Cosmetics use case: Organic online growth or brick-and-mortar leakage?

NielsenIQ

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Like CPG retailers across many categories, cosmetic and beauty merchants experienced significant pandemic-driven shifts in consumer shopping patterns. While restricted foot traffic acted as a drag on brick-and-mortar sales for many beauty-related categories, online sales grew. The challenges of the past 18 months have also accelerated the rise of the cosmetic omnishopper.

Who is this omnishopper? It's the consumer who buys some products in-store and others online, almost interchangeably. That makes understanding the omnishopper's behavior a crucial component of driving growth in the post-pandemic environment.

Understanding the relationship between brick-and-mortar leakage and incremental online growth

Cosmetic retailers face two big unknowns about omnishopper behaviors today; are shoppers simply shifting their purchases from brick-and-mortar locations to online channels? Or is online growth being driven by attracting new customers? To answer those questions, beauty merchants need insight into how well they are converting shoppers in stores, where those shoppers leak out to when they don't convert, and how much of their online sales growth is incremental. They also need to accurately assess the opportunity for more incremental omnichannel growth and need reliable category-level omnishopper data to benchmark against.

With access to advanced reporting and reliable, broad-based consumer data, beauty and cosmetic retailers can better understand the relationship between brick-and-mortar leakage and online sales growth. They can also gain valuable context for their sales changes and modify their marketing and customer activation strategies to maximize incremental sales growth.

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Three steps to analyzing omnishopper behavior

Understand how the emerging omnishopper impacts sales across retail channels with these three steps:

Step one: Identify leakage and the destination of non-converted dollars

Understanding leakage in an omnichannel environment starts with identifying the people who shop with a retailer and determining what percentage of those shoppers regularly buy from a category at that retailer.

> **"Non-converted" shoppers buy from the category elsewhere and represent "missed" revenue. Shoppers that previously bought from a category at the retailer but didn't on recent trips have "leaked" to competitors.**

The total sales volume of leaked and missed items represents revenue opportunity for the beauty retailer if it can boost conversions and prevent leakage.

Leakage from brick-and-mortar retail outlets to the beauty merchant's online channels are also captured in a leakage analysis. That helps pinpoint shoppers shifting their purchases from in-store to online.

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Summary	Current year	Chg vs YA
Buyer conversion	57.5%	1.4%
Dollar conversion	28.0%	1.0%
Trip conversion	28.7%	1.2%

Conversion rate: % of shopper group/item buyer's total all outlet HHs, dollars, and trips made in the focus retailer

Total population	**Chg**
234,179,720	0.1%

Retailer shoppers		**Chg**
Total HH's	204,753,160	-1.1%
% of pop	87.4%	-1.2%

Retailer shoppers Item buyers (anywhere)		**Chg**
Total HH's	178,757,558	0.2%
% of shoppers	87.3%	1.2%
Item $ (anywhere)	$6,624,552,193	12.4%
Item trips (anywhere)	960,761,114	5.0%

Converted shoppers	**Shop in retailer and buy item in the retailer**		**Chg**
Converted item trips	**Total HH's**	**102,781,636**	2.7%
	Buyer conversion	**57.5%**	1.4%
	Item $	$1,852,077,364	16.6%
	Dollar conversion	28.0%	1.0%
	Item trips	275,267,531	9.5%
	Trip conversion	28.7%	1.2%
Leaked item trips conv shoppers also bought item elsewhere	Leaked item $	$2,736,656,414	15.3%
	% shopper $ leaked	41.3%	1.0%
	Leaked item trips	406,550,382	9.1%
	% shoppers trips leaked	42.3%	1.6%

All whole numbers in (000)	
Sample size cutoff	35
Blank cells indicate no interaction or low sample	

Non-retailer shoppers		**Chg**
Total HH's	29,426,560	9.6%
% of pop	12.6%	9.5%

Retailer shoppers Don't buy item (anywhere)		**Chg**
Total HH's	25,995,602	-9.4%
% of shoppers	12.7%	-1.2%

Non converted shoppers	**Shop in retailer and buy item, but don't buy item in the retailer**		**Chg**
Missed item trips	**Total HH's**	75,975,922	-3.0%
	% of shoppers	42.5%	-1.4%
	Item $	$2,035,818,415	5.4%
	% shopper $ missed	30.7%	-2.0%
	Item trips	278,943,200	-4.3%
	% shopper trips missed	29.0%	-2.8%

Data in action

A leakage tree generated by NielsenIQ Omnishopper identifies both the dollar value of leaked and missed or non-converted shoppers, as well as where those shoppers ultimately made their purchases. Focusing on the rate of change of converted and non-converted share helps beauty merchants contextualize in-store performance; looking at leaked-to channels helps identify competitors and/or customer shifting.

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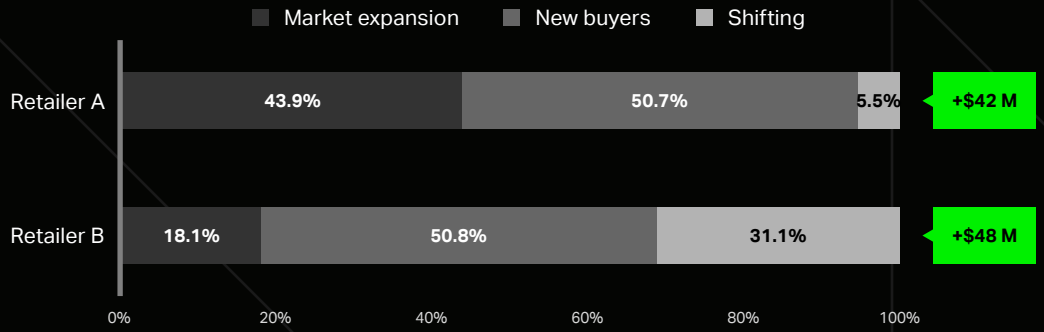
Step two: Determine online incremental sales growth

Cosmetic and beauty retailers can add online and offline revenue to measure overall growth. But that alone lacks the context behind why and how the growth occurred or how it compares with the competition. To understand those metrics, beauty merchants must determine whether growth occurred because existing shoppers spent more, new shoppers made a purchase, or shoppers shifted their spending across merchants or channels. When looking specifically at online sales growth, cosmetic and beauty retailers should also know if their existing customers are spending more online than when they purchase in-store, if they're attracting new online shoppers, or if their current customers are shopping online instead of shopping in physical stores.

Components of online facial skin care sales change



Source: NielsenIQ Omnishopper data, Q42020 vs. Q42019

Data in action

NielsenIQ omnisolutions provide incrementality analysis for beauty merchants and other CPG retailers with brick-and-mortar and ecommerce sales channels. This report breaks down the percentage of sales growth attributable to omnishopper shifting, new buyers, and category/market expansion.

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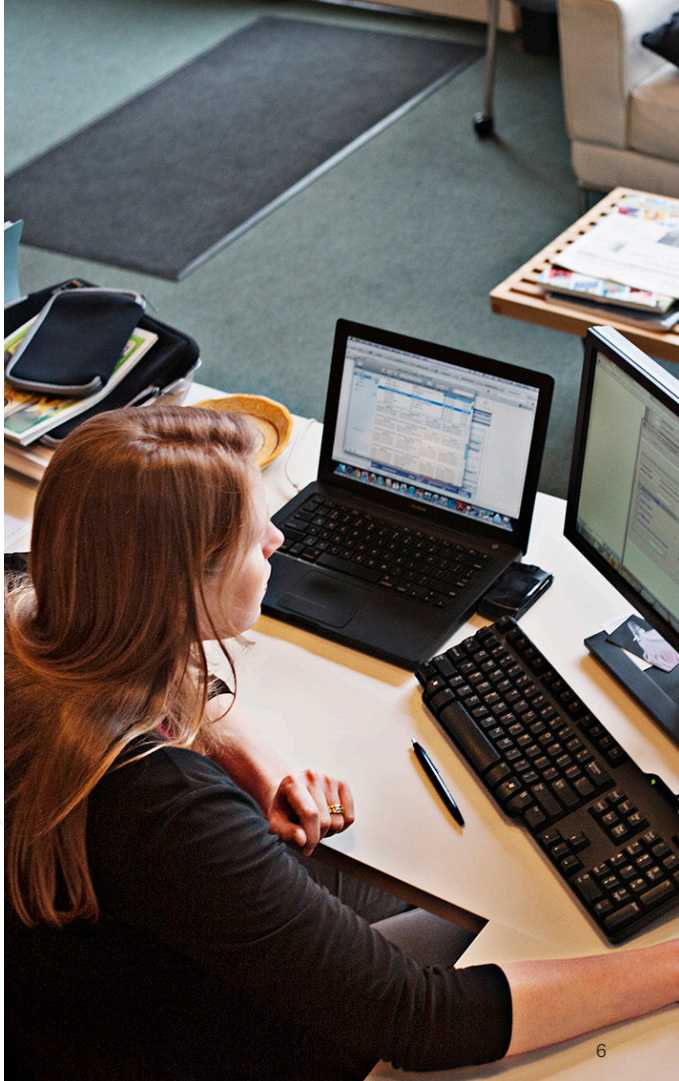
Step three: Benchmark to category omnishopper behavior

Because individual beauty categories perform differently within each beauty and cosmetic retailer, understanding which of an overall category's buyers shop exclusively in-store, exclusively online, and which are true omnishoppers is critical. The share of category sales attributable to omnishopper and online-exclusive shoppers provide valuable context to an individual beauty merchant's online and overall sales growth. If its share of omnishoppers lags the category's, there is opportunity to attract more new omnishoppers and drive incremental sales.

Data in action

A category-level omnishopper share analysis provides a visualization of the composition of each category's buyers, with an emphasis on the value of omnishoppers. Understanding the increase in sales share of omnishoppers and online-exclusive shoppers is essential for benchmarking and informing strategic direction in the post-pandemic environment.



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Key outcomes of using omnishopper data to understand leakage and incrementality

Beauty merchants that leverage omnishopper data to gain insight and context into their online and in-store sales changes can:

- Identify shopper behavior trends by category and channel, and tailor their marketing and activation strategies accordingly
- Understand what percentage of their customers are omnishoppers
- Compare their omnichannel performance to competitors
- Develop informed strategies to increase incremental sales and attract new customers

How NielsenIQ Omnisolutions can help cosmetic and beauty retailers

Helping retailers understand the relationship between brick-and-mortar leakage and online sales growth is just one way NielsenIQ Omnisolutions benefits beauty merchants and brands. With robust and accurate insights into omnishopper behavior, cosmetic and beauty retailers can identify trends ahead of competitors and develop and implement strategies to capitalize on them. They can also rely on NielsenIQ's verifiable and reliable consumer data to make business decisions more confidently and better understand their customers' needs.

Learn more about the NielsenIQ omnishopper data and tools your beauty retail brand needs, including:

- Retail shifting
- Leakage
- Shopper performance
- Demographics

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How NielsenIQ can help

Before you begin pulling activation levers or developing long-term omnichannel strategies, you need to start with reliable data. For most CPG manufacturers and retailers, that means seeking out a data partner that can deliver high-quality insights based on the most up-to-date information available. With NielsenIQ as a partner, you'll have the most accurate intelligence and the data you need to understand omnishopper behavior, identify and manage leakage, and assess the incrementality of your sales shifts.

To learn more about how NielsenIQ can help you on your omnichannel journey, **contact one of our experts here**.

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