



# Impact of Customer Reviews on Online Purchase Decisions: A Case of Cosmetic Industry in India

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**ABSTRACT:** In the past, when a shopper was in the market for a beauty product such as lipstick, mascara or moisturizer, they'd drive to their neighborhood drug store or pay a visit to a beauty counter at a local department store. And when they did, they'd find shelves dominated by products manufactured by a relatively small number of legacy brands.

But that's no longer the case. The way consumers shop for beauty products is constantly evolving — a process supercharged by the Covid pandemic.

A growing number of consumers now purchase beauty products online. This has inevitably led to an increased dependence on user-generated content as shoppers seek validation for their purchases.

What's more, new beauty brands and products seem to emerge daily. And the criteria shoppers use to make purchase decisions is evolving; increasingly, shoppers seek out brands and products that align with their values.

**KEYWORDS**-customer, reviews, cosmetic, online, purchase, industry, India

## I.INTRODUCTION

The Covid Pandemic Has Impacted Beauty Shopping Habits -- Perhaps for Good

Just when it seemed businesses finally had a handle on the shopping habits and preferences of beauty shoppers, Covid hit. The global health crisis has had a huge (and lasting) impact on just about every facet of life — including the way we shop.

There's Plenty of Opportunity for Customer-Centric Beauty Businesses

Beauty brands and retailers must adapt their plans and strategies to effectively reach and convert today's shoppers. And there's plenty of opportunity for those that do. According to a report from Fior Markets, the global beauty and personal care products market was \$493 billion in 2018. By 2026, it's expected to reach \$756 billion.[1,2,3]

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In order to develop effective strategies, though, brands and retailers must first understand how consumers are shopping for beauty products — and how the global health crisis has shaped these habits.

Adjust Your Strategy to Attract and Convert More Beauty Shoppers

Recently, PowerReviews surveyed 10,646 consumers to shed light on the shopping habits and preferences of those purchasing beauty products — specifically makeup and skincare items. We also aimed to understand how beauty shopping habits have changed since 2019, when we fielded a similar survey.

This report will share the key findings of our research — as well as practical, impactful actions beauty brands and retailers can take to meet (and exceed) the expectations of today's beauty shoppers...and boost their bottom line.

For the purposes of this report, "beauty" is defined as products in the makeup and skincare categories.



## II.DISCUSSION

Long controlled by retail conglomerates, the beauty industry has turned online.

Once “challenger” brands like IPSY, Glossier, and Fenty are now household names — spanning geographies and demographics alike.

Entrepreneurs rush to greet a new wave of consumers seeking fresh norms and niche products. Clinging to enterprise status, CPG manufactures respond by either acquiring their independent counterparts, partnering with them, or launching private-label alternatives.

Did COVID-19 negatively affect sales? Yes. Does brick-and-mortar still dominate? Also, yes. But ...

Is the beauty industry growing? Especially ecommerce cosmetics in 2019, 2019, and beyond? Absolutely. Statistics, trends, and strategies guide the way forward. That’s exactly what this exhaustive report will cover:

1. Statistics: Beauty Industry Market Share & Growth in 2019
2. Trends: Insight from 2019’s Top Cosmetics Brands & Companies
3. Strategies: Your Ecommerce Marketing Growth Plan ‘Make Over’

There you’ll find detailed examples, packed with tactics and lessons, from three fast-growing direct-to-consumer (DTC) companies.

### ColourPop

In a competitive market, this indie brand stood out against expensive rivals with creative that highlighted product quality. The payoff?

5x return on prospecting campaigns, 7.5x return on remarketing efforts, and 15x return on its social campaigns made in collaboration with Disney.[4,5,6]

### Coola

As a brand that wasn’t digitally native, the eco-conscious retailer’s hurdle was gaining traffic online. By selling through product funnels using Facebook advertising, it offered customers the niche products they actually needed.

Conversions increased, repeat customers lifted +50%, and the brand hit 140% year-over-year growth.

### Bambu Earth

Struggling with low traffic and dismal conversion rate that no new creative or better-performing ad could fix — this clean-beauty brand needed a refresh. Its lifeline came in the form of an online “Skin Quiz,” powerhouse UGC, subscriptions, and insights from customers seeded throughout the funnel.

The results? 25x revenue YoY, 2.5x AOV, and profitability for the first time.

### Statistics: Beauty Industry Market Share & Growth in 2019

For the purpose of this report, we’ll divide beauty into three categories: skincare, color cosmetics (make-up), and fragrance. Though closely related, we’ve separated health and wellness — i.e., personal care — into its own ecommerce guide.

### Beauty Industry Statistics and Market Research: Global & US

Globally, the industry is strong and only getting stronger.

How big is the beauty industry? Up from \$483B in 2019 to \$511B in 2019 — and with an annual compounded growth rate of 4.75% worldwide — it’s predicted to exceed \$716B by 2025. And \$784.6B by 2027.

The kindling? Rapid expansion through digital channels and the attraction of more customers willing to pay higher prices for higher quality.

As emerging nations grow in purchasing power and become globalized, they offer budding promise for international companies to enter — if they bring higher quality products than those available locally along with them.



By geography, Asia Pacific and North America dominated; accounting for more than 60% of the total.

With shopping preferences differing from county-to-country, brands looking to rule on a global scale must follow a customer-centric model that intersects both digital and physical channels.

Much like the experiential home furnishings industry, offline shopping still rules — luring a whopping 81% of buyers. At the same time, offline's share is declining while online climbs.

Aside from superstores like Walmart and Target, the biggest vertical-specific players are Ulta and Sephora.

The same holds true on a worldwide scale.

For more than a century, production has been controlled by a handful of multinational conglomerates. The long-reigning legacies — L'Oréal, Unilever, Procter & Gamble, and Estée Lauder Companies — made up a whopping 81.7% of worldwide revenue in 2019.[7,8,9]

Due to the increase in disposable income in the past couple of years, especially the previous decade, there is a rise in demand of skin and sun care products. Along with raise in income, change in global economies, change in lifestyles, rising demands of skin care and sun care products is also influencing the demand of these products. The change in climatic conditions every few years, especially due to global warming has also led to an increase in demands of cosmetics. The India cosmetic industry is now growing at a CAGR of 7.5% between 2014 and 2016. Just like for the rest of the world, this increase is due to increased purchasing power and increasing consciousness about one's wellbeing and health. The awareness is rising amongst the Indian audiences because of the traditional media and also because of online platforms. The flourishing fashion and the film industry are also increasing awareness amongst masses, these platforms have helped people look at beauty in a different way. People now think that it is important to look good along with taking care of the body in terms of a healthy living. According to the Confederation of Indian Industries (CII), the total industry estimates to about US\$950 million. It also projects a growth of about 20% per annum in different segments of the industry (toiletries, fragrances etc). Among the various categories of cosmetics, the fastest growing in India is the color cosmetics that accounts for about 10% of the total amount. Costs of importing products is much higher as compared to producing the products within the country. The tariff on import of related products is about 39.2%

### III.RESULTS

Online shopping includes an activity of action of purchasing products or services using the internet. It requires the user to go online, then to a seller's website, choosing something of choice and need and placing the order for its delivery. The payment is either made online using a debit or credit card, or there is also an option for paying upon delivery. It eliminates the need of going to the retail store physically. Indian cosmetic industry is expected to grow at a fast rate. Consciousness among both men and women will help this growth. The companies have also realized the potential of the rural markets and have started expanding to these markets. This new area of expansion will also help the companies grow base. In traditional marketing and purchasing, discounts and advertisements have seen to have great relevance when it comes to influencing purchase behavior. A lot of times, higher discounts and repeated advertising is seen to increase purchase action. Every customer is price sensitive and responsive to lower prices. In an Indian market, where price plays the most important role, it is seen that lower prices are often resulting in increased purchase behavior. The paper is aimed to study the impact of discounts, pricing and advertising has on purchase behavior of consumers when it comes to shopping of cosmetics online. Particularly online shopping has been chose because of the increase in online shoppers and also to understand with something like cosmetics which is usually tried and tested at the shops before purchase, with the elimination of this option, how would most customers respond purchasing of cosmetics online[10,11,12]

Discounts Online- The study tries to understand whether or not an average online consumer notices the available discounts on online platforms that are available for costmetics. Discounts often act as incentives for most buyers to purchase certain products. The study wishes to understand whether this tactic is successful when it comes to the purchase of cosmetics online. 2. Prices- Another aspect that study is aimed at is understanding whether people notice any price difference between online portals and brick mortar stores. And if consumers notice price differences (either higher or lower) then are they motivated or demotivated to make purchases of cosmetics online. 3. Advertising- Advertising is very important in increasing product and brand awareness. Most online portals are heavily investing and relying on different mediums of advertising in order to increase sales and awareness. The study is aimed at understanding how influential advertising when it comes to brand awareness amongst in the consumers. 4. Online purchase- The base idea of the study is buying online. Whether consumers are willing to switch or are already buying using online portals is another important aspect of the study.

Firstly, determining if advertisements encourage people to shop online, we look at the frequency of exposure of advertisements as well as the motivation to shop because of advertisements. Owing to the mean value being higher than the test value, we can conclude that the respondents come across more than a usual amount of advertisements. Respondents also have a moderate positive correlation between the frequency of advertisement and frequency of purchase. It was also noticed that people who come across advertisements more than frequently are less likely to purchase.[18,19,20] This shows that an average customer who comes across an advertisement time and again, mostly gets annoyed by the company or brand, to an extent wherein he decides to not purchase the product because of the fact that he has seen the advertisements way too many times. Also, we see that there is a significant impact of advertisements on the purchasing behavior of customers with nearly double the motivation and likeliness of buying a product if the respondents were motivated by the advertisements. Finally, motivation caused by the frequency of advertisements peaks near the middle and actually diminishes when the frequency goes too high. While analyzing how prices encourage purchase behavior we look at discounts, difference, and an absolute value of price. Those respondents that believed that discounts motivated them were three times as likely to be favorable towards purchasing cosmetics. We also see people who believe online portals had a lower price were 33% more likely to purchase products online. Motivation caused by discounts were correlated with the motivation caused by advertisements presents a positive low correlation which may point to different respondents being motivated by different mediums. We also see purchase behavior increase by three-fold and is statistically different for those people who are motivated by advertisements when compared to those who are not. The two social demographics that we have considered while analyzing the purchase behavior is age and gender. Looking at the purchasing behavior we see that age groups of 18 to 25 and 25 to 35 are the most active consumer with a sharp dip after 35 years. We also see women are nearly two times as likely to like purchasing cosmetics as compared to men who also have a higher deviation for the same. Motivation by advertisements is also the highest in the younger age segments of below 15 and 15-18 years and in the older age groups of 35. Though the group between 18 to 25 is motivated by advertisements they also have the highest level of uncertainty of with the largest number of respondents within the group answering maybe.

Hence, price does have a significant influence on the purchase of cosmetics online as well as discounts motivating certain age and gender demographics. We also see, that advertisements do have a significant influence on the purchase behaviors but a higher frequency of advertisements is detrimental to the original cause, an observation that may have been counter intuitive.[16,17]

#### IV.CONCLUSIONS

The study on consumer behavior towards purchase of cosmetics online and the kind of impact advertising, discounts and pricing has on the behavior will give a better understanding of how these factors influence a consumer. The scope of online shopping is wide, and people are becoming more aware by the day, but awareness about purchasing cosmetics online is still lesser as compared to other products. A lot of people are still unsure and an unaware about the possibility of buying cosmetics online. Companies that are selling cosmetics online can work on their awareness and advertising campaigns as a major part of the masses remain untapped. The study also indicates that there is a lack of trust from the side of the buyers pertaining to the purchase of such products as quality is utmost important while purchasing cosmetics. Companies also need to work on the trust factor to promote more selling. There is a lot of potential for both the sellers and the buyers involved given that sellers try to increase awareness and establish trust.[13,14,15]

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