



Cosmetics online: sales 2.0

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Introduction

E-commerce is not experiencing a crisis. This distribution channel is attracting more and more consumers thanks to its fluidity and practicality.

But to sell well on the Internet, it's no longer just a matter of having an online store. On the contrary, it's vital to make the shopping experience a pleasant one, to meet the (ever-increasing) expectations of e-consumers, and to ensure the quality of after-sales service.

The evolution of e-commerce is no longer limited to the simple creation of an online sales website.

As consumer habits evolve and new communication channels emerge, companies are forced to rethink their online sales strategy.

This is particularly true of sales via social networks, a practice that is particularly appealing to the younger generation.

CosmeticOBS has designed this Minibook to help you understand the latest developments in online sales.

It reviews the obligations of professionals when selling on the Internet, and deciphers consumer buying habits.

It also highlights the importance of selling on social networks.

VBER: WHAT'S CHANGING FOR SELECTIVE COSMETIC DISTRIBUTION

On June 1, 2022, the European Commission adopted a new Vertical Block Exemption Regulation (VBER) which specifies certain competition rules. CosmeticOBS met Xavier Guéant, Legal Director of FEBEA, to decipher the new specificities of this text and the direct implications for beauty professionals.

“The VBER is an exemption regulation that specifically targets vertical agreements,” explains Xavier Guéant in a preamble. *“Its objective is to ensure that competition between suppliers and distributors (vertical scheme) works and is beneficial to the consumer at the end of the chain.”* This text sets the rules for the distribution of certain categories of networks (selective distribution for cosmetics, for example) between these different stakeholders (suppliers and distributors).

The VBER is important for the beauty sector. It provides a framework that helps manufacturers to ensure the tightness of their distribution network. This allows, among other things, to avoid selling stocks to non-approved partners or to determine the sales protocol to be put in place in order to maintain a quality of service and preserve the brand image.

Evolution of the VBER

The European Commission has mainly focused the revision of its texts on the evolution of online sales, given the strong growth of this distribution channel and the development of platforms.

Differential trading conditions and dual pricing

As soon as a distributor sells its supplier's products in physical stores and on the Internet, it is now possible to differentiate the applicable commercial conditions, and this differentiation can go as far as the wholesale price charged.

This flexibility would make it possible to compensate for the investments made by the distributor on its physical points of sale (training of the sales teams, costs related to the installation...).

“Caution: the differentiation of commercial conditions must be justified. It must never lead to slow down the development of the commercial activity on Internet: we would then fall within the framework of a prohibited restriction,” comments Xavier Guéant.

In any case, it is the distributors who freely set the public price charged (on the Internet and in physical sales outlets) to the consumer.

Dual distribution

Dual distribution describes the situation where the supplier sells its products through a distributor and also has its own network.

In order to prevent competition problems, the Commission has looked into the information exchanged between suppliers and distributors. The objective is to avoid the sharing of sensitive data that would favor the interest of suppliers to the detriment of distributors.

“In short, the data shared in the context of the commercial relationship must remain relevant. For example, a distributor may legitimately share past sales reports, but not data on prices for the coming weeks.”

Platforms

Electronic marketplaces are becoming more popular. They allow retailers to sell their products by reaching a larger number of consumers. According to the Commission, they deserve special attention when they have a “hybrid” activity, i.e. when they fulfill both this intermediation role and a more traditional role of distributor. This point should be the subject of further discussions in the months and years to come.

The new provisions of the VBER went into effect on June 1, 2022 and will remain in effect until the next review, scheduled for 2034.

To go further

- **Vertical Block Exemption Regulations of May 10, 2022**
- **Commission Guidelines on Vertical Restraints**