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Beauty Ecommerce Deep Dive

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- The beauty market
- The ecommerce opportunity
- What influences beauty shoppers?
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- What are people researching?
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Ecommerce drives the growth

According to Nielsen,

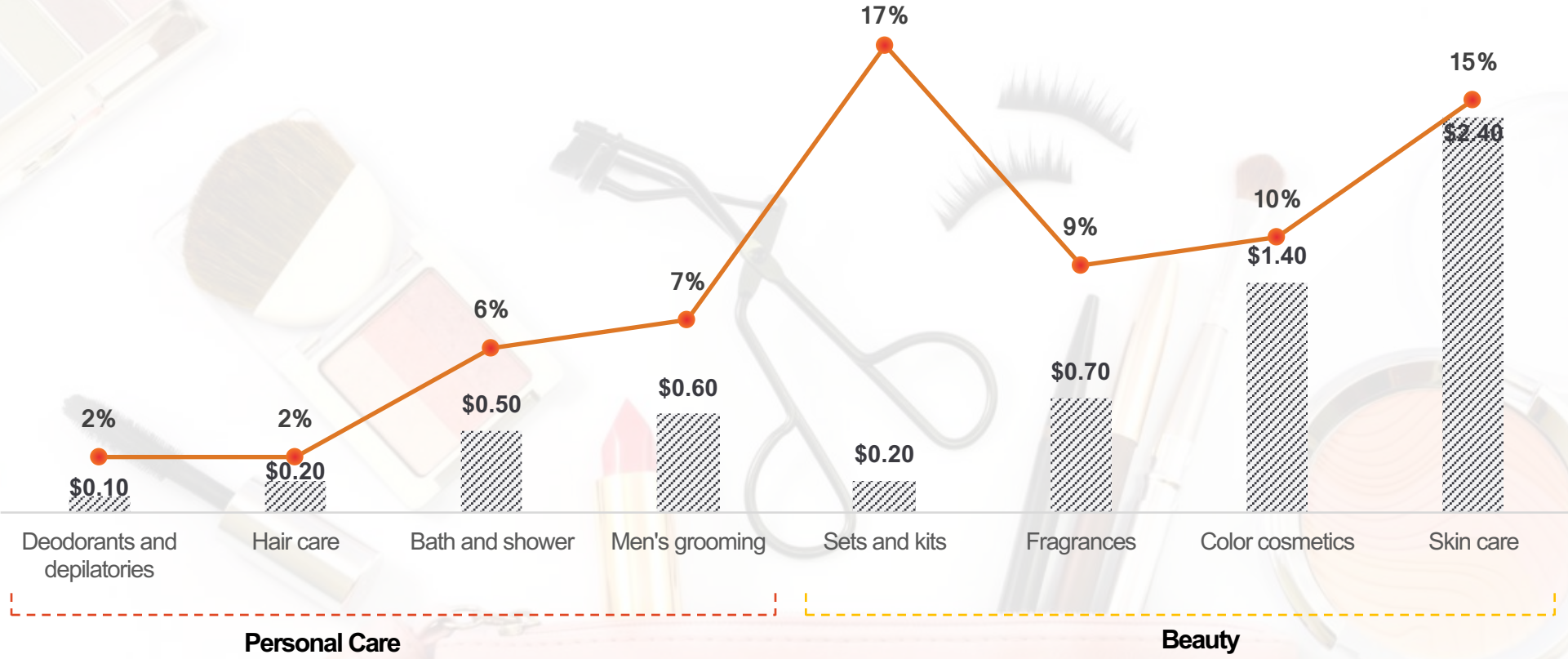
Ecommerce drove more than 10% of sales last year for the beauty and personal care categories, while comparable in-store sales growth was minimal



Beauty kits and skin care have the highest online penetration

US Beauty and Personal Care Online Sales and Penetration

(by category, \$ billion)



Opportunities and challenges of beauty ecommerce

Brand Loyalty

Established brands are reinventing themselves; new brands constantly emerging. Retailers like Sephora and Ulta carry over 300 brands.

Personalization

Gen Z wants it customized beauty – data delivers on the promise. Gen Z likes when data is used to send them relevant offers.*

Democratization

Selfie-made beauty experts rule for how-tos. Vloggers are a powerful tool to connect with beauty audiences.

Mobility

One click from selfie to purchase. 1/3 of all beauty products now bought on the phone in the US*.

Who is the new beauty shopper?

Brand Promiscuous

They love the brands they grew up with but are open to innovation. Gen Z loves trying new stores and websites to find out what's new.*

Risk Takers

They learn from YouTube and friends as much as from sales people and they are open to trial. Say hello to blue lipstick and is that copper eyeliner?



Omnichannel

Move across channels and devices in their quest for the ultimate product. Gen Z prefers to do much of their buying online but loves to shop in stores.*

Woke

Aware of global trends and constantly learning about new techniques and collections.

New distribution methods find appeal with beauty shoppers

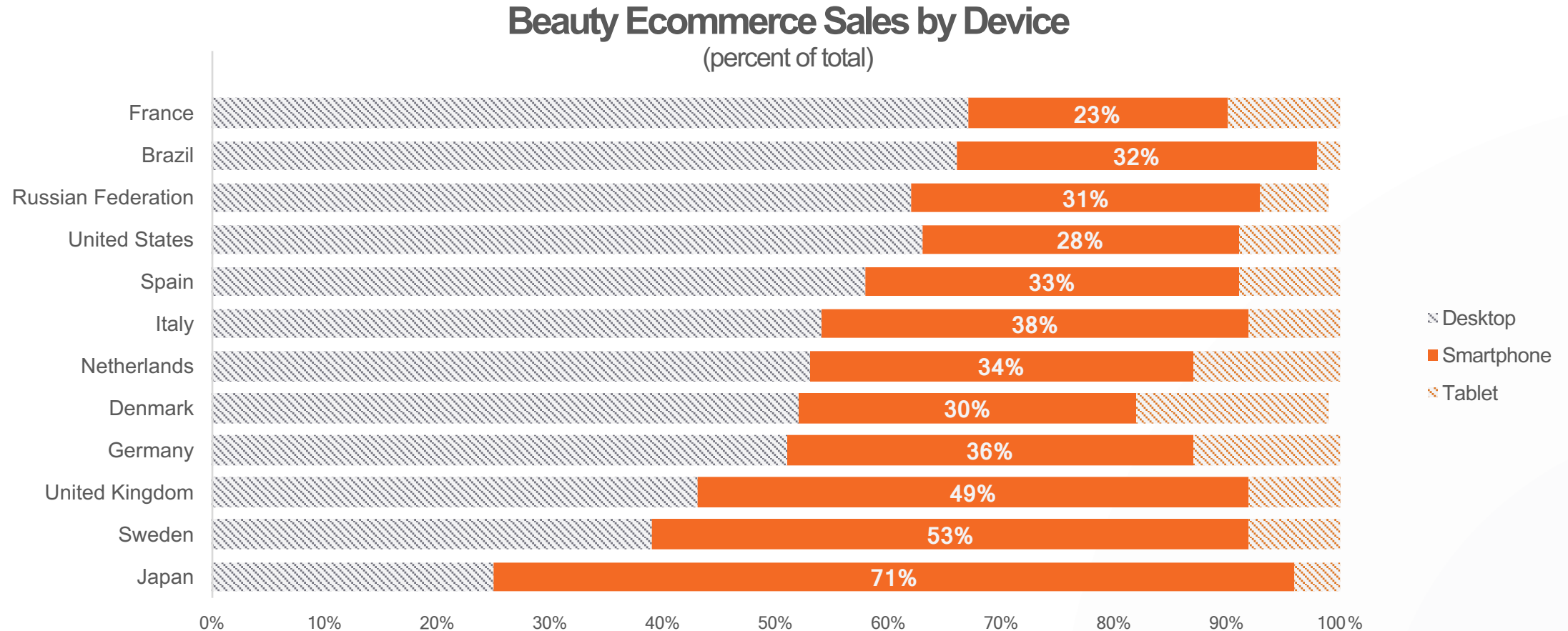
New modes of product distribution are irrevocably changed the beauty industry – and have major implications for marketers. The value of ticking the “subscribe and save” button is huge. Here is what omnichannel beauty shoppers surveyed have already done or are considering doing to get the goods:

	Have Done	Would Consider
Subscribe & Save	21%	41%
Online delivery service (Instacart, PrimeNow)	24%	47%
Online delivery by mail	63%	24%
Monthly box	24%	37%

Source: Criteo Shopper Story, US – Health & Beauty 2017 n= 635

Smartphones are increasingly the global point of beauty purchases

Expect this trend to continue as Gen Z enters their peak beauty buying years.



Source: Criteo Shopper Story, US – Health & Beauty 2017 n= 635



What Influences Beauty Shoppers?

What's growing in impact?

Omnishoppers were asked what had increased and decreased most in influence in the past 3 years. While all print formats had declined and other forms of advertising were seen as neutral...

Friends

+47%

Search

+44%

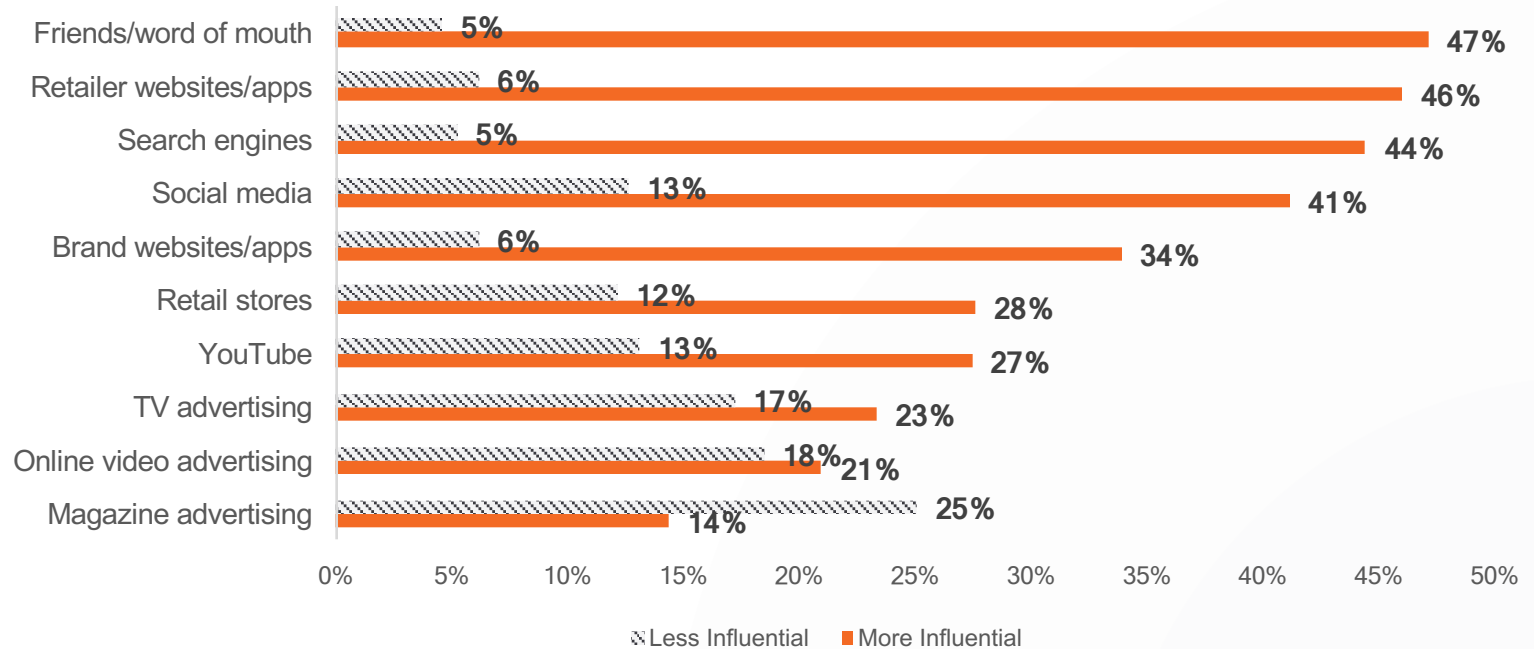
Retail Sites

+46%

Social

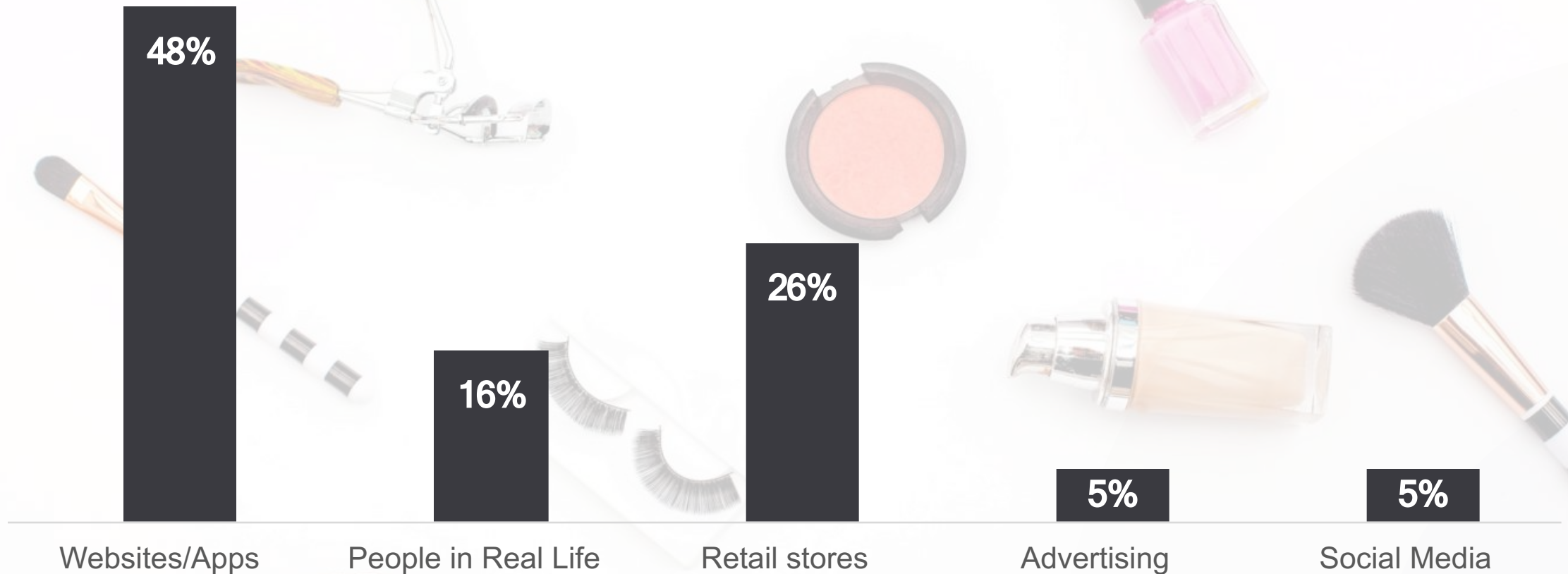
+41%

Resources More or Less Influential in Purchase Process



Retail and brand websites critical throughout the purchase process

While marketers tend to focus efforts on traditional advertising, social media and in-store initiatives, retail and brand websites are the point of influence and decision for omnishoppers.



Source: Criteo Shopper Story, US – Health & Beauty 2017 n= 635



How Do People Shop for Beauty Online?

Online beauty shopping modes by age: Gen Z shops around

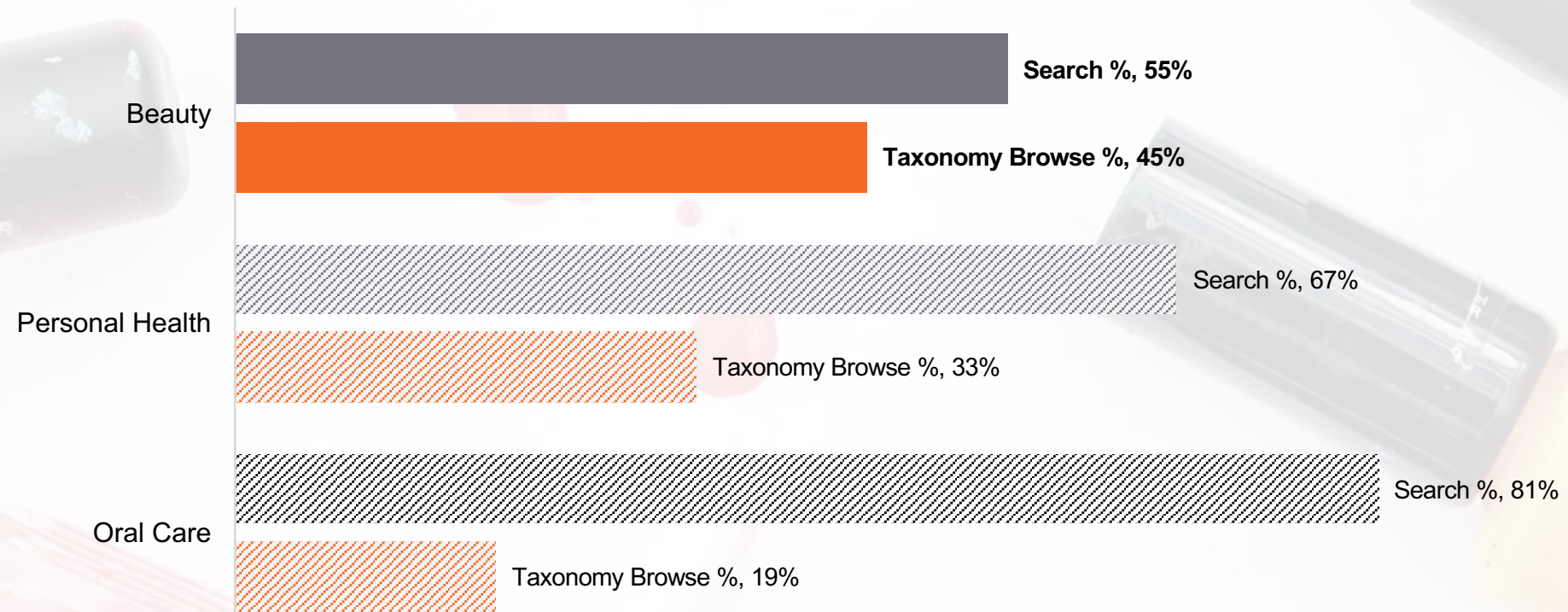
The newest beauty cohort may be the toughest to win over – but most open to new products

	Gen Z 16 to 24	Millennials 25 to 34	Gen x 35 to 49	Boomers 50 to 65
Browsers: I tend to browse different products on the same website to compare products	51.1	43.2	40.8	29.9
Cross Site Shoppers: I often visit multiple websites so I can compare products	29.8	20.5	20.8	16.9
Carts as Placeholders: I often put products in my shopping cart without purchasing them right away	28.2	21.9	23.1	10.9
Mission Driven: I typically have a specific product in mind and look specifically for that product	56.5	53.4	59.2	66.7

Shoppers in beauty are most likely to browse

Lower level of search usage indicates shoppers are open to new brands and products

Shoppers vs Browsers on Retail Sites



Source: Criteo Sponsored Products Data 2017

Beauty has a longer purchase cycle

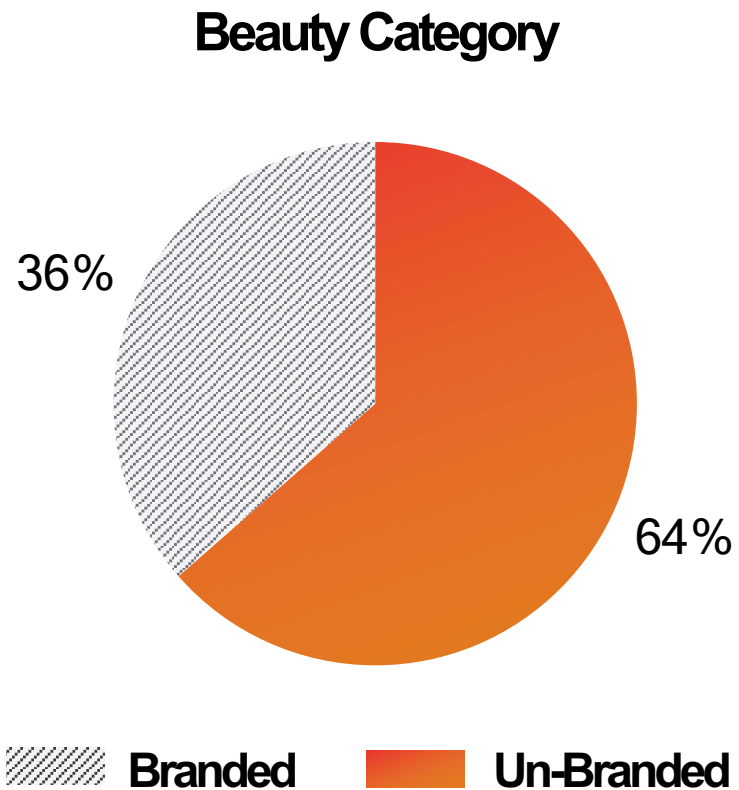
Personal Hygiene, Shaving (which tend to have high established brand preferences) have shorter purchase cycles and fewer products considered. Cycle length for Beauty allows brands to acquire new or lapsed consumers through cross-selling tactics.



Source: Criteo Sponsored Products data, 2016

2/3 of beauty shoppers are open to brand influence

Two-thirds of searches for beauty products on retail sites that resulted in a visit to a product detail page were unbranded search terms



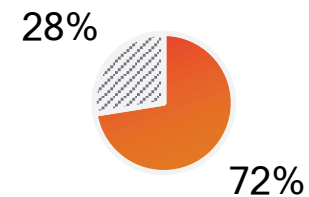
Hair Care



Makeup



Nail Care



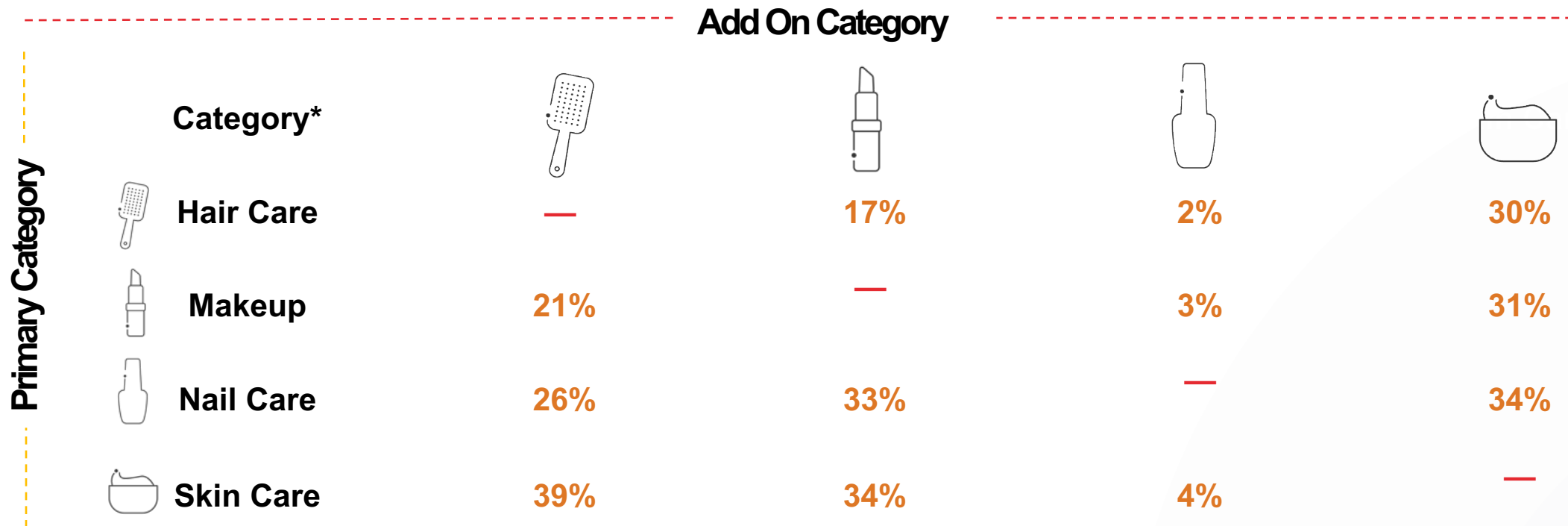
Skin Care



What's in a beauty shopper's cart?

This shopping cart analysis of data from Criteo's Sponsored Products data shows:

- 21% of carts with a makeup item also contain a hair care item
- 34% of carts with skin care also have makeup

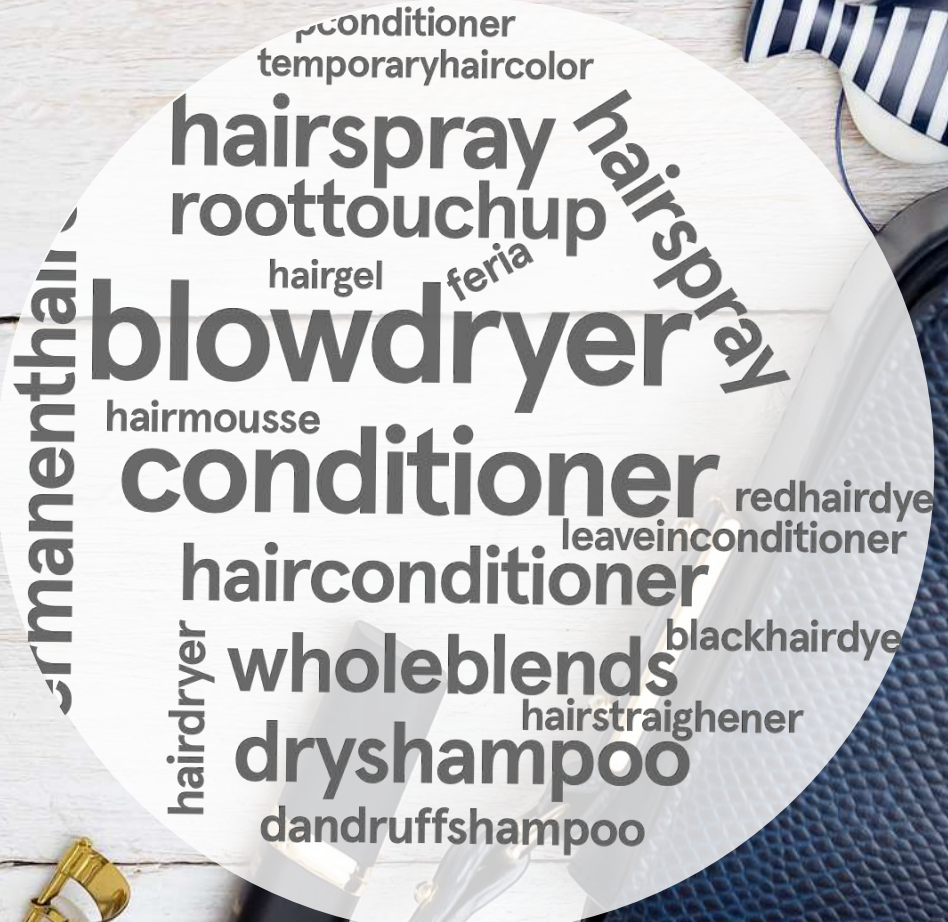


*Read chart from left to right to understand category correlations.



What Are Shoppers Researching?

US shopper searches: top 25 beauty and haircare search terms



Source: Criteo Sponsored Products data, Jan 1 to July 31 2017.

US shopper searches: top 25 cosmetics and skin care search terms



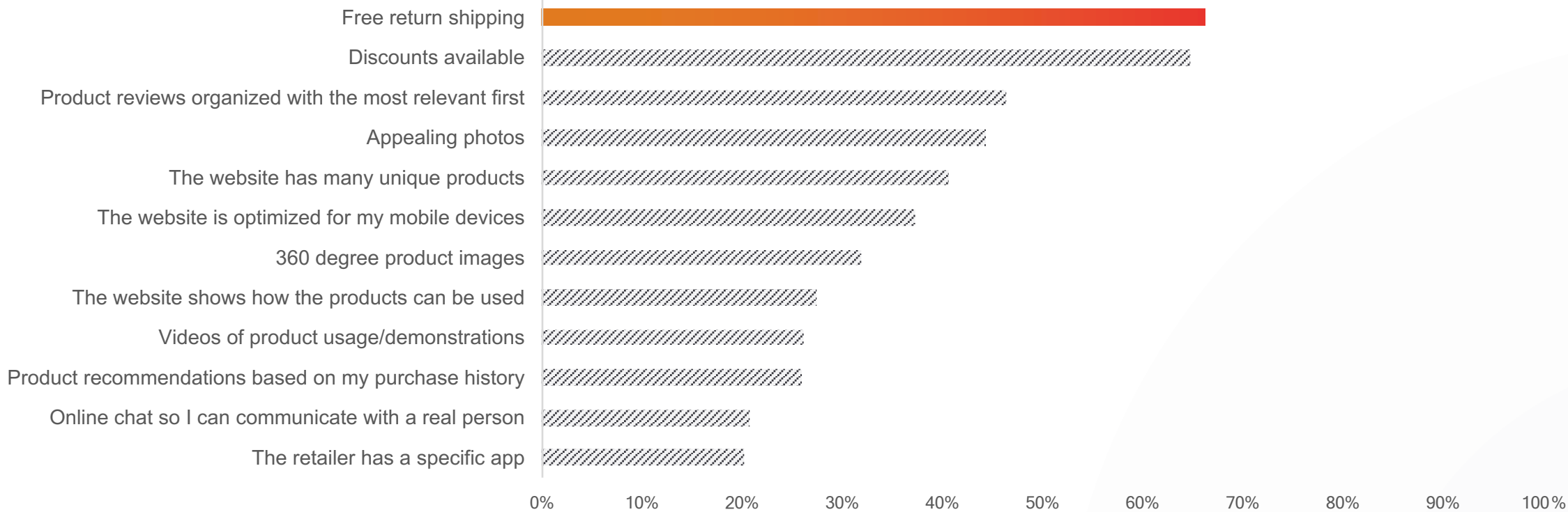
Source: Criteo Sponsored Products data, Jan 1 to July 31 2017.



How to Succeed in Beauty

Free return shipping is crucial — even more important than discounts

Importance of Factors on Website: Health & Beauty
(percent very important)



Source: Criteo Shopper Story, US 2017

What Gen Z buyers want from ecommerce sites

Percent of beauty buyers 16 - 24 that say these website factors are **very** important.

Unique products

49%

Appealing photos

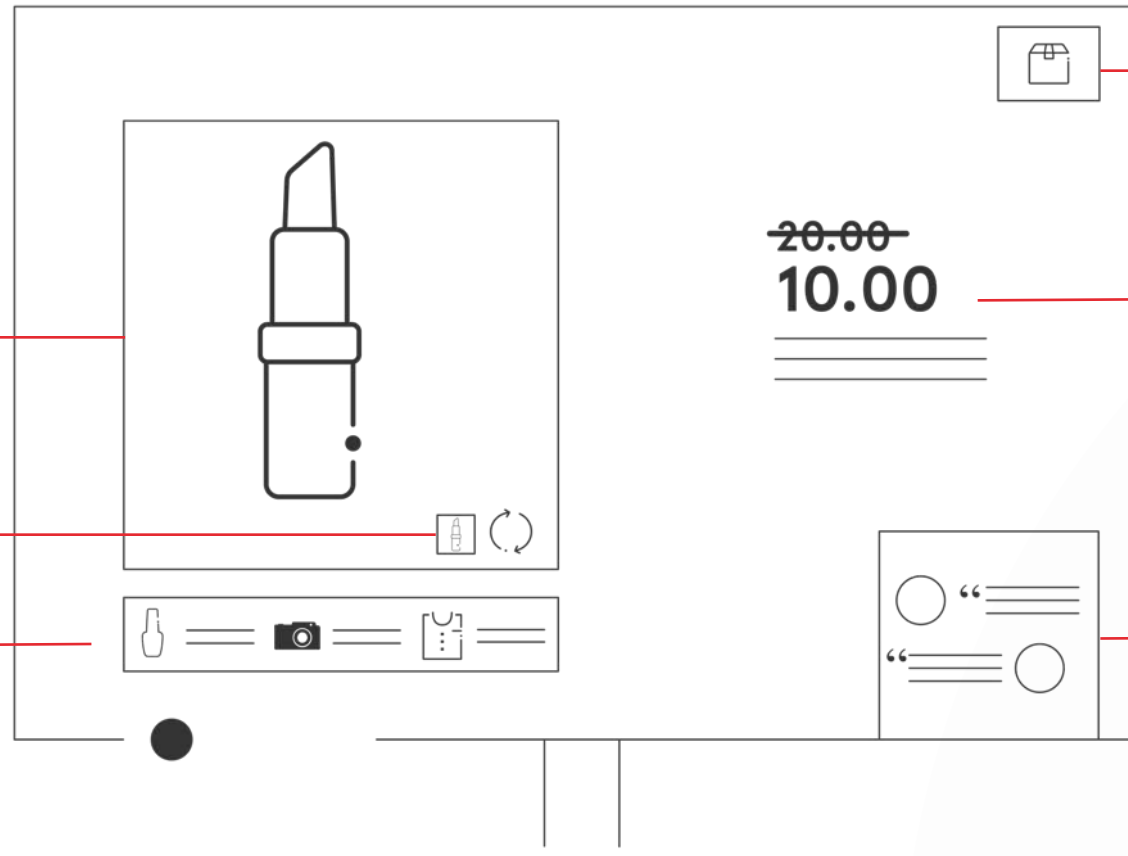
57%

360° product images

41%

Product recos based on past purchase

36%



Free return shipping

58%

Discounts available

62%

Online chat

25%

Source: Criteo Shopper Story, US 2017

Key Takeaways

Adapt techniques to how people shop online

- Encourage impulse purchasing
- Appeal to the searchers and the browsers by using placements on search results plus broader category pages
- Cross sell into complementary product categories

Budget appropriately

- Use online and offline promo calendars to guide flighting strategy

Improve product detail pages

- Optimize reviews and product descriptions
- Use better photography, 360 images, video demos

Use data to deliver relevance

- Relevant advertising based on purchase behavior
- Customized product portfolios



Thank you

