

How an Omnichannel B2B Sales Strategy Accelerates M&A in the Beauty Industry?

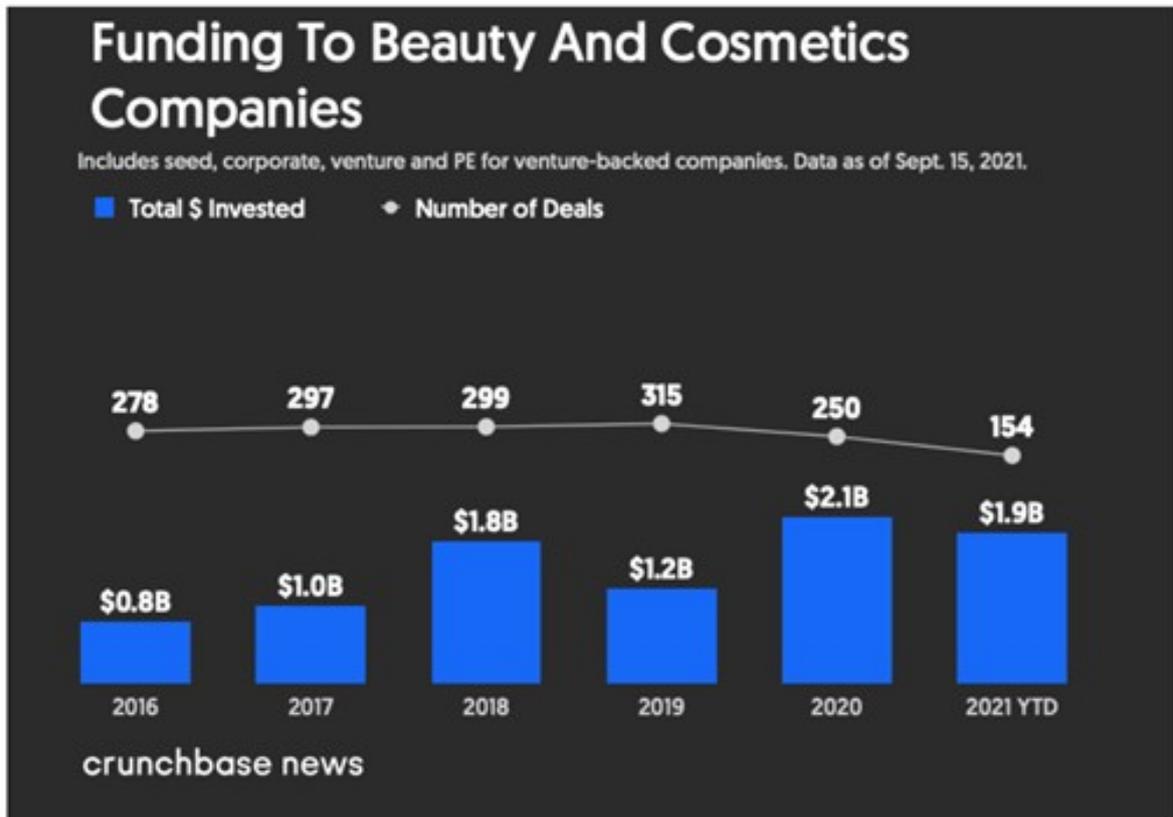
November 24, 2021 By [Yana Persky](#)



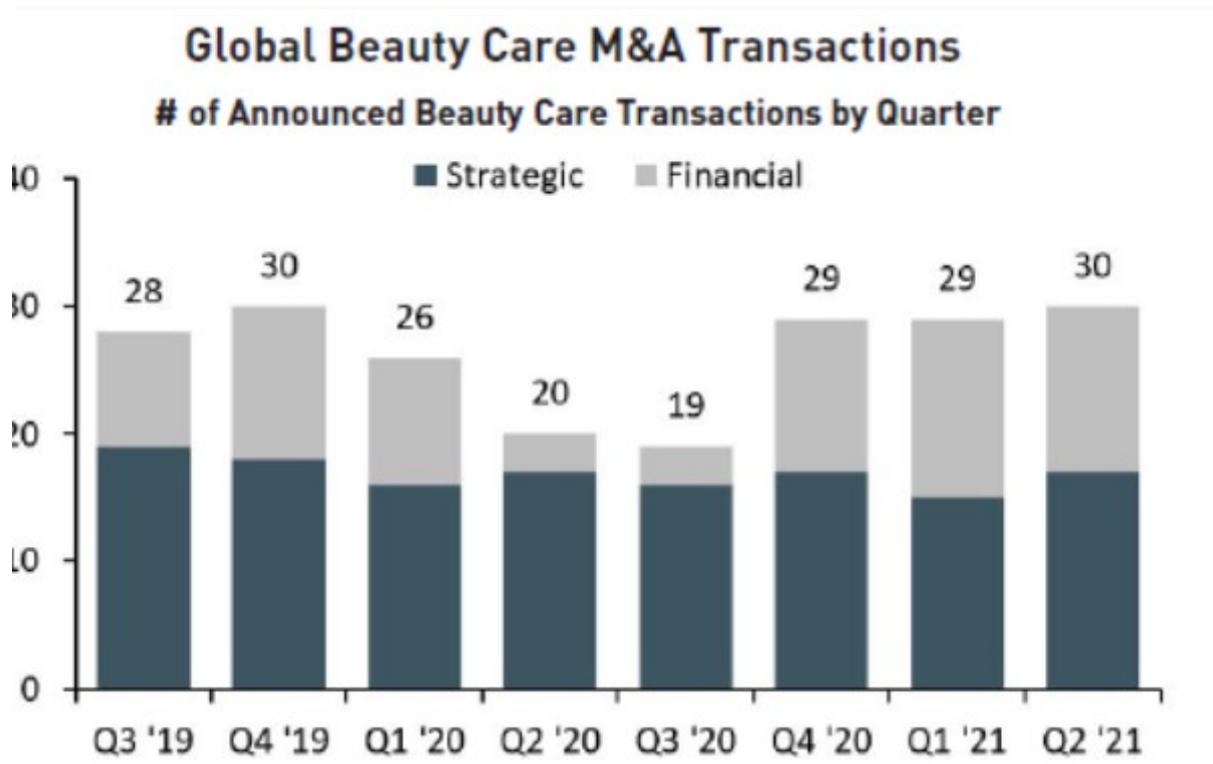
Traditional venture capitalists have historically ignored the beauty industry, as it never matched the conventional venture investment profile. However, the beauty and personal care industry has seen exceptional growth during the COVID-19 era, and we've seen more and more beauty firms recruiting bankers to look into selling, buying, or finding investors.

[Crunchbase](#) data shows that venture-backed firms in the beauty and cosmetics industry, including brands and marketplaces, have attracted \$1.9

bn in capital in over 150 deals so far this year, as opposed to \$2.1 bn in 250 deals in 2020.



[With 30 deals in Q2'21](#), the beauty care M&A volume has now returned to pre-pandemic levels. These figures reflect a 3.4% increase from Q1'21, a massive 50% increase from pandemic-ravaged Q2'20, and a 15% increase from pre-pandemic Q1'20.



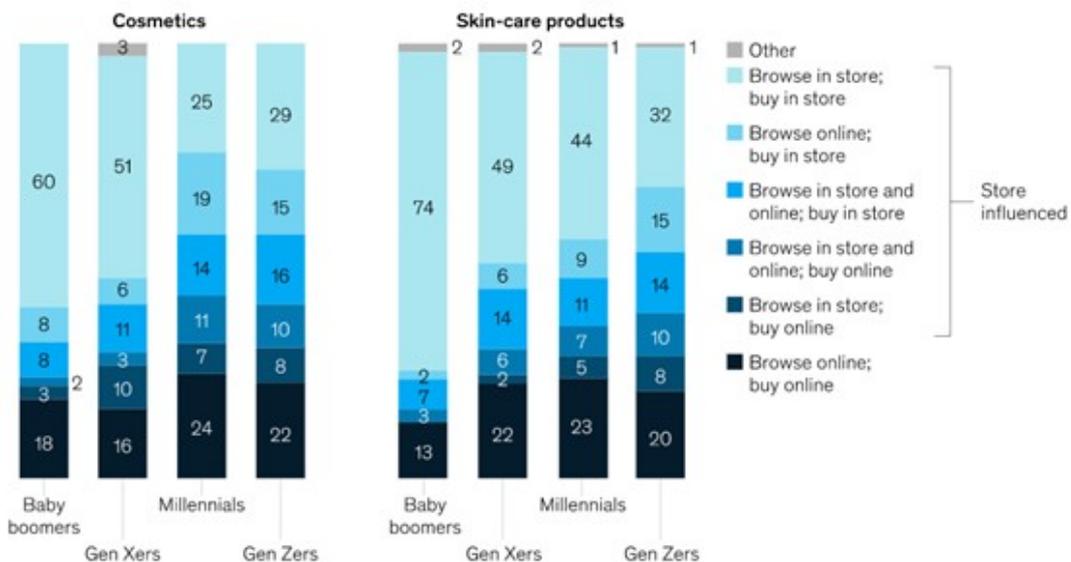
Source: Intrepid, Beauty Care M&A Report - Q2'21

The beauty M&A market witnessed a number of multibillion-dollar beauty transactions, notably Estée Lauder Cos. Inc.'s acquisition of the remaining shares of Deciem, the parent company of The Ordinary, Shiseido's sale of its personal care business to CVC Capital and Unilever's \$2 billion acquisition of DTC skincare brand Paula's Choice.

Direct-to-consumer (DTC) brands were doing particularly well during pandemic, as online shopping for makeup has become more common. However, they realize it's not a sustainable business over a long time and build their future growth strategy around offline sales channels.

According to [Mckinsey](#), pre-Covid in-store shopping contributed for up to 85% of beauty-product purchases in most major beauty-industry markets, with some variance by subcategory. Even the most tech-savvy millennials and Gen Z-ers made nearly 60% of their purchases in stores.

Shopping habits, by age group, % of respondents¹



Source: McKinsey New Age of the Consumer Generational Survey 2019

Online sales weren't enough to offset in-store purchases, but certain categories experienced significant spikes. [The Health, Beauty and Personal Care June 2021 report](#) forecasts that online shopping of beauty sales will grow from 20% in 2021 to 26.8% in 2026. These numbers bring us back to the pre-Covid period and call DTC brands to look for other distribution channels if they want to perform.

Historically, organizations that have purchased or merged with others have done so to create synergies, but more recent "digital" deals have a completely different nature. The acquiring business seeks out technologies or capabilities that it does not already have. The rise in digital deals suggests that many large companies are realizing that organic growth will not be sufficient to compete with a sky-rocketing rise of B2B marketplaces.

The necessity to prevent Amazon Business and other B2B marketplaces from gaining a dominant position, future growth opportunities, and accumulating market share at the expense of established beauty distributors, has disrupted the old B2B value chain. The emergence of B2B marketplaces encouraged B2B beauty brands to modernize – and ultimately embrace their digital transformation.

Many beauty companies believe the digital transformation required to satisfy their rising buyers needs is simply too difficult. It necessitates a significant investment in new technology which can be daunting for newly-founded brands or businesses that have struggled to make modest changes over time.

This transition has resulted in two distinct scenarios for beauty manufacturers and distributors to sell. If they decide they don't have the time or inclination to reinvent and update their businesses, there is a bigger chance they sell at a reduced value.

On the other hand, businesses that have capitalized on these new B2B purchasing habits, invested in technology to satisfy the modern buyer, see significant growth and improved margins, become an attractive target for larger beauty distributors.

To develop digital competence and expertise in a short period of time requires selecting the right technological partner. Looking ahead, if you're considering a beauty M&A strategy, it's critical to not only be engaged in high-performing or under-served areas, but also to rely on technology, such as an [omnichannel B2B sales platform](#), to expand and turn your growth into profitability.

To avoid your consumers wasting time and money on buying and tracking orders across several channels, the best B2B omnichannel platform must be flexible enough to make changes to fit your changing business needs, and respond to the difficulties of selling across all channels. This contains information on product and service delivery dates, order process tracking, and automated customer notifications. Whether a customer interacts with a field sales rep, a call-in center, a mobile app, or your website - your platform should be the single source of information across all channels, giving a consistent buying experience.

About The Author



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