

The beauty industry can qualitatively become a rigid demand and high-frequency consumer market. It can mainly contain four significant parts, skincare products, cosmetics and fragrance, and personal care. According to statistics, the global beauty industry has increased from $483B in 2020 to $511B in 2021, with a one-year compound growth rate of 4.75 % globally. And it is predicted that it may exceed $716B by 2025 [1]. From this, it can be concluded that the beauty industry has completed its recovery now. The beauty industry still has enormous economic potential and can maintain high growth potential from a long-term perspective.
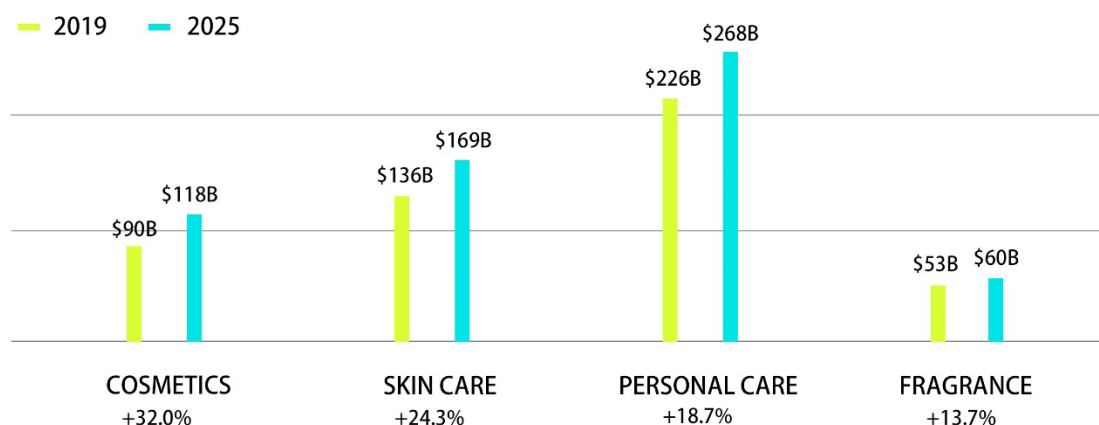
Picture 1 – **Segment revenue & growth rate within the beauty industry**

Source: [1].

In order to compete for market share in the beauty industry, major brand companies are trying to use various methods to attract users' consumption. For now, looking at the entire beauty industry, the pain points of brand companies are the same. First, how to accurately obtain user needs. Second, how to improve the loyalty of users. Thirdly, how to jump out of the blue ocean and achieve the red ocean. Solve the phenomenon of serious homogenization and continuous decline in profits. Fourth, how to integrate online and offline systems. As the concerns of the beauty industry, digital transformation is the fundamental way to solve these problems. The entry of digital into the beauty market can repeatedly break the relatively stable industry boundaries, and drive the innovation of operating models, service optimization, and beauty form innovations, further improving consumer experience and expanding market share.

The digital transformation of the beauty industry mainly includes two aspects. One is to use cutting-edge technologies to make products and services more intelligent and personalized, further enhancing the competitiveness of beauty brands. The second is to use digital technology to establish its digital assets to realize the digitization of operations and the digitization of business.

With the maturity of digital technologies such as AR, IT, and AI, digital transformation helps products become smarter. In 2020, beauty brand L'Oreal announced the launch of a new smart beauty product, Perso. The skincare version of Perso can judge the quality and problems of the user's skin through the user's photo and then customize the skin care plan for the user based on the AI system. The product automatically dispenses a blend of skincare lotions suitable for the user. Also, as early as 2015, MODA proposed the concept of a digital makeup artist. It uses 3D printing inkjet technology to complete the entire makeup. To a large extent, personalized and exclusive functions make consumers dependent and increase customer loyalty.

The powerful functions of smart beauty products have made it a new trend. According to Forrester's research, 77 % of consumers are willing to pay more for a brand that offers a personalized product service or product experience [2]. Numerous companies are using digital technology and new ways to solve the problem of personalization. L'Oreal officially acquired ModiFace, a Canadian beauty technology company, and launched its own «Makeup Genius». Similarly, Shiseido has developed US-based artificial intelligence company Giaran to launch its virtual makeup app that offers customers a customized experience. The blessing of digital technology helps beauty products transform from a single product to a combination of products and services. This will have a positive effect on the beauty market. Beauty companies should comply with the development of smart beauty products and strive to develop products that lead the trend of consumers, to gain a leading edge in the future competition of agility, personalization, and service.

Digital transformation acts on the operation of beauty products, which can realize the integration of online and offline, and communicate with omnichannel resources. Online sales channels are convenient and fast. And consumers' loyalty to beauty brands and acceptance of recommendations is closely related to digital media exposure. According to statistics from Hivency, four out of five consumers purchase beauty products after seeing a recommendation on digital media. Therefore, in this era of «Traffic is King», beauty companies should increase their drainage expenditures appropriately to cope with the fierce market competition. Shelf deployment, product trials, and manual services in offline stores can increase consumer experience and trust. The digital system can break the boundaries between online and offline, customer group boundaries, and supply boundaries. For example, DEEPEXI DR can help the entire industry achieve a more modern management model, refined cost control, and efficient collaboration.

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THE GREEN RECOVERY AND SUSTAINABLE DEVELOPMENT OF THE DIGITAL-DRIVEN ECONOMY

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