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The Role of Search on Beauty Product Shopping

Google Compete Custom Beauty Research Study
U.S., 2009

Study Objectives

Understand the role of **online resources** in how the beauty buyers make decisions

Find out **which beauty buyers** are using online resources and for what purpose

Quantify how beauty shoppers are using **Search Engines** in making their decisions

Find out **which beauty buyers** are using Search Engines and for what purpose

Explore how **online** beauty purchasers use the web

Study Methodology

Overview

Identify how consumers shop online for beauty products and specifically identify the role of search

Methodology

Clickstream Analysis

- Conducted on Compete's panel of 2 million U.S. consumers
- Timeframe: Q1-2007 – Q1-2009
- Products of interest: personal care, fragrances and both premium and standard cosmetics

Survey Analysis

- 4,244 consumers in December 2008 who had recently purchased beauty products & 1,448 consumers in January 2009 who had recently visited a beauty-related website

Key Terminology:

Online Beauty Shopper – a consumer who visited any beauty-related website, but did not necessarily make an online purchase

Beauty Searcher – a consumer who used search to navigate to a beauty related website (**Searchers are a subset of Shoppers**)

Online Beauty Purchaser – a consumer who specifically made a purchase on a beauty-related website (**Purchasers are a subset of Shoppers**)

Beauty Websites

- **Beauty Manufacturer sites** – Websites of leading beauty brands (**e.g. Olay.com, Clinique.com**)
- **Research sites** – Websites that host information on beauty brands and products (**e.g. NewBeauty.com**)
- **Retailer sites** – Merchants selling beauty products (**e.g. Sephora.com**)

Key Findings:

Online resources are important information sources for all beauty purchasers

The online beauty shopper is **more valuable, influential and engaged** than her counterpart who doesn't use online resources

The beauty shopper who uses Search Engines is **more valuable** than one that does not

Competition for beauty shoppers is fierce in the online space

Beauty purchasers search on **branded and non-branded** keywords

Those who buy online use **online resources** throughout the process

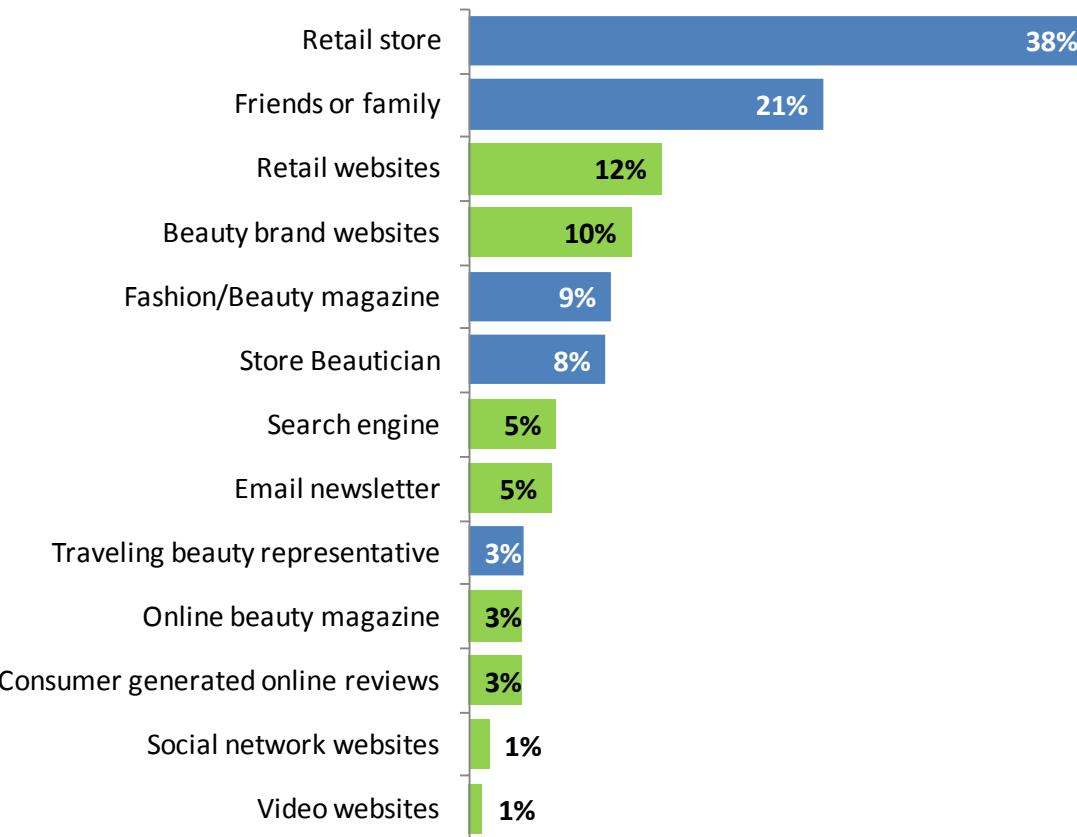


Why should **beauty** marketers care about the web?



Beauty shoppers get their information from a variety of sources, including online

Resources Used by Beauty Shoppers
Among purchasers who used a resource to shop for their most recent beauty product

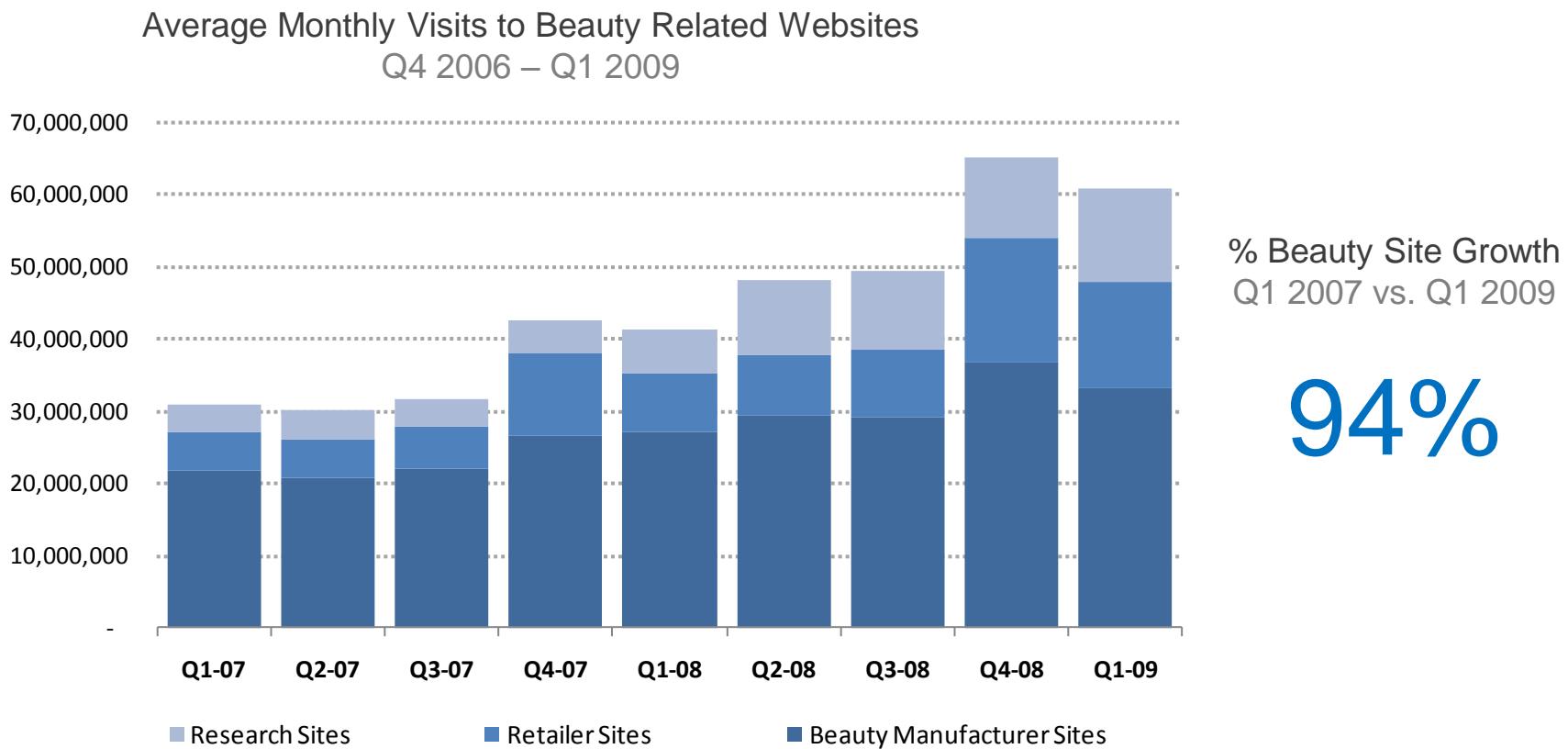


Q2: Thinking about the {Insert "Cosmetics/Skin Care", "Fragrance" or "Personal Care"} products you purchased in the past three months, what sources did you use to find information about what products and brands to buy?

Base: Beauty purchasers, n=4244

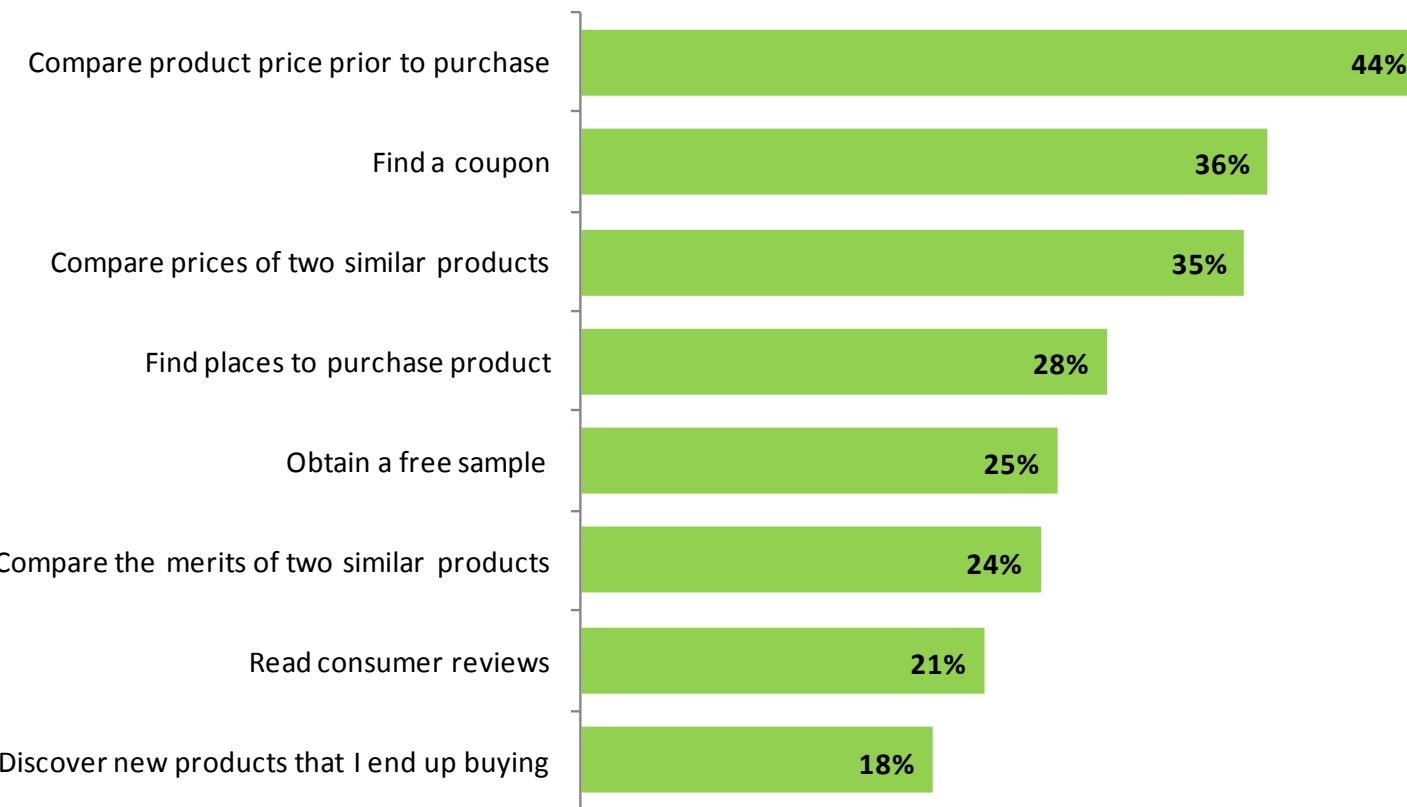
Source: Google CPG June 2009 Study: Compete Beauty Products and Cosmetics Survey Questionnaire

The role of the online channel has increased in importance over the past several quarters



How do beauty shoppers use the web?

Tendency to Perform Specific Actions when Shopping Online for Beauty Products
Beauty product purchasers stating “Often” or “Frequently”



Q14: Please indicate how often you do any of the following activities when you go online to look for information about what {Insert “Cosmetics/Skin Care”, “Fragrance” or “Personal Care”} products and brands to buy? (5-point scale)

Base: Beauty purchasers, n=4244

Source: Google CPG June 2009 Study: Compete Beauty Products and Cosmetics Survey Questionnaire

Who are these online beauty shoppers?

43% are between the ages of 25-44 (vs. 37% for non online shoppers)

50% have a household income above \$60K (vs. 46% for non online shoppers)

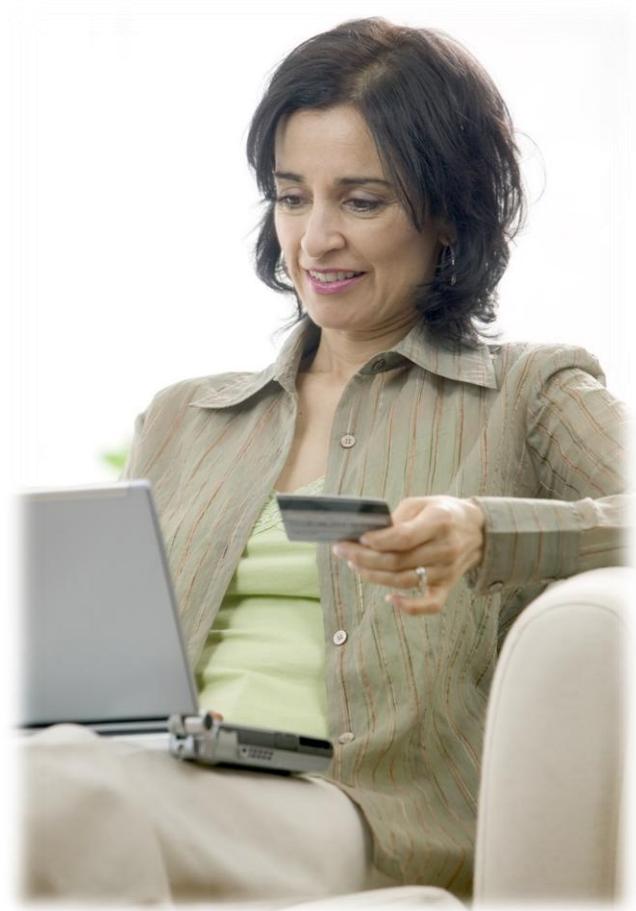
20% use 6 or more different brands of beauty products (vs. 1 in 10 non online shoppers)

48% use the web to research beauty products at least once a month

60% spend more than \$25/month on beauty products (vs. 40% among consumers who don't shop online)

Each month **20%** use search to shop for and research beauty products

Twice as likely to read beauty magazines



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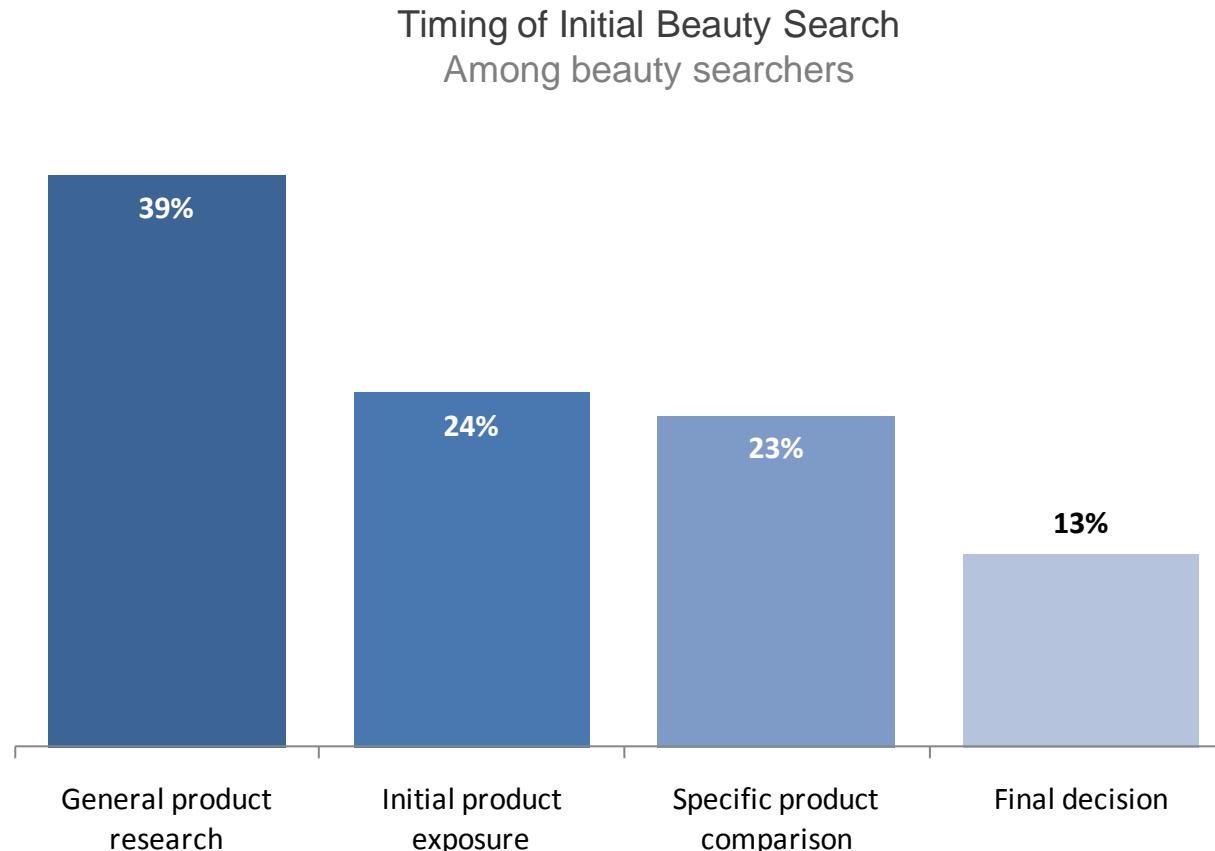
How are beauty shoppers using **Search**?



Between May and October 2008, 26 million unique beauty shoppers used search to arrive at a beauty website, accounting for 52% of all visitors.



Search is used throughout consumers' shopping consideration process



Q8. Thinking about your most recent {Insert "Cosmetics/Skin Care", "Fragrance" or "Personal Care"} purchase, when did you use each of the sources during your decision about what to buy?

Base: Beauty searchers who used a resource to shop for their most recent beauty product, n=175

Source: Google CPG June 2009 Study: Compete Beauty Products and Cosmetics Survey Questionnaire

How do beauty shoppers use search when shopping online for beauty products?

% who use search to **find** a specific product:

67%

% who use search to find where to **purchase** a product:

56%

*Beauty product purchasers stating “Often” or “Frequently”

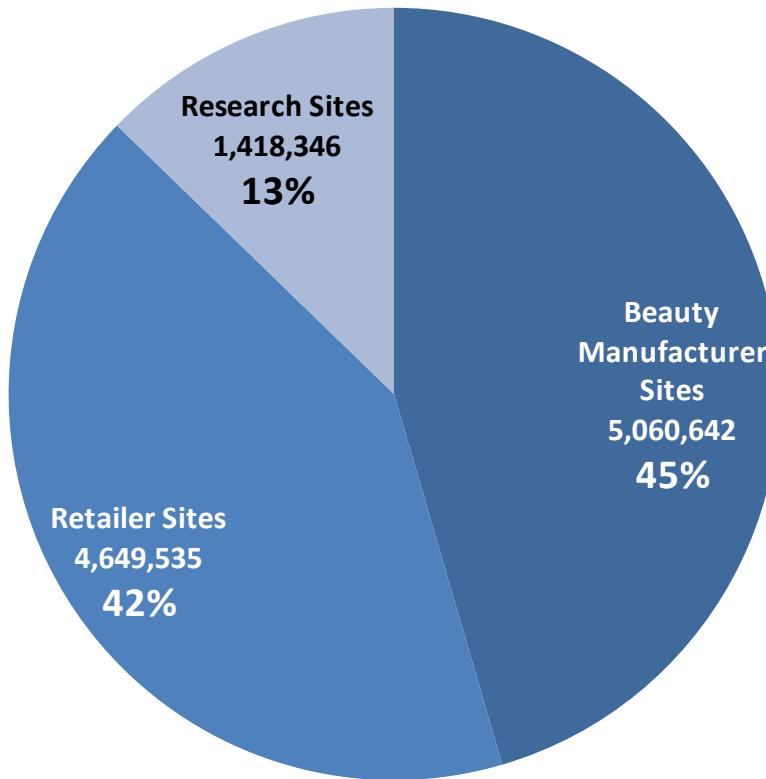
Q14: Please indicate how often you do any of the following activities when you go online to look for information about what {Insert “Cosmetics/Skin Care”, “Fragrance” or “Personal Care”} products and brands to buy? (5-point scale)

Base: Beauty searchers, n=224

Source: Google CPG June 2009 Study: *Compete Beauty Products and Cosmetics Survey Questionnaire*

Where do beauty shoppers go post-click?

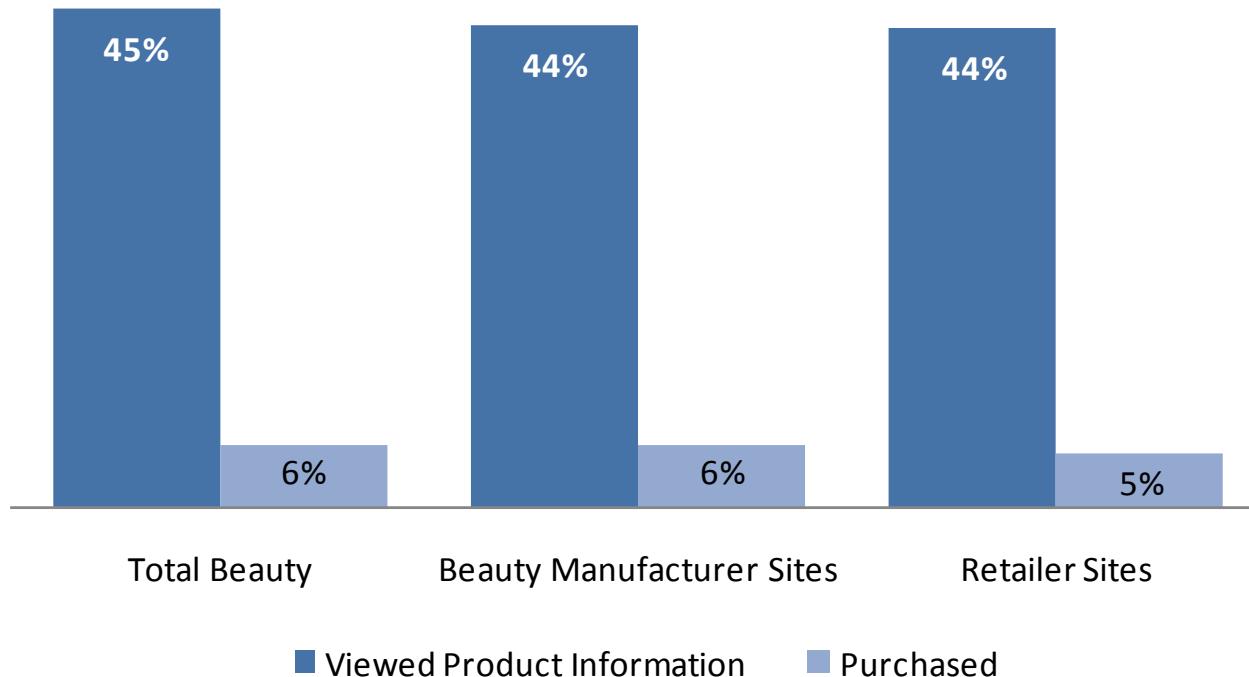
Search Click-through Type Breakdown
Among shoppers arriving at beauty sites via search engine, Q3 2008



What do you beauty searchers do post click?

Post Click-Through Activity

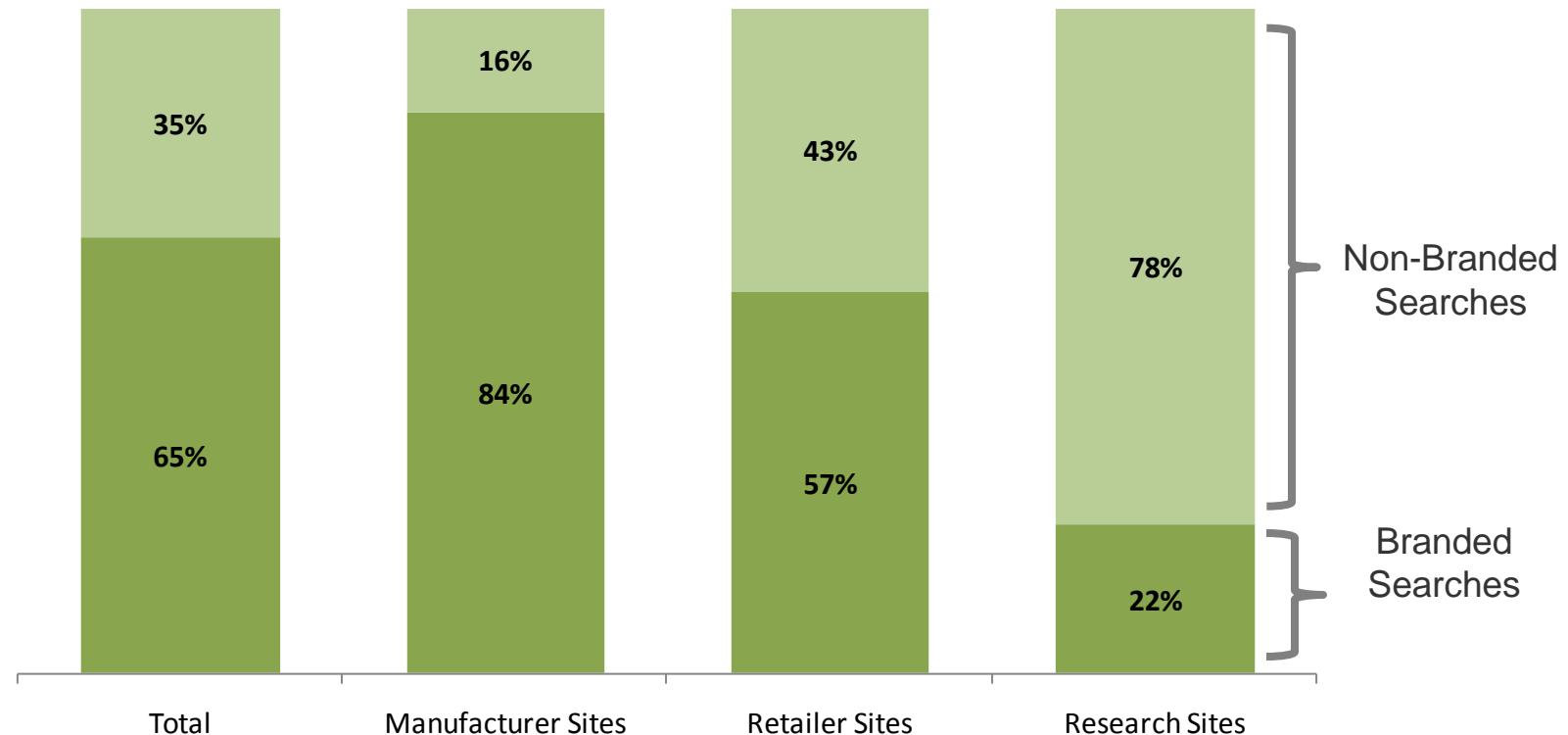
Among shoppers arriving at beauty sites via search engine, Q3 2008



Different categories of beauty sites capture traffic from various types of keywords

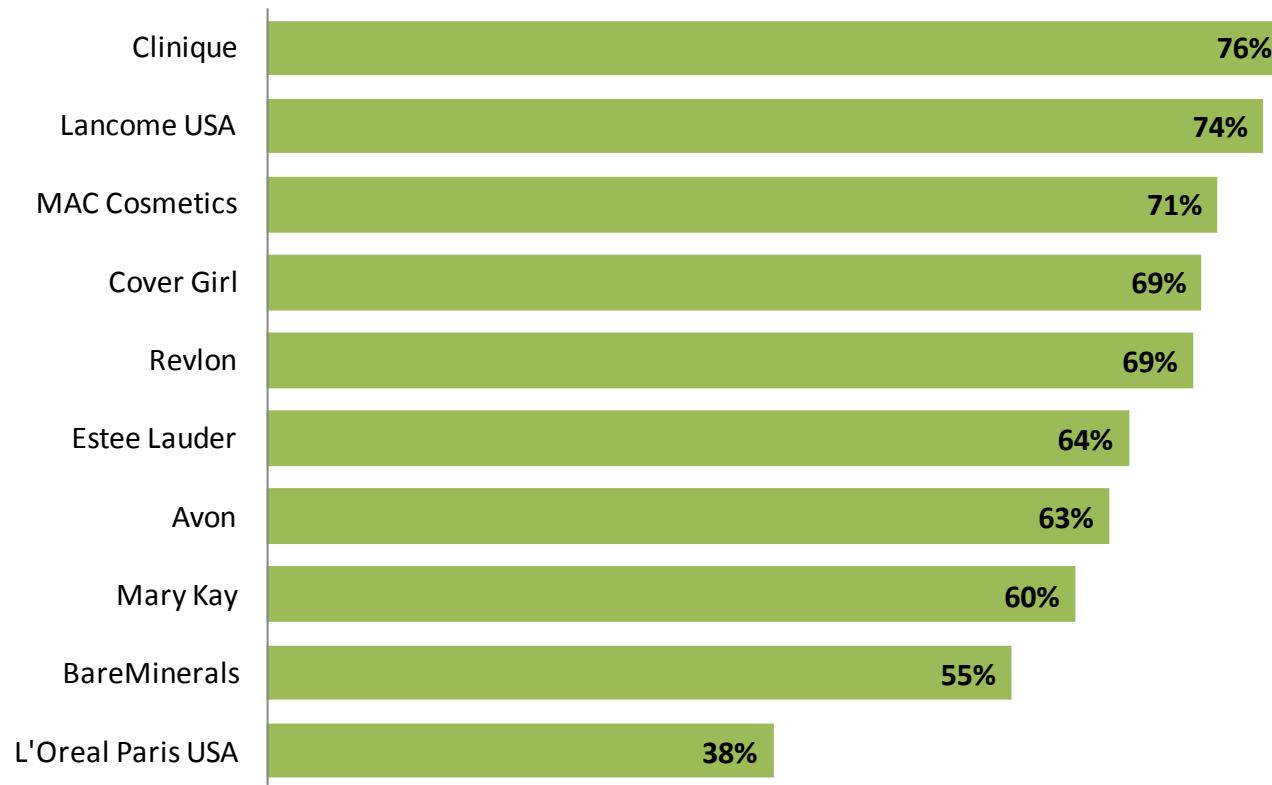
Search Click-through Type Breakdown

Among shoppers arriving at beauty sites via branded and non branded search terms, Q3 2008



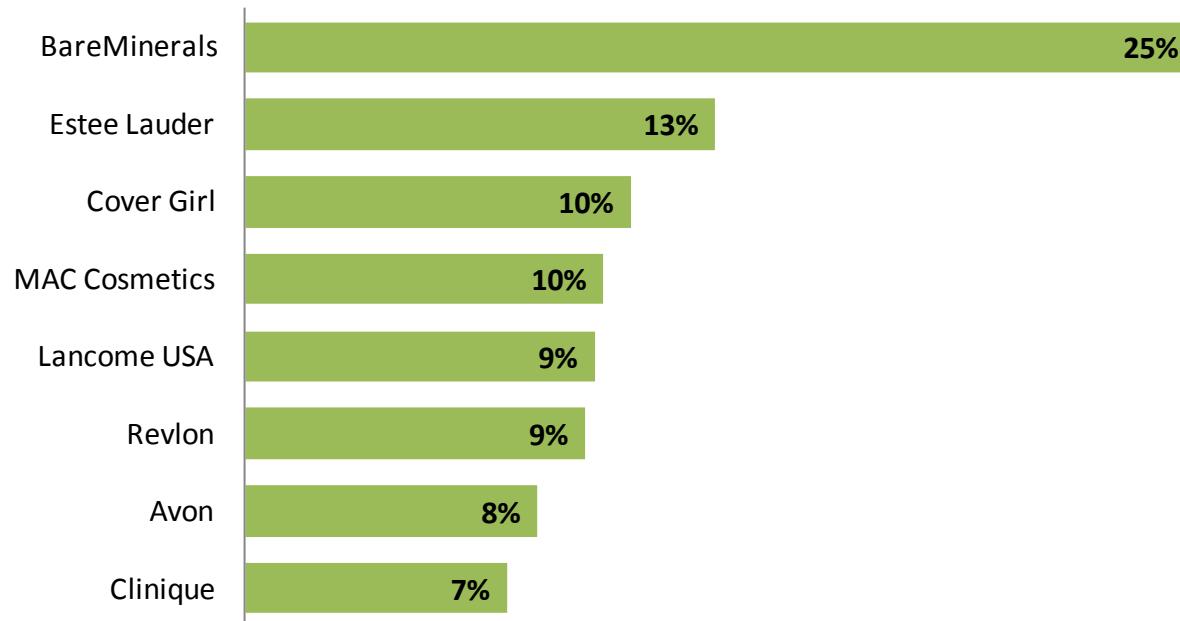
Competition for beauty shoppers is fierce in the online space

Brand (Broad matched) Click-Through Loss Rate
Among shoppers arriving at a beauty site via search engine, Q3 2008



Search marketing plays an important role in this competition

Brand (Broad matched) Sponsored Click-Through Loss Rate
Among lost click-through referrals to each beauty site, Q3 2008



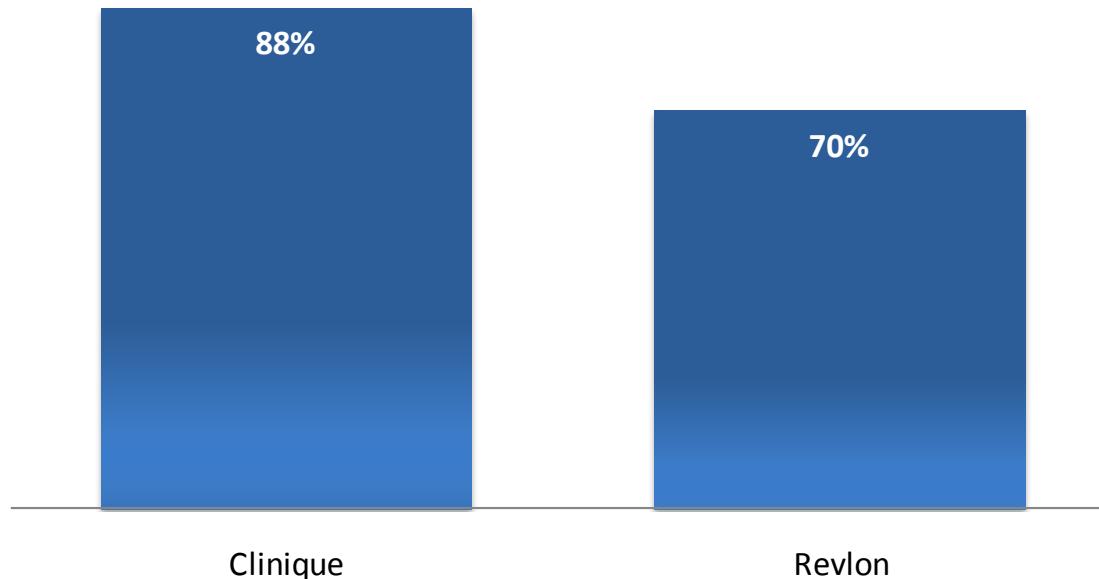
While retailers capture nearly a third of lost branded click-throughs...

Destination of Lost Branded Click-Throughs
Among lost branded click-through referrals, Q3 2008



...the majority of shoppers continue to shop for the brand on the retailer's website

Brand Interaction Following a Lost Click-Through
Among lost brand click-through referrals to each retailer, Q3 2008





How are **searchers** different than non
searchers?



Beauty searchers are more **valuable** for marketers

Compared to beauty shoppers who don't use search, searchers are:

- Younger and more affluent
- **64%** more likely to make an online beauty purchase
- **4X** more likely to spent over \$50/month on beauty products
- Beauty searchers are **70%** more likely to try new beauty products
- **29%** of beauty searchers use 6 or more beauty brands (vs. 11% of non beauty searchers)



Beauty searchers are more **influential** and **engaged**

Compared to beauty shoppers who don't use search, searchers are:

- **Nearly twice** as likely to tell friends about the products they use
- **160%** more likely to be viewed by peers as knowledgeable about beauty products
- Beauty searchers are **25%** more likely to use social networks and return 60% more often
- **25%** of searchers state their beauty purchases are influenced by beauty magazines (vs. 10% for non beauty searchers)



33% of beauty searchers spend \$50 or more a month on beauty products versus 10% of non beauty searchers**



** indicates significance at the 95% level

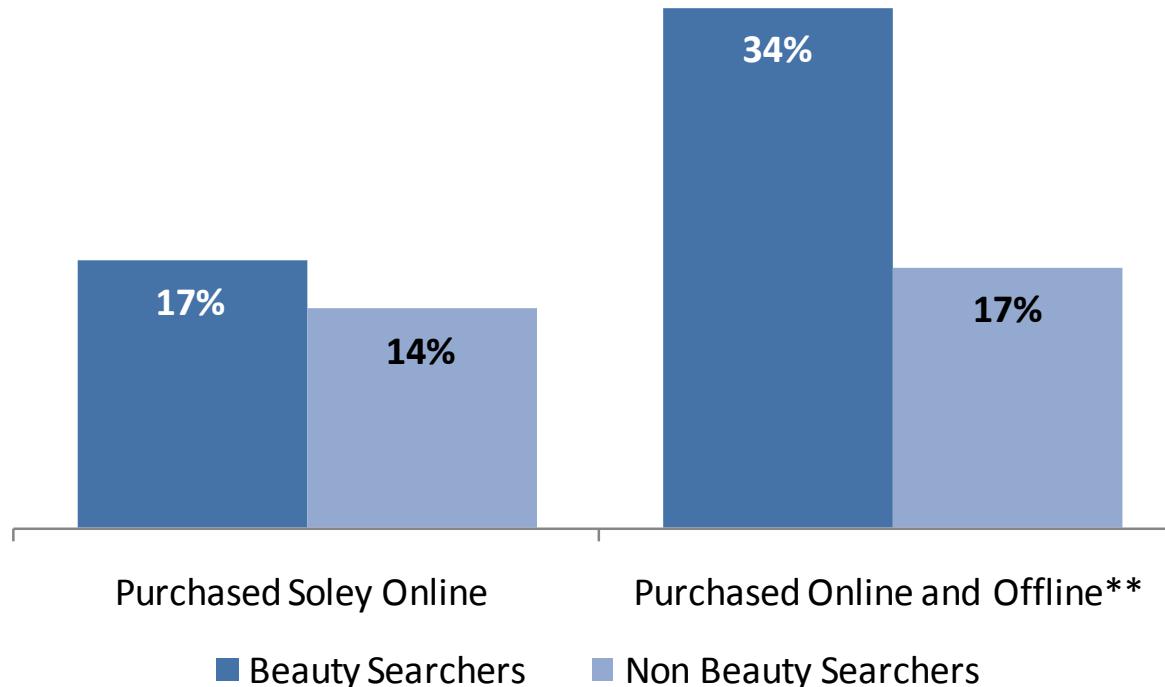
Q16; During a typical month, how much would you estimate you spend on personal care products?

Base: Beauty searchers, n=224; Non beauty searchers, n=4020

Source: Google CPG June 2009 Study: Compete Beauty Products and Cosmetics Survey Questionnaire

Beauty searchers are more likely to purchase beauty products online

Percent of Beauty Shoppers Purchasing Online
Among all beauty researchers



** indicates significance at the 95% level

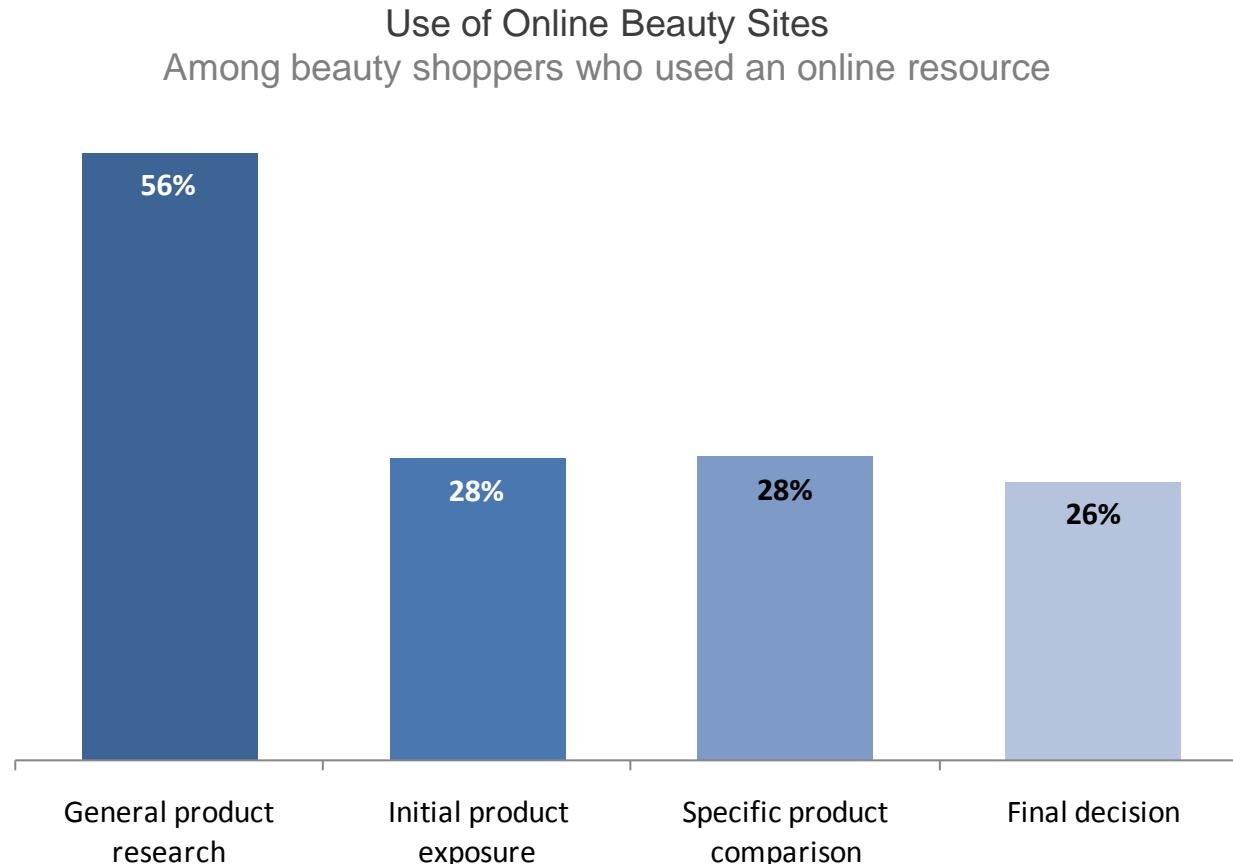
Q3: Thinking back on the products you shopped for or researched within the past month, where did you purchase these item(s)?
Base: Beauty researchers, n= 426-1022
Source: Google CPG June 2009 Study: Compete Survey Questionnaire #2

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How do beauty **purchasers** use the web?



Beauty purchasers use online beauty resources throughout their shopping consideration process



Q8. Thinking about your most recent {Insert "Cosmetics/Skin Care", "Fragrance" or "Personal Care"} purchase, when did you use each of the sources during your decision about what to buy?

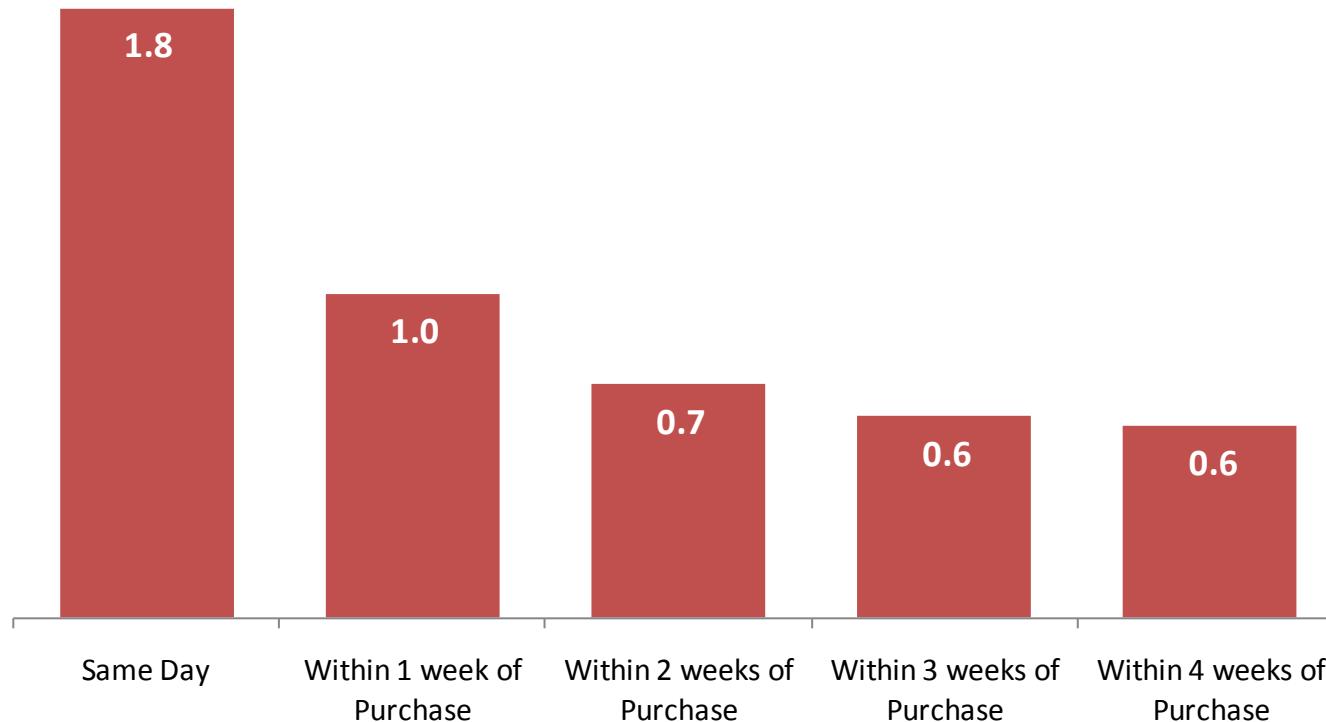
Base: Beauty purchasers who used an online resource to shop for their most recent beauty product, n=612

Source: Google CPG June 2009 Study: Compete Beauty Products and Cosmetics Survey Questionnaire

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Beauty site visitation increases as consumers approach the day of purchase

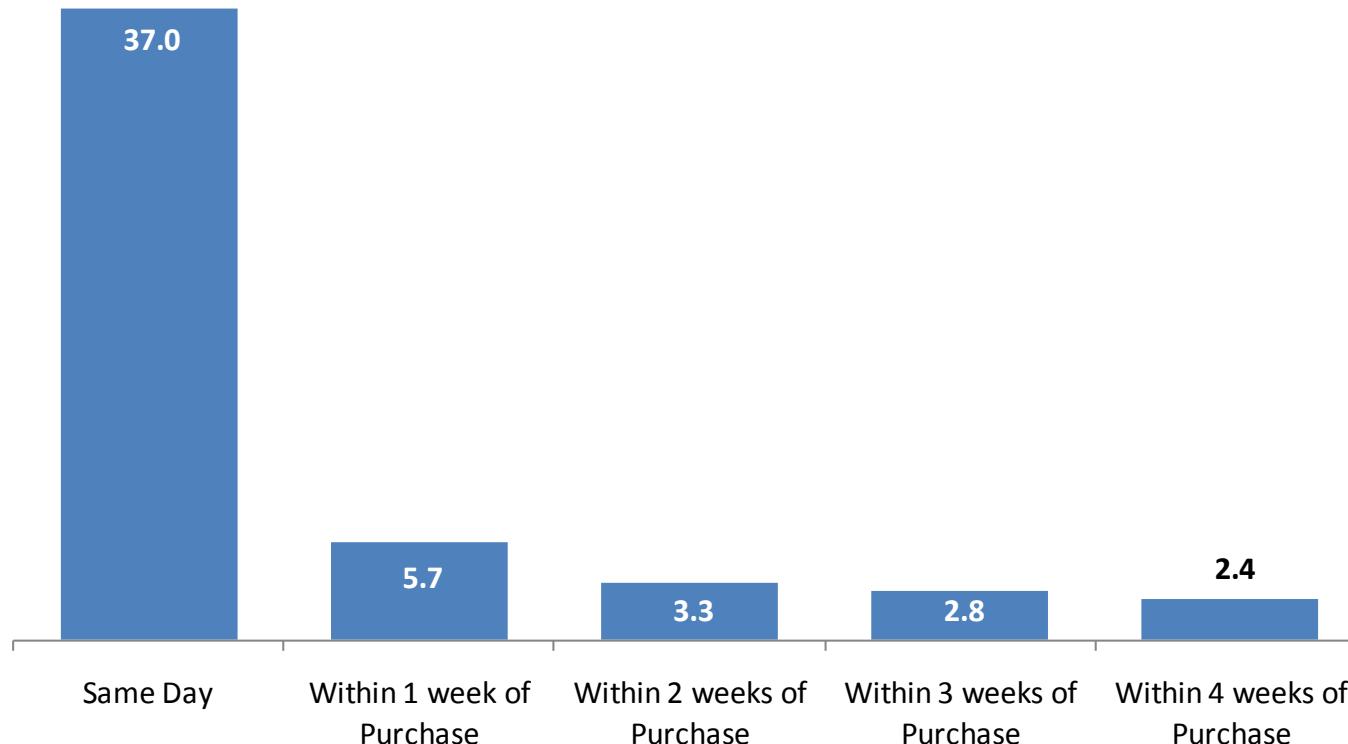
Beauty Site Visitation Frequency (Non-Cumulative)
Among converting beauty site visitors, Q3 2008



Beauty shoppers consume a lot of content on the day of purchase

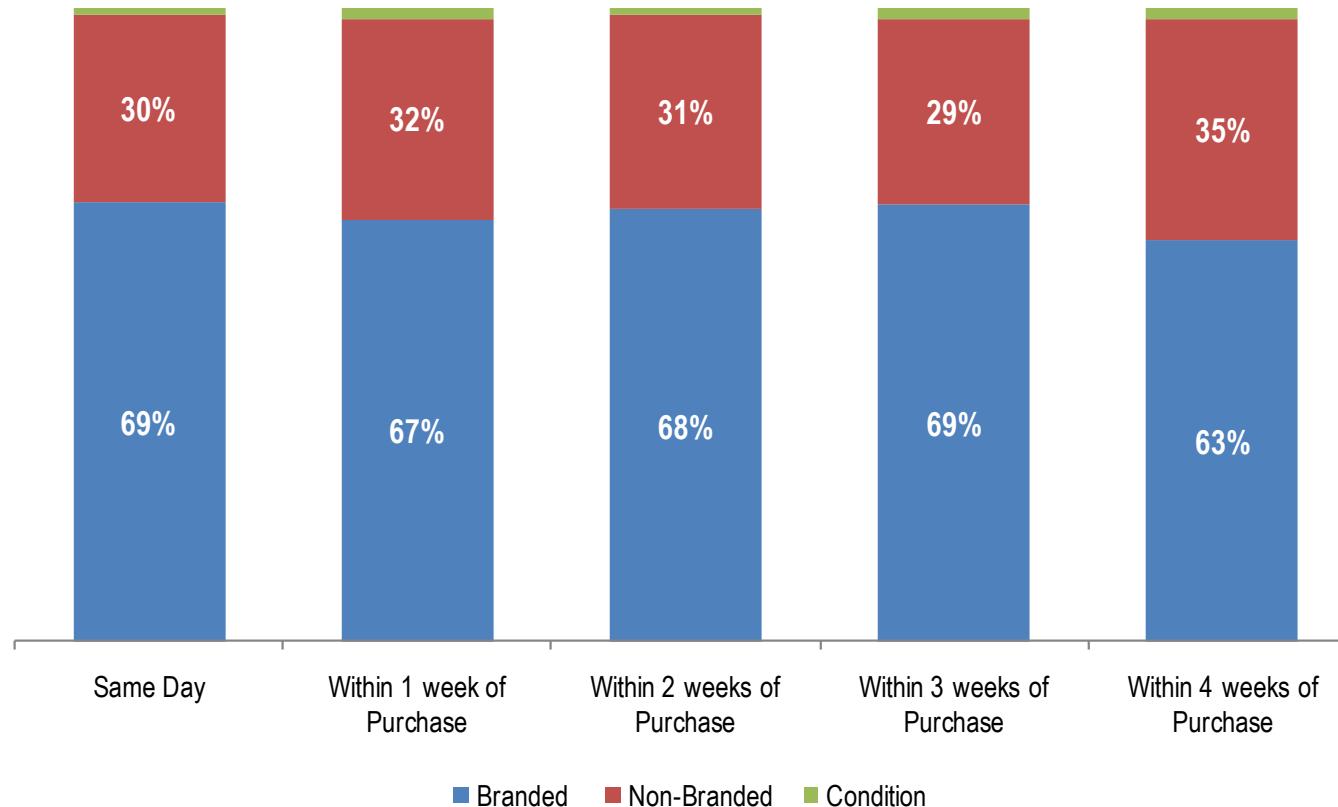
Beauty Site Visitation Duration in Average Minutes (Non-Cumulative)

Among converting beauty site visitors, Q3 2008



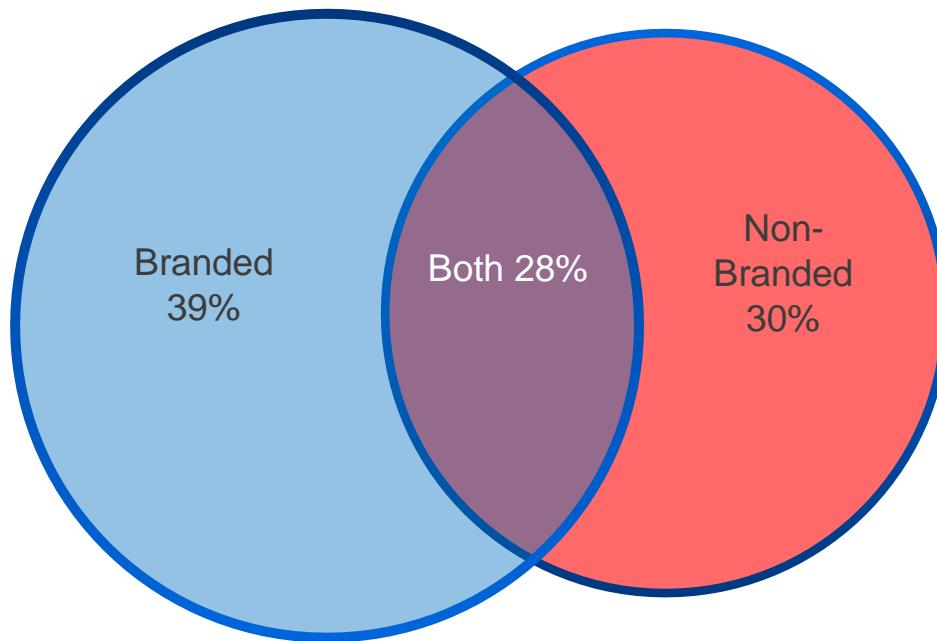
Branded term use increases slightly as consumers approach the day of purchase

Beauty Site Visitation Frequency by Term Type (Non-Cumulative)
Among search driven beauty site visits, Q3 2008



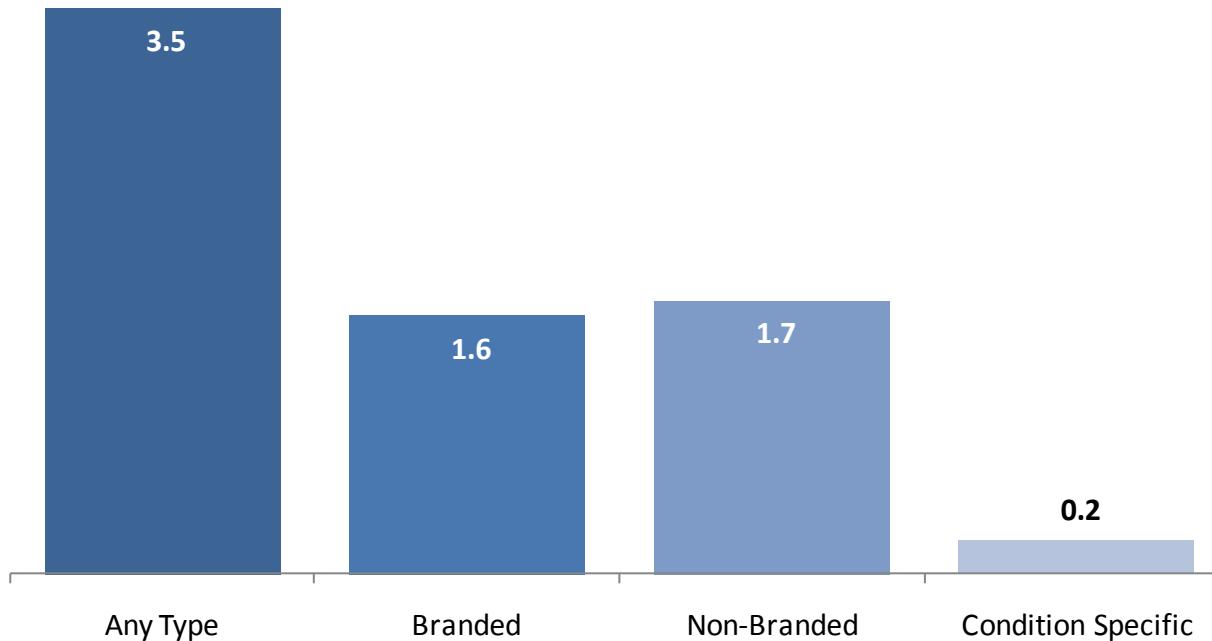
Online purchasers show little preference between branded and non branded searches

Searcher Penetration by Term Type
Among search driven beauty converters, Q3 2008



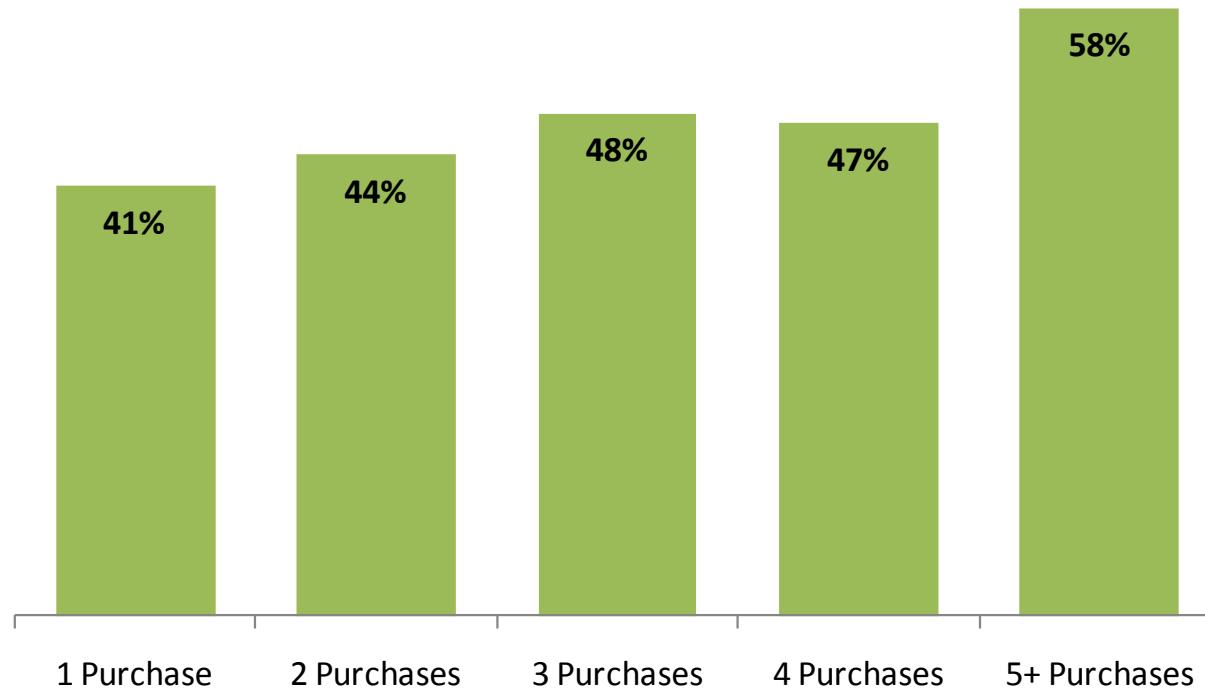
Purchasers show no preference between branded and non-branded keywords

Search Query Type Classification Among Converters
Among search driven beauty converters, Q3 2008



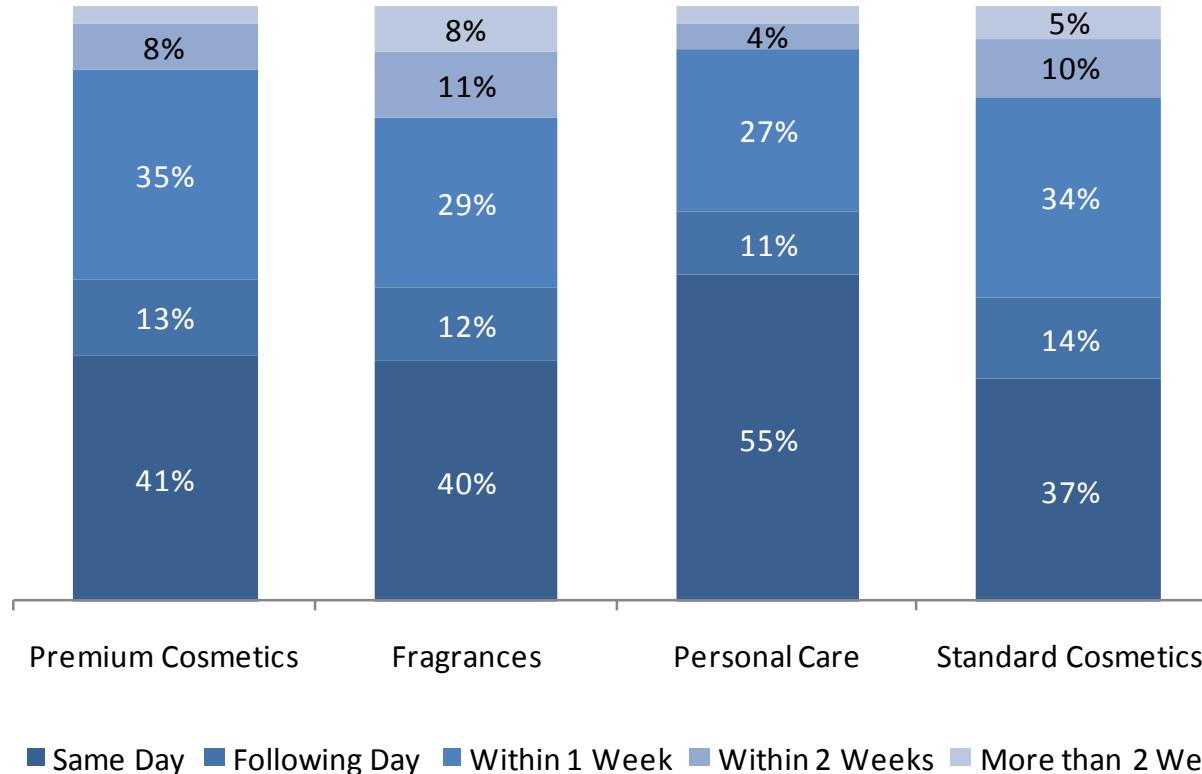
The more a shopper clicks on paid beauty search ads, the more often she buys

Share of Beauty Searchers Clicking on Paid Search Results
Among beauty site visitors arriving via paid search result, May – Oct 2008



86% of beauty purchasers begin researching within a week of purchase

Time Between Initial Research and Purchase for Most Recent Purchase
Among beauty purchasers who conducted research prior to purchase

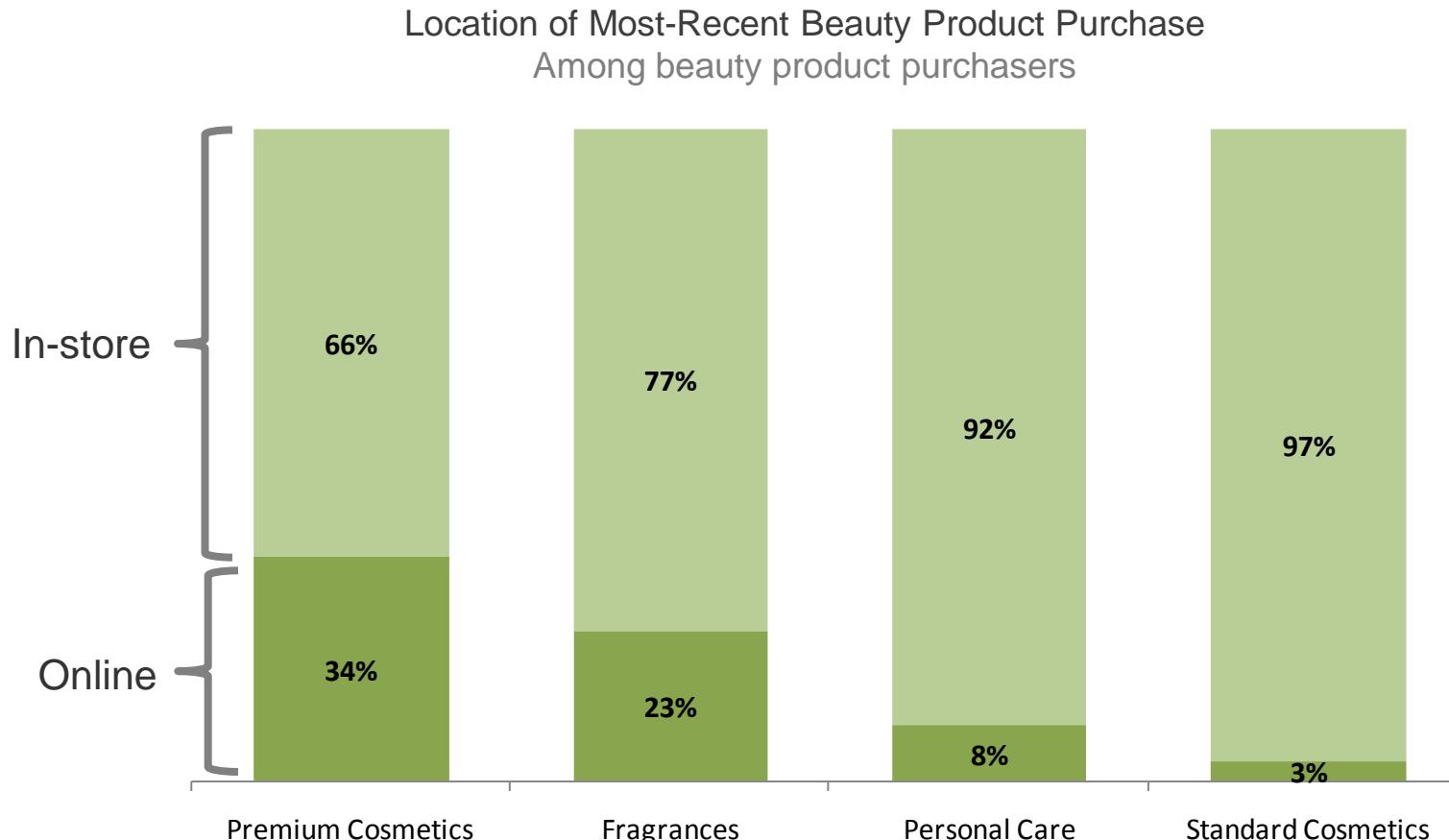


Q11: Thinking about your most recent {Insert "Cosmetics/Skin Care", "Fragrance" or "Personal Care"} purchase, approximately how soon after you started looking for information about what items and brands to buy did you make your purchase?

Base: Premium cosmetics purchasers who conducted research prior to purchase, n=512; Fragrance purchasers who conducted research prior to purchase, n=605; Personal care purchasers who conducted research prior to purchase, n=241; Standard cosmetics purchasers who conducted research prior to purchase, n=442

Source: Google CPG June 2009 Study: Compete Beauty Products and Cosmetics Survey Questionnaire

A third of premium cosmetics purchases are made online



Q4: Where did you buy your most recent {Insert "Cosmetics/Skin Care", "Fragrance" or "Personal Care"} purchase?

Base: Fragrance purchasers, n=1050; Personal care purchasers, n=1061; Premium cosmetics purchasers, n=1060; Standard cosmetics purchasers, n=1073

Source: Google CPG June 2009 Study: Compete Beauty Products and Cosmetics Survey Questionnaire



Key Takeaways and Marketing Implications

Six Key Takeaways and Implications

Takeaway

1 Retail websites and Brand websites each are a more important resource than beauty magazines

2 The online beauty shopper is more **valuable, influential and engaged** than her counterpart who doesn't use online resources

3 The beauty shopper who uses Search Engines is **more valuable** than one that does not

Marketing Implications

- Beauty Advertisers should leverage online as a top resource their consumers use to obtain information. Also, use online to close the loop with any beauty magazine efforts

- Use online as a strategic tactic to target heavy users/spenders of the category, and the younger influencers

- Be present, visible and relevant on the search engine results page when beauty shoppers use search

Six Key Takeaways and Implications, cont.

Takeaway

4 Competition for beauty shoppers is fierce in the online space

5 Online purchasers show little preference between **branded** and **non-branded** keywords

6 Those who buy online use online resources **throughout** the purchase process

Marketing Implications

- Beauty Advertisers can increase their budgets on their branded keywords to ensure they own all clicks for their brand
- Beauty Advertisers should incorporate non-branded keywords to their paid search campaigns
- Beauty Advertisers should run an always on search campaign because they never know when a consumer is raising their hand for information

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