

FAST BEAUTY:

How same day delivery is now the finishing touch



PART 1

Introduction

One thing that Christmas 2021 taught the beauty industry is that delivery is key, especially fast delivery.

With many consumers looking for last minute gifts online, the power of same day delivery in beauty and cosmetics, as with many sectors during peak, came into its own. Moreover, people buying beauty items for themselves are increasingly demanding the same immediate delivery, as they have become so used to getting other goods, such as groceries, at record speed whenever they want.

Ecommerce has always had the problem of sating that need for instant gratification, scratching that itch and creating the endorphin rush that real-world shopping delivered. Sure, there's a buzz to clicking 'buy', but then you have to wait...same day delivery changes everything.

According to McKinsey, 60% of UK shoppers had used same day delivery as far back as 2013, with almost half of shoppers saying that they would abandon their cart if there was no fast-shipping times.

There's certainly demand for fast-shipping in the beauty sector as evidenced by new research Gophr conducted at the start of 2022; almost two thirds of 25–34-year-old beauty shoppers said they would buy more often from a beauty brand or retailer if same day delivery was available and over two thirds of consumers of all ages would be prepared to pay extra for it.

But brands and retailers in this highly competitive market are proving slow to build same day into their delivery options – only six out of the 100 top beauty brands and retailers in the UK offer guaranteed same day delivery, lagging well behind cities like Paris and New York. This means most are missing out on a key opportunity to drive sales and customer loyalty, to build relevancy and own the zeitgeist.

The beauty industry is innovating at an incredible pace, giving consumers more and better ways to access products.

Augmented reality try-ons and online tutorials with clickable product links to create looks at home are creating a new normal, a new set of expectations and a behaviour characterised as 'I need it' as opposed to 'I want it'.

Social media influencers, with their compelling beauty tips and best buys are also driving urgency, meaning that consumers want products delivered directly to them in real time – 'See it, buy it, get it now'. To put this in context, the #tiktokmademebuyit hashtag has had 8.8 billion views on TikTok to date and beauty products that went viral on the platform saw an average of 85.3% monthly sales growth on Amazon. Social, combined with speedy shipping, massively reduces buying cycles – that's a pretty potent reality for brands in the sector!

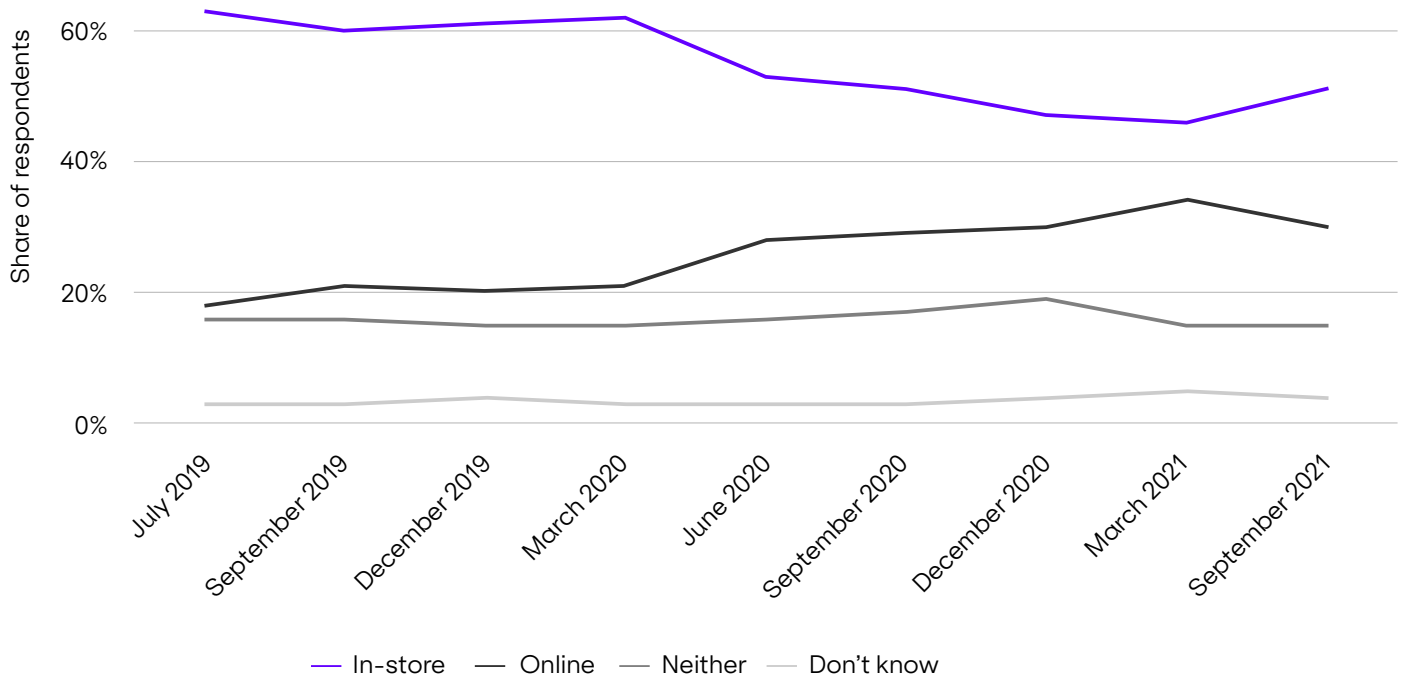
Why then, are so many beauty companies failing to offer consumers the immediacy that their smart technology plays and marketing strategies are designed to trigger? It is only a matter of time before same day delivery is recognised as a key differentiator that drives competitive advantage.

In this report we look in depth at the demands of consumers; which brands are currently satisfying those demands and how to create a same day delivery strategy that works for everyone.

PART 2

What do consumers want?

Figure 1: Share of UK consumers buying health and beauty products online and in-store 2020-21 (source: Statista)



UK consumers are increasingly keen to buy health and beauty products online, with the pandemic forcing them to shift from in-store purchasing to using the web.

According to research by Statista, as of June 2021, 30% of them are buying online, compared to 51% in-store, with the gap between the two channels narrowing from 18% online and 63% in-store a year previously (see Figure 1).

While in-store purchasing of cosmetics and beauty products is still, for many, the most popular way to shop, many others would be more inclined to shop online for these products if they could get hold of them more quickly. In fact, research by McKinsey suggests that merely offering same day delivery in the sector increases conversion by 20-30%.

According to consumer research conducted exclusively for Gophr at the start of 2022 among 2,000+ UK adults, almost two thirds (59.5%) of 25-34-year-old beauty shoppers would buy more often from a brand or retailer if same day delivery was

available. 55% of Gen Z shoppers aged 16-24 said they would too. Even older millennials aged 35-44 are more inclined to shop with beauty sellers that offer same day delivery, with 49% opting to, compared with 40% not. It is only in older cohorts where same day seems to be less in demand.

And these younger consumers increasingly see it as a given. 46% of 16-24-year-olds, 51% of 25-34-year-olds and 48% of 35-44-year-olds all now expect to see same day delivery as an option when shopping with beauty and cosmetics retailers. Again, it is only the over 45s that don't.

PART 3

Which beauty brands currently offer same day

Beauty and cosmetics brands in the US certainly get this and have made great strides in meeting the demand. Sephora, Ulta Beauty, multiple brands within the Estée Lauder and Coty portfolios, as well as The Body Shop, Anastasia Beverly Hills, and Hourglass all offer same day delivery.

Here in the UK the story is very different. Only six out of the 100 top beauty brands offer guaranteed same day delivery, with 58 offering next day as standard.

Analysis carried out by Gophr shows that UK beauty and cosmetics brands clearly understand the importance of delivery to their offering, but still struggle to facilitate the consumer's Holy Grail of same day.

The industry standard is for next day delivery (see Figure 2), with the latest possible riding on a respectable five days (see Figure 3), showing that the sector clearly understands the importance of fast delivery among its consumers.



Figure 2: Delivery times among top 100 UK beauty mono-brands

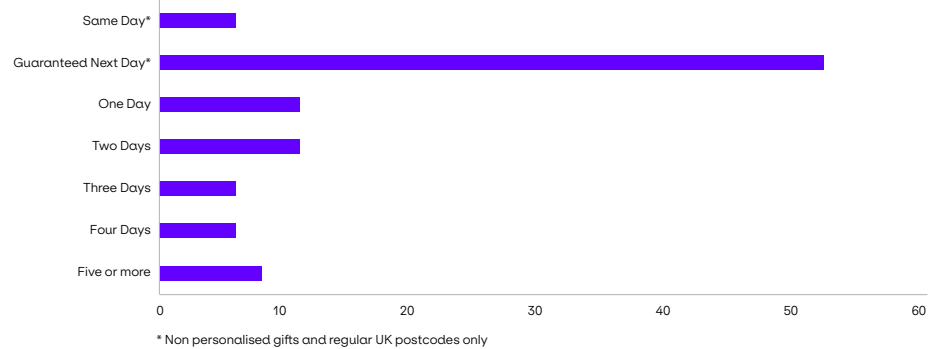


Figure 3: Delivery options (most commonly) offered by the top 100 UK beauty mono-brand

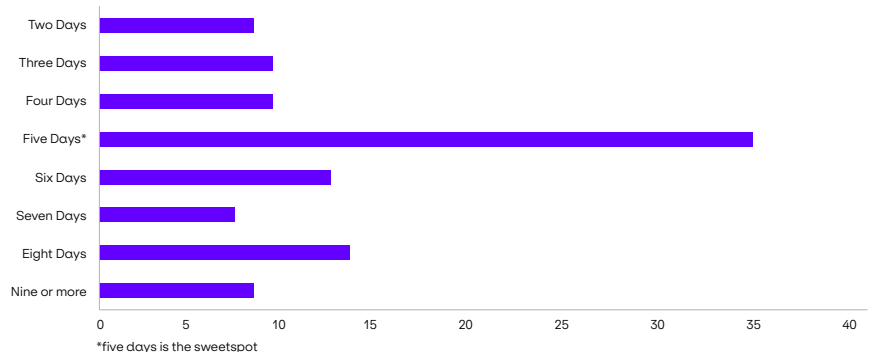
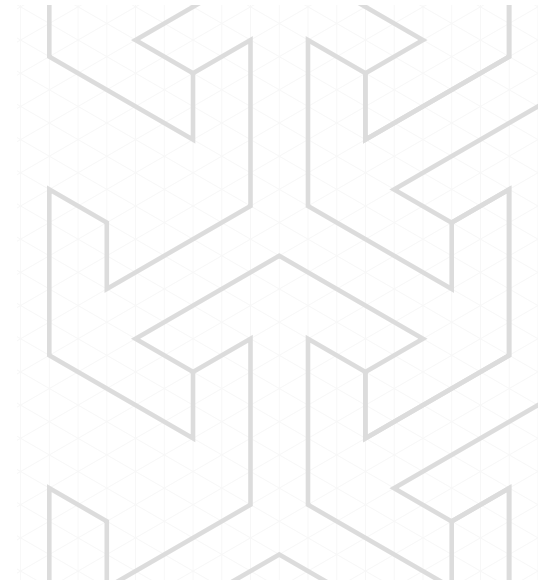
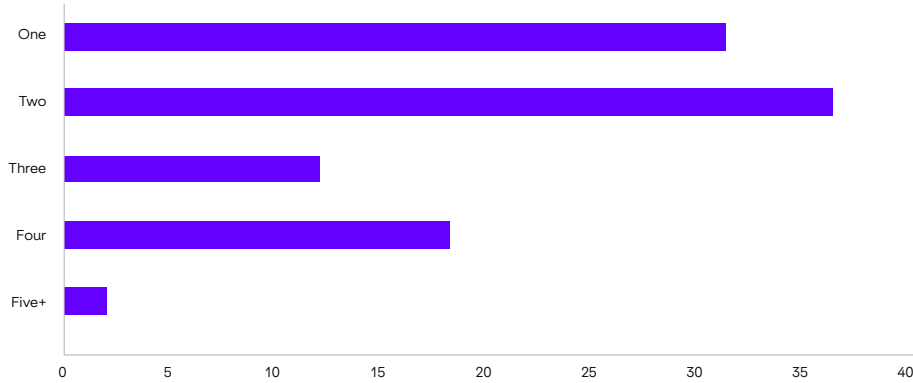


Figure 4: Number of delivery options offered by the top 100 UK mono-brands



Choice of delivery is also an important factor, with the vast majority of sellers offering at least two options, some as many as four and one offering nine (see Figure 4).

There is much that the UK beauty sector is getting right with delivery, however with consumers wanting it even quicker, there is still work to be done.

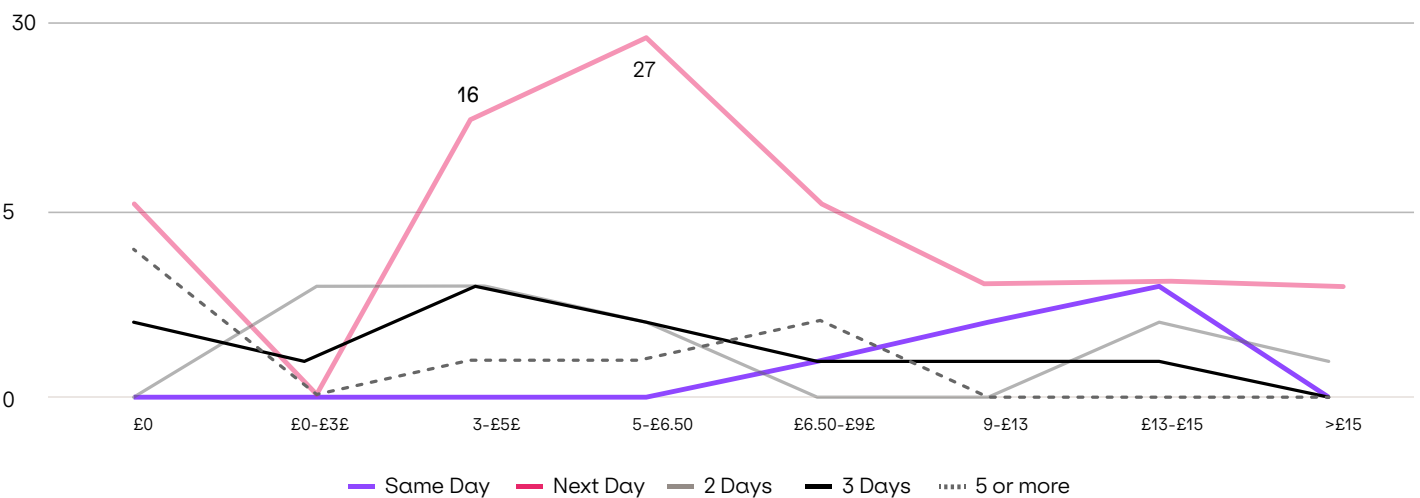
The challenge lies in price. Currently, the more expensive the price point, the more likely the brand is to offer same day delivery (see Figure 5).

The higher the price point the more accelerated the faster delivery options are for the top 100 mono-brands. Same day is there, but only at the higher end of the

market. Interestingly, guaranteed next day and one day delivery are all but absent in the middle market, a region dominated by two day delivery.

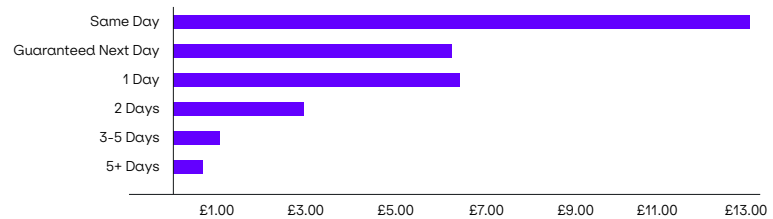
This indicates that, while consumers like the idea of fast delivery, they don't always opt for it, because of relative cost.

Figure 5: Occurrence of fastest possible delivery by price bracket



And it is easy to see why there may be both a reluctance to offer same day as well as for consumers to choose it. Gophr's analysis of the top 100 mono-brands reveals that same day delivery, on average, costs more than £12. This is more palatable in the context of an order value at the top end of the market, but for a single item or an average basket size of around £30 this would probably represent an unacceptably large proportion of the overall cost.

Figure 6: Average cost per speed of delivery



The same applies to guaranteed next day and one day delivery for lower average order values, although at sub-£5, they are more likely to appeal to a wider range of shoppers.

PART 4

What are consumers willing to pay?

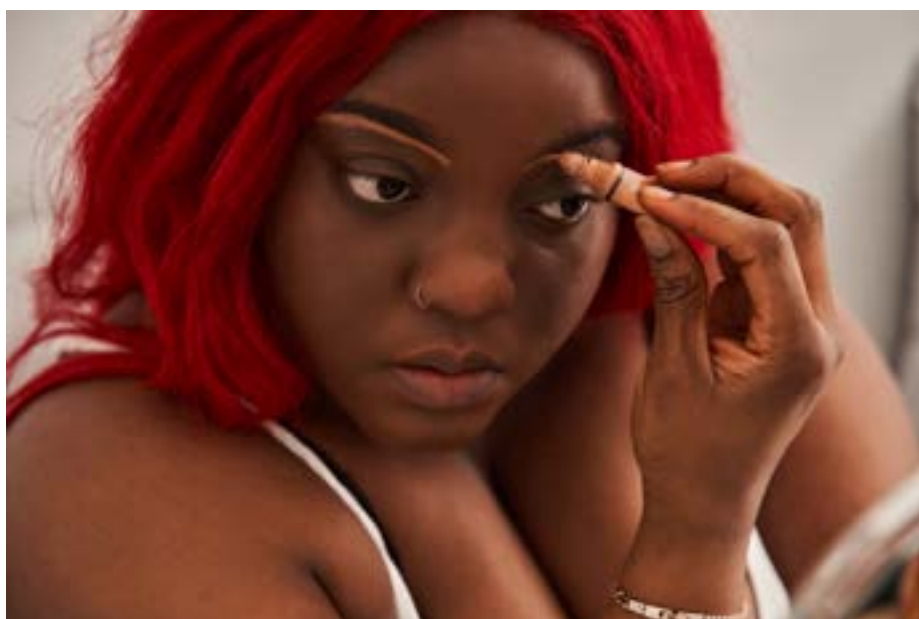
In the real world, what consumers are actually willing to pay for same day delivery is quite telling.

According to Gophr's research of 2000+ UK consumers, almost a third (29%) of all female shoppers are prepared to pay between £3 and £5 for same day delivery on beauty products. Across the younger age groups in the 16-24 and 25-34 range, this rises slightly – 30% and 32% respectively – prepared to pay up to £5 for same day delivery on their orders.

Above £5, the percentage in all age ranges drops off significantly, with just 11% of all consumers willing to pay between £5 and £10 extra for super-fast delivery. Again, it is slightly higher – 16 and 19% respectively – for 16 to 24 and 25-to 34-year-olds, but it is still indicative that £3 to £5 is the sweet spot.

Just 4% and 2% of all shoppers would look to spend £10 or more than £15 on same day delivery of cosmetics.

From the data it is clear that there is a strong demand for same-day beauty product delivery and there is a willingness to pay a premium for it. However, that premium is reasonably low – especially among the target audience of young consumers who are going to be driven to buy and to share their experiences on social media.



PART 5

Competitive advantage

Consumer demand for it is just one aspect of the business case for same day delivery in the sector. The fact that it is on offer can, as we have seen, be enough to secure a sale, even if the shopper decides not to go down the same day route.

But the real incentive for doing it is that multi-brand sellers are increasingly using same day as a USP to gain market share as they ramp up their online cosmetics and beauty businesses.

Of the top 12 UK multi-brand retailers in this space, 50% offer same day delivery as their earliest possible delivery option, a further 25% offer guaranteed next day.

Analysis by Gophr finds that Asos, Cult Beauty, LookFantastic, Net-a-porter, Selfridges and Superdrug all now offer same day delivery on cosmetics and beauty purchases, while Beauty Bay, FeelUnique and Glossier all offer guaranteed next day.



These multi-brand retailers – especially Asos and Net-a-porter, which are apparel retailers at their core and which have identified cosmetics, health and beauty as new sectors in which to diversify – are increasingly using same day and guaranteed next day delivery to entice consumers away from mono-brands.

Shoppers that are looking for a quick fix or an instant gift will head to these sites to buy, drawn by the delivery option. If, as can be the case with cosmetics and gifting, it is an emergency, then cost of delivery becomes less of a factor.

These brands that also sell apparel have the advantage that same day delivery will also apply to other purchases, so cosmetics and beauty goods may be bought as an add on to an outfit or other items, especially if it bumps the basket value over the limit to earn free or reduced cost for same day delivery.

The move to offering speedy delivery also helps omni-channel retailers make up some of the ground lost to lower footfall and store closures. The serendipitous lunchtime purchase may be declining as physical retail struggles (for now!), replaced instead by near instant gratification of online al-desko shopping with delivery within two hours.

PART 6

Making it happen

So how can the beauty industry make this happen? Inspiration comes from the fast-food industry, which pioneered rapid delivery many years ago and which, through the pandemic, has flourished – spreading to grocery, DIY and increasingly multi-brand fashion and luxury retailers.

In fact, a separate study by Gophr in October 2021 suggests that some 22.5% of all retailers are looking at adding same day delivery, with 7.5% expressing a desire to bring that down to a two-hour window.

To do this, any retailer needs to look carefully at its carrier portfolio and how it manages that. It isn't a huge step from offering guaranteed next day delivery to offering same day: you still need a single view of stock; you still need to have a deep predictive understanding of stock distribution; and you still need to manage different carriers proactively to handle the fluctuations of delivery option use.

Retailers and brands that have stores also need to look at how to leverage their footprint and its stock to localise distribution for same and guaranteed next day delivery. Here, rather than rely on a warehouse servicing a large area with fluctuating demand for same day delivery, stores can service smaller, more localised regions – the initial distribution already having been done from warehouse to store.

The challenge in doing this can then be met by using a dedicated same day carrier which can either collect from store and deliver on a 'round' or even can be called into play as and when it is needed.





Patrick Eve, CCO at Gophr concludes:

It has become clear that beauty ranks alongside pharmacy and grocery when it comes to consumer demand for same-day delivery, moving from a “want” to a “need” status, partly driven by influencer and social media marketing.

And as the research shows, consumers are increasingly willing to pay a premium for fast, convenient and flexible delivery.

For a beauty brand or retailer, same-day convenience is an increasingly viable opportunity. With a wide range of sustainable ‘Ship from Store’ delivery options on offer, it is now more than possible to meet the customer’s expectations in terms of both price and speed.”

ABOUT

Gophr is a smart same day delivery network that helps businesses of all shapes and sizes - from household name high street retailers to local independent stores - deliver quicker and more efficiently (and with less emissions) to their customers nationwide.

CONTACT

Patrick.Eve@gophr.com

www.gophr.com

