

SMARTASSISTANT

HEALTH AND BEAUTY BRANDS IN THE ENGAGEMENT ECONOMY

PRESERVING THE HUMAN TOUCH ON
DIGITAL CHANNELS



#EngagementEconomy

INTRODUCTION



For brands around the world, the last few years have been a turning point in the way traditional business is handled. The rise of e-commerce and online shopping giants have resulted in the retail economy trending quickly towards the online space.

For health and beauty brands, already a huge subset of this incredibly profitable economy, it's been business as usual – until now.

Industry upstarts in the form of customized cosmetics, subscription boxes delivered monthly, and the rise of influencer marketing have disrupted and shaken the health and beauty industry to its core.

New challenger brands are popping up seemingly overnight, ready and willing to thrive in the online marketplace. On top of that, while consumers gravitate towards the digital space, they expect brands to treat them as individuals and offer personalized consultation services. Health and

beauty consumers still crave the personal, human experiences they're used to in stores.

To succeed in the engagement economy of this digital age, it's imperative for brands to forge relationships with customers, across every touchpoint—across the entire customer journey. This whitepaper will cover:

- The shifting expectations of today's health and beauty consumers
- The digital opportunities available in the health and beauty industry
- The overarching challenges facing brands in the digital-first economy
- How human-to-human engagement is possible on digital channels

I. THE NEW GENERATION OF HEALTH AND BEAUTY CONSUMERS



Health and beauty brands are quickly falling in line as the industry as a whole steadily shifts towards a digital environment.

Online storefronts, subscription services, and even online marketplaces like Amazon are all taking advantage of this shift, but it's up to brands themselves to actually deliver on the growing expectations of consumers.

Traditionally, the internet has been a place for education and research. According to ATKearney, 36% of survey respondents¹ researched products online but ended up making an actual purchase in store. This is largely because the in-person experience offers much more personalized education, attention, and engagement that gives shoppers the confidence they need to make a purchase.

To put this into perspective, let's look at two simplified customer journey examples.

The 'offline model' has a foundation of exploration, education, and testing guided by an informed sales assistant:















- ❑ A customer walks into a store, either on purpose or by 'accident'
- ❑ The customer leisurely looks at products and explores what the store has to offer
- ❑ The customer then talks to a sales rep who answers any questions and helps inform their buying decision

- ❑ The customer tries on multiple colors, formulas, and product options
- ❑ The customer finally makes a purchase based on the information they received

The 'digital model' is heavily focused on information, self-guidance, brand experience, and social proof:

- ❑ A customer hears about a product or brand online, in a social post, on a blog, from a friend, or through an influencer
- ❑ The customer spends time learning more about the product and/or brand, with little or no intention of purchasing
- ❑ The customer reads reviews and watches product videos for more information and education
- ❑ The customer browses the brand website for useful resources to understand which product is the right one for his or her needs
- ❑ The customer makes a purchase decision, either out on a limb or absolutely convinced that it's the right product

SIMPLIFIED CUSTOMER JOURNEYS - IN-STORE AND ONLINE

	AWARENESS	ENGAGEMENT		CONVERSION	DELIGHT		
	Desire	Information and Inspiration	Get Consultation	Purchase	Use Product	Repurchase	Share
INSTORE	<p>Walks into store</p>  <p><i>My foundation isn't working for me</i></p>	<p>Explore products and offerings</p>  <p><i>So many products!</i></p>	<p>Seeks help by store assistant gets recommendation</p>  <p><i>Can you help me find the right foundation for me?</i></p>	<p>Chooses product and pays</p>  <p><i>This was a great service</i></p>	<p>Applies product</p>  <p><i>This works!</i></p>	<p>Rebuys item</p>  <p><i>I love this brand!</i></p>	<p>Shares experience and recommends products</p>  <p><i>You should try this!</i></p>
ONLINE	<p>Reads blogs, visits brand website</p>  <p><i>My foundation isn't working for me</i></p>	<p>Explores website</p>  <p><i>So many products!</i></p>	<p>Reads reviews, watches product videos and statements</p>  <p><i>I'm still not sure</i></p>	<p>Chooses product and pays</p>  <p><i>I'll just take this</i></p>	<p>Applies product</p>  <p><i>My skin doesn't look right</i></p>	<p>Returns item</p>  <p><i>This is a horrible product and brand</i></p>	<p>Does not recommend products or brand</p>  <p><i>Don't buy from them. It doesn't work.</i></p>

Although buying habits are changing and the buying experience is moving online, consumers expect personal engagement and guidance with a human touch across shopping platforms.

Brands should look into closing the gap between offline-online by delivering personalized recommendations and contextually relevant support online, thus increasing the confidence level and comfortability of the target audience while reducing buyer's remorse and negative brand experiences.

EXPERIENCE MATTERS

There's hardly any other industry where consumers expect a two-way conversation with their preferred brand as it is in the case in the health and beauty industry. This is why brands in this space must quickly shift from a product-based model to an experience-based model, as it is no longer just about the product.

54%

of consumers² have stopped purchasing from a particular site because it was too confusing and overwhelming to make a confident purchase decision.

The modern health and beauty industry isn't just about selling products – it's about giving consumers the confidence and assurance that the brand of their choice has their best interest at heart and the best product for them in their assortment.

Today's health and beauty consumers are primarily motivated by

- A deeper understanding of the products (Education)
- Getting the best product (Personalized Recommendations)
- Personal attention and brand experience (Assistance, Contextual Engagement)

“Brand owners today have a direct relationship with customers. Brands who put their customers at the heart of the product and the product experience will beat those who don't. Consumers are looking for a fully interactive experience with their cosmetics brands becoming part of their lifestyle”.

- Suzy Ross, Senior advisor at Accenture

These consumer expectations aren't specific to new customers, either.

While new customers are looking for education and assistance to inform their purchases, existing customers are looking to engage with a brand that already knows their past interactions and buying behaviors. They want product recommendations and offers tailored specifically to them and their needs.

The health and beauty industry is undergoing massive disruption and as technology evolves, there are new challenges, opportunities, risks and rewards opening for brands and marketers.

II. THE GROWTH POTENTIAL AND CHALLENGES IN THE HEALTH AND BEAUTY INDUSTRY



In 2015, 8% of all health and beauty purchases² were made online, and this number is expected to grow at a CAGR of 13% by 2020³.

Personal health, cosmetics, and beauty products make up a \$445 billion industry⁴, and nearly \$12.11 billion of that was spent online in 2016⁵. Additionally, healthy and beauty products are often on re-order thanks to Millennial and Gen Z consumers who are more brand loyal than previous generations.

As more consumers shop online, brands are reinforcing their brand strategies to keep up the pace by focusing on increasing brand awareness and brand consideration in the digital space.

“We see a very different pattern in purchases online. Purchases online tend to be younger and tend to be, frankly, very profitable because consumers are very loyal when they get into it. There are a lot of good repeats.”

- Fabrizio Freda, the president and CEO of The Estee Lauder Cos. Inc.

2 ATKearney: <https://www.atkearney.dk/documents/10192/12152936/Beauty+and+the+E-Commerce+Beast+2017.pdf/dc42e2a4-12c5-449b-9cdb-1ebb3a60a70f>

3 Business Insider: <https://www.businessinsider.com/e-commerce-disrupting-health-and-personal-care-market-2015-4>

4 Forbes: <https://www.forbes.com/sites/chloesorvino/2017/05/18/self-made-women-wealth-beauty-gold-mine/#17804e662a3a>

5 Digital Commerce 360: <https://www.digitalcommerce360.com/2017/09/27/the-big-opportunity-in-online-health-and-beauty/>

In doing so, many health and beauty brands come up against critical challenges on digital channels:

- A saturated industry with increased competition from established brands and startups, as well as big-box e-commerce sites like Amazon and Alibaba
- Difficulty to stand out in a crowded marketplace and differentiate
- Price disparity and competition across various channels
- The influx of researching online and purchasing in the store
- A growing demand for personalized messaging and tailored product recommendations

Maximizing digital channels is also not without its own challenges for consumers. The Beauty Digital Brand Report in 2018 said that 65% of women felt overloaded with options – and this included the impact of influencers, media, and celebrities.

Challenges consumers face include:

- An overwhelming abundance of choices without clear differentiators or direction
- Complex product offerings that complicate the buying process instead of streamlining it
- A lack of education and value communication from brands that leave consumers confused and frustrated

Ukonwa Ojo, Senior VP at CoverGirl, explains:

“New technologies make it easy for beauty lovers to access trends, looks, content and experiences. Shopping behaviors have shifted toward e-commerce and specialty versus traditional bricks and mortar. And it is no longer just about beauty basics like mascara, foundation and lipstick. People want to try liners, contouring and highlighting products, shadows, glitters, glosses and so much more. **The range of choice within brands has expanded as dramatically as the number of brands themselves.**”



MAKING DIGITAL MORE HUMAN

Today, consumers have to invest more time in research and evaluation to make the best choice. Total product understanding isn't always readily available or convenient to consumers, which makes their decision-making process more complex.

Because there is less 'personal touch' on digital channels, shopping for health and beauty products online also instantly becomes a more sensitive and emotional purchase process for the consumer who is resigned to making a decision all on their own. To sort through this jungle of choice, consumers want guidance, customization and personalization.

In this **Engagement Economy**, 'a new era where everyone and everything is connected', customers expect brands to understand and communicate to them when they want, how they want, on the right channel, at exactly the right moment and in ways that resonate and are meaningful.

If brands want to forge long-term relationships, they need to truly care about their customers and connect with them on a personal level.

Regardless of the health and beauty products in your particular line (hair colors, shampoo, makeup, etc.), consumers expect an informative sales process. Delivering a consistent brand experience akin to what one would find in a store is paramount to achieving long-term success in the e-commerce marketplace.

According to Nielsen, consumers expect online platforms to fully understand their unique, individual needs. This is a contributing factor to why the top 20 cosmetics brands capture 90% of the industry's in-store dollars⁵, yet those same brands only see 14% of the online market share.

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As brands look to scale their e-commerce presence, uncovering these consumer needs, engaging in the right context, and proactively addressing the drawbacks of online shopping is the key to ongoing success.

The industry recognizes there is no 'one size fits all' approach, and with the abundance of consumer data available, it finally can do something about it.

“With all technology, we see consumers craving to bring humanity back to an increasingly impersonal world and increasingly impersonal shopping experience. We need to find ways to simplify the overwhelming complexity of the world we live in.”

- Mike George, the president and CEO of QVC

III. CHOICE OVERLOAD - THE SMUDGE ON ONLINE REVENUE OPPORTUNITIES



As more companies enter the space and incumbent brands expand their online offerings to increase their market share, they're giving consumers access to more and more options.

People subconsciously love having a variety of choices, since it allows us to feel as though we're making a strong, defining decision about ourselves.

As consumers become more in tune with the digital world, however, these constant choices have become tiresome and paralyzing, leaving consumers overwhelmed and brands with empty pockets.

Whenever a consumer becomes overwhelmed by the number of options available, they become uncertain and hesitant about making a buying decision.

Without the education and insight that should accompany these purchases, customers become confused and abandon their shopping altogether or leave with products that are not right for them.

The problem certainly isn't driven by a lack of options when choosing what to buy or where to shop; instead, the issue stems from there being too many good options.

The industry inadvertently introduces a choice overload situation in different ways:

1 Inclusivity: Reaching diverse consumer audiences

Take Rihanna-helmed beauty line Fenty for example. Fenty disrupted the industry by capturing an audience that has been consistently ignored by most of the industry. The makeup line, which famously has 40 shades of foundation⁶, allowed the brand to expand into an untapped market. The darkest shades consistently sell out, highlighting the incredible opportunity these diverse audiences present for brands. **Still, as brands clamor to follow in Fenty's footsteps, choice overload is sure to follow.**

2 Race for new products

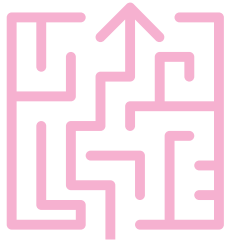
As the growing opportunity in the marketplace makes every single consumer critical, brands are racing to meet consumer demands by constantly developing new products. This rapid innovation and speed when pushing products to market inevitably introduces choice overload and noise. It can only be successful if it is accompanied by education. **Consumers, consultants, and employees alike need to understand the message and become brand ambassadors in their own right.**

3 Increased competition

Upstart brands, influencers, and social media engagement give consumers multiple options, and brands face the risk of losing once loyal customers to companies that do a better job at addressing consumer wants and needs. The choice overload that comes with this new competition can be overcome with concise, buyer-centric experiences. **Traditional brands can stand out from the crowd by doing what they do best: delivering amazing, customer-friendly shopping experiences and exceptional consultations.**

The answer here can not be fewer options. It's giving consumers the tools and resources they need to make stronger choices. This way, their hearts – and their minds – will be at ease.

The answer is through technology. Intelligence-driven digital solutions that help deliver individual, tailored experiences. Instead of becoming overwhelmed by choices, consumers can easily find their perfect product.



“What online customers want is a streamlined, concise way to wade through the ‘noise’ and find exactly what they want and need. The question then becomes how to deliver these experiences in the digital realm without overwhelming or alienating consumers.”

- Sarah Assous, VP Marketing
at SMARTASSISTANT



IV. SHAPING THE FACE OF HEALTH AND BEAUTY IN THE ENGAGEMENT ECONOMY



The Engagement Economy emerged as a byproduct of digital disruption. While most marketers and companies have figured out how to reach and capture the attention of their audience, now in this digital age, making the next step is even more important: **gaining their engagement and active participation to develop and maintain long lasting relationships.**

In order to do this, health and beauty brands have to deliver meaningful experiences that are founded on trust and feel real and human, as today's consumers crave the semblance of the personal touch. This means that businesses need to listen to what every individual does, wants and needs and then engage with them across a multitude of touchpoints throughout the customer lifecycle, providing an individualized and adaptive experience.

At this cross-section of technology and human interaction is the digital sales assistant, which combines Artificial Intelligence (AI) with human-facing engagement to help bridge the gap between in-store and online experiences.

AI-powered digital assistants address the human need for conversational engagement and individual understanding.

These solutions allow brands to engage with customers on digital channels and provide them with educational, consultative experiences.

Instead of customers being left on their own with overwhelming choice overload, brands can deliver the same level of assistance, support, and helpfulness that they would deliver in-store, before and after a purchase.

HOW IT WORKS

Digital sales assistants ask a series of targeted questions directly to a consumer shopping online, creating contextually relevant engagement and more convenient buying experiences. The digital sales assistant “learns” exactly which questions to ask and understands what customers are looking for to narrow down the selection to products that suit their particular needs and wants.

Without the excess noise and choice overload, customers become more comfortable with their purchase decisions, effectively increasing conversion rates and reducing the risk of returns. These intelligent solutions can help brands connect with customers on a whole new level while scaling digital innovation and uncovering hidden consumer insights:

Better understand your customers

Acting in lieu of an in-person sales rep, an AI digital sales assistant engages consumers one-on-one via an interactive dialogue to better understand and uncover their unique wants and needs.

The sales assistant can control the flow of the conversation in real-time based on the unique answers it receives. These answers help inform other strategic marketing efforts, such as featured products and choices.

The assistant automatically “learns” from user behavior and knows how to optimize conversation flows, selecting and asking the right questions at the right moment and in the right context to deliver the most appropriate customer engagement.

Reduce choice overload without limiting choices

Just as an in-person sales assistant would guide a customer to a specific display, a digital sales assistant analyzes a customer's input and recommends the most suitable options available.

Additionally, the digital sales assistant provides **unique educational content and product highlights for every recommendation** to help expand the customer's knowledge and increase buying confidence.

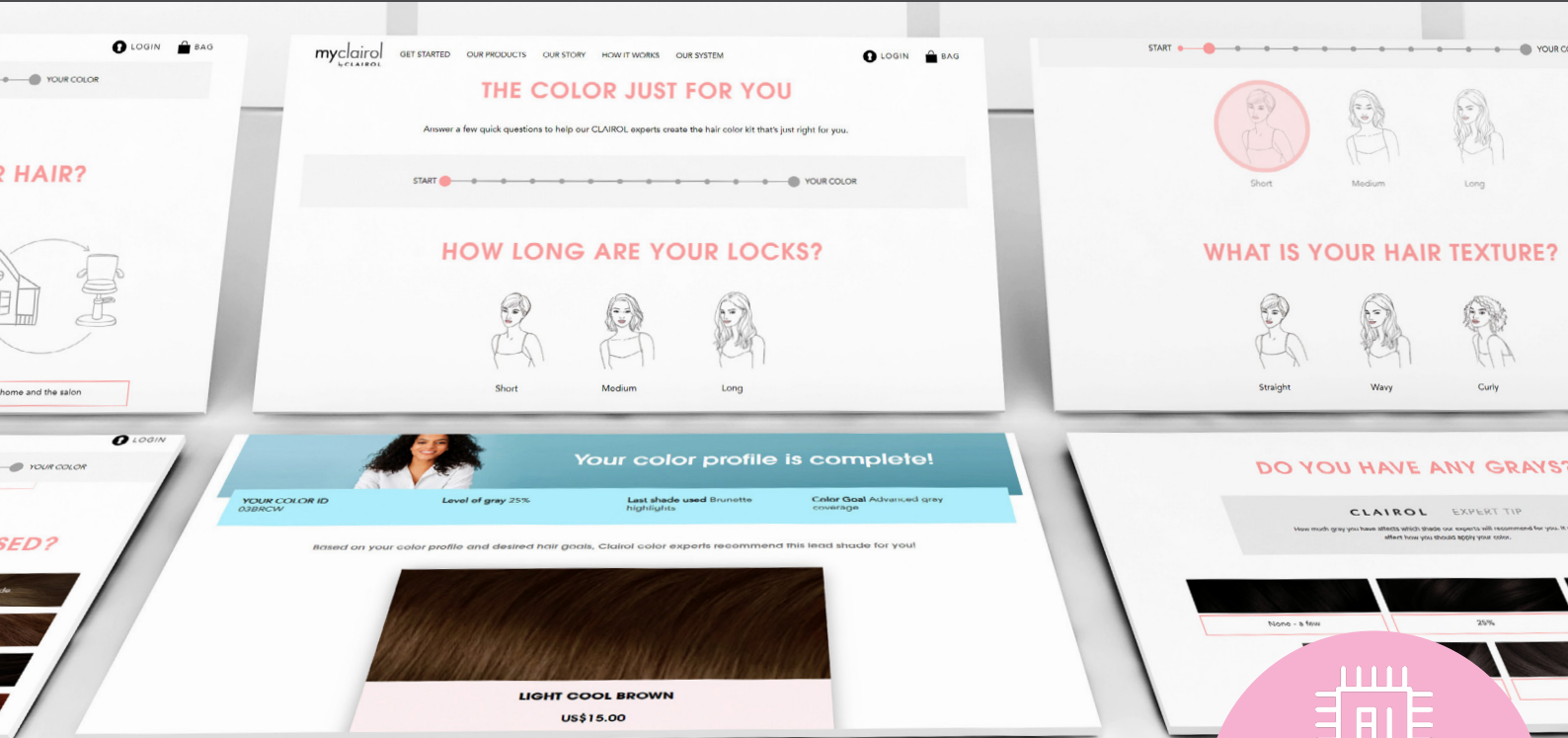
Create a seamless shopping experience across channels and devices

Today's online shoppers aren't limited by location like those in stores. For health and beauty brands to truly take advantage of the digital opportunity, they must be able to deliver omnichannel shopping experiences that go where the customer goes. When it comes to AI digital sales assistants, customers can have a **seamless, consistent engagement experience whether they're on a desktop, smartphone, or in a store.**

KEY EXAMPLES

Innovative health and beauty brands around the world are using AI digital sales assistants to engage with consumers and successfully make the transition from in-store to the digital space. As the engagement economy becomes more critical and consumers

expect more from brands online, health and beauty teams are delivering targeted solutions directly to consumers:

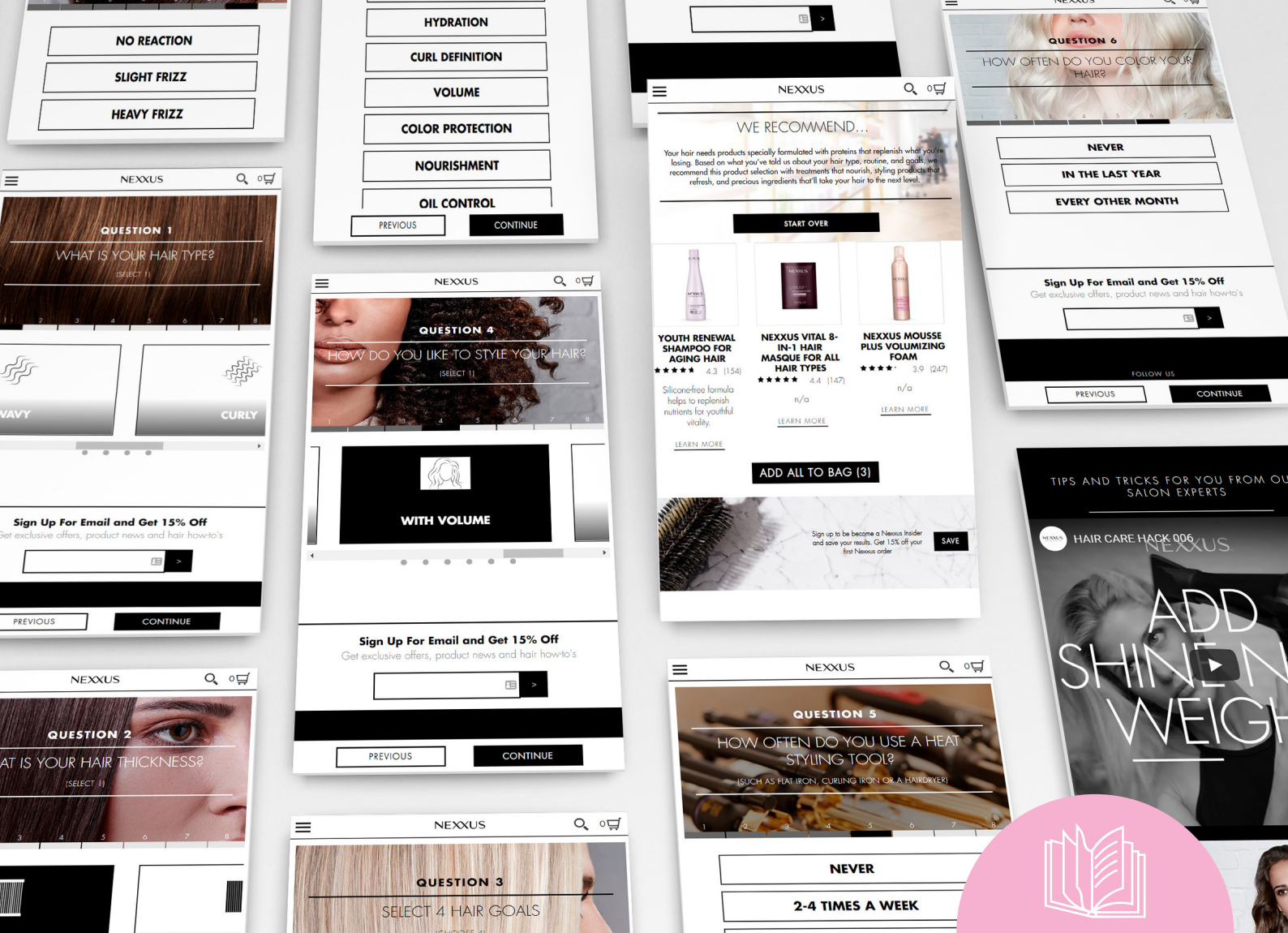


CLAIROL

PERSONALIZATION AND TARGETED RECOMMENDATIONS

The hair care industry is one of the most competitive and crowded industries within the health and beauty space as a whole, and for industry giant Clairol, a Coty brand, winning over the competition in the online marketplace meant delivering solutions to customers to help eliminate choice overload and reduce product confusion.

The brand implemented a digital sales assistant, which gently leads customers to the right product for their specific needs in just a few steps. Now, instead of clicking through pages and pages of shampoos, conditioners, and at-home color products, customers can go through a similar sales process as they would in-store, with a digital sales assistant showing the best recommendations for their specific hair type and hair goals.



NEXXUS

EDUCATION, DISCOVERY AND CONTEXT-SENSITIVE CURATION

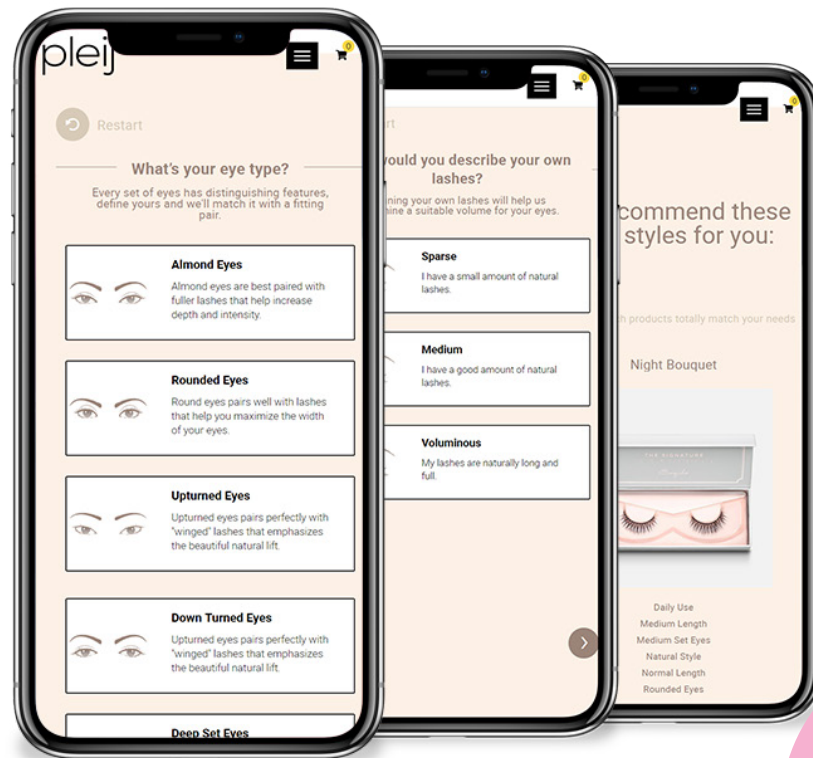
As online shopping becomes a larger market in the health and beauty industry, customers are looking for the same educational experience they would receive in-store.

Salon hair product line Nexxus recognized this need in their customer online shopping experience and looked to AI-powered digital sales assistants to help fill this gap.

Now, instead of wondering what products to use – and how to actually use them – Nexxus is bringing the salon experience online.

Customers go through a series of questions, each informed by the answers they've previously entered.

At the end of the questionnaire, the customer receives curated product recommendations, a paragraph explaining why these are the best products, as well as educational content on how to use the products or discover other relevant solutions.



pleij
salon . spa . wellness



DATA AND INSIGHT INTO CUSTOMER NEEDS AND WANTS

There is a reason that online stores only convert five in every 100 visitors⁷, compared to over 25 out of 100 in brick-and-mortar stores: adaptive selling.

As sales reps get to know more about their customers, they can quickly pivot sales strategies, which, until now, has been impossible for e-commerce brands.

For Pleij Salon, a leading online provider of all things beauty, knowing exactly what customers are looking for helps inform online messaging, marketing, and branding.

The Pleij eyelash extension guide is an AI digital sales assistant, that prompts customers into sharing information about the why behind their shopping,

such as where they are going to wear their lashes or what type of beauty personality they have. With this additional data, Pleij can focus and customize online interactions to the needs of their customers.

Brand consultant Antony Hawman from The Partnership Atelier says,

“Brands should be investing in their data science and analytics teams, as these insights drive all new product development, buying and marketing decisions. In the climate that we’re in, this is a gift, as it means we’re able to base our buying decisions on qualitative and quantitative customer feedback and shopping habits along with our sell-through reports, to give the best shopping experience we can.”

CONCLUSION & RECOMMENDATIONS



Already, online purchases of previously store-only products are up, such as color cosmetics and skincare items. In 2014, only 29% of brands² said they would purchase color cosmetics online. This number is now up to 34%, thanks in large part to the rise of virtual testing tools and the accuracy of the technology in place.

As you work to set your brand up for success in the digital age, keep the following factors in mind:

- ① Understanding the new expectations of your customers when they shop for health and beauty products online.
- ② Establishing a dialogue with consumers to enrich the brand experience
- ③ Communicating with them when they want, how they want, on the right channel, at exactly the right moment and in ways that resonate and are meaningful.

- ④ Using intelligent technology to enable contextually relevant engagement at the right time.
- ⑤ Reducing choice overload for consumers not by restricting choices but by making it easier to make decisions.
- ⑥ Delivering the right educational and thought leadership resources to help consumers feel like product experts quickly.
- ⑦ Collecting unique data points and insights on consumers to influence future marketing campaigns and get personal.

With these factors driving your strategic decision-making process, your team will be able to avoid the risk of becoming irrelevant by developing better, context-driven engagement, demonstrating that you understand the values of individual consumers and letting them know that you want them as a loyal customer.

WHY SMARTASSISTANT

If you're seeking to make the digital purchase journey more engaging and profitable by offering your customers needs-based assistance and guidance, we can support you with setting the right strategy for your organization and implementing suitable solutions.

Based on our research and experience in working with retailers, multinational brands and manufacturers as well as banking and telco clients, we have the right combination of capabilities, technology and knowledge to realize financial value for your digital business.

With our AI-driven SaaS technology and solutions, businesses can provide buyers with intelligent guidance and assistance in the right moment and context to guide shoppers to the right products, help them make confident purchase decisions, increase the sales value (upselling and cross-selling) and drive overall loyalty.

It presents a unique opportunity for companies to reduce the negative effects of choice overload on their sales performance by focusing on their buyer's individual needs.

LEADING BRANDS TRUST SMARTASSISTANT



BEAUTY. LIBERATED



WISSEN SCHAFFT GESUNDHEIT



ABOUT SMARTASSISTANT

SMARTASSISTANT provides the leading technology to build and deploy intelligent digital sales assistants that help people choose. Combining machine learning and customer engagement best practices, digital assistants bring the missing human touch to digital channels. Businesses in varied industries use SMARTASSISTANT to deliver helpful, assistive, intelligence-driven interactions that drive conversions and boost sales across web, mobile, social, POS and digital kiosks.

For more information, examples and case studies, please visit <http://www.smartassistant.com>

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