

# BEAUTY AND WELLNESS DIGITAL PAYMENTS

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APRIL 2022



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## ACKNOWLEDGMENT

The Beauty And Wellness Digital Payments Tracker® was produced in collaboration with American Express, and PYMNTS is grateful for the company's support and insight. [PYMNTS.com](https://pymnts.com) retains full editorial control over the following findings, methodology and data analysis.

Read the previous edition



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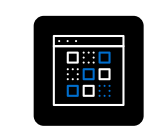
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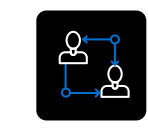
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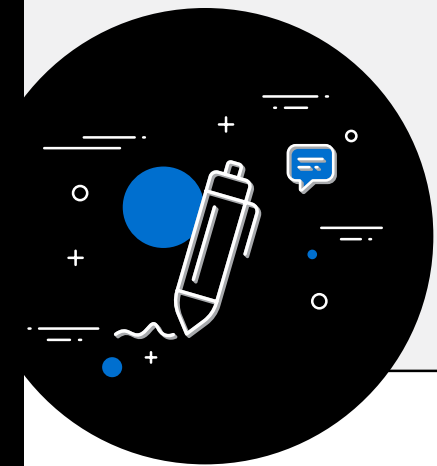
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## EDITOR'S LETTER

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# BEAUTY AND WELLNESS DIGITAL PAYMENTS

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As the entire economy has undergone a digital transformation in the past several years, one of the industries affected most directly has been beauty and wellness. Even before the pandemic accelerated this shift, traditional beauty retailers were **feeling** pressure from digital-native direct-to-consumer brands that were outpacing their time to market. As a result, the beauty and wellness sector had a head start in adapting to the shift to online shopping, with the industry already **ranking** among the top three in 2019 for website performance. It was no coincidence that beauty and wellness moved into the top spot in 2020.

Beauty and wellness businesses had already made strides to create online shopping experiences inspired by the personalized attention that customers have come to expect in-store, and the sector continues to **refine** that approach. Consequently, the pandemic's acceleration of the switch to digital payment innovations has also transformed how consumers transact at merchants' physical stores.

From tap-to-pay cards to mobile wallets, contactless payment has **become** increasingly common, with pandemic health restrictions helping to bring down barriers related to merchant adoption and consumer interest. With inertia working for contactless payment rather than against it, the trend is likely to continue to grow.

All these changes provide ample opportunities for beauty and wellness businesses not only to better serve but also to better understand their clientele. To do so, however, they must continue to seek the cutting edge of available technologies and take advantage of partnership opportunities that simplify and unify their offerings. This edition of the Digital Payments Tracker®, a PYMNTS and American Express collaboration, examines the payment methods currently being deployed in the beauty and wellness industry and how merchants are dealing with friction points during the customer journey.

**THOUGHT LEADERSHIP TEAM**

PYMNTS.com



# Vagaro On Digitizing Beauty And Wellness Payments And Marketing

When **Vagaro** CEO and founder, Fred Helou, started his company more than a decade ago, his inspiration was his own experience of trying to find a haircut while on a trip to Korea.

What began as an idea to make it easier for businesses such as salons and barbershops to schedule appointments has now grown into a suite of tools for beauty and wellness businesses of all types, enabling scheduling, payments, marketing and even a physical point of sale (POS).

“We realized [that] to create this marketplace, we needed to give [businesses] what they really need, which is a way to manage their employees [and] their schedules [as well as] sell products, manage inventory, sell gift certificates, packages [and] memberships,” Helou told PYMNTS in a recent interview.

With tools that do anything from tracking employee hours to managing email marketing, Helou said, Vagaro is particularly valuable for small business owners who must fulfill roles on their own that would be handled by entire departments in larger organizations.

## REDUCING THE COMPLEXITY OF PAYMENTS

Card-not-present payments are particularly common in the fitness business, Helou said. These include transactions such as membership renewals and charges, which can be automated with software. Even one-off purchases such as those for classes or personal training sessions can be handled in software with a few taps. Software can remove all the manual steps from those transactions, not only creating a smoother customer experience but also saving businesses time and money.

In contrast, though the salon and spa businesses have seen an increase in prepayment since the pandemic, many transactions are still made face to face. For those transactions, contactless payment options have become increasingly important. These also present a marketing opportunity for retailers.

“Most times when you go and get a haircut or a spa treatment, there’s usually an upsell that takes place at the time of the checkout,” Helou said. “When you’re paying for your haircut, this is a great time [for the retailer] to say, ‘Hey, how about this shampoo?’ or ‘How about this conditioner I just used on you today?’”

With contactless payment solutions that enable customers to pay from their own mobile devices, that interaction can begin before they even reach the checkout, he said. Customers can be presented with products as they are receiving a service, or browse products available from the retailer, and add them to their carts for when they check out.

Vagaro has also worked on a solution for creating truly contactless payment for card-present transactions, which have lower fees for merchants than card-not-present transactions. With the Vagaro physical POS, customers can tap their cards but input tips on their own devices rather than touching the merchant’s device to add a tip. At the same time, including the customer’s device in the transaction builds deeper customer interactions.

“The nice thing is, after you check out, the next thing you’re asked is [to] give a review to that business,” Helou said. “We saw a big increase in the number of reviews businesses are getting.”

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## REMOVING FRICTION FROM THE CUSTOMER EXPERIENCE

The proliferation of payment options in the marketplace can add friction at checkout, especially for smaller retailers trying to keep up. Helou said that many beauty and wellness businesses are small entities for which even a slight difference in transaction fees can have a significant impact. As a result, many merchants have a preferred payment method they like customers to use due to its lower fees. Regardless, those merchants still need to have the payment options their customers prefer, and it can be difficult trying to balance all those options.

Similarly, the upsell can actually be a friction point for some merchants. This is part of why Vagaro is developing a solution that would enable customers to shop products before they ever reach the checkout.

“Not every person is a salesperson. Some do it better than others,” Helou said, “so what we’re trying to do is come up with a solution that works for everybody and is not so pushy.”

Helou said that small business owners are very good at providing the services in which they specialize, and many even understand how to handle marketing and managing their businesses. What they may lack is the time to do all those things at once.

“When you are at a salon cutting hair or giving a massage or doing facials, there is no downtime,” he said.

By automating those processes — from payments to emails that touch base with customers who have not returned in a long time — merchants not only can have the freedom to focus on their core businesses. They also might even find the time to broaden the scope of what they can do themselves.



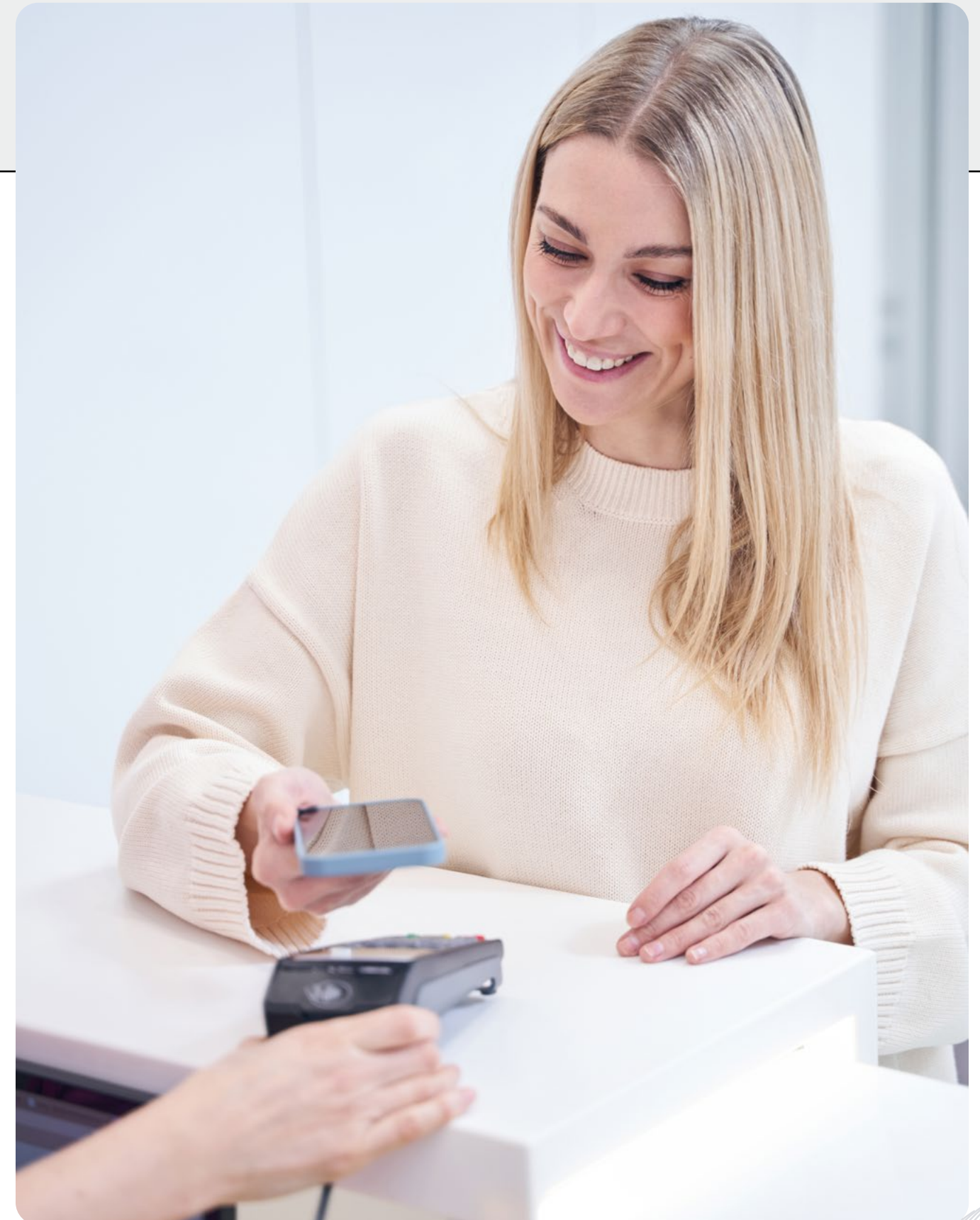


# Q&A

**KATE KIRK**  
Vice president  
**AMERICAN EXPRESS**

**How have consumers' expectations and preferences shifted in recent years regarding their interactions with beauty and wellness businesses? How can retailers in the industry match these changing expectations?**

“Consumers' expectations and preferences continue to evolve, with contactless and mobile payments becoming their preferred payment methods. Consumers want seamless digital experiences from the businesses they frequent, from appointment setting to accepting payments. ... Salons and beauty-related businesses can meet these expectations by enabling digital payments as well as adopting salon management systems and scheduling apps that help automate the entire customer experience. Features [such as] these allow salons to more easily focus on what they love while helping achieve end-to-end operational efficiencies and growth for their salons.”





# Lowering Barriers In The Beauty And Wellness Customer Experience

The beauty and wellness industry ranked among the top three industries for website performance in 2019, moving to the top spot in 2020. The sector owed some of this success to streamlining the online purchasing process, such as by adding digital wallet acceptance. Still, making it easier — and likelier — for consumers to make a purchase involves a lot more than just the checkout screen. On-page product recommendations and live site help have also played an important role in reducing friction, as have features such as free shipping.

As a result, the beauty and wellness industry was already well-positioned when the digital transformation accelerated following the pandemic's onset in early 2020. Social distancing forced businesses to make contactless payment options the norm, and customers came to expect online shopping to offer the same level of service as brick-and-mortar stores. Physical and digital channels have increasingly converged, blurring the lines between traditional and digital commerce.

This month, PYMNTS Intelligence examines how the beauty and wellness industry is deploying payment solutions and eliminating friction to create a smoother customer journey.

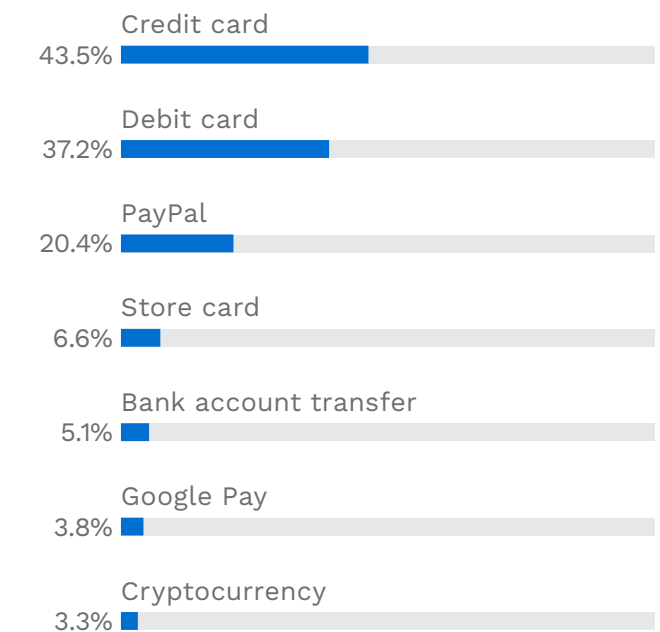
## THE CHANGING FACE OF PAYMENTS IN THE BEAUTY AND WELLNESS SECTOR

Before the pandemic, the biggest concerns for both merchants and consumers when dealing with payments were security, convenience and speed. The pandemic added health and safety to that equation. Consumers became less interested in paying

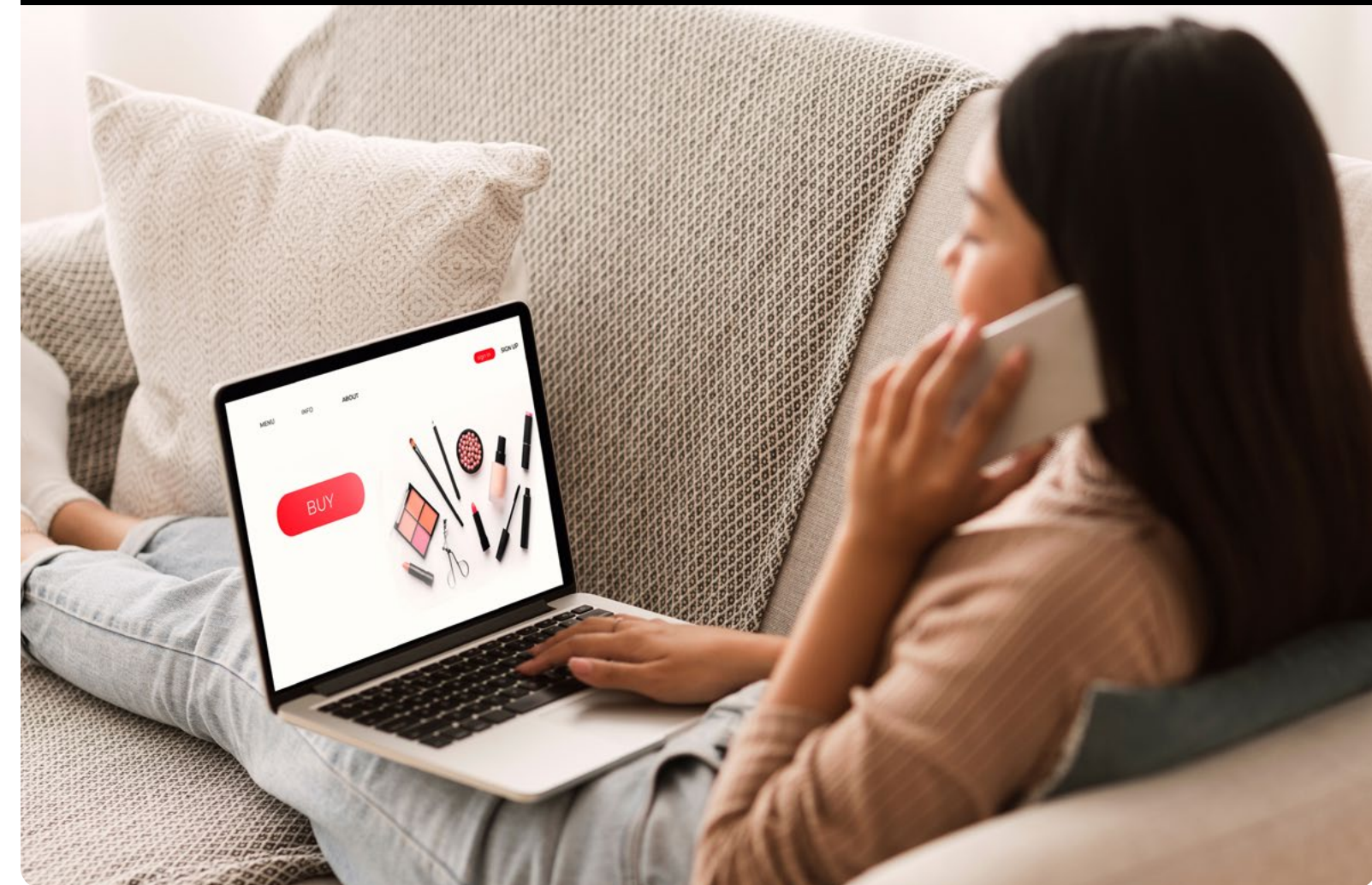
with cash and even had misgivings about handling payment cards and using PIN pads. Contactless payment, whether by tapping a card at the POS or through the consumer's own mobile device, gained much attention, aided by moves at the government and banking levels that encouraged contactless use.

FIGURE 1: Checkout payment options that consumers look for

Payment-method consumers are most likely to use for their online shopping



Source: PYMNTS.com | Checkout.com Checkout Conversion Index



Now that merchants and consumers have made the transition to contactless payments, inertia is on the side of contactless — but so are familiarity and convenience. Demand for contactless payment methods is thus not merely tied to pandemic concerns but is likely to grow independently of them.

Salons have been keen to take advantage of this transition, particularly to mobile devices, as it essentially **places** not just a POS into the consumer's hands but also an advertising platform. Salon software has enabled businesses to streamline their communications with customers, creating more efficient scheduling interactions while also granting opportunities to upsell to their clientele.

### CAPTURING ONLINE SHOPPERS AND KEEPING THEM

Software plays an even more obvious role in online shopping, and consumers show a strong preference for stocking up on health and beauty products online. Twelve percent of consumers surveyed at the end of 2021 **said** they were buying health and beauty products online more than they did in 2020.

Beauty and wellness retailers looking to capture those online customers must be able to offer a variety of payment options. Thirteen percent of surveyed consumers **said** the availability of

payment methods was a deciding factor in whether they would switch to a different merchant. Having reliable software that can provide consumers with the payment options they need is therefore essential.

### TAKING THE FRICTION OUT OF ONLINE SHOPPING

Beauty and wellness retailers could get every step of the online checkout process perfect and still miss opportunities to encourage customers to purchase or increase basket sizes. This is because multiple potential friction points **exist** along the online consumer journey. To address these, many businesses have **added** features to their online shopping that are inspired by physical store experiences. Buying beauty and wellness products is a very personal shopping experience, and on-page recommendations and live assistance can help add the personalized touch offered by sales staff in physical stores.

Retailers may also offer subscription plans to secure long-term relationships with those customers, and they have been working to **make** the subscription process easier and more customer-friendly. Pause features, refund policies and free shipping have all become increasingly common in online subscriptions, all of which have been shown to improve subscribers'

experiences. The beauty and wellness segment is still one of the most friction-laden for subscriptions, however, and thus offers retailers significant opportunities to stand out from the competition.

The beauty and wellness space has undergone some of the most significant changes due to the pandemic but also has achieved some of the greatest successes in adapting. As these businesses seek to attract and retain customers, they will be challenged to stay at the forefront of what technology can do.

TABLE 1:

#### Features offered among merchants of different sectors

Portion of merchants from various sectors that offered specific features and their Index scores

Size	Health and beauty	Electronics	Apparel and accessories	Home furnishings	Automotive part	Sporting goods	Mass merchant
<b>Index score</b>	<b>64.2</b>	<b>59.4</b>	<b>62.4</b>	<b>59.6</b>	<b>59.8</b>	<b>59.3</b>	<b>59.7</b>
Create profile (optional)	66.7%	88.2%	90.3%	82.0%	89.7%	88.2%	73.3%
Create profile (required)	30.3%	7.4%	9.7%	8.2%	0.0%	10.6%	24.4%
Quick add to cart	51.5%	47.1%	19.4%	13.1%	31.0%	27.1%	31.1%
Rewards	57.6%	25.0%	51.6%	29.5%	31.0%	40.0%	48.9%
Guarantee or refund	78.8%	57.4%	75.8%	68.9%	82.8%	62.4%	71.1%
Feedback	36.4%	50.0%	51.6%	45.9%	62.1%	48.2%	53.3%
Product ratings/reviews	87.9%	70.6%	74.2%	90.2%	82.8%	89.4%	88.9%
Inventory status	57.6%	57.4%	80.6%	57.4%	75.9%	85.9%	64.4%
Free shipping	90.9%	77.9%	83.9%	82.0%	69.0%	74.1%	75.6%
Product recommendations	93.9%	86.8%	93.5%	85.2%	72.4%	89.4%	97.8%
Live site help	93.9%	89.7%	93.5%	95.1%	93.1%	94.1%	84.4%
Marketing option (default)	33.3%	35.3%	43.5%	32.8%	34.5%	40.0%	44.4%

Source: PYMNTS.com  
Checkout Conversion Index



# NEWS & TRENDS

## BEAUTY AND WELLNESS RETAILERS EMBRACE NEW PAYMENT TRENDS

### CRYPTO IN THE BEAUTY AND WELLNESS SPACE

Cryptocurrencies are touching all areas of commerce, including the beauty and wellness industry. Beauty retailer The Fragrance Shop is the latest online merchant to **offer** customers cryptocurrency as a payment option alongside more traditional methods, such as credit and debit cards, as well as more recent additions to the payment space, such as buy now, pay later. Sanjay Vadera, CEO, said the company has been watching developments in cryptocurrency for several years. Vadera believes this is the perfect

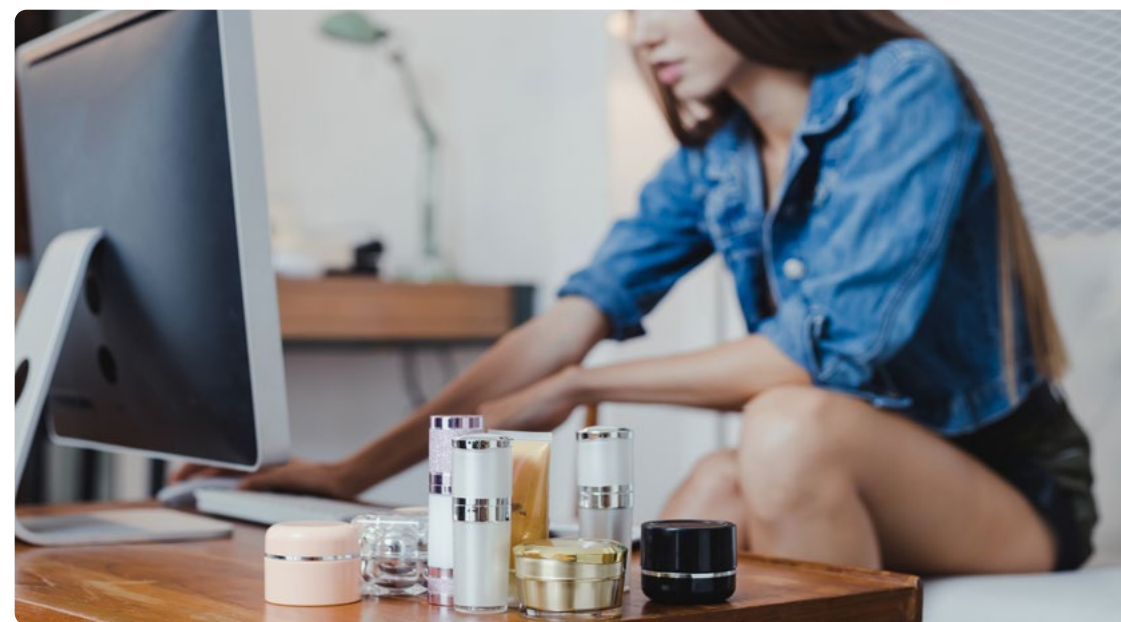
time to introduce cryptocurrency purchasing options for its customers, with the potential for crypto to transform the industry with faster, more secure and less expensive payments.

The move by The Fragrance Shop follows similar offerings made by beauty brand Lush, and even some cosmetic surgeons are accepting crypto as a form of payment. Among brands that customers will now be able to purchase with their cryptocurrency are Chanel, Dior and Tom Ford.

### PERSONALIZING THE CHECKOUT EXPERIENCE ONLINE

Beauty and wellness customers **look** for an experience more than a transaction, and that will extend to the checkout experience in the future, according to Sephora CTO Sree Sreedhararaj. Customers are already more emotionally invested in their engagements with beauty retailers than with other merchants. As a result, it is important for those retailers to offer not just seamless and convenient checkouts but also experiences that include personalization and access to services such as live advisers. Sreedhararaj said Sephora aims to provide a level of service online that mirrors the attention and personalization experienced in physical stores.

Sephora's online personalization makes use of artificial intelligence and machine learning as well as user-provided images and beauty traits. Combining that information with community data and product reviews, the company is able to generate highly personalized product recommendations that drive sales. In-store, Sephora has also updated to a touchless digital POS as part of creating a seamless, multichannel customer experience.



## TRENDS RESHAPING BEAUTY AND WELLNESS SPENDING

### TEEN PERSONAL CARE PRODUCT SPENDING ROSE 10% IN 2021

Beauty and wellness industry businesses looking to create long-term customer relationships with younger consumers may have no better time than the present to begin attracting those consumers. On average, surveyed teens [said](#) they spent \$264 on cosmetic, fragrance and skin care products in 2021, a 10% increase over 2020. The increased spending on personal care products outpaced the 4% increase in teen spending overall between 2020 and 2021. Teens are also spending their money on specialty and higher-end personal care products, with brands such as Ulta, Sephora and e.l.f. rounding out the top spots.

The youngest consumers in Generation Z [show](#) a strong preference for digital and contactless payment options. Thirty-eight percent of surveyed Generation Z consumers say they would be encouraged to shop at stores that offer contactless payment, while almost 25% say the same of stores offering digital wallet payments through contactless POS terminals, and 28% would be encouraged to shop at stores that enable payment for in-store purchases online through their mobile devices.

### CVS ADDS SOCIALLY RESPONSIBLE BEAUTY PRODUCT LINE

As the tendency grows for brand identities to try to define themselves around ideas of inclusivity and social responsibility, CVS has [chosen](#) to carry Bespoke Beauty Brands' KimChi Chic Beauty line of products in 139 of its BeautyIRL locations in the United States. The KimChi Chic Beauty line, launched in 2019, is centered on the idea of an inclusive approach to beauty products built on the reputation of Kim Chi, a self-identified "live-action anime character," drag queen and Instagram sensation. The KimChi line includes a variety of beauty products that are also vegan and cruelty-free.

CVS has also been investing in technology and digital enhancements as the company seeks to capitalize on its increased brand familiarity garnered during the early stages of the pandemic, as CVS conducted more than 32 million tests for COVID-19 and administered more than 59 million vaccines. Over the course of two years, CVS estimates that it added 37 million customers, and the company is exploring ways in which to maintain and grow those new customer relationships.

### HOTELS ENHANCING SPA TREATMENTS AND ADDED SERVICES WITH TOUCHLESS PAYMENT

When it comes to serving customers responsibly in terms of pandemic safety concerns, some services, such as spa treatments, exhibit added challenges. Hotels, in particular, are [seeing](#) a growing interest from patrons in payment methods that reduce direct interactions when purchasing added services, and that has led to investment in technologies that limit the number of touch interactions required of customers. One example is integrated payment platforms that enable guests to purchase and schedule spa treatments and other services through their own devices. An added benefit for the hotels is easier tracking of consumers' preferences and how they engage with the hotels' added services.

Payment methods such as these are often lower-friction than other payment approaches and can enhance the customer experience as a result. The touchless interactions also benefit staff, freeing them up for other tasks and making customer service more efficient for both the companies and their customers.



# BEAUTY AND WELLNESS DIGITAL PAYMENTS TRACKER®

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