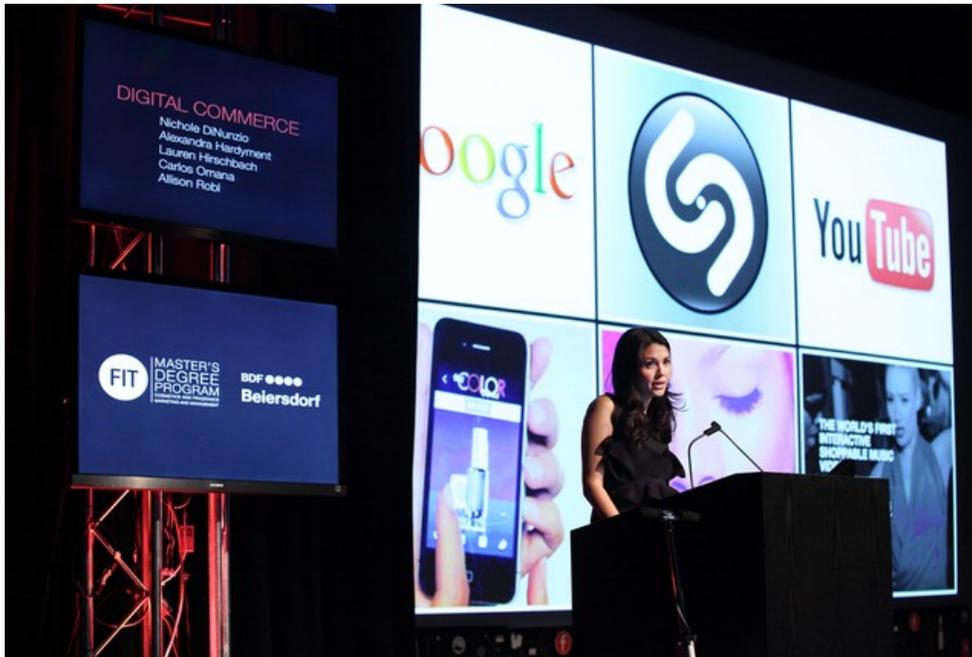


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FIT Capstone Students Explore Digital's Impact on Beauty

By JAYME CYK



Citing an article from the Web site Mashable.com, Fashion Institute of Technology's Cosmetics and Fragrance Marketing and Management graduate students punctuated one of its Capstone year-end presentations with the declaration that by the end of 2013, there will be more mobile

devices on earth than people. The commencement event, held on June 5 at the Morris W. and Fannie B. Haft Auditorium, proposed that the beauty industry needs to embrace digital if it wants to succeed in the future.

This message was reiterated at the HBA Global Expo at Jacob K. Javits Convention Center on Tuesday and Wednesday, when the students shared their findings with members of the beauty industry.

At each panel, the graduates spoke about the future of digital in terms of analytics, marketing and commerce. Following the HBA presentation, a panel of industry experts advanced the conversation by speaking from their brand's point of view.

"There is really no distinction between online and offline," said panelist Kevin Kells, the national industry director of consumer packaged goods at Google. "Your life is really online. A lot of business models are about getting friction out of people's lives, to make things easier, think of Facebook, think of YouTube, think of Google."

The HBA digital marketing panel was moderated by Robert Ricci, chief of digital strategy and social media at Marina Maher Communications, Omnicom Company. During the talk, panelists Kells, Andrew Videira, senior brand manager at Beiersdorf, Ashley Boyce, global associate brand development manager at Axe Hair, and Jeannine Shao Collins, executive vice president and chief innovation officer at Meredith 360, spoke about marketing from a consumer-led, technology-enabled perspective.

A second panel, Beauty in a Digital Age: Digital Analytics, explored how brands utilize data, how to convert it in the digital world and the advantages that digital offers. Moderated by Kristine Welker, chief revenue officer at Hearst, panelists included Elizabeth L. Preis, vice president of customer strategy North America at the Estée Lauder Companies Inc., Erica Roberson, global multicultural hair care brand development manager at Unilever, Sarah Newhall, executive vice president and director of analytics at Blue State Digital and Emily Coleman, Assistant Vice President, Interactive Marketing, L'Oréal USA.

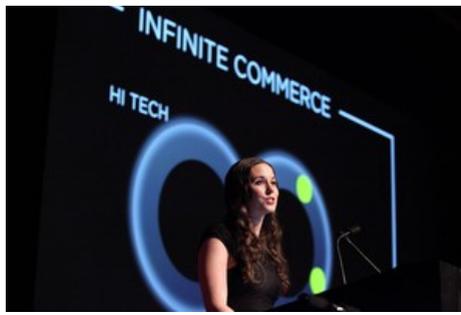
Next came a conversation centered on digital commerce, moderated by Jenny B. Fine, editor of WWD Beauty Inc, in which panelists spoke about the future of digital commerce and how to integrate in-store experience with technology.

"The potential for transformation is best shown and probably not told," said panelist Mariah Chase, cofounder of sendthetrend.com. "And that's why you see beauty succeeding on retail television. So for e-commerce and beauty, you have to harness the power to show and not tell. You can do that from an authoritative voice from the brand as well as use what your consumer content is generating from a digital perspective."

Also on the panel were Alexandra Hardyment, assistant global marketing manager at Aerin/Estée Lauder, Hana Chang, emerging business lead at Google Commerce, and Lauren Edelman, marketing director at Chanel.

FIT's capstone program, which this year was sponsored by Beiersdorf North America, and had Google as its research partner, dug deeply into the ever-expanding digital universe and how it relates to beauty through three topics: digital analytics, digital marketing and digital commerce.

The digital analytics team began by stating that in 2012, the total amount of data created was enough to fill a stack of DVDs that could reach the moon and back. In fact, team members told the audience, in 2013, the average person will process more data in a single day than a person in the 1500s did in an entire lifetime. Looking to 2020, the graduate students revealed that the amount of data the world's population generates will be 57 times the amount of sand on all of the beaches in the world. For its part, the team examined analytics through a fictitious Product



Allison Robl during the digital commerce presentation.

Photo By Courtesy Photo

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Launch Cycle of 2020, which imagined the six ways that will affect “big data” in the beauty industry. Panelists underscored that each will have an impact on every stage of the product development process by enabling cost savings, speed to the market and greater return on investments. Through both data-centric focus groups and biology-led innovations, according to the students, data will be scanned through sensors to allow brand marketers to know where and how customers are using products. These sensors will additionally capture biological information to understand aging needs. Citing a 2013 article in AdAge’s “Big Data Issue,” the team identified that big data will increase operating margins by 60 percent in the retail sector, and will save more than \$150 billion in government spending through added efficiencies.

Stressing the importance of a one-on-one exchange between the consumer and the brand, the second group of students introduced the practice of “marketing 3.0.” Unlike marketing 1.0 and 2.0, which talks at the consumer, m³ is looking to generate an intimate conversation with people and brands in addition to acting as storytellers. This model contains three key points to effectively communicate with the customer; micro-targeting, or the use of analytics to create an individual understanding of the consumer; micro-engagement, a two-way conversation between brands and consumers when the consumer wants it, and micro-marketing, combining the lessons learned from both micro-targeting and micro-engagement while creating campaigns with the illusion of personalization. The graduates also noted that brand marketers must turn their attention away from return on investment (ROI) metrics and focus on return on learnings (ROL). With ROL and the analytics tools to support it, marketers will be able to track individual customer value over a lifetime as well as critical points that drive future sales at the individual consumer level. To that end, the ROL model focuses on increasing sales in a manner that is closer to the consumer than the ROI framework.

“The shift from traditional KPIs [key performance indicators] to include a new return on learnings (ROL) culture was particularly interesting,” said Jane Hertzmark Hudis, global brand president, Estée Lauder, and a executive mentor for FIT’s Capstone program. “It could inspire new thinking about the future of our industry.”

According to the third group, there will be no death of the brick-and-mortar model. The digital commerce group began by stating that transactions in that channel are the focus of the beauty industry and 95 percent of sales in the U.S. take place in physical stores. Only 5 percent of beauty sales take place online, but other categories, such as toys, electronics, and apparel and consumer appliances, have a higher penetration. In order to utilize digital and high-touch experiences in beauty, the students introduced the Infinite Commerce Model, which allows customers to control shopping convenience, customization and curation. Convenience includes investing in infrastructure and technology to provide more customer service; customization allows consumers to shop where they want to at the moment and enter partnerships with technology experts over time, and curation gives the customer in-depth content, accessible on their mobile device. The team gave the example of facial recognition software and how counter digital readers can scan a customer and recommend products based on their personal digital profile. This is designed to provide an offline shopping experience as well as a personalized experience in-store. Additionally, Beauty on Demand, a commercial application that is designed to allow customers to purchase products anywhere using their mobile devices, is thought to be the future of the beauty industry. Citing a 2013 presentation by Wendy Liebmann, chief executive officer and chief shopper at WSL Strategic Retail, presenters asserted that by 2015, 50 percent of retail sales will be influenced by digital and by leveraging it, beauty brands will be exposed to billions of new points of sale.

Following the presentations on June 13 and at the request of Muriel Gonzalez, executive vice president for Macy’s Inc., and Nancy Schmidt, group vice president/DMM, cosmetics, trend and prestige for Macy’s Inc., the graduates presented their research to the entire merchant and marketing teams at Macy’s.

“The Capstone presentation and ideas presented by the FIT students were truly inspiring and thought-provoking,” said Schmidt. “The presentation captured the fast-approaching future of beauty in a digital world and showed us the possibilities that exist to revolutionize and personalize the in-store and online shopping experience.”