

Addition Beauty

MKTG3301

Alyssa Giles, Camila Lamoratta, Alejandra Robles, Addie Stevens

Executive Summary

Addition Beauty is the first sustainable makeup line that supports fertility and pregnancy. The company empowers women to select safer cosmetics during a critical time of their lives without compromising beauty. The company is expected to have a soft launch in early 2022 with the introductory product offering being a three-color lipstick trio. The entrepreneur, Michelle Calderon, explains that issues with women's health, specifically around fertility and pregnancy, are not getting better with the unknown involvement of underlying chemicals used in makeup brands. For example, the FDA only banned eleven chemicals with vulnerable groups not having any significant restrictions. Additionally, there are many opportunities in the cosmetics industry, specifically within the clean beauty segment which is growing, such as the rise of wellness and health movement and the increasing presence of pregnancy and mom social media groups.

The target market of Addition Beauty is women ages 25-39. According to industry statistics, the average woman uses twelve cosmetics per day. There are four segments that Addition Beauty will be focusing on within the target market including those who are pregnant, those who are trying to become pregnant, postpartum consumers, and consumers with high-risk hormonal conditions. Additionally, there are specific customer needs and requirements that the company must keep in mind after launch and throughout its lifetime to remain competitive within the market. For example, consumers desire healthy cosmetics for fertility and pregnancy, favor reliability and trust with the products and entire company, as well as a safe and easy long-term solution/product in their daily lives. Being a long-term product among consumers is important to remain relevant within the minds of consumers as well as increase brand loyalty early on to influence more adopters of future products such as foundation. Furthermore, because these consumers have a clean beauty mindset around health and fertility, Addition Beauty can create a strong connection with its target market due to their increased knowledge of the industry.

The positioning statement is as follows, "Addition Beauty is the first sustainable cosmetics line formulated with quality ingredients that support healthy hormones, fertility, and pregnancy. Our goal is to empower women with the knowledge of selecting cleaner cosmetics during a critical time of their lives without compromising beauty." In other words, conscious consumers finally have a safer makeup option supporting their life stage. The differentiation value of this new sustainable makeup line to the customer includes providing only quality ingredients, whether officially blacklisted or not, that have been tested over 20 different blends and educating its customers on which chemicals are truly harmful, clarifying conflicting information in the chemical environment. Some competitive advantages of Addition Beauty include its strong roots in following the no-addition ingredient list when formulating its products, its emphasis on sustainability to ethical sourcing and packaging, its usage of plant-derived ingredients whenever possible, and ultimately its commitment to educate customers backed up by science to close the knowledge gap between the medical community and consumers.

The marketing objectives for the first year consist of selling a total product volume of 15,000 units between the first two product lines sold which will be lipsticks (3 shades) and foundations (7 shades). These products will be priced at around \$35.00 per unit which would equal a total of \$525,000 in sales for Addition Beauty's first operating year. Looking at its market share and profitability, the company would have 0.01% share of the global clean beauty market and 0.07% of the one in the US, with negative profits until its fifth year of operation where it will make a positive profit of \$39,611.25. For the first year of operation, its ending cash position is estimated to be (\$122,263.50), with a total amount of \$110,780 in costs for promotional purposes with start-up costs making up 4.7% of that amount. The initial promotional objectives will consist of inbound marketing techniques on social media, website developments, and a photoshoot to display all of the products on the website as well.

Based on the projected budget sheet shown in Exhibit I, the overall size of the marketing budget for the first year is \$418,080 and increases roughly \$200,000 with each additional year.

Macro-environmental Factors

I. Economic

The U.S. economy has been improving since 2020. Experts' positive outlook has been based on the GDP, unemployment rate, and inflation. In Quarter 3 of 2021, the economy recovered and started expanding by 33.8%. Even though this is a new record, it still doesn't offset the loss and decline of real GDP in the first quarter after the 2020 recession. In 2020, the retail sales were down 14.7% as governors were obligated to close down businesses, but by May, the sales had recovered, increasing by 18.3%. With the holidays approaching, it is predicted that holiday spending will shatter previous records. Retail sales have already increased by 1.7% in October 2021. Another reason why retail sales have risen is that consumers are now in a more favorable position as income rises, and the unemployment rate has fallen by 0.4% in November. To adjust to the increase in retail spending, retailers are now making more significant investments in their supply chain and expenditure to meet consumer demand. The core inflation has also been predicted to drop in the next couple months from 3% to 2.1%. Lower inflation expectations will help boost consumer confidence and spending, considering that the cost of goods and services will remain stable. However, it is also a sign of weak demand and thus may take away some pricing power of businesses.

When looking ahead at 2022, the inflation rates seem to be increasing, and retail growth will be slow. The average earnings in the U.S. have consistently been growing month by month from \$0.11 per hour in July to \$0.12 per hour in August. The increased earnings are one of the main reasons to look out for high inflation in 2022. While the economy remains fragile in this pandemic, the economy for 2022 remains positive despite the high inflation predictions.

Specifically, the global beauty industry revenue is expected to reach \$716 billion by 2025, and online sales will make up 48% of the beauty sales by 2023 (Terakeet). The cosmetics industry has an annual growth rate of 4.75%, and the online beauty industry grew by 5.6% in 2020. Out of hair care, skincare, perfumes and colognes, deodorants, oral hygiene, and others, Cosmetics represented 14.6% of the beauty market share. The increase in demand for cosmetics is closely related to the rise in demand for clean and natural beauty and skin products. The clean beauty market is dominated by skincare, with a 28.5% market share in 2020 (Terakeet).

The Asia Pacific market is expected to be the fastest-growing market in the global clean beauty industry, with a market share of 46% in 2021 (Terakeet). Consumers are spending more money on all-natural beauty products, and the government is incentivizing clean beauty products and eco-friendly products. The North American region is expected to do well, with a market share of 24% in 2021 because of high disposable income, increased health and wellness expenditure, and a high presence of multinational companies related to personal care.

II. Demographic

Millennial and Gen Z women, aged 18 to 34, were the largest buyers of beauty products in the billion dollar market. Millennial and Gen Z women are starting to transform brand preferences, makeup trends, and methods of receiving information. Millennials and Gen Z are more likely to make 29% of their purchasing decisions based on media or online review—3 times more likely than Gen X and 6 times more likely than Baby Boomers. This places a lot more importance on e-commerce and social media as a key to millennial and Gen Z's brand loyalty and trust.

III. Social/Cultural

There is a growing trend towards products calling themselves "clean," with a consensus in the industry that the word "clean" refers to products that favor natural ingredients and have been deemed safe for people and the planet. Clean; however, does not mean the product is necessarily chemical-free. Natural products are chemical-free products. There has been a growing demand and accountability for clean and natural products in the makeup industry. It came with the rise of the wellness and health movement, specifically in the food industry. It has also grown because of the rise of Social Media. Social media has provided beauty companies with a way to target more specific consumer segments without any additional costs. The younger generations, such as Generation X and Z, use social media to buy cosmetic products, review cosmetics, and find new cosmetic products. The use of celebrities and social media influencers is another medium that has shown no signs of slowing down. It has become one of the most effective ways to build a companies' brand and trustworthiness.

Social media has become integral in our lives and has become a great place to talk about important topics. There is intense pressure for brands to include clean and natural beauty products. Elizabeth Kopelman, the owner of Frisson Beauty, states that "[Social Media has] made it so nobody could hide behind clean and natural anymore without being specific about what it was. Consumers are now actively self-educating by checking the labels for ingredients and being more curious online about makeup products as well. Within the \$19 billion cosmetics/ beauty industry, the brands that called themselves natural grew by 14 percent in 2019, and brands that positioned themselves as clean increased by 39 percent (Washington Post). It now makes up 13 percent of the cosmetics industry and is still increasing yearly.

IV. Technological/Scientific

Fashion gets a bad reputation for poor environmental practices as the cosmetic industry is a significant contributor to waste. Cosmetic packaging, usually made of plastic, takes hundreds of years to break down in landfills. The toxic chemicals that are in the cosmetics end up in the oceans and damage the ecosystem. The livestock that consumes the substances in the soil also suffer reproductive and genetic changes that may lead to death or other diseases. If one unit of blush, eyeliner, eye shadow is used every month, that will be a total of 500 units in 10 years. With increased awareness of climate change and the declaration of a climate change emergency, consumers are now demanding more environmentally-friendly cosmetic products.

The beauty industry is also undergoing a significant digital transformation as e-commerce takes over the way brands connect with consumers. E-commerce represents a quarter of the cosmetic industry market. Although e-commerce penetration only increased slightly in the past couple of years, the online share is predicted to increase to 48% in the US by 2023 (Common Thread).

V. Political/ Legal

Under the Federal Food, Drug, and Cosmetic Act, the FDA's regulations of "makeup" products include lipstick, blush, foundation, face powder, eye shadow, eyeliner, and mascara. The FDA does not need to approve the cosmetic product or its ingredients before it goes to market. The only regulation required is that the cosmetics should be safe for the consumer according to the product labeling. The FDA will periodically buy cosmetics and analyze them if they are aware of a potential problem with the ingredients or the product itself. This poses a significant issue in the cosmetic industry in the United States. The average woman uses 12 products a day that contain a total of 168 chemicals and while other countries are taking considerable precautions on chemicals that may be harmful to a person's body, the United States has still not made any changes. As an example, the European Union has recently banned approximately 1,300 chemicals in the cosmetics category, including makeup, lotions, hair dyes, deodorant, etc. Specifically, in the lipstick industry, the FDA will remove products from the market if they contain unsafe lead levels (more than 10ppm lead). However, this doesn't consider other chemicals such as endocrine-disrupting chemicals¹ that could cause detrimental effects to a woman's body either during pregnancy, after, or in general.

Industry Analysis

I. Industry Size, Growth, and Profitability

Addition Beauty is positioned in the cosmetic industry, specifically in the clean beauty segment. The cosmetic industry is becoming increasingly popular among consumers ranging from many populations with different needs. Specifically, as reported by Statista, the retail sales of beauty and personal care products in the US market were estimated at \$98.6 billion in 2020 with the global market value of beauty and personal care products in 2020 was estimated at \$446 billion in 2020. The beauty and personal care products segment can be broken into two specific segments of mass beauty and personal care products and premium beauty personal care products. Because Addition Beauty positions itself as a clean cosmetic line strongly rooted in formulation and sustainability, the cosmetic can be placed in the premium beauty personal care product category.

As reported by Statista, growth rates within the industry are steadily constant since 2004 with the highest annual growth in 2018 at 5.5%. For the year 2020, barring the COVID-19 pandemic, the forecasted annual growth rate in the US market was 2%. As mentioned before, Addition Beauty is a clean cosmetic line within the clean beauty segment being a thin portion of the overall industry at only \$5.5 billion, the compounded annual growth rate, or CAGR, is estimated at 12.7%. Additionally, the dollar sales of the premium beauty industry under the makeup segment are valued at \$7.5 billion followed by the skincare segment. Specifically, within the makeup segment, eye cosmetic sales are estimated as the highest at \$1.96 billion in sales. Since Addition Beauty is looking at selling its products through an online e-commerce website, the top online stores in the personal care segment are Walmart and Amazon.

¹ ***Endocrine disrupting chemicals:** EDCs are chemicals or mixtures of chemicals that interfere with the way the body's hormones work.

"Endocrine-Disrupting Chemicals Edcs." *Hormone Health Network*, Hormone, 20 Aug. 2019, <https://www.hormone.org/your-health-and-hormones/endocrine-disrupting-chemicals-edcs>.

II. Critical Success Factors

Critical success factors allow the industry to thrive competitively among consumers. As noted by Kumar, the cosmetic industry has a big influence on the social lives of humans globally. Whether it's for a social event or to fulfill a social need, cosmetics are a very social product among consumers. Additionally, since the cosmetics industry relies heavily on word of mouth to market its products, cosmetics can be described as a societal product. When positioning cosmetic products, the industry must pay close attention to consumer preferences and how it ties to the company's branding. A brand image enables consumers to identify the preferences that the brand can satisfy as well as how it differentiates from competitors (Massie). Through this brand image, consumers make their ultimate decision on whether the product meets their needs or if a competitor's product does a better job. Therefore by understanding the consumer's underlying needs and preferences, consumers can make a better-informed decision when selecting from a variety of products in the industry.

Some characteristics that describe the cosmetic industry as described by Massie, include lucrative, innovative, and fast-paced. The cosmetic industry relies on constant product innovation to meet customer preferences and maintain customer interest and loyalty. Specifically, some key success factors that can effectively improve a product's positioning include speed, flexibility, strong market-oriented sense, and customer knowledge competence (Massie). With constant product innovation, there are pros and cons. While consumers have changing preferences in the cosmetic industry, product innovation allows consumers to fulfill their needs with varying product offerings from the same brand. However, it can sometimes be difficult for brands to maintain customer interest and loyalty when their product offerings are constantly being changed ranging from ingredients, colors, and final looks. Unlike the general cosmetics industry, clean beauty customers are different consumers in that they are more aware of the ingredients list on the product and are closely monitoring any changes that might impact their purchasing decision based on the emphasis on a clean focus and healthy lifestyle. With this in mind, to succeed with product innovation, the criteria of speed and flexibility are important in maintaining interest in a brand's product offerings. Additionally having a product that portrays a strong market orientation and customer knowledge competence allows the product to be well-positioned within the minds of consumers and lead to brand recognition and ultimately brand loyalty. When consumers think of your product first, they are more likely to purchase it and maintain loyalty with the brand and any future product offerings.

III. Porter's Five Forces Analysis

After conducting Porter's Five Forces Analysis, we learned the state of competition for Addition Beauty within the cosmetic industry, which is dependent on five basic forces, to ultimately determine profit potential and attractiveness in the industry.

When assessing the threat of new entrants, there is a moderate threat. Since the cosmetic industry is rather stable but gradually growing, the market is very attractive to new entrants who already have a strong brand presence among consumers. Brand loyalty is beginning to shift from premium brands to mass-market products even though most product innovation comes from the premium brand segment. This shift allows for entrants an opportunity to take advantage of those gaps in consumer preferences and capture the lost market share. However, the two biggest barriers of entry include the cost of production and manufacturing such as research and development, which most small-scale businesses do not have access to the necessary funds, and the brand recognition to compete against the main competitors. Next, the bargaining power of suppliers is a low threat. There are a variety of small and large manufacturers that have very little differentiation among their inputs, therefore the threat would be considered low. Although there is always the possibility of substitutes and switching costs, the overall risk of suppliers impacting profitability when there is a multitude of suppliers in the market is low. The bargaining power of consumers, on the other hand, is very high. Another market trend is towards organic beauty products and sustainability. First introduced by a small percentage of companies, these products centering on clean beauty are becoming more mainstream. Since Addition Beauty has positioned itself as a “sustainable makeup line”, it is important for the company to be aware of consumer expectations and how they frequently adapt within the industry. With the variety of competitors in the market and product availability especially now in the mass market segment, consumers can evaluate their preferences against the product and make quick purchasing decisions. By purchasing substitutes from competitors, the profitability of a company decreases and makes demand forecasting unpredictable. Additionally, the threat of substitute products is also high. When companies do not adapt to changing consumer preferences promptly, charge high prices, or lower quality, there are many substitutes available that the consumer can choose from in the market. Lastly, the rivalry among competitors is also high. This is determined by the fact that brand loyalty is strong in the market, although there are signs of a downward trend. To remain known brands, companies must constantly be innovative in marketing strategies and product development to stay relevant to consumers and their preferences. Specifically, with clean beauty the competition is a lot closer since there aren’t as many competitors as in the general cosmetics industry, therefore consumer preferences and expectations are stronger than any other factor, even price.

Customer Analysis

I. Different segments of customers

Addition Beauty is focused on 3 different segments of customers, which are “people who are pregnant, trying to become pregnant, or postpartum” (Thomsen, 2021). This cosmetic company is all about fertility and pregnancy with women, while being a sustainable and “clean” brand. These three segments are all targeted with the same goal, which is to spread awareness of choosing “safer cosmetics during a critical time of their lives without compromising beauty” as Michelle Calderon explains it (Thomsen, 2021). However, even though the company is intended for women at this stage in their life anyone who is seeking a sustainable and clean cosmetic solution can purchase the products. The main mission though is to help these women in the segments listed above gain knowledge on harmful cosmetics and that they do not need to stop using makeup all together because Addition Beauty has the solution.

II. Needs/requirements of customers

The needs and requirements for the segments all revolve around the idea of a healthy cosmetic solution for fertility and pregnancy. For women who are trying to become pregnant or already pregnant, Michelle stated that they “may just stop wearing makeup altogether. Or they may use it much less often because they hear that they need to change their lifestyle” (Thomsen, 2021). The consumers of Addition Beauty will have health requirements since they are not purchasing standard cosmetic products due to toxins or harmful ingredients. The colors that make up the common cosmetic products often obtain “petroleum or coal tar” and these could potentially have “toxic heavy metals” in them (Thomsen, 2021). An article from The Bump, states a vast amount of ingredients commonly found in makeup that pregnant women should avoid due to harmful effects. Some of these are parabens, retinol, fragrance, preservatives, artificial dyes, aluminum powder and the list goes on (Alpert, 2020). These consumers in the segment are overwhelmed by the list to avoid, which is why, like Michelle has stated, that they often avoid makeup all together. When a woman is in this stage of pregnancy, they need to feel safe when using a product and that there are no negative impacts. Since Addition Beauty is a safe solution, women can feel confident when choosing a product because they know the mission of the company meets the requirements of safety and health.

Addition Beauty is currently targeting lip cosmetics because of how the product can easily enter your mouth, which is dangerous if they contain toxins. Methodist Healthcare stated that traces of lead can be found in these lipsticks since they are used to create the colors. Specifically, a woman in this segment will want to avoid this because “lead does cross the placenta, so it’s best to be cautious” (Methodist Healthcare, 2021). These consumers will require lip products that do not have any traces of toxins.

Women who are trying to get pregnant, currently pregnant, or postpartum will need reliability and trust with the products/company they are interacting with. The Bump also discussed how these consumers can’t always trust when a product says “natural or organic” on it because there can still be dangerous additives (Alpert, 2020). Additionally, it is stated that “your skin absorbs about 60 percent of what you put on it,” which leaves these consumers fearful of what is safe to use. Addition Beauty meets these needs and requirements because it is created to provide support for fertility and pregnancy. Consumers in these segments can rely on the company without frustration of misleading information and feel safe to use.

III. The Purchase Process

The purchase process will be through e-commerce and with current grant and award money, there is web development in the works with hopes to launch products in the near future (Thomsen, 2021). Consumers can go directly to a website to view and purchase the offered safe beauty products. It was also mentioned that options such as subscription boxes, in-person stores, mom communities, maternity brand partnerships, and influencers could be a part of this process in the future.

Another brand that specializes in the clean beauty segment is Burt’s Bees, which can be described as “True to Nature” (Burtsbees.com, 2021). Their website allows consumers to view, rate, and purchase their products all within a few clicks. They also display the benefits, key ingredients, and how to use the product. If consumers wish to read more about the company’s background, they can head to the ‘About Us’ page to find more information on their mission and story.

Competitive Analysis

There are many companies that are creating safe color beauty products, but there aren't any companies that are specifically targeting women currently focused on fertility and pregnancy while educating them on harmful chemicals simultaneously. One of the main major indirect competitors for Addition Beauty would be Amareta. Amareta is a company that specifically focuses on adapting skincare and makeup products to hormones and cycles, especially during pregnancy. Their line MadeSafe cosmetics are formulated without any parabens, retinoids, or harmful ingredients that may hurt the baby's health. They also do not include hormone-disrupting chemicals or any synthetic preservatives. Their social media, specifically Instagram, includes a section for women that are expecting which provides educational post-health, fitness, and skincare tips during pregnancy. However, it does not focus its products on makeup but is rather centered around skincare. They only sell one product that is considered makeup and are not expected to expand more into the makeup industry.

Some other major indirect competitors not targeting pregnant women but still focused on clean color cosmetics in the United States are Burt's Bees, Honest Beauty, and Beauty Counter. These competitors offer a wide selection of supposedly natural products and are very well known in the beauty space. Along with having their own online websites and either stores or pop-ups in highly populated locations, these brands also have partnerships with big beauty retailers like Target, Walgreens, Ulta Beauty, and Sephora which make them very accessible to consumers and spread awareness all over. While these companies also claim to not include any ingredients from not only the FDA approved list but also the additional 1300+ chemicals the European Union banned, their main mission is not aimed at the reasons for not including these chemicals that Addition Beauty has which is to prevent infertility and have a safe and healthy pregnancy.

Company Analysis

Addition Beauty is the first sustainable color cosmetic line that is safe for women, particularly during fertility and pregnancy periods. The product is not petroleum or animal derived and has no blacklisted ingredients which perfectly embodies the company's mission to "empower women with the knowledge to select safer cosmetics than those already in the industry during a critical time of their lives without compromising their beauty." Thus, this product not only has good ingredients that go well beyond just FDA approvals with constant formulation that allows women to express themselves, but it also informs people of which chemicals are truly harmful and clarifies conflicting information. Looking at the formulation itself, testers have claimed the product glides on, feels smooth, and is very cushiony. On the other hand, there is a low variety of product lines as well as color availability which is a big weakness among competitors. Additionally, there have been no real market tests yet as the products have not been released but through survey validations, there seems to be a willingness in the market to pay 25-50% more on cosmetics without EDCs and other harmful chemicals. This may lead to higher prices in comparison to competition, but again, since there is a need and willingness to pay at a higher price in the market, there is potential for high success. Also, since this is a very new company and not yet officially part of the market, the plan is to create more product lines and build upon the brand as it grows over time.

The strengths of Addition Beauty come from both the positioning of the brand and the creator. As mentioned previously, Addition Beauty is the first color cosmetic line that positions themselves toward creating safe products for fertility and pregnancy as well as informing their customers about what it truly means to be “clean.” The FDA does not clearly define what “clean” and “natural” definitions truly are which influences companies to state that their products are in fact clean and natural even when they may not be because the field is heavily unregulated. Thus, since articles online are also very contradictory, it is often hard for people to truly understand what is clean and they may end up having to trust the company’s word. However, Addition Beauty’s creator, Michelle Calderon, has a strong background in biology and chemistry as well as color cosmetic chemistry specifically. Thus, through her continuous research and mission to create products that are safe for pregnant women or those trying to get pregnant, she can effectively explain harmful ingredients and build trust among her customers. Examining some weaknesses of the company, Addition Beauty is in the early stages of a business; thus, there is very little to no brand awareness and until it is officially launched and marketing commences, it may be very difficult to efficiently enter the market and compete with brands who although have different positionings, are well-known and successful. There are also multiple parts of the company like manufacturers and platforms that will get products to consumers that are in the process of being discussed, so it is difficult to predict how that will work out and affect the company’s operations as a whole.

Marketing Strategy

I. Marketing Objectives

Addition Beauty’s marketing objectives can be best described through the company’s first year sales projection, aim of market share, and profitability. Based on Michelle’s goals and analysis of the market, she aims on selling three different product lines during her first year: lipstick, foundation, and an eye product. So far, she has developed three shades of lipsticks and is currently developing seven shades of foundation. However, the eye product is yet to be fully established so sales in the budget are not currently reflecting that for the first year. The total product volume projected to be sold between the two developed products is 15,000 units and the products will be priced at roughly \$35.00 per unit. This would estimate to \$525,000 in sales for the first year of operation. This objective is reasonable as given the company’s positioning and size of the industry, this is a realistic sales projection in comparison to the amount makeup companies typically sell in their first years.

In terms of market share and profitability based on the first year sales projection, Addition Beauty would make up 0.01% of the clean beauty market globally and 0.07% of the clean beauty market in the United States. These percentages were calculated by dividing the number of sales by total clean beauty industry valuation in the world and in the United States respectively. Specifically, the US industry’s valuation was calculated by estimating from what it is for the overall beauty industry and that comparison to the rest of the world. As for profits, Addition Beauty will not make a profit until its fifth year of operation. For the first year, its ending cash position is estimated to be (\$122,263.50). Because there are high costs in research, developing the products, developing the website, and initializing all parts of marketing with a beginning balance of \$50,000 total, that amount is very reasonable. The total amount that will be spent on promotions during the first year is \$110,780 with start-up costs being 4.7% of that and it will include social media and a photoshoot of the products to enter the market. Since the loss gradually decreases each year until the company breaks even and starts to make a positive profit, that is a good sign and is typical for a company of this size and in this particular industry.

II. Target Markets

The target market for Addition Beauty are women in the age range of 25-29 who are focused on fertility and pregnancy. Within this group, the market can be broken down into three main categories, which are “preconception, pregnant, and hormone conditions” (Michelle’s PPT). The preconception, pregnant, and hormone conditions segments have the target market sizes in the United States respectively of 23.1 million women, 6.2 million women and less than 20 million women (Michelle’s PPT). Addition Beauty is estimated to have nearly 49.3 million women living in the United States as a reachable target market.

This customer segment is being targeted by Addition Beauty due to the need for healthy makeup products that help support fertility and pregnancy. This large market is seeking products that don’t contain harmful ingredients. Many women in this category end up staying away from makeup in general due to the stress of information out there on toxins found in cosmetics. Another goal of targeting this segment is to guide women in this group to purchase safer products during their fertility journey. Addition Beauty can help fill this gap in the market of makeup products, by directly offering a focus on pregnancy. The makeup line is also sustainable, which will help target women who seek environmentally friendly options.

III. Positioning Strategy

From the entrepreneur, Michelle, Addition Beauty’s positioning statement is described as “the first sustainable cosmetics line formulated with quality ingredients that support healthy hormones, fertility, and pregnancy. Our goal is to empower women with the knowledge in selecting safer cosmetics during a critical time of their lives without compromising beauty.”

As mentioned above, there are multiple competitive advantages of Addition Beauty’s positioning. Firstly since this is the first sustainable cosmetics line formulated with awareness of blacklist chemicals and harmful ingredients, there are no similar positioning statements in the market. For example, Addition Beauty is the first sustainable color cosmetics company that specifically targets the fertility and pregnancy target segment and is openly conscious of dangerous chemicals using the background knowledge of the company’s experienced chemical entrepreneur, Michelle. A unique characteristic of Addition Beauty is that the cosmetics line also focuses on empowering women through the education of harmful ingredients and clarification of conflicting government information. Since the company focuses on being as transparent as possible, customers can build trust and brand loyalty from their first purchase. Through empowerment, women can confidently express their personalities while also feeling safe about their choice of cosmetics.

Addition Beauty is positioned as a higher-end product. In comparison to its competitors, the products are a little bit more expensive. Burt’s bee and Honest Beauty lipstick are priced at 9 dollars, whereas Addition Beauty’s lipstick is priced at 35 dollars. Consumers that buy the product will be more willing to spend on lipstick or makeup that they know is of quality and does not include any harmful, dangerous chemicals that may be detrimental to their pregnancy or health. As a high-end product, Addition beauty can sustain a healthy margin and spend more on marketing to cultivate more demand and build a stronger brand and reputation.

Addition Beauty should also utilize the competitive comparison strategy. This strategy is helpful when comparing two products or competitors. As a differentiator in the market, Addition Beauty can utilize its non-toxic, clean beauty products to compare itself to current products in the market that are harmful to the target market. This can be done through educational blogs or social media posts.

Position Quadrant: This positioning quadrant has four quadrants—clean beauty, toxic beauty, high priced, and low priced. The clean beauty segment would entail the company uses non-toxic chemicals that are of high quality and do not disrupt the customer’s health and hormones. The toxic beauty quadrant includes companies that use carcinogenic and hormone-disrupting chemicals or substances. The pricing will be judged based on how expensive their different product lines are based on perceived product value. An example would be lipstick. Lipstick can range from 5 dollars to 80 dollars whereas foundation can range anything from 10 dollars to 200 dollars.

IV. Marketing Mix Strategy

I. Product

Addition Beauty is the first sustainable cosmetics line formulated with high-quality, plant-derived ingredients that support healthy hormones, fertility, and pregnancy. It aims to help women in any stage of pregnancy, including pregnant women trying to become pregnant, postpartum, or women with hormonal conditions. The company focuses on empowering women to select safer cosmetics without compromising beauty, not only during a critical time of their lives but at any time in their lives. An average woman uses 12 personal care products per day, which accounts for 168 chemicals. Most makeup companies do not consider endocrine-disrupting chemicals that are linked to reduced fertility rates and congenital reproductive disabilities. Addition Beauty, however, does not contain any harmful chemicals, including over a thousand toxic chemicals on the FDA list that may affect pregnant women and their developing children. The FDA has banned a total of 11 chemicals in comparison to the EU, which has banned over 1300 chemicals. Addition Beauty also aims to educate its customers backed by science. The “No Addition” List™ is a list of blacklisted ingredients that will be used to educate makeup consumers on chemicals and ingredients that should not be included in makeup products. The conscious consumers finally have a safer makeup option supporting their life stage.

Addition Beauty credits itself as being sustainable and clean, and they plan to uphold this credibility to the fullest. Furthermore, this product is made using clean ingredients that go well beyond just FDA approvals with constant innovative formulation and educate its users of which chemicals are genuinely harmful and clarifies conflicting information in the population. The first product released will be the Addition Beauty’s Lipstick line. Lips are a very vulnerable area for interesting cosmetics and chemicals. After testing more than 20 blends of lipstick personally, the line does not include any heavy metals and other endocrine toxins that should be avoided during pregnancy.

Michelle developed the brand name with an emphasis on pregnancy and fertility. To incorporate her ideas in an art form, she worked with a designer to make the company’s logo reflect the brand’s focus. The word “Addition” is meant to inspire a positive attitude towards consumers and represent the “positive addition sign” shown on pregnancy tests confirming a positive pregnancy. The pink and blue color scheme shows the excitement around the pregnancy demographic of having a boy or girl. The letter “T” in Addition Beauty is capitalized to emphasize positivity and pregnancy further. Around the capitalized letter, there are two smaller addition signs in the color scheme that indicate a new addition to the consumer’s growing family. To summarize, the brand emphasizes positivity, pregnancy, fertility, and empowerment through its three additional signs.

Addition Beauty is currently working to identify strategic partnerships for research development, website development, and packaging. As soon as the packaging is complete, Addition Beauty will invest in creating a photoshoot to showcase the product and packaging.

II. Price

Addition Beauty is planning on only selling directly through its e-commerce site for the time being; thus, its average price for each product will be \$35. Due to that being its only channel, there will not be any wholesale or retail margins and prices. Ideally, lip and eye products will sell at a relatively lower price than foundation as is typical for the differing product types. The rationale behind the suggested price is based on competition pricing as well as from a study executed by Michelle herself. Indirect competitor products’ retail prices range between 15-45 USD; thus, 35 USD is perfectly priced within the range, especially considering Addition Beauty’s unique value proposition and the niche market that it aims to target. Additionally, Michelle ran a study that found that women would pay 25-50% more for cosmetics without harmful chemicals, which Addition Beauty completely ensures its customers and makes a point to educate them on this topic in efforts to earn their trust and decrease conflicting information.

As demonstrated in further detail in the budget sheet, the cost of manufacturing is about \$36,300 for both lipsticks and foundation for the first year of operation, estimating to roughly \$2.42 per unit. This means the gross margin of the products is about 93% which is a really great percentage that can outbalance the overall costs a lot quicker than if the price was lower.

III. Promotion

Addition Beauty will be using Instagram and Facebook the most for promotion of the product lines. These social media applications are most suitable to use based on the target market and will help reach these groups the best. The next media Addition Beauty will focus on is Pinterest since that will be a good source for consumers to be directed to the website. Lastly, TikTok is another form of social media that could be a possible option for promotion of the makeup line. However, this media will be looked into after Instagram, Facebook and Pinterest are in place.

Other forms of promotion Addition Beauty is looking into using are influencers and partnerships. Sample sizes of makeup products from the line can be sent to them for review and promotion. Once the finished product is complete this form of promotion can be explored further since it would be smaller versions of the purchasable item being sent.

The main costs from promotion is going to be from the photoshoots that will take place. This will mean paying for a photographer, location, some models, and props. Once the packaging and product for the makeup is completed this will be the next steps. It is hopeful that by February this will be reached. A professional photographer will cost on average \$200 per hour. The location in Boston will approximately cost \$80 per hour. The cost per model (2) will be approximately \$200 per hour and another \$200 for their hair and makeup each. Based on a photoshoot that will last around 6 hours that will cost: \$4,480. The research and development for the website will cost \$700. This will be a total of \$5,180 for Promotion start up costs.

Below is the Promotion cost breakdown from Year 1 to Year 5 and further.

	Year 1		Year 2	Year 3	Three-Year	Year 4	Year 5	Five-Year
Online selling fees through partnerships		\$26,250.00	\$39,375.00	\$45,937.50	\$111,562.50	\$52,500.00	\$65,625.00	\$229,687.50
Marketing and Advertising		\$78,750.00	\$157,500.00	\$248,062.50	\$484,312.50	\$315,000.00	\$459,375.00	\$1,258,687.50
Photoshoot	\$4,480.00		\$4,480.00	\$4,480.00	\$13,440.00	\$4,480.00	\$4,480.00	\$22,400.00
Website Research / Development	\$700.00				\$700.00			\$700.00
Website Maintenance		\$600.00	\$600.00	\$600.00	\$1,800.00	\$600.00	\$600.00	\$3,000.00

IV. Place

Addition Beauty will be offered online, and the makeup products will only be available through their website. The website is currently in production and will be ready to go before the soft launch in 2022. From a customer's perspective, a purchase can be made anywhere convenient. This distribution channel enables faster deliveries, cost reductions, and efficiency by streaming production and service delivery.

The website will be Addition Beauty's most important form of communication and advertising. It is where customers can learn more about Addition Beauty's products, benefits, "No Addition" List™, and educational blog posts. Specifically, the educational blog posts will be used to teach customers more about harmful toxins and endocrine chemicals that may be harmful to themselves during pregnancy, before pregnancy, or at any critical stage of their life.

There are a couple of ways for Addition Beauty to leverage the benefits of e-commerce. Search Engine Optimization (SEO) is one of the best ways to optimize websites. Keywords such as makeup, makeup revolution, and makeup bags are the top searched keywords. A great way to analyze the website's SEO is to go through an SEO audit. Not only can SEO be applied through the website, but it can be used on educational blogs. Creating content that ranks high on the Google SERP (Search Engine Results Page) can also increase traffic on the website. Addition Beauty can use the information obtained through e-commerce analysis that can help improve customer relationships, customer satisfaction, and quality of products.

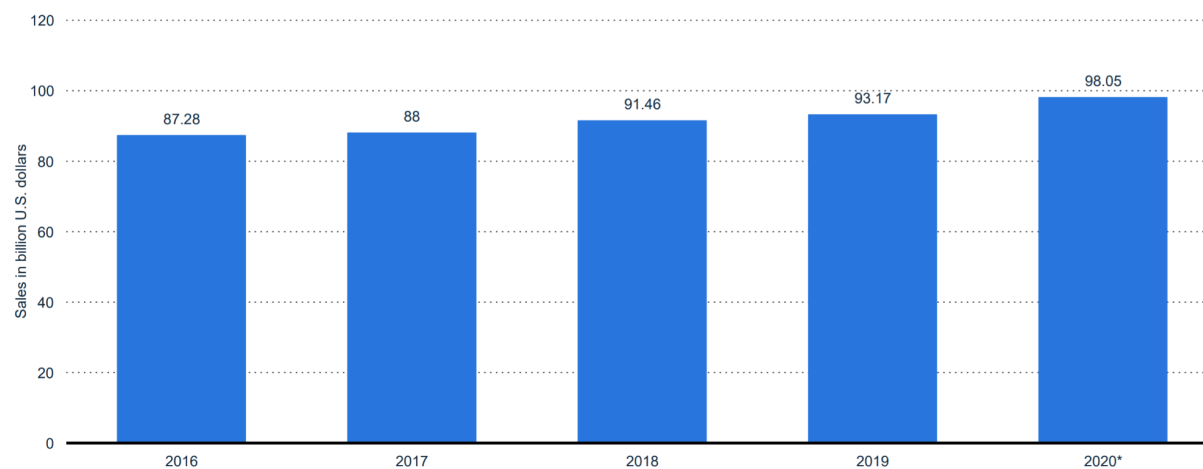
Exhibits:

I. Budget Statement

II. Statistica Graphical Representation of the Cosmetics Industry

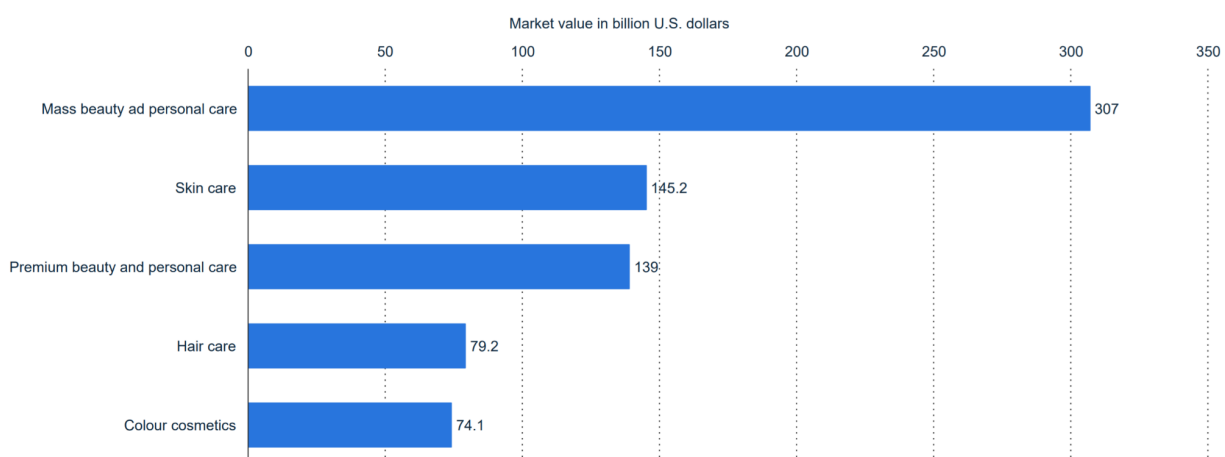
Retail sales of beauty and personal care products in the United States from 2016 to 2020 (in billion U.S. dollars)

Retail sales of beauty and personal care products U.S. 2016-2020



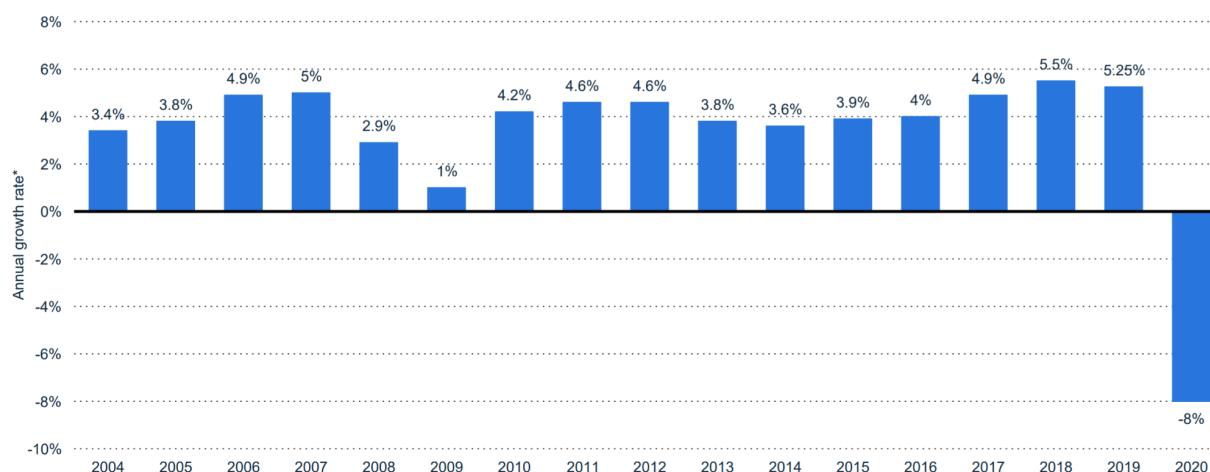
Beauty market value worldwide in 2020, by product category (in billion U.S. dollars)

Global beauty market value 2020, by product category



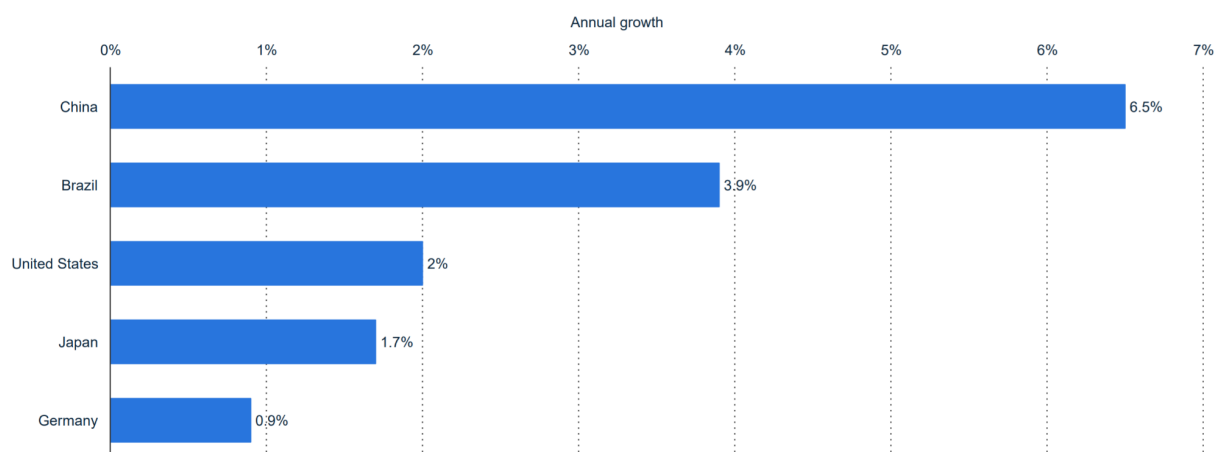
Annual growth of the global cosmetics market from 2004 to 2020

Growth rate of the global cosmetics market 2004-2020



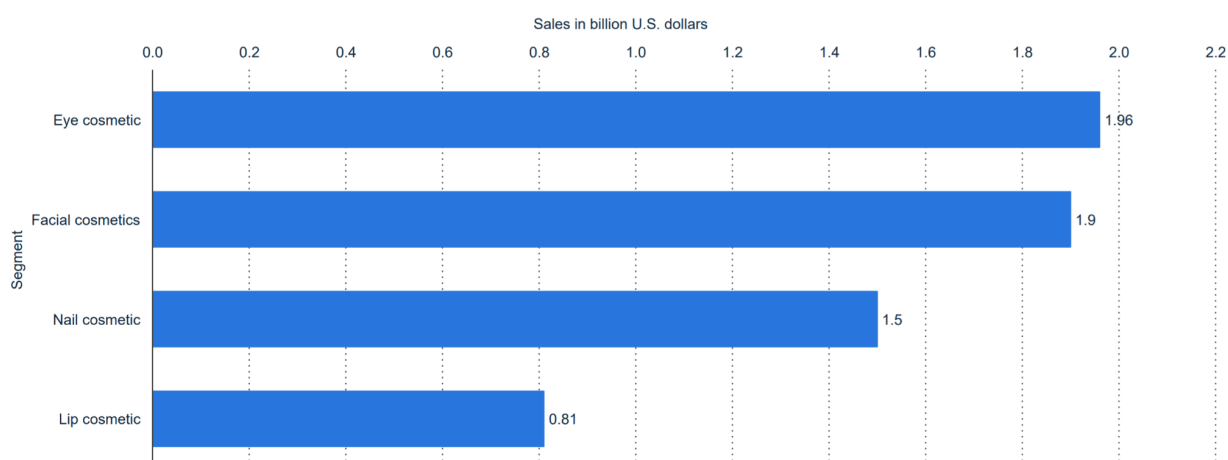
Forecast growth of beauty and personal care market worldwide in 2020, by leading market

Annual growth of global beauty market by leading market 2020



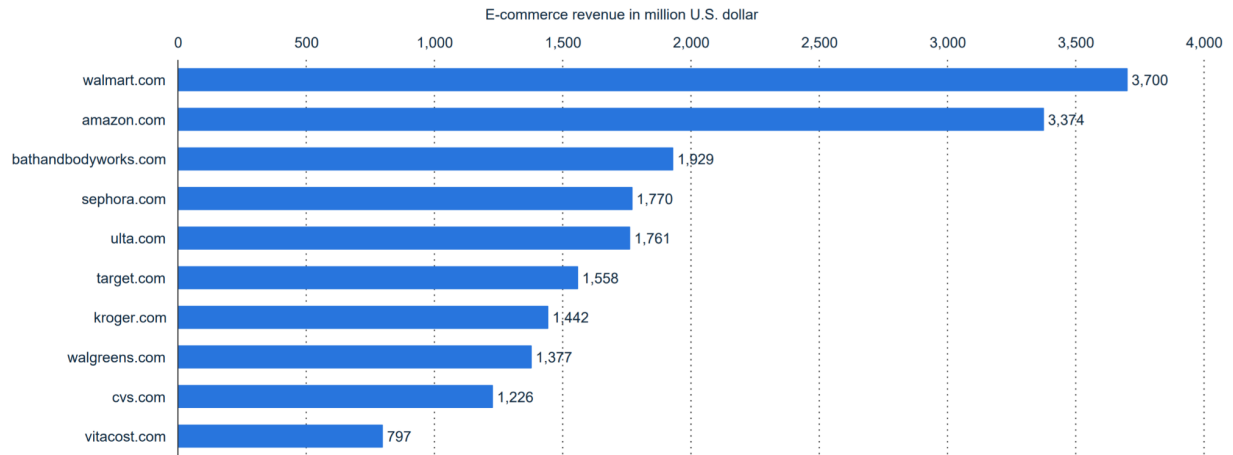
Cosmetic sales in the United States in 2020, by segment (in billion U.S. dollars)

U.S. cosmetic sales 2020, by segment



Top online stores in the Personal Care segment in the U.S. in 2020, by e-commerce net sales (in million U.S. dollar)

United States: Top 10 Personal Care online stores



Sources:

“20210314001526jdecke_nutritionprojasmtmod6_21421.Docx -
<https://web-a-ebSCOhost-com.ezproxy.rasmussen.edu/Ehost/Detail/Detail?Vid=2&Sid=75d1af19-12884CE0-: Course Hero.>” 20210314001526jdecke_nutritionprojasmtmod6_21421.Docx -
<https://web-a-ebSCOhost-com.ezproxy.rasmussen.edu/Ehost/Detail/Detail?Vid=2&Sid=75d1af19-12884ce0- | Course Hero,>
<https://www.coursehero.com/file/90111324/20210314001526jdecke-nutritionprojasmtmod6-21421docx/>. “2021 Beauty Industry Trends & Cosmetics Marketing: Statistics and Strategies for Your Ecommerce Growth.” *Common Thread Collective*,
<https://commonthreadco.com/blogs/coachs-corner/beauty-industry-cosmetics-marketing-ecommerce>.

“2021 Beauty Industry Trends & Cosmetics Marketing: Statistics and Strategies for Your Ecommerce Growth.” *Common Thread Collective*,
<https://commonthreadco.com/blogs/coachs-corner/beauty-industry-cosmetics-marketing-ecommerce>.

“Endocrine-Disrupting Chemicals Edcs.” *Hormone Health Network*, Hormone, 20 Aug. 2019,
<https://www.hormone.org/your-health-and-hormones/endocrine-disrupting-chemicals-edcs>.

Fortunati, Simona, et al. “The Strategic Role of the Corporate Social Responsibility and Circular Economy in the Cosmetic Industry.” *MDPI*, Multidisciplinary Digital Publishing Institute, 23 June 2020, <https://www.mdpi.com/2071-1050/12/12/5120>.

Additional informationFundingThe authors would like to thank the research fund from the Universiti Malaya [grant no: PG339-2016A] and Institut Penyelidikan dan Kemajuan Pertanian Malaysia [grant no: 21003002430001-2015]. “Surviving the Storm: Synergistic Partnership of Knowledge Management, Marketing and Innovation Strategies in the Cosmetic Industry.” *Taylor & Francis*, <https://www.tandfonline.com/doi/full/10.1080/20421338.2021.1943606>.

Manager, Jonas Sickler SEO. “Beauty Industry: Cosmetics Market Share, Trends, and Statistics.” *Terakeet*, 22 Oct. 2021, <https://terakeet.com/blog/beauty-industry>.

MNDY. “Costs to Consider When Planning a Photo Shoot.” *Mndy*, 10 June 2020,
<https://www.mndyphotography.com/single-post/costs-to-consider-when-planning-a-photo-shoot>.

Published by M. Ridder, and Nov 25. “U.S. Female Makeup Product Purchase Frequency by Ethnicity 2017.” *Statista*, 25 Nov. 2020,
<https://www.statista.com/statistics/717741/frequency-makeup-cosmetics-shopping-women-usa-ethnicity/>.

Center for Food Safety and Applied Nutrition. “Cosmetics & Pregnancy.” *U.S. Food and Drug Administration*, FDA,
<https://www.fda.gov/cosmetics/resources-consumers-cosmetics/cosmetics-pregnancy>.

Published by M. Ridder, and Nov 25. “U.S. Female Makeup Product Purchase Frequency by Ethnicity 2017.” *Statista*, 25 Nov. 2020,

<https://www.statista.com/statistics/717741/frequency-makeup-cosmetics-shopping-women-usa-et-hnicity/>.

Kumar, Sameer. "Exploratory Analysis of Global Cosmetic Industry: Major Players, Technology and Market Trends." *Technovation*, Elsevier, 7 Aug. 2004, <https://www.sciencedirect.com/science/article/pii/S0166497204001099>.

U.S. Census Bureau, Current Population Survey, 2018 Annual Social and Economic Supplement.

Hormone. "Endocrine-Disrupting Chemicals Edcs." *Hormone Health Network*, Hormone, 20 Aug. 2019, <https://www.hormone.org/your-health-and-hormones/endocrine-disrupting-chemicals-edcs>.

ElBoghdady, Dina. "'Clean' Beauty Has Taken over the Cosmetics Industry, but That's about All Anyone Agrees On." *The Washington Post*, WP Company, 11 Mar. 2020, https://www.washingtonpost.com/lifestyle/wellness/clean-beauty-has-taken-over-the-cosmetics-industry-but-thats-about-all-anyone-agrees-on/2020/03/09/2ecfe10e-59b3-11ea-ab68-101ecfec2532_story.html.

"Real Cost of Cosmetics: Environmental Impact." *Adorn Cosmetics*, <https://www.adorncosmetics.com.au/blog/post/environmental-impact/>.

Kumar, Sameer. "Exploratory Analysis of Global Cosmetic Industry: Major Players, Technology and Market Trends." *Technovation*, Elsevier, 7 Aug. 2004, <https://www.sciencedirect.com/science/article/pii/S0166497204001099>.

Thomsen, Ian, and Ian Thomsen. "A Sustainable, Safe Cosmetic Line for People Who Are Pregnant." *News @ Northeastern*, 13 Oct. 2021, https://news.northeastern.edu/2021/10/13/michelle-calderon-innovator-award/?utm_source=News%40Northeastern&utm_campaign=80a19cbd66-EMAIL_CAMPAIGN_2021_10_05_10_55_COPY_01&utm_medium=email&utm_term=0_508ab516a3-80a19cbd66-279112180.

Alpert, Yelena Moroz. "Makeup Ingredients to Avoid during Pregnancy." *TheBump.com - Pregnancy, Parenting and Baby Information*, The Bump, 17 Sept. 2020, <https://www.thebump.com/a/makeup-ingredients-avoid-during-pregnancy>.

Questions about Product Safety during Pregnancy ...
<https://sahealth.com/blog/entry/questions-about-product-safety-during-pregnancy>.

"Home Page." *Burt's Bees*, <https://www.burtsbees.com/>.

"How Technology Is Giving the Beauty Industry a Makeover." *J.P. Morgan*, <https://www.jpmorgan.com/insights/research/beauty-industry>.

"2021 Photography Pricing: Charges, Hourly Rates, Price List & Guide." *Fash.com*, <https://fash.com/costs/photographer-prices>.

Amadeo, Kimberly. "US Economic Outlook for 2021 and Beyond." *The Balance*, The Balance, 6 Oct. 2021, <https://www.thebalance.com/us-economic-outlook-3305669>.

"Bright and Chic South End Photo/Video Studio or Gallery/Small Meeting/Event Space in Boston." *Peerspace*, 6 Dec. 2021, <https://www.peerspace.com/pages/listings/60ff8989f178f7000c46e981>.