

Expert Speak

Beauty and the Brand: Achieving Differentiation in the Clean Beauty Segment

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Over the years, clean beauty has evolved to be much more than a buzzword. Consumers today are conscious about the quality, sourcing, and 'cleanness' of a beauty product when they consider purchasing it. In a market inundated with products claiming to be vegan, cruelty-free, and clean, upcoming brands struggle to make their mark and earn consumer trust as they scale up. Shankar Prasad, Founder of Plum Goodness, shares insights on how brands can differentiate their offerings, tackle the challenges of influencer marketing and omnichannel distribution, and live up to their reputation as leaders of clean, sustainable beauty.

About a decade ago, clean beauty was just another trend coming up in the beauty industry. Today, it is the heartbeat of the top players in the industry and is being adopted by more brands with each passing day. Clean beauty is a segment that has evolved over the years from products that meant all-natural, herbal and preservative-free, to ones that are cruelty-free, often vegan, kind to the environment, and use safe ingredients that are transparent to consumers. While the clean beauty market is booming, particularly the segment of skin care, pulling a market share of 28.5% as of 2020,¹ brands are facing novel challenges as they attempt to grow further. With new companies entering the market and flooding it with a variety of products at a furious pace, competition is at an all-time high as each brand vies against the other for their consumers' fleeting attention. Meanwhile, some brands are engaging in rampant greenwashing: falsely claiming to be sustainable, honest, toxin-free, green beauty. This is making consumers wary of putting their trust into brands, and earning this trust is proving to be difficult for the truly transparent brands that are genuine. How can brands prove their claims of cleanness, differentiate themselves from competitors, and overcome the challenges of finding the right distribution channel as the industry moves ahead?

Winning Over the Consumer

A major challenge I see brands in the clean beauty segment facing ahead is that of tangible differentiation, particularly in terms of product quality. It is not difficult for a brand to upgrade the quality of its products from average to good. However, it is that much more challenging to progress from an already high level of quality to an even higher level—from excellent to outstanding, one could say. This is a growing concern for brands to deal with; a product that is merely 'good' at what it does, is simply not good enough for today's consumers who have many options to choose from.



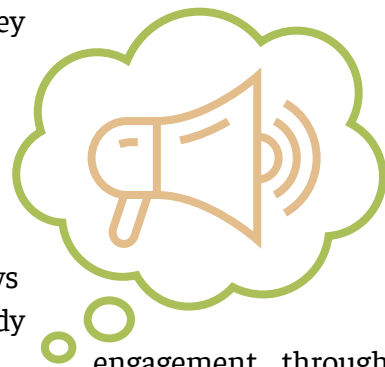
In terms of sourcing, formulating, and delivering the product, the minute difference between 'doing it well' and 'doing it perfectly' is the gap brands must try to fill.

¹Brand Essence, 2022. Clean Beauty Market Size Share Companies & Trends Analysis Report By Product Type (Hair Care, Face Products, Skin Care, Hair Care, Oral Care, Makeup, Wrinkle Care Products), By Distribution Channel (Online Sale, Retail Sale), Based On Region And Segment Forecasts 2022 – 2028. Retrieved from <https://brandessenceresearch.com/consumer-goods/clean-beauty-market-size>

Today, having a strong digital presence and advertising have become integral to the marketing efforts of any brand. However, catchy advertisements and highly visible posts on social media cannot always pique a consumer's interest. A study by Microsoft revealed that consumer attention span, standing at 12 seconds as of the year 2000, has declined to 8 seconds within two decades.² This means that brands today have only those few precious seconds to catch the consumer's eye, enough that they will at least visit the website for a browse. The difficulty does not end here. Social media is growing increasingly cluttered with more brands, and this is sometimes an overwhelming experience for the consumer, who might end up scrolling past an ad or a post made by a brand, simply because they do not have the time to spare. Brands cannot rely solely upon social media and ads then, to reach and retain consumers.

Age of Influencers: Transparency, Honesty, or the Lack Thereof

Consumers value transparency in clean beauty. They expect clean beauty brands to be open and honest in disclosing full ingredient lists, the precise composition of the products, practise ethical and sustainable sourcing, and production. Influencer culture comes in here—consumers feel that influencers can give them unbiased, honest reviews on products, that brands themselves cannot. A study showed that 60% marketers³ had better results and engagement through influencer content as opposed to brand-created content, and that 82% of consumers⁴ are likely to trust micro-influencer recommendations.



However, influencer reviews have become a double-edged sword for brands today. With the number of influencers in the beauty segment rising above thousands, it has become near-impossible for brands to filter through the crowd and find those whose values match theirs. Sadly, a few influencers are interested only in the money and/or freebies they can get from the brand, and consumers are increasingly

²Kirk, E., 2019. *The Attention Economy: Standing Out Among The Noise*. Retrieved from <https://www.forbes.com/sites/forbesbusinessdevelopmentcouncil/2022/03/23/the-attention-economy-standing-out-among-the-noise/?sh=163e042f7fda>

³Influencer MarketingHub, 2022. Key Influencer Marketing Statistics You Need to Know for 2022. Retrieved from <https://influencermarketinghub.com/influencer-marketing-statistics/>

⁴Ibid

getting quicker at sensing this insincerity and detecting false reviews. All of this can be particularly damaging to genuine, honest, clean beauty brands; negative consumer perception boomerangs to reflect poorly on the brand in the end. Thus, in my experience, rather than rushing in to collaborate with any influencer they deem suitable right at the start, brands are better off proceeding slowly, working on marketing by themselves until they have gained some footing in the market. At Plum, we went one step ahead to safeguard our brand: once we take an influencer on board, a specialised team takes over to monitor and guide the content to be posted by the influencer, so there is no risk of false information or misleading statements being made, even inadvertently.

Proving your Mettle—Standing Out From the Crowd

With scores of competitors in the market, and each one doing their best to win the consumer's heart, it has become essential for brands to identify and work with their key elements of differentiation as they scale up. I believe there are three factors that every brand in the clean beauty segment must focus on, to truly stand out from others: presence, consistency, and people.



Presence: It is not simply digital presence or physical stores we are talking about—how the brand uses this presence is important. In terms of online presence, it is necessary for brands to use meaningful, growth-oriented listing across platforms and marketplaces to gain optimal visibility.

Consistency: When we speak of consistency, it is in the overall quality of delivering a delightful experience to the consumer. Whichever product the consumer picks should boast the same high quality as others from the brand, everything from packaging to shipping must be perfect.

People: The third component is people, the kinds of people a brand gets on board to join its team, and the effort, time, and resources it invests in these team members ultimately creates the brand from within. The way people work together to help the brand grow and to meet consumer expectations, defines the brand for its consumers as well.

Selecting the Right Distribution Channel: Does One Size Fit All?

In this day and age, omnichannel distribution might seem like a highly attractive prospect, particularly for D2C brands that run online stores and now want to enter the physical distribution channel as well. A significant segment of consumers still prefers to purchase beauty and wellness products offline from physical stores, so the appeal of offline distribution is



understandable. Moreover, physical outlets offer elements the digital shopping experience cannot: a consumer who walks into a store can touch a product, feel its texture, smell its fragrance, and test its efficacy on the spot. These are small luxuries they would not have access to online. However, brands must exercise caution when pursuing new distribution channels. Physical distribution, in particular, can be very tricky for an already shaky, unestablished brand—the difference in scale of operations and logistics alone can present a mammoth challenge and will call for a distinct strategy. For brands just starting out, it is wiser to stick to the online retail channel. That is what we did with Plum—we made sure our online presence and our products across all categories were doing well enough before we targetted physical distribution across the country. For Plum, two main aspects of our approach towards consumers worked in our favour as we built our online presence: First, we tried to earn our consumers’ trust by putting them first in an era when online beauty buying was still gaining ground. Second, we chose to position and differentiate Plum in a fresh, novel manner that consumers would resonate and relate with. Then, when we finally decided to venture into offline distribution, we made the decision based on some key considerations.

With respect to tying up with retailers, we had to consider how to fit Plum as a brand with the retailers in question.

“ Before approaching a retailer to stock and sell your products, it is important to gauge whether it will make sense for the retailer to stock the brand.

For example, it might not make as much sense for a pharmacy chain to stock Plum products as it would for a Health & Glow. Trying to force fit the brand with the retailer would not work at all here.

On the other hand, when we thought of opening our own exclusive online stores, we had to take the following factors into account:

Unit economics of each store: Physical distribution is only viable if there is visible profitability in running each store or outlet. We had to ensure that the earnings we would get from our consumers (our customer lifetime value) through these stores would be enough to justify the cost we incurred in attracting the consumer in the first place (customer acquisition cost).

Having a good team on the ground: Perhaps the most important factor to consider here is the team that will be working for each store, or each region in which the stores are located. With a good team in place, every aspect from logistics to operations is bound to move smoothly, and the quality of self-sustenance for each outlet can be attained much faster.

Another smart strategy I have observed in the digital channel—we have used this with Plum as well—is to leverage the marketing funnel. Brands are starting to understand that the funnel is non-linear and the consumer’s journey through it, from finding out about the brand to the final purchase decision, is long and nuanced. Tailoring every step of the funnel to match whichever part of the journey the consumer is at, and doing this across every product in every category, is quite complex, but it is something every brand must learn. Having the right level of aspiration is crucial for brands as they select the appropriate distribution channel: how much do they aim to scale up in the foreseeable future? How much of what they are planning can they execute?



A Growing Space: The Future of the Clean Beauty Market

The clean beauty market is filling up fast—that much is for certain. Every other day, one brand or the other is launching a new product; from shampoos to serums, the offerings are vast and rising in number swiftly. This might appear daunting for new brands just entering the market: how will consumers filter past so many other brands and products to find and purchase theirs? However, brands can benefit from this situation in the near future. Increasingly, consumers will prefer trying out different brands across all categories of products rather than sticking to one particular brand. I posit three factors that are responsible for this choice.



Rise in Consumer Awareness: Today, consumers are aware of the many product categories and varieties available in the market, and that they have the freedom to try out different products before settling on the ones they like best.

Rise in Disposable Income: Rising income levels of consumers support these purchase decisions, since consumers now have more money to spare on what might otherwise have been considered luxury expenses.

Growing aspirations: Meanwhile, growth in consumer aspirations for a better quality of living is the combined outcome of rising awareness and income: consumers are no longer content to settle for average products, and nor do they have to.

There is clearly enough space in the market for new brands to enter and for existing brands to grow. Further, the products in this market are largely fast-moving, with consumers repurchasing in most categories every six to eight weeks, as per my observations. The combination of these factors will give every brand a chance to get the consumers' attention at least once. Retaining that attention, however, is a separate challenge, one that is not as simple to tackle. Here, it is finally the inherent quality of the product that would play a role in building consumer loyalty.

Parting Thoughts

While all the above factors do provide ample opportunity for brands to capture the interest of their target consumers, they do not guarantee the consumer's return to the brand. That onus lies on the brands alone, to build up their reputation over time and prove their worth to the consumer. It is crucial for brands to focus on the 'cleanness' aspect, not just through its products, but through its treatment of its consumers as well. For a consumer, a brand is only as good as its word. If that word is broken, and the brand fails to stand by what it had promised, it may very well lose the consumer for good.



Shankar Prasad has over 25 years of experience across consumer goods, consulting, and financial services. He launched Plum Goodness, a values-based, science-driven clean beauty company in India in 2014. Shankar has served as Management Consultant at McKinsey & Company for two years and subsequently as Executive Director, Operations at Everstone Capital, a leading India-focussed growth-stage PE fund. A gold medalist, Shankar has an MBA from the Indian School of Business, Hyderabad and is a chemical engineer from IIT Bombay.