

# THE BRANDSCAPE

## TRIBE DYNAMICS

# ABSTRACT

Over the course of a few months, we surveyed approximately thirty top U.S. beauty brands for insight into how brands were planning to allocate their resources for digital in the year ahead.

As a corollary to this research, we synced our EMV data with sales figures provided by The NPD Group to better understand the ROI of digital initiatives.

The results of our research follow.

# CONCLUSIONS

## DIGITAL ADVERTISING AND SEARCH MARKETING

A majority of respondents spend the greatest amount of money on digital advertising and search marketing, despite feeling that this not only their weakest category digitally, but also the least important to building their brand. This disconnect highlights the industry's ingrained belief in the cause and effect relationship between digital advertising and sales, where technological innovation has created new possibilities for driving sales through more meaningful digital experiences. The appeal of a measurable indicator of success, from an ROI standpoint, has proven too strong a draw for brands to ignore these seemingly significant disadvantages. As a company founded on a belief in the power of relationships and influencer communities, or tribes as we like to think of them, we align ourselves with recent research from technology powerhouses like eBay suggesting the minimal long term value of paid digital advertisements. The company discontinued paid search ads back in March of 2013, stating that the benefit of these and SEM in general have little to no impact on traffic and sales.

When it comes to beauty consumers, providing intimate brand experiences, down to the look and feel of a product, is a greater investment in the kind of long-term brand strength and loyalty that leads to recurring revenue. This logic is further validated by the fact that over 45% of respondents to our survey are working with Birchbox (a sampling company), while less than 21% are working with companies more traditionally focused on advertising (Popsugar and Glam Media).

“

THIS BEGS THE QUESTION: WHY DO WELL-KNOWN BRANDED COMPANIES SPEND SUCH LARGE AMOUNTS OF MONEY ON WHAT SEEMS TO BE A RATHER INEFFECTIVE MARKETING CHANNEL

”

— EBAY RESEARCH LABS, CONSUMER HETEROGENEITY AND PAID SEARCH EFFECTIVENESS: A LARGE SCALE FIELD EXPERIMENT

## MOBILE AND SOCIAL NETWORKS MARKETING

Brands are beginning to ramp up on mobile content and engagement, anticipating greater spending on mobile in the coming years. This is almost certainly related to expected increases in spending on social network marketing and increases in content creation with Instagram and YouTube, the primary channels driving the most valuable engagement on mobile devices. While simultaneously seeing the largest expected decrease (of the major social platforms) on Facebook (a platform more traditionally associated with desktop). This shift towards mobile friendly content is interesting to note, contrasted to the decreased investment in mobile applications (a common investment in previous years).

## MOBILE AND SOCIAL NETWORKS MARKETING

A majority of respondents believe their greatest strength is e-commerce and ranked it as a top priority for brand building. Knowing that respondents expect dramatic increases in online content creation overall, its likely that e-commerce websites will evolve as leading mechanisms for engagement, built upon innovative brand experiences and user-generated content. NYX Cosmetics poses one of the better examples within the beauty industry of a brand that has taken this argument to heart. The brand's e-commerce website illustrates seamless integration of a consumer's brand experience with the shopping experience. Relying on ample user-generated content driven through social media, NYX has made its followers active participants in the development of its website and the larger brand building process.

## COMPETITIVE REPORTING AND ANALYTICS

Digital analytics and competitive reporting will be new areas of significant digital investment in the coming year, while sales took a backseat. Recognition as an innovator within the industry seems to be a priority for many brands as opposed to sheer sales. A majority of respondents are most concerned with understanding and staying ahead of the competition digitally, and believe that both competitive reporting and analytics will determine their success. Driving sales was listed as the least important priority for engaging in digital analytics.



# METHOD

## OBJECTIVE

Obtain information and insights from top brands within the beauty, fashion, and lifestyle space about the financial, organizational, and strategic inputs driving internal digital marketing initiatives.

## PROCEDURE

1. Worked with a former clinical grad student of columbia university to design questions that would give us data on the state of digital marketing within in the beauty industry.
2. Contacted executives at some of the top beauty companies asking them to share information about the digital practices and preferences of their brands.
3. Collected and organized the responses to gain a better understanding of digital strategies within the industry.

## RESULT

THE INFORMATION COLLECTED WAS USED IN CONJUNCTION WITH DATA DERIVED FROM OUR PROPRIETARY ANALYTICS SOFTWARE PERTAINING TO OUTPUTS IN EARNED MEDIA PERFORMANCE, IN ORDER TO:

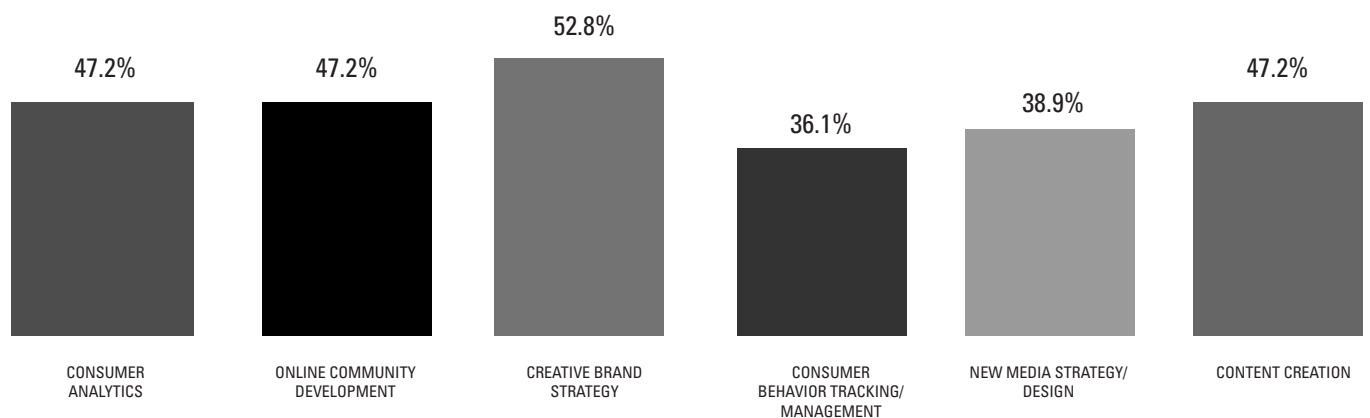
1. Assess commonalities in the way that top beauty brands use digital marketing to engage with consumers, build their brand, and drive sales.
2. Draw larger conclusions about marketing trends within the industry.
3. Make predictions about changes in the digital strategies brands will adopt in the coming year.

# PART 1: BENCHMARKING DIGITAL MARKETING BUDGETS

## EXTERNAL PARTNERSHIPS

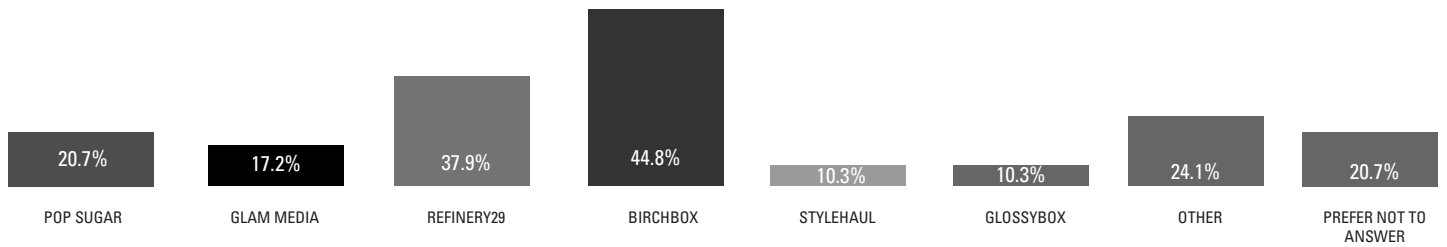
A majority of respondents surveyed (52.8%) are engaged in external partnerships in an effort to improve brand strategy. Of these, 44.8% partner with Birchbox, the personalized beauty subscription program. The Birchbox model has been successful with modern beauty consumers looking for personalized and curated product options and shopping experiences. Brands partnering with Birchbox benefit from the brand awareness and product discovery the subscription program is built around. Now that Birchbox has become a trusted third party retailer within the beauty community, a partnership stands as a strong endorsement for any brand and its product.

Are you currently engaged in external partnerships appertaining to any of the following?



## PARTNER COMPANIES

Do you work with any of the following companies?

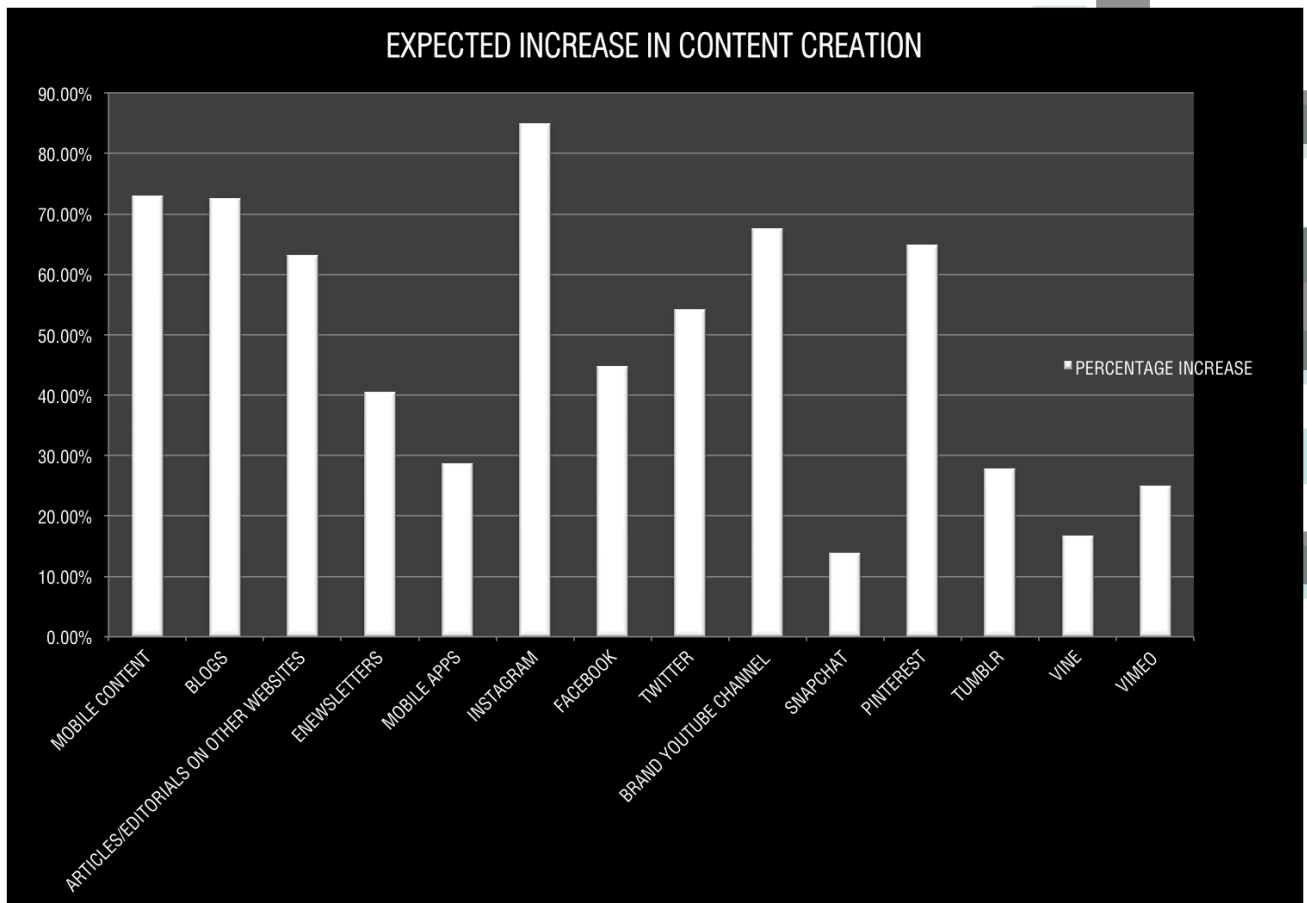


# BUDGETS

# CONTENT CREATION

There was a noticeable pattern amongst brands surveyed as far as expected content creation in the coming year. In general, brands are moving towards greater content creation, whether its social media, e-commerce, or e-newsletters, etc. In addition, brands expected the greatest increases of content creation on those channels that are more visual in nature (Instagram, YouTube, and Pinterest). This, viewed alongside expected increases in mobile content and spending (73%), suggests that brands are looking to branch off from more traditional forms of outreach, and will be focused on providing more engaging, innovative content and brand experiences in the coming year.

That being said, the primary focus of a majority of our respondents was clear: 85% plan to increase content creation on Instagram in the coming year. Meanwhile, only 44.7 % expected increases for Facebook. Although the connection between Instagram earned media and actual sales may be inconclusive, the channel's strength as a discovery tool has not gone unnoticed by the beauty industry. Instagram is arguably best positioned of the social channels when it comes to meaningful engagement with influencers and inspiring user-generated content. By contrast, brand content creation on Facebook has been more advertorial in nature, highlighting promotions, product launches, or brand news. These posts lack the humanity and emotional appeal of Instagram posts; a case of general brand awareness versus enduring brand strength.





# CONTENT CREATION

Do you plan on decreasing, increasing, or maintaining the status quo of content creation for the following platforms?

	DECREASING	INCREASING	MAINTAINING	NOT APPLICABLE	PREFER NOT TO ANSWER
MOBILE CONTENT	0.0%	73.0%	16.2%	8.1%	2.7%
BLOGS	0.0%	72.5%	25.0%	0.0%	2.5%
ARTICLES/EDITORIALS ON OTHER WEBSITES	0.0%	63.2%	23.7%	13.2%	0.0%
NEWSLETTER	8.1%	40.5%	40.5%	8.1%	2.7%
MOBILE APPS	5.7%	28.6%	17.1%	42.9%	5.7%
INSTAGRAM	0.0%	85.0%	12.5%	2.5%	0.0%
FACEBOOK POSTS	7.9%	44.7%	47.4%	0.0%	0.0%
TWITTER	2.7%	54.1%	40.5%	2.7%	0.0%
BRAND YOUTUBE CHANNEL	0.0%	67.6%	24.3%	8.1%	0.0%
SNAPCHAT	0.0%	13.9%	8.3%	75.0%	2.8%
PINTEREST	5.4%	64.9%	16.2%	10.8%	2.7%
TUMBLR	2.8%	27.8%	16.7%	50.0%	2.8%
VINE	0.0%	16.7%	11.1%	66.7%	5.6%
VIMEO	0.0%	25.0%	22.2%	52.8%	0.0%

## DIGITAL BUDGET

When it comes to digital spending, a majority of brands surveyed are currently allocating the largest portion of their budgets towards Website Design/Maintenance (58%) and Search Marketing (55%). Together these categories accounted for 16% of brands' overall budgets. While this may suggest that brands see great value in these categories, when asked to rank their importance to brand building, respondents overwhelmingly listed Website Design/Maintenance as Most Important and Search Marketing as Least Important. Conversely, over 70% of brands stated that they allocate only 5% or less of their budget to Mobile, the lowest amount for any category, yet Mobile ranked highest in terms of expected increase in budget in the coming year (78.8%). Website Design/Maintenance and Mobile spending go hand in hand; website optimization for mobile will no doubt be an influential determinant of engagement and e-commerce purchase rates in the coming year.



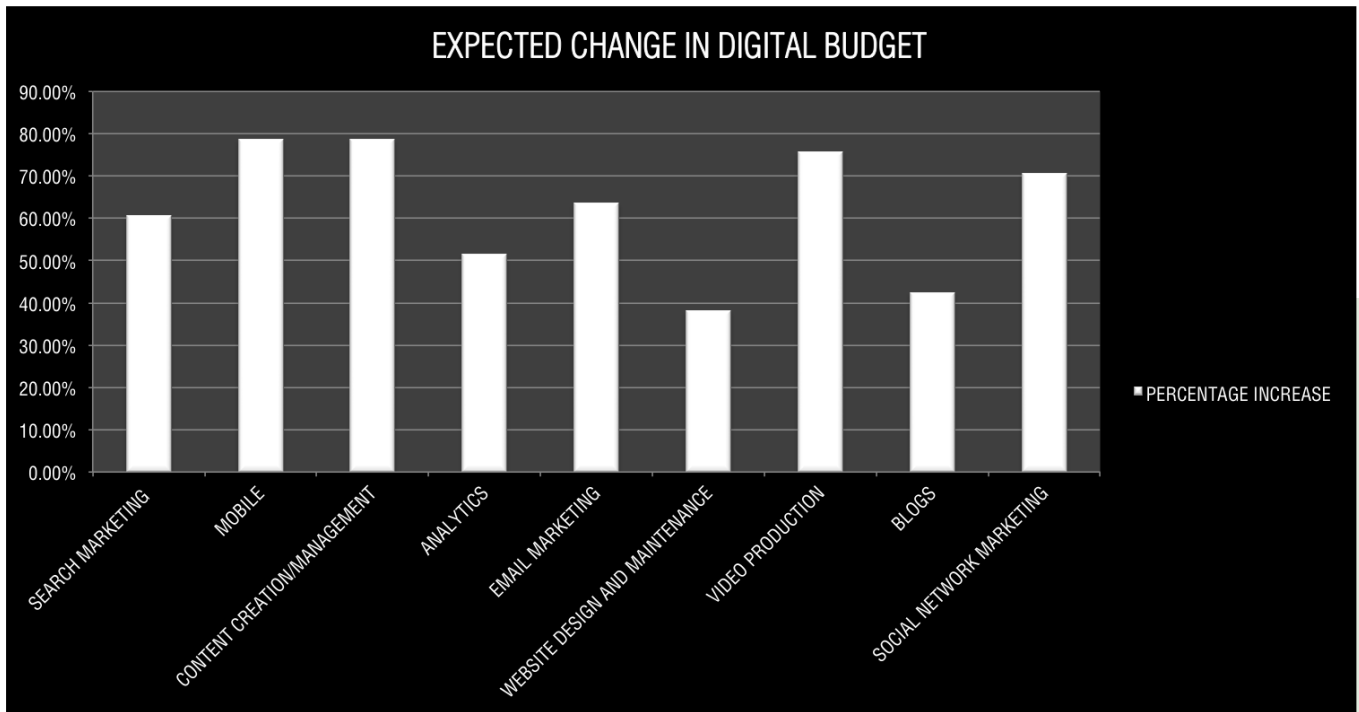
What current percentage of your total digital marketing budget is allocated to the following categories?

	0%	1-5%	6-15%	16-25%	26-35%	36-45%	46-55%	56%+	PREFER NOT TO ANSWER
SEARCH MARKETING (GOOGLE PPC, DISPLAY ADVERTISING, ETC.)	14.3%	11.4%	14.3%	31.4%	8.6%	2.9%	2.9%	2.9%	11.4%
MOBILE	34.3%	25.7%	20.0%	5.7%	0.0%	0.0%	0.0%	0.0%	14.3%
CONTENT CREATION/CONTENT MANAGEMENT	5.7%	20.0%	28.6%	17.1%	8.6%	2.9%	0.0%	2.9%	14.3%
ANALYTICS	20.6%	52.9%	5.9%	2.9%	2.9%	0.0%	0.0%	0.0%	14.7%
EMAIL MARKETING	5.7%	40.0%	22.9%	20.0%	0.0%	0.0%	0.0%	0.0%	11.4%
WEBSITE DESIGN AND MAINTENANCE	2.9%	14.3%	20.0%	25.7%	11.4%	11.4%	0.0%	2.9%	11.4%
VIDEO PRODUCTION	20.0%	31.4%	14.3%	17.1%	5.7%	0.0%	0.0%	0.0%	11.4%
BLOGS	22.9%	48.6%	5.7%	5.7%	2.9%	2.9%	0.0%	0.0%	11.4%
SOCIAL NETWORK MARKETING (FACEBOOK, TWITTER, ETC.)	8.6%	20.0%	34.3%	14.3%	8.6%	2.9%	0.0%	0.0%	11.4%

# CHANGE IN BUDGET

Although respondents appreciate the importance of Website Design/Maintenance, most did not anticipate increased allotments for this category. Meanwhile, over 75% of respondents expected to significantly increase their budgets within Mobile, Content/Creation and Management, Video Production, and 70% for Social Networking. Although marketing experts have begun to question the attention that has been paid to social media in modern digital marketing, it remains top of mind amongst beauty brands.

Taking a step back to see the greater transformation at work, a striking 50% of our brands expect to increase spending across all digital platforms, with the exception of Website Design/Maintenance. If this is indeed representative of the larger beauty industry, it's safe to say that in the coming year we can expect an explosion of online content.



# CHANGE IN BUDGET

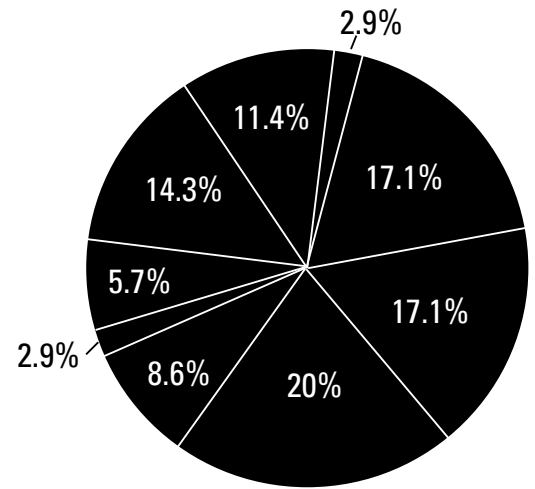
Looking forward, do you anticipate decreasing, increasing, or maintaining your current digital budget in the following areas?

	DECREASING	INCREASING	MAINTAINNG	PREFER NOT TO ANSWER
SEARCH MARKETING (GOOGLE PPC, DISPLAY ADVERTISING, ETC.)	0.0%	60.6%	36.4%	3.0%
MOBILE	0.0%	78.8%	15.2%	6.1%
CONTENT CREATION/CONTENT MANAGEMENT	3.0%	78.8%	15.2%	3.0%
ANALYTICS	0.0%	51.5%	45.5%	3.0%
EMAIL MARKETING	3.0%	63.6%	30.3%	3.0%
WEBSITE DESIGN AND MAINTENANCE	5.9%	38.2%	52.9%	2.9%
VIDEO PRODUCTION	0.0%	75.8%	18.2%	6.1%
BLOGS	3.0%	42.4%	45.5%	9.1%
SOCIAL NETWORK MARKETING (FACEBOOK, TWITTER, ETC.)	2.9%	70.6%	23.5%	2.9%

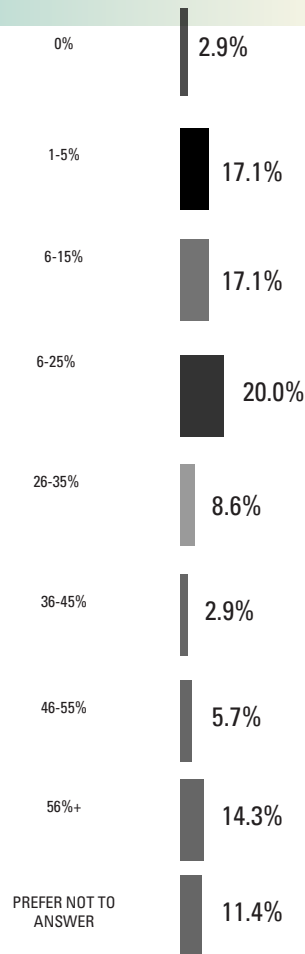
# BUDGETS

# ANNUAL BUDGET

On average, respondents expect to increase their brands' budgets by 21.3% for the coming year. It seems to be the case that at all levels, both prestige and mass market, brands are expecting not just general increases, but significant escalation of digital allotments. Almost 60% expect their budgets to increase by at least 16%, while 35% expect growth of more than 25%. Even more incredible, 14% of respondents expect at least a 56% increase of their digital budget in the coming year. Judging by what we've isolated as the particular areas of focus, in 2015 we may see significant boosts in the number of branded websites that are optimized for mobile and the number of branded shoppable apps, as well as more innovative, publisher-like owned media, possibly in video form.



How much do you anticipate your digital budget will grow in the next year?



TOTAL: 35

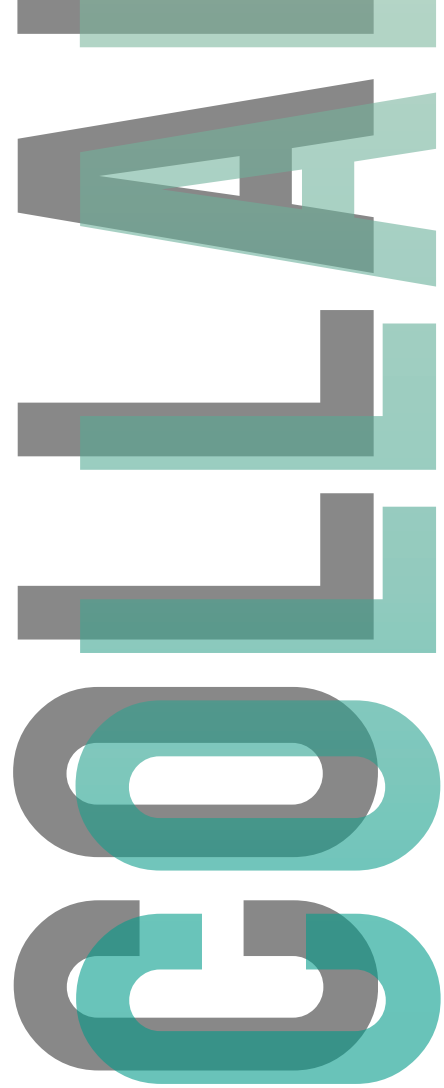
## STATISTICS

**SUM 640.0**  
**AVERAGE 21.3**  
**STDDEV 19.7**  
**MAX 56.0**

# INTERNAL COLLABORATION

A majority of respondents believe that there is the greatest degree of internal collaboration between their PR and Marketing teams (50%). This was only slightly stronger than the degree of collaboration most brands felt existed between all other internal teams (Social and E-Commerce). As we might expect, when it came to brand collaboration with outside agencies, regardless of specific internal team, most brands cut this percentage in half. The greatest disconnect seemed to exist between internal Social teams with these outside agencies.

Although we do not have similar data for the past five years or so, it would not be surprising to find that the degree of overall collaboration internally has increased over time, while collaboration with external agencies has decreased. The arrival of the digital landscape has meant the growth of both traditional and new internal teams. If our respondents commit to the sizeable expansion of content creation they anticipate, it will be interesting to see what this means for trends in the degree of collaboration between internal teams and agencies. On the one hand, brands may feel the need to keep content creation closer to home, wanting greater oversight over newly added initiatives. On the other, under pressure to create more overall brands may export the work, relying on external sources more frequently. In the interest of establishing a synergized brand identity across multiple platforms, the former option may prove to be the best.



Please indicate the degree of collaboration amongst teams (1 being low and 5 high):

	1	2	3	4	5	PREFER NOT TO ANSWER
INTERNAL PR AND INTERNAL SOCIAL	2.6%	18.4%	7.9%	21.1%	44.7%	5.3%
INTERNAL PR AND INTERNAL MARKETING	2.6%	5.3%	7.9%	28.9%	50.0%	5.3%
INTERNAL PR AND INTERNAL E-COMMERCE	8.6%	22.9%	8.6%	14.3%	40.0%	5.7%
INTERNAL PR AND OUTSIDE AGENCY	8.1%	13.5%	21.6%	21.6%	27.0%	8.1%
INTERNAL SOCIAL AND INTERNAL MARKETING	2.8%	11.1%	11.1%	22.2%	47.2%	5.6%
INTERNAL SOCIAL AND INTERNAL E-COMMERCE	2.8%	11.1%	16.7%	22.2%	41.7%	5.6%
INTERNAL SOCIAL AND OUTSIDE AGENCY	18.9%	18.9%	21.6%	10.8%	21.6%	8.1%
INTERNAL MARKETING AND INTERNAL E-COMMERCE	5.4%	2.7%	16.2%	21.6%	48.6%	5.4%
INTERNAL MARKETING AND OUTSIDE AGENCY	13.2%	5.3%	23.7%	23.7%	26.3%	7.9%
INTERNAL E-COMMERCE AND OUTSIDE AGENCY	13.5%	10.8%	18.9%	18.9%	24.3%	13.5%

# BRAND STRENGTHS AND PRIORITIZATION

Our data highlighted an interesting dichotomy between traditional and new age marketing that exists within the beauty industry, Although, respondents reported spending the greatest portions of their budgets on both Digital Advertising and E-Commerce, a majority ranked the former as their brand’s lowest priority while the latter was the highest. Although brands may recognize that digital advertising does not necessarily inspire the kinds of valuable engagement and earned media that lend themselves to customer loyalty and ultimately greater revenue, they are hesitant to abandon what has been the industry standard for many years.

Taking a deeper dive into the value brand attribute to particular digital endeavors, respondents overall believed that social media and outside content creation were more important to building their brand than email marketing, and report having spent more on these two categories as a result.

In your mind, what are your brand’s digital strengths (1 being weakest and 5 being strongest)?

	1	2	3	4	5	PREFER NOT TO ANSWER
EMAIL MARKETING	24.4%	9.8%	31.7%	24.4%	9.8%	0.0%
SOCIAL MEDIA	7.3%	12.2%	29.3%	36.6%	14.6%	0.0%
OUTSIDE CONTENT CREATION (I.E. PRINT MEDIA, DIGITAL VIDEOS, BLOGS, ARTICLES)	9.8%	12.2%	39.0%	31.7%	7.3%	0.0%
DIGITAL ADVERTISING (PAID ADVERTISEMENTS)	25.0%	17.5%	35.0%	15.0%	5.0%	2.5%
E-COMMERCE	2.5%	10.0%	27.5%	30.0%	30.0%	0.0%

Please indicate the importance of the following in building your brand (1 being least important and 5 being most important):

	1	2	3	4	5	PREFER NOT TO ANSWER
EMAIL MARKETING	5.0%	5.0%	35.0%	22.5%	27.5%	5.0%
SOCIAL MEDIA	2.5%	12.5%	10.0%	30.0%	40.0%	5.0%
OUTSIDE CONTENT CREATION (I.E. PRINT MEDIA, DIGITAL VIDEOS, BLOGS, ARTICLES)	2.5%	7.5%	10.0%	35.0%	40.0%	5.0%
DIGITAL ADVERTISING (PAID ADVERTISEMENTS)	12.2%	14.6%	29.3%	24.4%	14.6%	4.9%
E-COMMERCE	2.5%	2.5%	17.5%	17.5%	55.0%	5.0%

## DIGITAL ANALYTICS

The greatest number of respondents selected competitive reporting (understanding competition within the industry) as the primary reason for adopting digital analytics. The least number selected driving sales as highlighted in themes above. This suggests a growing understanding that digital marketing strategies primarily focused on the bottom line, is not necessarily the way to maximize ROI. Rather, brands are beginning to place greater value on establishing long term relationships and content for the sake of meaningful engagement. The next frontier will be to identify those particular digital initiatives and strategies that generate the greatest recurring revenue.

Of the reasons why you adopted digital analytics, prioritize the following (1 being most important and 4 being least important):

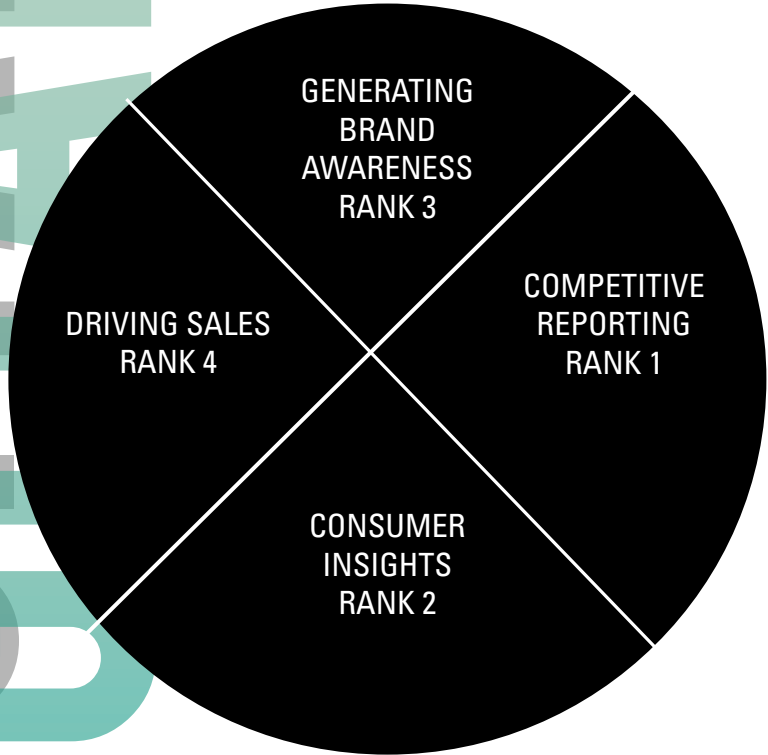
	SCORE*	OVERALL RANK
COMPETITIVE REPORTING (UNDERSTANDING COMPETITION WITHIN THE INDUSTRY)	104	1
CONSUMER INSIGHTS (UNDERSTANDING YOUR TARGET CONSUMER)	85	2
GENERATING BRAND AWARENESS	81	3
DRIVING SALES	73	4

TOTAL RESPONDENTS: 41

\*Score is a weighted calculation. Items ranked first are valued higher than the following ranks, the score is the sum of all weighted rank counts.



	SCORE
COMPETITIVE REPORTING	104
CONSUMER INSIGHTS	85
GENERATING BRAND AWARENESS	81
DRIVING SALES	73



# PART 2: CONNECTING THE DOTS BETWEEN EARNED MEDIA AND REVENUE

In an effort to better understand the ROI for brands moving a majority of their marketing activities online, we collaborated with NPD Group to determine whether there is in fact a relationship between content created online and offline sales. For ten top beauty brands we ran a variety of tests comparing our earned media performance data (EMV) to normalized offline sales data from NPD Group. What we discovered has significant implications for evaluating the impact and worth of individual digital initiatives.

The numbers indicated that there was a strong correlation between the amount of earned media created about a brand by beauty influencers online and the brand's offline sales. Furthermore, as depicted in the chart below, the strongest relationship existed between content created for both Facebook and YouTube.

The intangible ROI of this area of marketing to this day continues to deter leaders within the industry from making significant investments in digital. Those particular brands that have taken the leap of faith into an online-centric marketing strategy, including NYX Cosmetics and NARS, have excelled not only in EMV but in offline sales as well. These brands have been amongst the first to recognize the role some of the newer channels like Instagram play in longer term ROI, designing online brand experiences that inspire the kinds of meaningful relationships and emotional connections that lead to customer loyalty. Despite these examples, the subject of digital ROI remains a hot debate internally within brands and amongst marketing professionals.

Although many would have guessed that a relationship exists between a brand's ability to generate buzz online and its subsequent offline revenue, the implications of a measurable correlation are staggering. The results of this study imply that we can predict the sales success of a brand, a specific campaign launch, or a product by the amount and form of the content created online. Realized at its full potential, this data could help brands determine the specific kinds of online content, down to the particular channel and influencers that have the greatest impact on their immediate sales and longer term ROI.

# GOING ONLINE

DOES IT GENERATE OFFLINE REVENUE?



HOW MUCH DOES IT GENERATE?



For additional information about our research methods or competitive reports, please contact Christina at [christina@tribedynamics.com](mailto:christina@tribedynamics.com).

For inquiries about Tribe Dynamics' services please contact Conor at [conor@tribedynamics.com](mailto:conor@tribedynamics.com)