

TRENDTALK

August 1, 2013



Finding that Perfect Shade...

The most talked about liquid foundations across social media

Foundation might be one of the trickier purchases for any makeup buyer. It's something that many of us wear everyday and consider an indispensable component of our daily makeup routine. Our relationship with our foundation is one of habit and necessity, unlike the other products we may purchase for experimentation and fun.

What drives a beauty consumer to choose a certain foundation, quite

literally the foundation of a makeup regiment?

For the month of July, we decided to take a closer look at the performance of some of the top brands' liquid foundations across the social channels to see if we could attempt to answer this question. Is it user reviews, the number of shades, or online campaigns that ultimately drives sales?

Much in the same way as last month, we started off by creating a list of popular liquid foundations based on publicly-available information about these brands' annual revenue and reviews from consumers and third party retailers.

Once these products were entered into our Tribe database, we were able to directly compare each brand's respective liquid foundation across:

1. **Earned Media Value (EMV):** the estimated ad equivalence from relevant content.
2. **Impressions:** the total estimated impressions for all content
3. **Audience Size:** the total audience over all media outlets
4. **Publishers:** total publishers from all channels mentioning brand

Again, we believe that these variables provide the most accurate snapshot of each brand's ability to reach their target communities and generate interest in their product.



Brand/Product	EMV	Impressions	Audience Size	Publishers
NARS Sheer Glow Foundation	\$3,584,825	7,171,803	4,369,368	38
MAC Pro Longwear Foundation	\$2,547,840	5,047,264	7,389,739	58
L'Oreal True Match Foundation	\$1,553,371	3,062,532	3,009,206	29
MAC Studio Fix Fluid Foundation	\$956,527	1,937,466	2,407,985	22
MAC Face and Body Foundation	\$873,230	1,741,574	2,876,192	11
YSL Le Teint Touche Eclat Illuminating Foundation	\$316,776	618,717	1,162,626	10
Giorgio Armani Luminous Silk Foundation	\$234,467	931,289	3,730,458	24
Bobbi Brown Foundation	\$190,542	375,966	2,238,161	6
Benefit "Hello Flawless!" Oxygen Wow Liquid Foundation	\$82,455	195,173	496,466	27
Laura Mercier Oil-Free Foundation	\$70,946	1,156,522	5,371,599	7

Our Tribe Influencer Database is a collection of the top 20,000 influencers in the beauty, fashion and lifestyle community industries. The brands included in each study are the most popular based on publicly available information of these brand's annual revenue, reviews from consumers and retailers.

Post Count

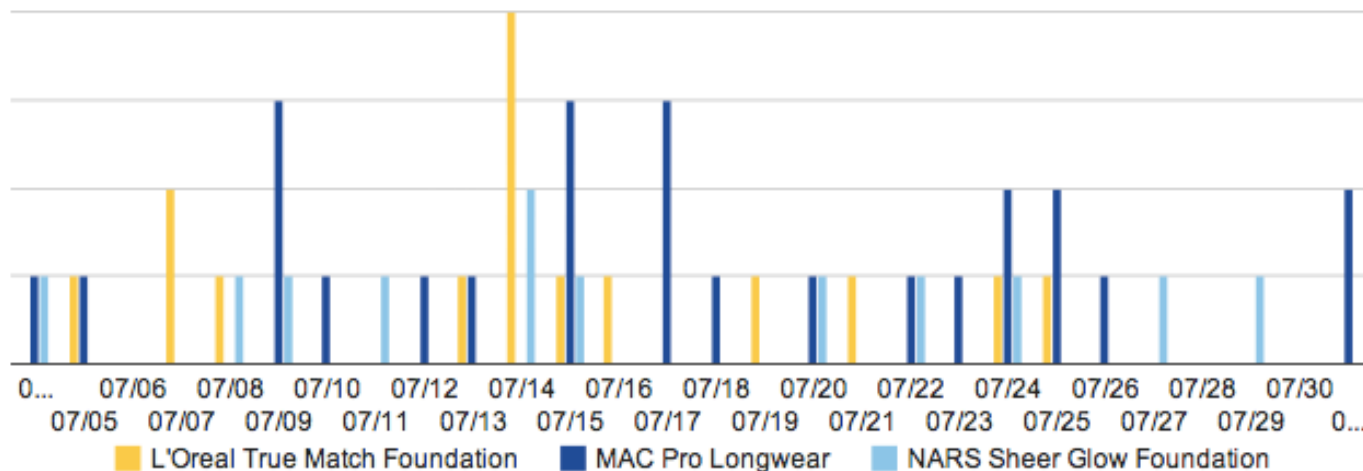
The Number of Posts/Brand Created in July

The below graph displays the number of posts earned by the top three foundations over the course of July. Although it lacks the spikes in activity that L'Oreal and MAC experienced, NARS's foundation produced the most consistent buzz throughout the month.

You'll notice from the table on the previous page that MAC in fact has far more publishers

overall (58) than NARS (38). Yet a larger number of publishers does not necessarily translate to valuable earned media.

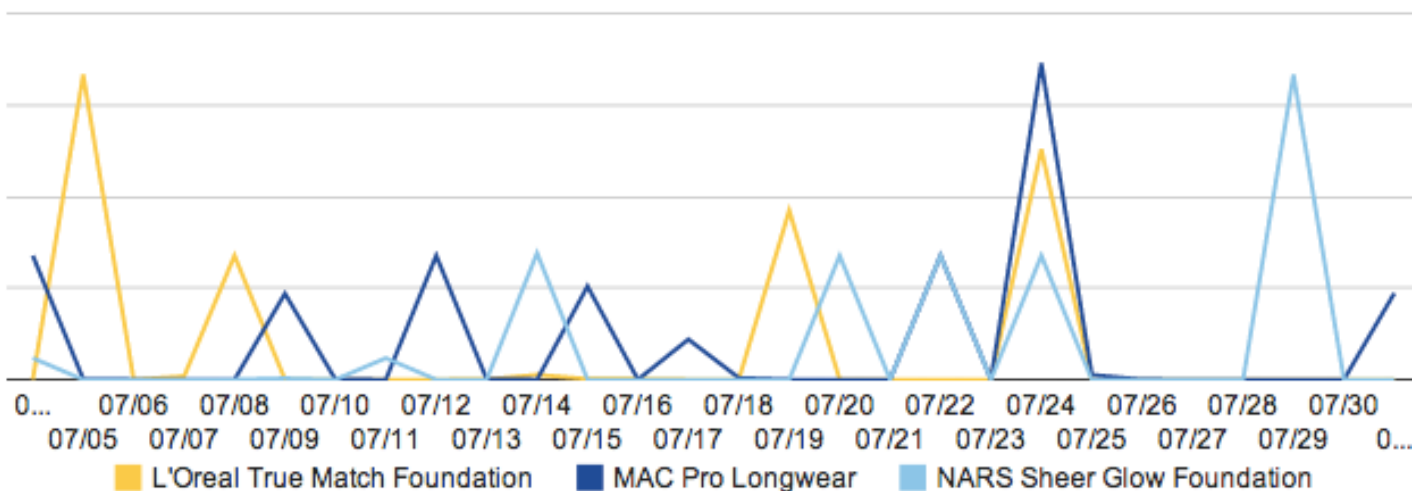
By contrast, NARS has accumulated a smaller community of fans, consistently mentioning and endorsing the product. This might suggest that the NARS foundation has more loyal followers and users. Since foundation is bought on an on-going, repeated basis, consumer commitment to a brand means everything for sales revenue.



Earned Media Value

The Value of the Content Created in July

Our earned media value graphic confirms this conclusion. Although the NARS foundation did receive one significant spike of valuable content, valuable earned media is more consistently being created about the product on an ongoing basis.



The Top 3

Understanding the Success of These Foundations

What are some of the factors at play which help explain the success of the top 3 brands' liquid foundations?

The Number of Shades Offered

It's no coincidence that the top 3 liquid foundations each offer 16+ shades. Compare that to Benefit and Laura Mercier's products, with only 9 and 10 shades respectively.

It might be a stretch to assume that there is a direct correlation between the number of shades and sales. However, it's reasonable to believe that a larger range of shades, which makes the product appropriate for a greater number of women, is somehow reflected in the popularity of a product and sales.



E-Commerce and the Trend Towards Online Shopping

Beauty and personal care is a rapidly growing segment of the U.S. e-commerce industry, generating approximately **\$3 billion in sales** in the U.S. this past year.

In a recent study by A.T. Kearny, based on survey responses from 1,381 participants male and female across 50 U.S. states and Canada, 62% shop online regularly, and of these, 60% purchase beauty and personal care products online.

The study also showed that the majority of online beauty shoppers characterized themselves as “creatures of habit”, looking to mainly replenish their favorites. The products within this segment most often purchased online? Skin care, personal care, and hair care (i.e. purchases requiring little to no exploration or experimentation).

**Beauty and the E-Commerce Beast, A.T. Kearny, March 2012*

SEPHORA

MAKEUP SKINCARE FRAGRANCE HAIR NAILS BATH / BODY TOOLS / BRUSHES MEN GIFTS SALE TRENDS ADVICE

makeup > face > foundation

NARS

Sheer Glow Foundation QTY 1 \$44.00

ITEM # 1202167 SIZE 1 oz

COLOR Siberia - fair to light w/neutral balance of pink & yellow undertones

DESCRIPTION HOW TO USE INGREDIENTS

What it is:
A glowing, satin-finish foundation with sheer and buildable coverage.

What it does:
This Sheer Glow Foundation enhances, without masking, your overall natural complexion. The weightless formula hydrates the skin while complexion brightening properties improve skin brightness, radiance, and texture, leaving skin with a luminous, sensual glow.

What else you need to know:
Suitable for normal, normal-to-dry, dry, and very dry skin types.

Research Results:

- 100% say skin felt soft and smooth
- 96% say it evens out skintone
- 96% say they would purchase it if it were available on the market
- 96% say they would recommend it to a friend
- 92% say skin looks brighter and more radiant

Making the Connection

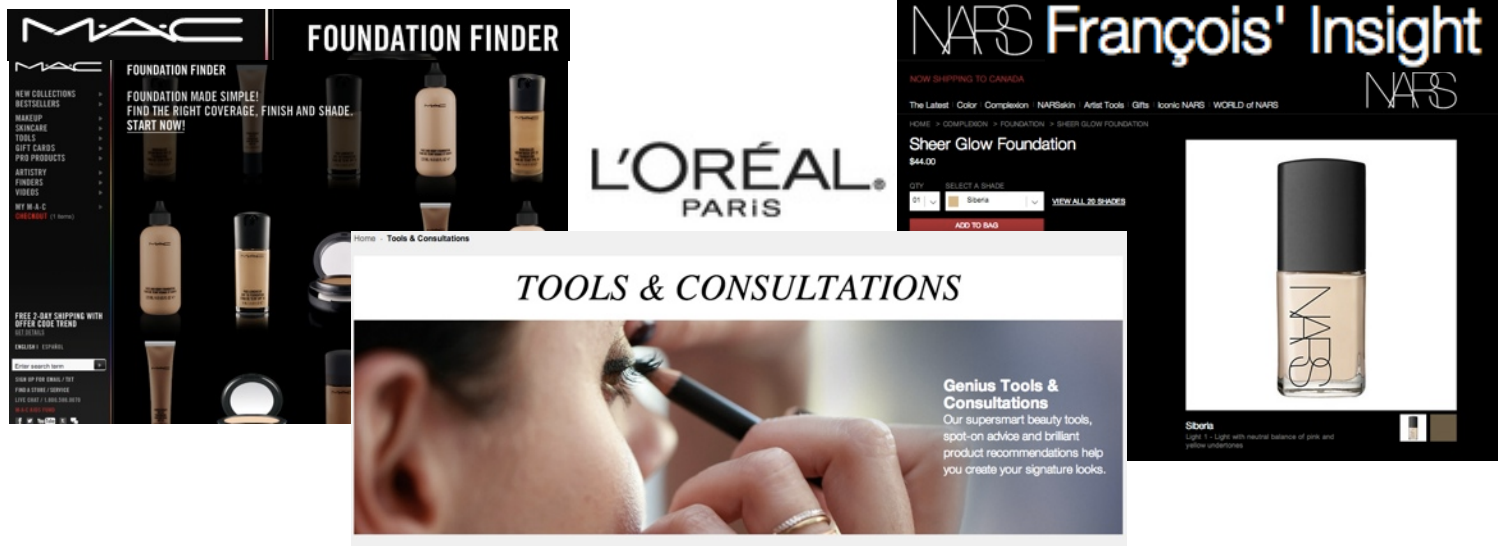
What Increased Online Shopping Means for Consumer Choices

Knowing these trends about online shopping allows us the following conclusions. Consumers shopping online fall primarily into one of two extreme categories: those that are looking for the greatest number of options and those that are loyal to a specific product.

On the one hand, online retailers offering a variety of foundations perform better than brand-direct sites. 46% of respondents from the A.T. Kearney study listed Amazon and Sephora as their favorite online destinations.

In addition, brands who themselves offer significantly more shades of foundations may perform better amongst those shoppers looking to purchase foundation for the first time or change brands. It stands to reason that those shopping online will feel far more comfortable choosing a foundation, without first trying it in person, from of a greater number of shades.

On the other hand, once consumers become loyal users, they are more likely to continue purchasing the same product via online-retailers. The A.T. Kearney study shows that finding specific products, favorite brands, and the best price were ranked as the most important drivers for online shoppers.



More than Just Efficiency

Creating the Best Shopping Experience Overall

Ultimately, what these figures suggest for brands is the importance of consistent branding and flawless integration across the various levels of the shopping experience (from customer engagement and social media to checkout).

What are some of the ways that the leading brands do this successfully? On the one hand, their online sites recreate the benefits of the in-store experience by providing helpful hands-on feedback for shoppers looking for advice. L'Oréal offers free makeup consultations; MAC has a "foundation finder" that personally selects the perfect foundation and shade for each visitor based on customer requirements; NARS has some of the most

comprehensive product tutorials and insights from the brand's founder.

On the other hand, these brand's drastically limit time and cost for consumers looking to replenish their favorites. L'Oréal directs customers to outside online retailers where customers can purchase a specific product, in addition to having products available from its own site, while both MAC and NARS offer promotional free shipping.

These brands, more than the competition, are therefore able to hook new interest with the former experience while creating and retaining loyal customers with the latter. For the purposes of this study, this translates into more valuable earned media from both beauty-users looking to actively engage with the brand and those looking for an efficient shopping experience.