



The Consumer Lens

Refocusing in a blurred channel landscape

Introduction

The past two years have seen consumers make unprecedented shifts to new channels. Whether these changes in behavior will persist is a fiercely debated issue that will not be resolved until the longer-term reality of the situation is clear. Even pre-COVID, while people were not shifting channels completely, the lines between them already starting to blur with consumers traversing channels as part of the same purchase.

Three tendencies have led to further channel blurring:

- **Where we buy health and beauty products from has become less defined** – Expansion beyond traditional mass market and specialist retailers to increasingly include other store types such as clothing and homeware. This is compounded by players in other categories entering the health and beauty space (e.g. Lululemon).
- **Online retailers are meeting more of our needs** – These now go to great lengths to replicate the physical health & beauty consumer experience, offering returns, virtual try-outs etc.
- **Ever-broader definition of a sales channel** – Anywhere

a target consumer is spending their time is effectively a sales channel. We should therefore consider Instagram, TikTok, Amazon Alexa and even games as channels where companies should be engaging target consumers with meaningful and well-received content.

With this blurring of channels, the very concept of a “channel” as a way to organize your sales efforts and go-to-market strategies is losing significance. What matters now is where consumers choose to spend their time and what journey they take to engage with your brands.

For companies, the key questions include: Are you present in these spaces? Or are you losing share?

To navigate this emerging landscape, the present report aims to offer practical guidance to support your business in refocusing on the consumer. We use the health & beauty industry here to provide examples of dynamics which apply to fast-moving consumer goods (FMCG) more widely.

THIS REPORT:

1.

Introduces the **Four Constants** that apply to all channels equally

2.

Shares the **Keys to Success** for unlocking this landscape

3.

Provides the pragmatic **Essential Tools** for bringing this new strategy to life

The Four Constants

Regardless of channel, there are four constants that your consumers need from you, representing the basis upon which all channel discussions and actions should evolve:



While these constants apply equally to all channels, they are applied neither universally nor consistently. Interestingly, online players in the area of e-commerce have identified this as a gap in the market and responded by raising the bar with the Four Constants. Many websites now include:

- > **ADVANCED SYSTEMS FOR PRODUCT REVIEWS** (TRUST)
- > **TUTORIALS** (PERSONAL ADVICE)
- > **ONLINE PHARMACIES** (PERSONAL ADVICE)
- > **FAST DELIVERY SLOTS** (CONVENIENCE)
- > **EASY RETURNS** (CONVENIENCE)



Only **26% of consumers** believe that the convenience provided is good



Only **31% of consumers** believe that the experience of browsing and discovering is good.



Over **80% of consumers**, however, state that they know what they want, and they want to go fast.

For your consumers, finding these four elements in place is a matter of course, and they only really notice them when one or more is missing from their experience. Looking specifically at beauty, the shopping experience for this category ranked a low 110 out of 125 categories surveyed in a 2019 IPSOS poll. If you break this down further into the Four Constants:

Three Keys to Success

With the Four Constants consistently driving your decisions, it is important to recognize that there are 3 keys to unlocking your success:



Three Keys to Success

1. Playing to your strengths in traditional channels

Established health & beauty companies have a natural advantage in the traditional channel of physical retail, one that emerging players try very hard to replicate.

Emerging players have turned this weakness of underserving consumers into a strength by focusing on digital solutions.

Physical retail will still be the favored place for consumers to explore and experience your brand and your products post-COVID. This will particularly be the case for products that consumers are less familiar with or feel that are important to try first.

Many companies have built tremendous brand heritage and obsessed over how to improve in traditional channels for many years. The challenge now is responding to consumer expectations that have evolved faster than the traditional channels have been able to adapt.

You could choose to put less focus on this traditional space, but this could mean wasting a key opportunity. Though physical space may need re-purposing post-COVID, it is important to build this channel up to showcase your brand while engaging with consumers in other channels in parallel.

Emphasize your strength in the physical channel as a differentiator

While focusing on the Four Constants – including in collaboration with your retail partners – continue to ask how you can:

- > **CREATE AND CURATE EXPERIENCES FOR YOUR CONSUMERS**
- > **PROVIDE CONSUMERS WITH MAXIMUM END-TO-END CONVENIENCE**
- > **BUILD TRUST AND INTIMACY THROUGH ADVICE AND EDUCATION**



Three Keys to Success

2. Embedding emerging practices that are excelling in newer channels

As emerging players are starting to get these ingredients right in the online world, it is more important than ever to make it your mission to effectively apply the offline differentials mentioned above to the online world, as well.

We have collected and analyzed emerging practices from over 300 of the most innovative players in the health & beauty market that have gained strength in recent years.

The examples below illustrate some of the ways they have embraced the Four Constants to gain traction.



Beautylish has built its business based on the key observation that the consumer experience simply stopped being special at some point:

“ Somewhere along the way, shopping became more about them than you. It stopped being special.

In response, the company has developed its business by:

Offering a curated list of brands that they believe reflects what their core consumers want in one place (convenience)

- Promoting access to make-up artists (personal advice and trust)
- Building communities around products (personal advice and trust)
- Guaranteeing a high quality of service that consumers receive every time (experience and trust)



PillClub is serving the needs of a large segment which it believes has been underserved.

“ Empowering women through access, choice and education – all while delivering a positive and personal experience.

They provide:

- A business model and strong platform based on repeat consumption for contraceptive care with a focus on women (convenience and trust)
- Choices based on women's health preferences, facilitated by access to personalized medical advice with no appointments needed (personal advice, trust and convenience)
- Samples of new products with each shipment to bring an element of serendipity (experience)
- Differing payment plans (convenience)

Consumers who are members of PillClub feel like they have an affinity with the brand and associate themselves with a community.



Drunk Elephant is one of the emerging health & beauty providers, which – unlike PillClub that serves a large segment – appeals to smaller, interest-based segments.

In the case of Drunk Elephant, the company markets to an audience attracted to products free of the “Suspicious 6” ingredients, which they claim are at the root of many skin issues.

The company builds a community around its brand (#barewithus on Instagram), which helps to develop loyalty, ongoing engagement, and trust. This was one of the main assets recognized by Shiseido as part of its acquisition.

Not every trend is substantial, however, nor should every trend be pursued by your company. Even big trends only have value if you can capture them as a company. So, can you discern between mere hype and enduring innovation that should be added to your channel or product mix? We will address this in the Essential Tools section.

Three Keys to Success

3. Adapting your ways of working

Many companies built their business models and internal governance based on a reality that is different from the one they face today, causing them, for example, to work more slowly and demanding a higher level of certainty in decision-making than is optimal.

Focusing the lens on changing consumer demands in each channel while also remaining authentic to your brand and delivering financial results to your shareholders requires fluidity.

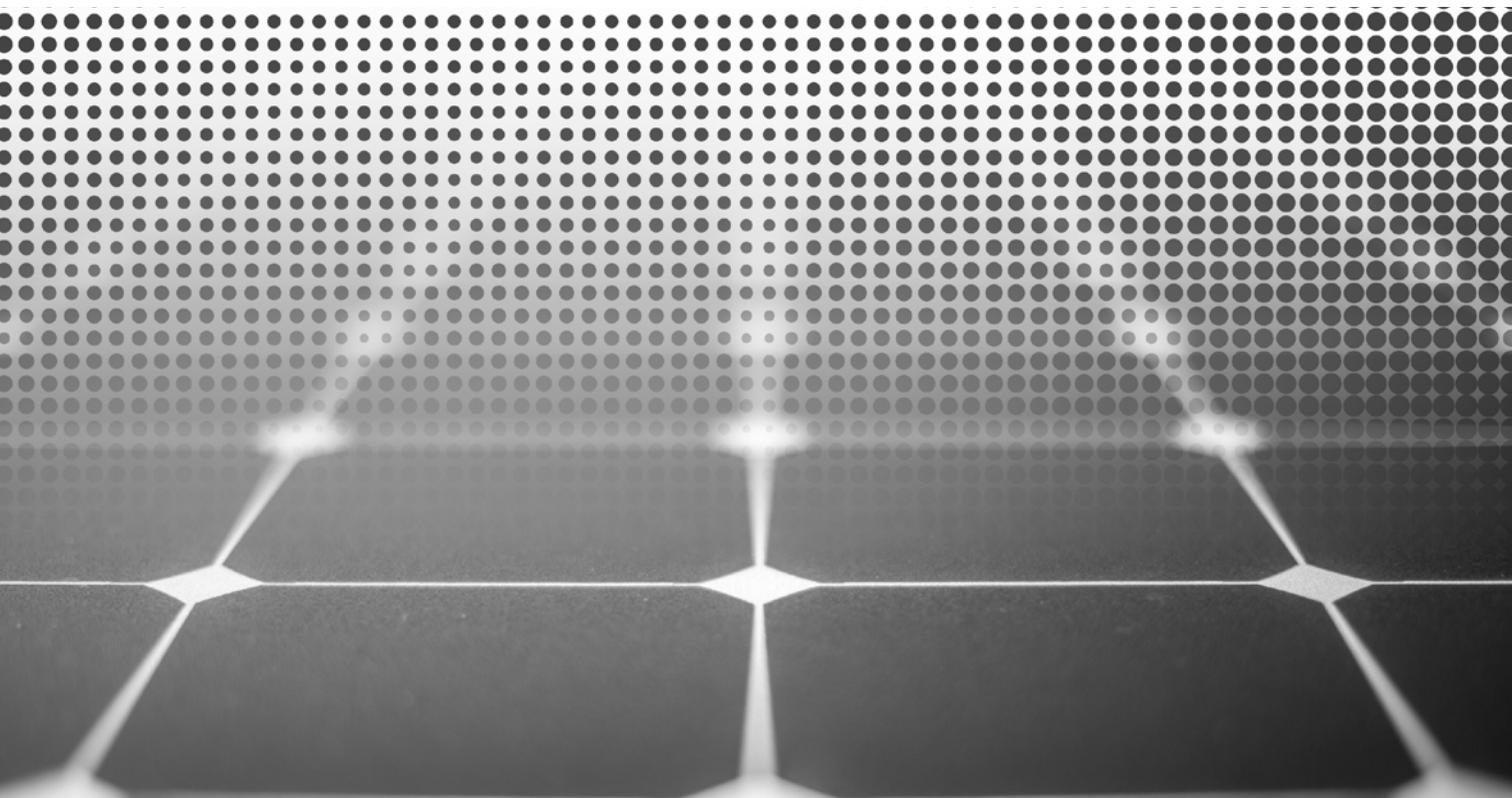
Adapting your ways of working to the new reality will require an active effort in terms of initiating and sustaining change in your business.

In our experience, this fluidity can be delivered through some basic principles:

- Start lean – Like it or not, nobody has a crystal ball. When considering investments in new trends, you are essentially making a bet. Whichever strategy you choose, be sure to

incorporate opportunities early on and often to learn from reality and make adjustments.

- Do not over-plan – Over-planning can be counter-productive. You are likely to spend a lot of time perfecting something that will never happen quite the way you expect. This time could be better spent learning in practice, with the right governance in place to recognize and manage risks.
- Be selective – Start-ups have taught businesses many things. One key lesson is to be specific about which battles to take on. Having a deep and clear understanding of the problem you are trying to solve is already half the battle, and it can guide and help you to:
 - Clarify which segments to target
 - Identify where you want to engage consumers
 - Select the right combination of the Four Constants
 - Define what real success looks like

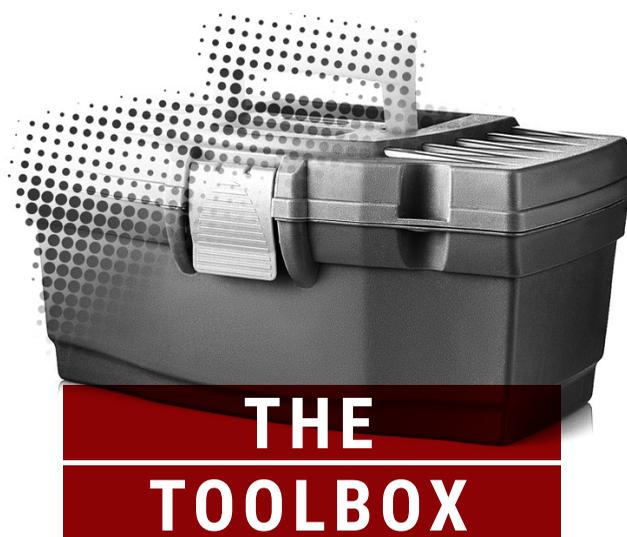


The Toolbox

The increasingly complex and demanding world of channels and consumers can feel overwhelming at times. The space in which you operate feels like it has opened up while the time businesses have to respond has gotten shorter and the

importance of decision making appears more critical than ever.

There are, however, some essential tools that can support you during these times and in your drive towards success.




OUTSIDE-IN


SEGMENTATION


WHITE SPACE

OUTSIDE-IN – This means focusing resources on getting in touch directly with your consumer and the market to get into their minds and understand what makes them tick. Answering some basic questions can help you reach decisions quickly:

- What are my consumers' concerns?
- Where do they shop and why?
- What does it take to operate in these channels?

Avoid spending money and time upgrading infrastructure or conducting lengthy research based on existing assumptions without first truly listening to and understanding the market. The truth is that **you have everything you need at your fingertips**, or within your professional network, to start building the foundations for an effective channel strategy.

Making an effective start in the right direction entails:

- Constructing a picture of your consumer and their purchase patterns using freely available online data. Trade associations and reports released by large players can serve as good sources here. Re-purpose data that you may have purchased in the past. Perfection is not the objective at this stage – often, you will not need the latest, most precise data for go/no-go decisions.
- Gathering channel dynamic knowledge such as consumer profiles, product needs, channel entry requirements, ease of negotiation, pricing level etc. Go to stores and talk informally to customers and staff to gather this, read through social media and reviews, analyze search-engine data, collect prices in-store or online.
- Observing and surveying your consumers using digital tools

The Toolbox

and apps that allow you to ask questions to a large number of consumers for a low price (e.g. YouGov, Surveybot).

- Benchmarking other companies and assessing your capabilities: a lot can be found online about how other companies have tackled the channels you are looking at (interviews in the specialist press are a good source). Also consider reaching out to peers at companies in a similar context via LinkedIn (not competitors) for a transparent exchange of experiences.

SEGMENTATION – This is generally the basis of a company's channel strategy. Effective segmentation is never abstract or theoretical. On the contrary, it seeks to focus the consumer lens by understanding specific paths to purchase. Doing so allows you to:

- Make choices on where and how to be present
- Provide exactly what consumers are looking for at any given point of contact in the market:
 - Why does a consumer spend time in a channel?
 - What do they expect to find?
 - What would their reaction be to finding a certain product/brand there vs. at other points of purchase?

These are the questions that should guide your decisions on brand, products, price points, promotion and investment in any given market segment or channel.

The customer journey must be understood and linked to your objectives and capabilities as a company. The more tailored the segmentation, the more it will reflect your needs and context through a strategy that can be lived and implemented by each employee every single day.

Segmentations are more effective if they go beyond pure sales exercises and consider other areas, such as manufacturing (product customisation), logistics (service level) and marketing (brand).

Beware, however, of ending up in a competition between volume (sales) and brand (marketing): both are key to success, they depend

on each other and neither is more important than the consumer.

WHITE SPACE – This is a choice for many companies now that COVID-19 has increased pressure to find profitable opportunities and more rapid evolution.

Now is a good time to review previous sales and marketing decisions and practices to look for white spaces:

- Are you still working in the right channels and focusing on the right accounts that deliver the best returns?
- Are the categories that have been prioritized still the most relevant according to current demand patterns?
- Do pricing and terms reflect the internal needs of the business and the changing buying patterns of consumers?
- Do you need to any make adjustments to reflect new market dynamics – be it ingredients, technology, sustainability, service levels, advice etc.?



Final thoughts

Channel blur is real and there is no escaping this development. If you are prepared to tackle the reality of these shifts, then invest time and energy into making the necessary adjustments across channels and learn fast to not be left behind.

Remember, this development is an evolution, not a revolution. Simply believing that we need to change everything and move away from whatever is “old” is a risky approach: it can blind us to our assets as well as to our true weaknesses. Test, learn and adjust – while also cherishing and boosting your assets, whatever those may be.

Channel blur is not only a commercial challenge. Tackling it holistically across the entire organization offers up an opportunity: Companies that win are the ones that succeed in combining their strengths across sales, marketing, supply chain, innovation and technology.

In this article, we aimed to be specific and offer practical tips that will help your business each day. We are also available to offer more tailored advice in the form of:

- Roundtable discussions with small groups of 6-8 executives on the topics raised above for going into more depth and offering more specificity
- Conversations with you directly about the article, your specific needs, or any project requirements you may have

If you are interested in learning more about the consumer lens in the context of current challenges that companies in the health & beauty industry face following disruptions caused by the global pandemic, please read our report authored in cooperation with the UK's Health & Beauty Association, which can be found [here](#).

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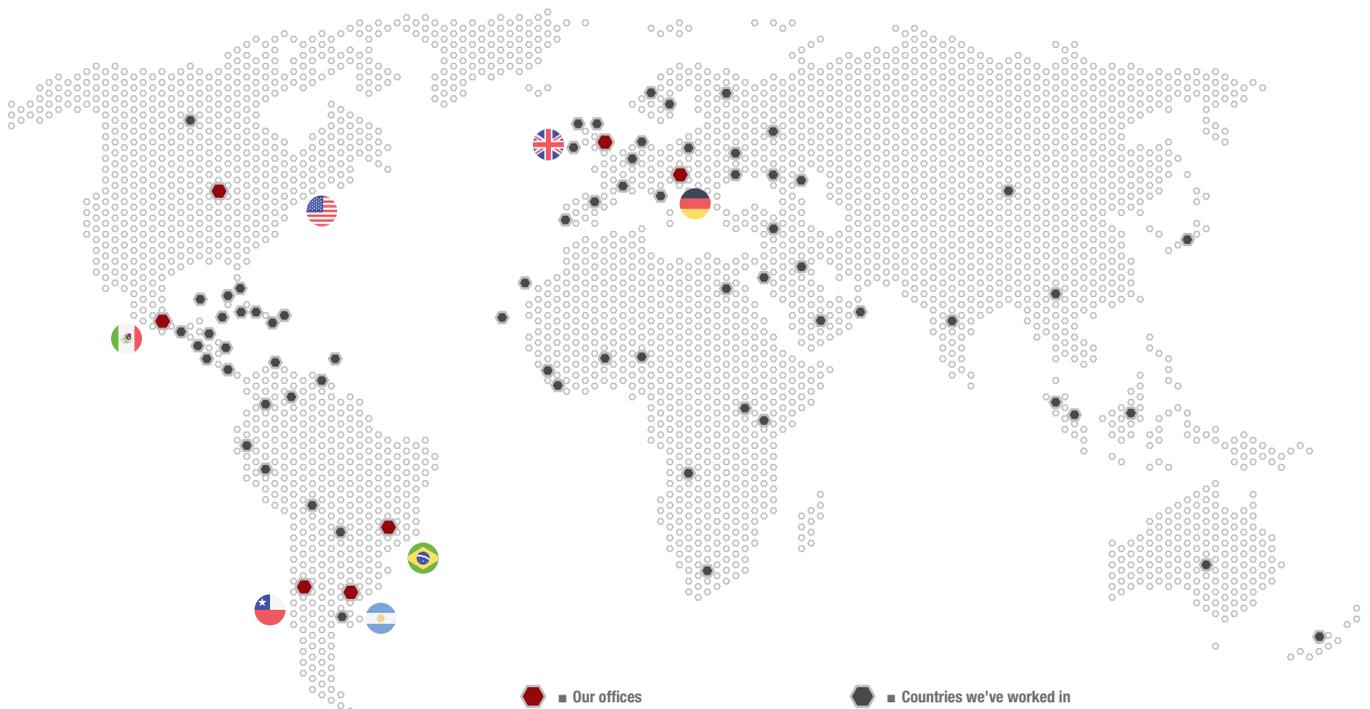


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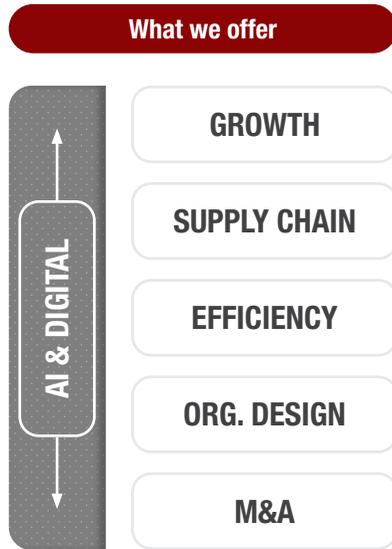
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7

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projects delivered
3600+

countries worked in
85+

repurchase rate
87%



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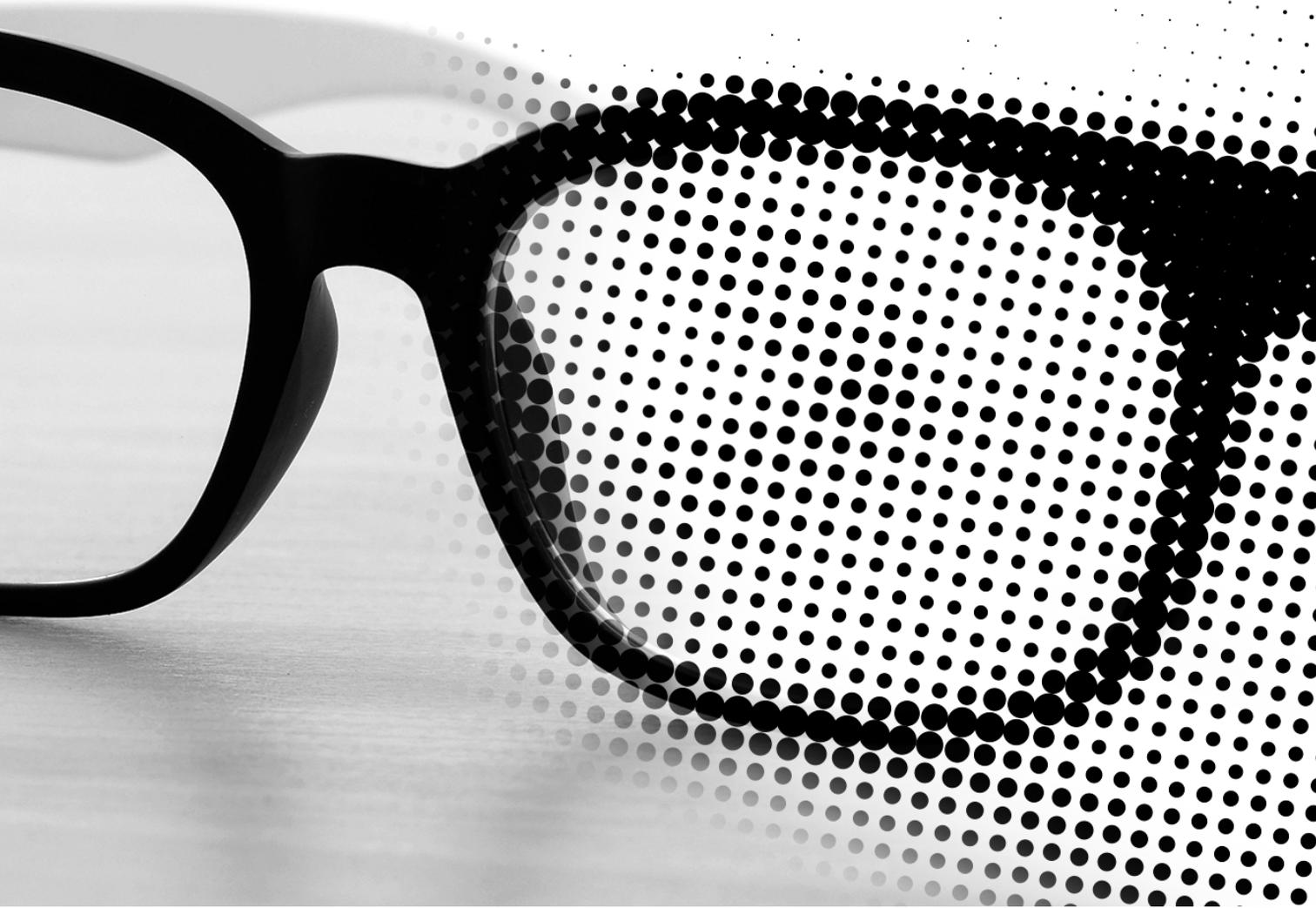
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