

BUSINESS

Kiehl's Starts Selling on Amazon as More Fashion and Beauty Brands Warm to Web Giant



Fashion and beauty are warming to Amazon.

● Coach, Clinique, Kiehl's and more are jumping in and joining the platform, although caution remains.

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Fashion and beauty are starting to make peace with Amazon.

From Coach to Clinique, premium brands that once kept their distance are now seeking out the platform. The most recent is Kiehl's Since 1851, which launched on Amazon Thursday.

The shift marks an acknowledgement of two basic truths – that there are millions of shoppers on Amazon every day, and that many brands are sold on the platform already, either through a direct relationship or the gray market. But while many premium-priced fashion and beauty brands have taken to the platform, true luxury players are few and far between, despite the 2020 launch of the Luxury Stores division.

Regardless, Amazon continues to work to broaden its fashion appeal. Amazon's apparel, footwear and accessories sales tallied \$56.4 billion in the U.S. last year, according to an estimate by Coresight Research, which includes the value of third-party goods sold on the company's marketplace.

That easily makes Amazon the dominant force in fashion – with sales to consumers that are more than 90 percent higher than the \$29.5 billion in gross merchandise value registered by Walmart Inc., according to Coresight. (Though Walmart has plans to ramp up its apparel business, CEO Doug McMillon told investors this month.)

Brands are still entering Amazon's ecosystem cautiously.

The Tapestry Inc.-owned Coach started selling on Amazon in October, bringing one of the accessible luxury biggies to the site, though Tapestry CEO Joanne Crevoiserat said Coach's Amazon trial is "quite small."

"Amazon is important," Crevoiserat said. "We know younger consumers search and discover brands on that platform, and we wanted to put our best foot forward there."

"We're pleased so far with the engagement that we're seeing. It's small, but we're pleased with it," she said.

Coach isn't alone. Hugo Boss, Tommy Hilfinger, Levi's, Adidas, New Balance, Lacoste and Dr. Martens are all selling on Amazon,

balancing the benefit of its humongous customer base with the risks of giving up a more direct relationship with the consumer.

Amazon shoppers are looking for more than just a brand, and prioritize delivery cost and speed, a user-friendly website and brand and product selection, according to Coresight. "Over half of Amazon apparel shoppers say they prefer Amazon.com due to its lower delivery cost and faster speed," the firm said.

And Amazon has worked constantly to improve that experience through AI, AR, and virtual try-on features to personalize the shopping experience while building delivery capacity and speed.

Simeon Siegel, an equity analyst at BMO Capital Markets, expects to see more brands sign on with Amazon.

"At end of the day – as D-to-C or die fades from conversation and as brands internalize that the right wholesale partners can be powerful partners," Siegel said.

But he also had a word of warning. "All too often in retail, the quality of sale erodes long before the actual sale," Siegel said. "Companies chase revenues that are bad for their business that will cost them more in the future than they will earn today. But the problem is a dollar today looks very attractive, even if it costs two tomorrow."

"Retail is a cycle of overstretching on revenues, giving it all back and trying to reset and regrow the base," he said.

After years of eschewing the platform for years in favor of its own sites, department stores and players like Tmall, the Estée Lauder Cos. did an about turn in March and debuted Clinique on Amazon. More of the beauty giant's brands are set to follow this year.

On Amazon, Clinique finds itself side by side with L'Oréal-owned brands including Lancôme, Youth to the People, IT Cosmetics, Urban Decay and Ralph Lauren Fragrance, as well as lines such as Keys Skincare and Shiseido.

"They're going to go where the customer is," said Olivia Tong, an analyst at Raymond James, of Lauder's change in strategy.

Tong said the new distribution better positions Lauder against competition from both established multinationals and newer independent brands.

In its latest quarterly report, Lauder said Clinique's debut on Amazon "greatly exceeded" expectations and contributed to

the brand's share gains.

Tracey Travis, Lauder's chief financial officer, told WWD that the e-commerce platform has the potential to become an important venue for the company.

"Amazon has very broad reach from a consumer standpoint, and as we see channel dynamics continuing to shift in North America, it's important for us to be able to reach our consumers wherever they want to shop," Travis said, adding that different channels provide different shopping experiences.

According to data from Market Defense, a consultancy that helps beauty brands sell on Amazon, there were 741,340 searches on platform for the term "Clinique" in April. In the holiday period, before Clinique joined, there were around 1 million.

Vanessa Kuykendall, chief operating officer of Market Defense, thinks Clinique will be a trendsetter for beauty.

"There are still many brands who are watching and waiting to see big players and legacy brands make the change," Kuykendall said. "It's really interesting that legacy brands like Estée Lauder have held back while very innovative, maybe even indie brands, newer-to-market brands have embraced Amazon."

Amazon also seems to be giving L'Oréal a boost. When it rolled out Lancôme onto the site last year, it found 73 percent of consumers who purchased product were new to the brand, according to Ashley Helgans, an analyst at Jefferies.

Most recently, L'Oréal launched Kiehl's on the platform, also with the goal of meeting customers where they are, according to John Reed, general manager of Kiehl's.

And Nicolas Hieronimus, CEO of L'Oréal, told the audience at CAGNY in February: "In the end, there are distribution channels where many qualified consumers shop. I guess you're all Amazon shoppers... The results are very good, both in terms of perception, but also in terms of recruitment of new consumers and that's very positive for the brand."

If that's true in premium beauty – and perhaps for accessible luxury fashion and accessories brands – pure luxury brands are still largely keeping their distance, even after Amazon expanded its Luxury Stores division to Europe two years ago.

Many European fashion and luxury brands had high hopes, but argue that Amazon has not delivered on its promises.

"At the start we felt very supported, and we were doing good business, but then it all faded," said one brand owner who spoke on condition of anonymity.

"I don't know if they truly understand fashion, and my feeling is that they're not focused on building the business. We had expected to be supported more, and we eventually lost confidence in them. We were banking on more loyalty, and they didn't deliver."

Sally Singer, Amazon's head of fashion direction in the U.S., has left the company. Singer, former head of fashion direction at Vogue, joined Amazon in 2020, and is now president at Art + Commerce in New York.

She had close ties with the designers and luxury brands, and acted as the bridge between the glossy world of high-end fashion, and the algorithm-fueled, profit-driven Amazon.

The relationship between the European brands and Amazon was never an easy one.

Brand managers said they were disappointed that the big-name luxury brands from Kering and LVMH Moët

Hennessy Louis Vuitton never arrived.

"There are no agencies to elevate the smaller brands that are already on the site," said one current manager who asked not to be named. Another added: "We were expecting them to come up with the heavy-hitting brands, but they haven't so far."

Another company chief who asked not to be named told WWD that Luxury Stores made more sense in the U.S. because the wholesale market is smaller due to the closure of so many department stores.

An Amazon spokesperson said: "We continue to expand selection in Luxury Stores at Amazon and have added thousands of new styles this year alone.

Amazon has a diverse, fashion-engaged customer base and we are excited to make luxury items more accessible to a wider audience. We have seen a growing interest among our customers for luxury products, especially beauty, skin care, fragrance, and pre-loved designer handbags and accessories. We will continue to listen to customer feedback as we bring more luxury items into our stores, including growing our beauty and jewelry assortment, and expanding ready-to-wear to include additional menswear styles."

Last month, Amazon's started selling pre-owned luxury streetwear through Hypebeast's new HBX Archives store, giving shoppers on the website access to top-tier names, but not directly from the source.

As luxury holds out, the rest of fashion seems to be at last leaning in.

"Customers are very expensive to acquire when you only have a direct channel, unless you're a super brand that just happens to be top of mind," said consultant Sonia Lapinsky, a managing director at AlixPartners. "And so then you look at, What's the best, most efficient way to acquire these customers?"

"The fact that the consumer has gotten comfortable with buying fashion on Amazon, it's hard for brands to resist the exposure and just the breadth of customer access they get from going on Amazon," she said.

"I don't think brands are going in blind to the realities of Amazon," she said.

"There are ways to counter some of the cons on Amazon that we think that the savvy retailers are doing [like] controlling your brand on the site...developing their own storefronts."

That's just one more balancing act that fashion companies are going to have to pull off.

