



**Baird's Takeaways from  
Glossy's 2022 Beauty x Wellness Summit**

# About Us:

BAIRD



For the last 30+ years at Citi, I've analyzed public companies in the beauty space as an equity research analyst and worked with beauty, personal care & wellness brands on the investment banking side. I've watched some companies grow faster than others, observed that some businesses are more profitable than others and

witnessed some acquisitions create more value for strategic buyers than others. Some companies have had a consistent management team in place for years, while others have had more turnover. Depending on the year, growth rates vary by product category and geographic region. But through it all, the beauty space is among the most dynamic of all the categories I've studied. Growth can be robust, but consumers can be fickle and to be successful, companies must be willing to adapt and evolve, perhaps more so than in just about any other consumer packaged goods category.

I've recently partnered with Lauren Leibrandt (a seasoned investment banking veteran) at Baird to help build out the firm's Beauty & Wellness Investment Banking Platform. We seek to partner with leading brands across the spectrum of beauty & wellness categories, including color cosmetics, haircare, skincare, fragrance, as well as more wellness-oriented categories such as ingestible beauty, menstrual health, menopause, fertility and sexual wellness. Our goal is to work across the beauty & wellness industry to help create value for founders, employees and owners.

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For the past 15 years, I've worked in investment banking and capital markets, with the majority of my career focused on the Consumer sector and brands empowering the lives of female consumers. I'm a longtime Baird veteran and have previously been at Deutsche Bank and Bank of America Merrill Lynch. Working with companies and

management teams is a passion of mine. I've been fortunate to work with companies across a wide spectrum of company stages, transaction sizes and transaction types, including sellside M&A, growth capital raises, public to private transactions, initial public offerings and public follow-on offerings.

We are typically involved in some of the most pivotal periods of a company's lifecycle, and it's thrilling to provide strategy, guidance and advice on how to optimize the range of potential options available to a company in the M&A and capital markets.

Adding Wendy Nicholson to our team is a huge competitive advantage. Her knowledge of the beauty & wellness industry, insights into strategic buyer activity and relationships with the C-suite at these strategics is unparalleled. As a female driven leadership team, we believe we're uniquely positioned to serve brands in the beauty & wellness sector given our innate knowledge of the categories and the various nuances that go into making companies successful and brands thrive.

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We just came back from the Glossy Beauty x Wellness Summit, an event we sponsored, where leaders from the industry's most influential brands share their strategies and perspectives on the industry and new up-and-coming brands gather to learn from experts and connect with partners like us.

We wanted give you a glimpse of what we learned and we're happy to continue the conversation if you would like to connect with us.

## Baird's Takeaways from Glossy's Beauty x Wellness Summit

- 1.** Beauty & wellness are increasingly one and the same.
- 2.** Omni-channel is the end-goal for most, but DTC is still where many brands are born.
- 3.** Once a product is available in a retail store, the brand experience starts long before the cash register.
- 4.** Marketing remains critical to conveying a brand's message, but the medium continues to evolve.
- 5.** Influencers can still be influential, but only if they are authentic.
- 6.** Inclusivity means just that, as more brands aim to make their products more appealing and more accessible to everyone.
- 7.** Collaboration and community are at the center of consumers' conscience.

# BEAUTY & WELLNESS ARE INCREASINGLY ONE AND THE SAME.

Interestingly, we heard less about “is skin care still growing faster than makeup?”, and more about how consumers are increasingly focused on integrating their beauty, self-care & wellness regimens.

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- There clearly has been a shift to more self-care than ever before, which accelerated during the pandemic.
  - 42% of consumers feel that wellness is a top priority for them, while 65% of the general population connects beauty to wellness.
- Ulta canvassed insights from their older beauty enthusiasts and concluded that looking good is no longer about looking younger, rather it’s much more about feeling good.
- As an example, Beekman 1802 uses goat’s milk as a key ingredient in their products. This resonates with consumers not only from a formulation standpoint, given that the enzymes in goat’s milk promote good bacteria in the skin while also eliminating the bad bacteria, but also from its positioning, as the brand prides itself on “being kind to skin, kind to animals, kind to the planet, and kind to our community”.



**OMNI-CHANNEL IS  
THE END-GOAL FOR MOST,  
BUT DTC IS STILL WHERE  
MANY BRANDS ARE BORN.**

One of the best parts of the Glossy Beauty x Wellness Summit was the opportunity to meet with founders and CEOs of disruptive brands born online, leading with innovation and fulfilling unmet needs in the beauty landscape.

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- Distribution at Sephora or Ulta is still the holy grail for most beauty brands; nonetheless, DTC remains the lowest cost and most flexible route-to-market, in addition to being a source of valuable consumer data.
- While consumers want to return to in-store shopping post COVID lockdowns, online shopping spend continues to grow as a percentage of overall spending.
  - Part of this is driven by demographics, as shoppers aged 18-29 spend more than double on online shopping than those aged 45+.
- Many younger brands are still keenly focused on building out their DTC models, making sure they offer the right types of customer service and customer support in terms of promotions (targeted and not too frequent) and return policies (cost and convenience being the most important factors).

**ONCE A PRODUCT IS AVAILABLE IN A RETAIL STORE, THE BRAND EXPERIENCE STARTS LONG BEFORE THE CASH REGISTER.**

**A retail store is no longer just a point of distribution, rather it's a home for content and an important part of the brand experience.**

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- Having the right packaging, the right pricing, the right display and the right assortment to make sure that a consumer's experience with the brand is positive and impactful at the moment the consumer's eyes meet the item is crucial.
- Given how much SKU proliferation exists across the beauty & wellness categories (from both the launch of innovative new products and the entry of differentiated new brands), trying to stand out from the pack on a store shelf is getting harder and harder to do, which is why fostering meaningful connections with consumers is key.
- The sales associate can play a meaningful role in consumers' in-store shopping experience and conversion, which is why brands should focus on training and educating them on the products' benefits and the brands' competitive advantages.





# MARKETING REMAINS CRITICAL TO CONVEYING A BRAND'S MESSAGE, BUT THE MEDIUM CONTINUES TO EVOLVE.

Naturally, not one company at the Glossy Beauty x Wellness Summit talked about the importance of their current or upcoming print campaign. However, many talked about what social media platforms they are finding to be most effective at building their brands.

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- TikTok and YouTube remain enormously effective, not only at highlighting specific products, but also at conveying the experience that comes with applying and wearing beauty products.
- Some brands still use Facebook, but generally in an effort to reach an older consumer.
- There is a great opportunity to leverage Twitch and other gaming platforms to target a new universe of consumers.
  - While the majority of e-sport “athletes” are men, 40% of the audience watching are women.
  - Benefit Cosmetics and e.l.f. are leaning heavily on these platforms.
- SMS marketing can be highly effective, especially at the bottom of the funnel.
  - ~40% of The Lip Bar revenue is tied to SMS and they have found it to be more personable and spontaneous than other marketing mediums.

# INFLUENCERS CAN STILL BE INFLUENTIAL, BUT ONLY IF THEY ARE AUTHENTIC.

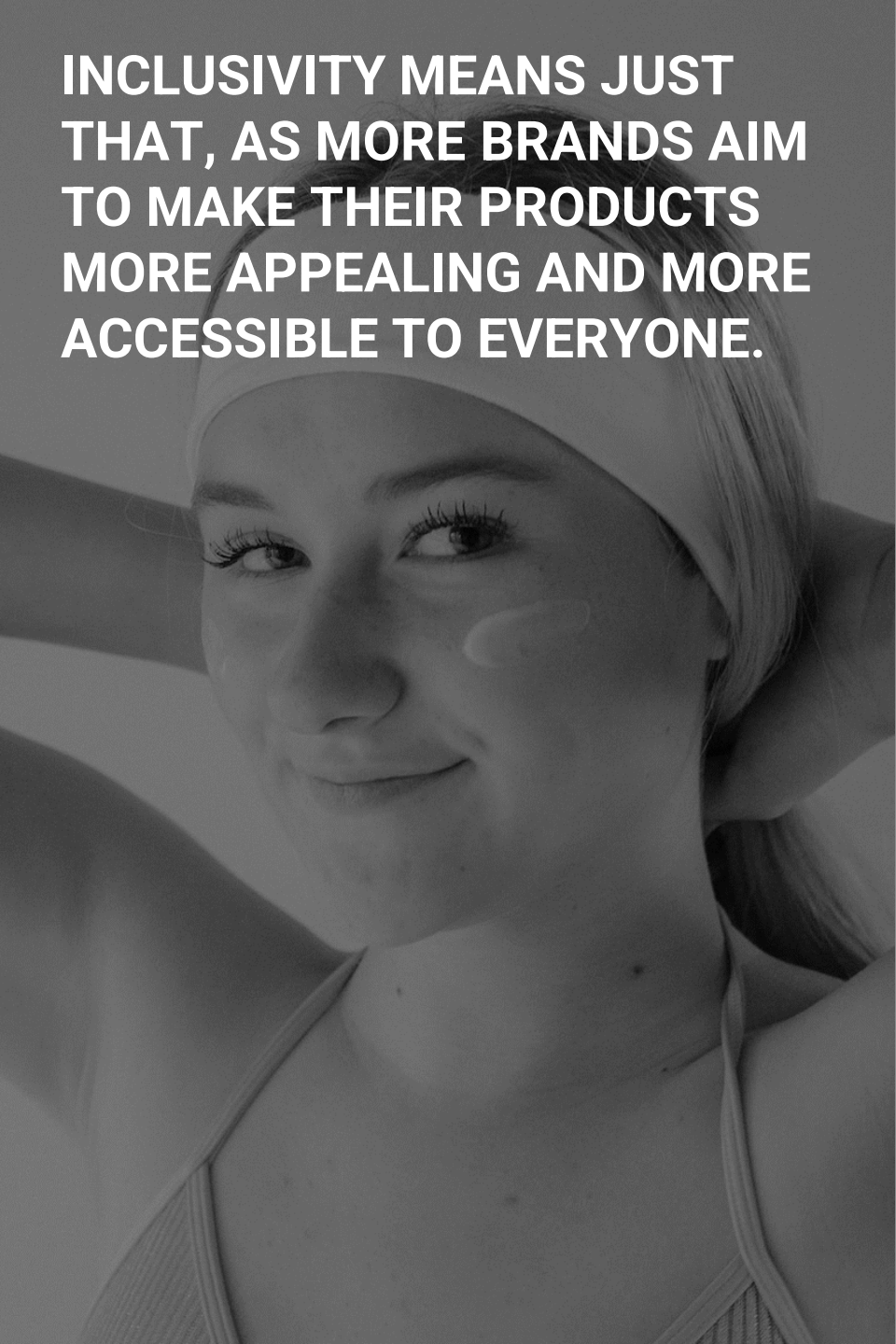


While the role of influencers has clearly evolved a lot over the last decade, every brand we heard from agreed that there is a very real role for influencers, so long as that influencer is genuinely passionate about their support of the brand.

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- Influencers who launch their own brands have an edge in this regard. Marianna Hewitt, Summer Fridays co-founder and influencer, shared how much her audience and visibility contributed to the brand's success.
- The most impactful influencers now come from a variety of backgrounds: while once it might have been an actress, model or "it girl" who generated the most likes, now, both brands and retailers are working with a broader range of influencers to reach a wider and more inclusive audience of consumers.
  - Olympic athlete Kendall Lewis is part of the Sephora Squad; and as an athlete she is able to offer a different perspective on beauty & wellness (talking about pre-competition and post-workout skin care, for example).
- The role of the micro influencer is bigger than ever. With authenticity at its core, their genuine connections and high engagement is boosting their appeal and effectiveness.





**INCLUSIVITY MEANS JUST THAT, AS MORE BRANDS AIM TO MAKE THEIR PRODUCTS MORE APPEALING AND MORE ACCESSIBLE TO EVERYONE.**

**In the U.S., 48% of Gen Z consumers are non-white and 20% of Gen Z consumers identify as LGBTQIA+.**

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- The diverse consumer base, coupled with the “15% pledge” (whereby certain retailers have agreed to allocate 15%+ of their shelf-space to black-owned brands), the range of inclusive brands and products that are being sold in the beauty & wellness category continues to broaden.
  - Brands that are connecting with a more diverse consumer in several different ways.
    - Good Light is the first gender-inclusive brand available at Ulta, having launched what they consider to be the first gender-neutral lipstick.
    - Half Magic Beauty is a brand bringing more adventure and sparkle to the beauty category as it redefines what modern makeup is (the brand’s founder, Donni Davy, is the makeup artist on the show Euphoria).
    - Fashion Fair Cosmetics and Black Opal Beauty are now under new leadership, who are working deliberately and thoughtfully to reinvigorate these beloved brands with new formulations and new packaging, while at the same time staying true to the brands’ iconic heritage.

# COLLABORATION AND COMMUNITY ARE AT THE CENTER OF CONSUMERS' CONSCIENCE.



Along with the theme of inclusivity, we heard a lot about the consumer's desire to connect, and in turn, consumers seem to be favoring brands that offer them opportunities to make meaningful connections.

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- Bubble, a Gen-Z-focused skincare brand, is “community-led” at its core. All of the brand’s innovation and communication is tested with a group of community members before its launch, the brand’s website offers a Skin School, which includes communication from dermatologists about which products will help treat which skincare challenges and the community even stars in their marketing campaigns.
- Neutrogena produced an award-winning movie “In the Sun” to help educate consumers about both the benefits and the dangers of exposure to the sun.
- Sundial Brands has a different approach to building community through its brand’s purpose – they invest 1% of their sales on advertising to make black-owned businesses aware of Sundial’s willingness to invest and support these businesses.



# Baird Has Advised Many Leading Brands in the Beauty & Wellness Sector



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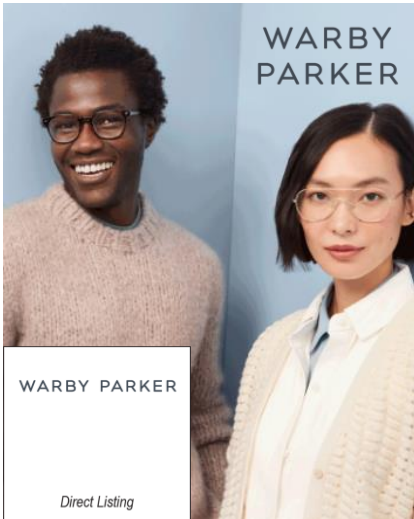
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