

A close-up, artistic photograph of a person's face, heavily shadowed and tinted with a deep purple hue. The person's eyes are closed, and a single tear is visible on their cheek. The skin is covered in intricate, textured purple makeup, particularly around the eyes and mouth. In the top right corner, there is a white circular logo with the text 'STELLA RISING' inside.

**STELLA
RISING**

STELLA RISING GUIDE TO LAUNCHING BEAUTY ON AMAZON

A strategic view into propelling rising brands on Amazon
Part of the Building Effective Brands series

stellarising.com

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In 2016 “un-amazon-able” was a trending term that analysts used to describe the potential for beauty brands on Amazon. The sentiment was that Amazon’s online marketplace could not compete with the in-store experience that tactile beauty shoppers craved. By 2018, beauty on Amazon looked very different. In fact, our 2018 Glimmer* survey showed that an incredible

75% of women purchased beauty products on Amazon, citing myriad perks they enjoyed.

Now, in 2019, beauty and personal care is Amazon’s second most-shopped category, an expansion that proves that our research was in lockstep with actual channel development. Sure enough, the term “un-amazon-able” died quickly.

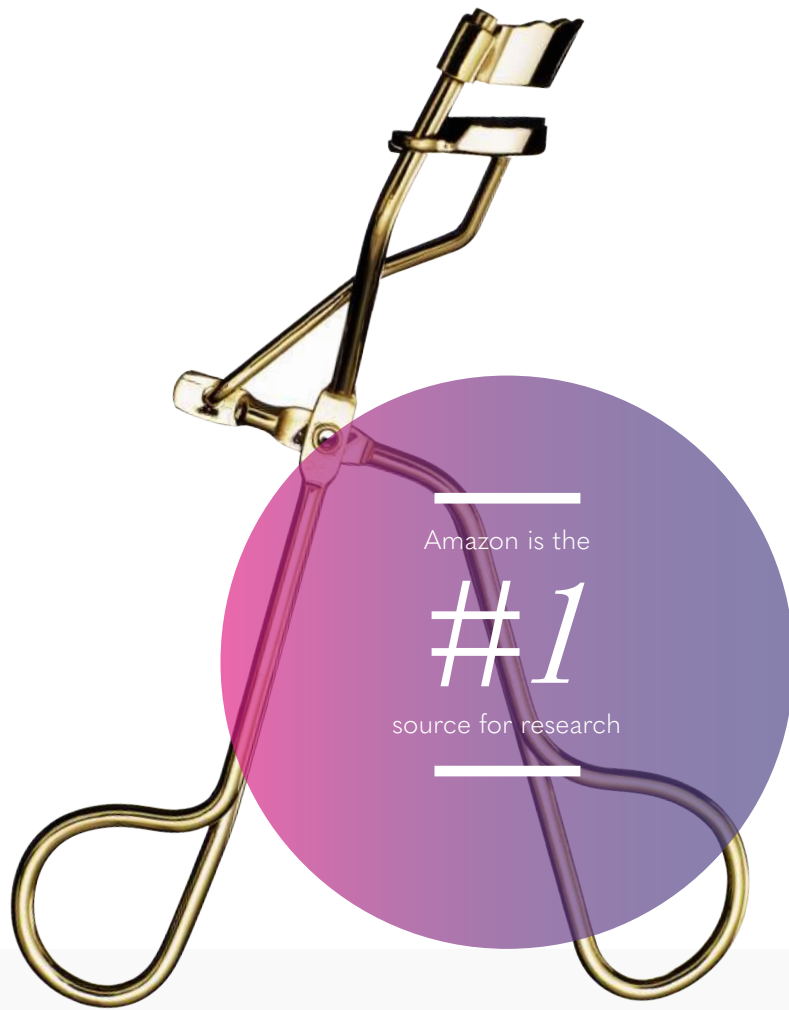
Stella Rising has developed a deep understanding of the Amazon beauty landscape, with extensive experience launching and growing beauty brands successfully on Amazon. As **Amazon made up nearly half of all U.S. e-commerce by the end of 2018**, the time to understand the channel is now. In this Building Effective Brands strategy review we guide you through the topline concepts required to capitalize on this enormous sales opportunity.

*Glimmer is Stella Rising’s proprietary social insights community



GLIMMER.*

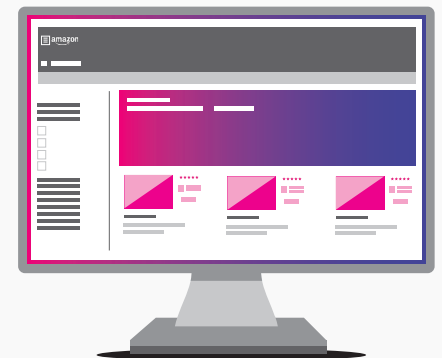




THE BEAUTY CONSUMER ON AMAZON

When we understand beauty consumer behavior, her presence on Amazon makes a lot of sense. Women are not just buying beauty on Amazon – they are researching, discovering, sharing, and more. Female beauty customers are omnichannel. And, as they explore each avenue, they have a digital marketplace loaded with nearly 350 million products always at their fingertips for review. Accordingly, the Amazon platform engages her throughout every step of the journey.

In fact, we discovered that the journey often begins on Amazon. Women list **Amazon as the #1 source for research**, surpassing store websites, brand websites, and social media. This research point signals the core element that Amazon plays in the overall path to purchase: search and discovery. Furthermore, we know that she is *motivated* by research: **only 7% of women report a preference for sticking to their usual products**. The female beauty consumer *wants* to learn and try new things continually. Amazon has adapted to her and created a vast experience that occurs anywhere, anytime, especially via app on her ever-present smartphone.



START BY CHOOSING A SMART STRATEGY

Beyond research, three key factors--convenience, pride, and selection variety are what drive conversion. To launch successfully on Amazon, brands need to begin internal conversations with the following questions in order to accomplish those critical conversion elements:

1. What is my strategy for launch?
2. What is the difference between Seller and Vendor?
3. How do I protect my brand?

There are multiple ways to sell on Amazon and all three of the above queries fuel a brand's "best" method of selling. Understanding the difference between the approaches is essential.

The main two ways to sell on Amazon are as a Vendor or as a Seller. Regardless of this choice, a crucial point to remember is that **just because a brand is selling its product on Amazon by no means does that exclude others from doing so as well.**

amazon
vendor central

- Invitation Only
- Ships from and sold by Amazon
- Wholesale Relationship
- Price Matching
- Costing
 - Standard Terms: 15-20% off cost
 - Gross Margin: 30-40%
 - Net Margin: 50%

vs

amazon
seller central

- Open to all
- Shipped and sold by X (FBM)
- Sold by X and Fulfilled by Amazon (FBA)
- Brand controls price
- Store units in Amazon FC
- Storage & Fulfillment Fees, starting at \$2.41
 - FBA Commission Fee: 15%
 - Long Term Storage Fees: \$3-\$7/ft
 - Net Margin: 60-70%

Another way of saying Amazon Vendor is 1P or a direct retail relationship. Through this engagement, Amazon purchases products directly from the brand at wholesale cost and fulfills orders to customers. Amazon—not the brand—determines pricing, and sets that pricing according to competitive factors.

The screenshot displays the Amazon Seller Central dashboard. At the top, there's a navigation bar with 'amazon seller central' and a search bar. Below the navigation, there are several widgets:

- Your Orders:** A table showing order counts: Pending (0), Premium unshipped (0), Unshipped (0), and Return requests (0). It also shows 'Seller Fulfilled' and 'Fulfilled by Amazon' counts.
- Performance:** A table showing counts for Buyer Messages (0), A-to-Z Guarantee claims (0), and Chargeback claims (0).
- News:** A section with a 'Coming soon' message about long-term storage fees and a 'More news' section.
- Amazon Selling Coach:** A widget titled 'What type of products would you like to sell?' with input fields for 'Pickings', 'Growth', 'Advertisi...', and 'Fulfillment'. It also has a 'Save preferences' button.
- Payments Summary:** A section with a red warning: 'Content is currently unavailable. Please try again later.'
- Manage Your Case Log:** A section with a '1 case requires attention' and a 'View your case log' link.
- Sales Summary:** A table showing 'Ordered product sales' over time: Today (\$0.00, 0 units), 7 Days (\$0.00, 0 units), 15 Days (\$0.00, 0 units), and 30 Days (\$0.00, 0 units).
- List globally:** A section with a 'Last updated: 1 day ago' and 'NA' and 'EU' buttons.

An Amazon Seller, on the other hand, is often described as a 3P (third-party) relationship. With this understanding, brands sell directly on Amazon as a marketplace. They can do so two different ways:

- 1** FBA sellers use Amazon's warehouse for fulfillment and are Prime eligible. They are responsible for forecasting the demand of their products.
- 2** FBM sellers utilize their own warehouses and are not eligible for Prime.

Both 1P and 3P approaches have advantages and disadvantages. Goals and budgets should drive the ultimate decision for brands, paired with a deep understanding of business. However, in the past few years, the Amazon ecosystem started shifting toward 3P, and that is seemingly the correct strategy for new and emerging brands. At the end of 2018, 3P sales surpassed 1P, as 58% of total Amazon sales came from the marketplace.

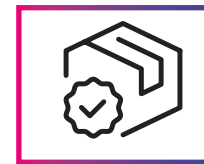
WHAT (ELSE) DOES IT TAKE FOR A BRAND TO SUCCEED ON AMAZON?

After a brand has made the significant decision around how to sell on Amazon, four main factors determine success on the channel.

First, **brands need to own the buy box**. Don't forget that in the Amazon open marketplace, sales are always a competition. Brands must master the four main elements that feed the buy box algorithm:



1. Price
(item price + shipping price)



2. Availability



3. Shipping Time



3. Seller Rating

Next, brands need to be what Amazon describes as **"retail ready."** Again, savvy sellers must be extremely strategic, educated, and careful with this step. For example, brands must select the correct products that will be unique on Amazon. Assortments should be carefully optimized, and attention paid to price point. While Amazon is often known as the "everything store," items below \$10.00 run the risk of unprofitability.



Once products are decided, **the focus turns to optimization.** This phase within the Amazon journey shares a commonality with off-Amazon search engine optimization. We recommend delivering all information through optimized copy. This means that titles, bullet points, and product descriptions should be written with care and expertise. In particular, the title of a product is one of the most important places to include keywords. Amazon suggests incorporating the following attributes in product titles: Brand + Product + Key ingredient, Feature, and/or Benefit + Color + Size + Quantity.

Ingredients and benefits deserve to shine through optimization, and high-quality photo and video visuals take brands to the next level.

Finally, **content has to be compelling.** Best practices for imagery need to be followed and reviews used to a brand's best advantage. New research notes that consumers increasingly expect brands to provide more visual content. Helpfully for brands, Amazon offers the ability to satisfy consumers and take content to the next level with A+ enhanced brand content. Found below the fold, this enhanced brand content section allows brands to add additional features and benefits using customized templates. With increased SEO and heightened education, **A+ enhanced brand content has proven to increase sales by up to 10%.** Building a brand store is another option to master content on Amazon. Brands that create a brand store to tell a unique story can also employ a trackable URL that feeds through internal and external channels.

Multiple factors have a significant impact on Amazon sales; and each of the focus steps described above drives better sales on the channel. Better-selling products tend to have priority at the top of the search results.



African Pride Black Castor Miracle Take Down Moisture & Detangling Masque
 The Black Castor Miracle Moisture & Detangling Masque softens, conditions and removes knots & buildup from dry, tangled hair after braided, weaved & protective styles. This masque aids in preventing breakage as well as shedding. The Growth Protection Formula also makes this masque a great treatment for after taking down braids, crochets, weaves and protective styles.

- Ideal For Post Styling
- Generously apply to hair after removing braids, weaves or natural styles.
- Gently work through hair with fingers or a wide tooth comb to remove knots, tangles and build up.

BLACK CASTOR MIRACLE
 Trusted for 30 years, African Pride products are specifically crafted with legendary natural ingredient blends, selected to help you nurture hair and create styles in the healthiest, most nourishing way possible. By offering a wide range of affordable products with a focus on ingredient integrity, African Pride give you the ability to flourish your hair, your way, with pride.

The Do's and Don'ts of Braid Care

DO: Make sure to not to cut your real hair when taking down braid extensions
 When taking down braid extensions, test one braid by cutting further than you think your hair stops and unravel to see where your hair stops. Cut the other braids close to that length.

DONT: Forget to slowly unravel each braid to avoid breakage
 Taking braids down take time, so don't rush the process or you can end up pulling your hair out. Slowly unravel each braid one by one, starting from the bottom of the braid and working your way up to your scalp.

DO: Final comb through of hair before washing
 After you're done unraveling and finger combing your hair, brush through it to make sure you have all of the knots out.

DONT: Forget to deep condition once braids are out
 Deep condition with Black Castor Miracle Take Down Moisture and Detangling Masque, your hair to improve elasticity (strengthen) and moisturize after a protective style.

The Key Ingredients



Naturally Formulated

All African Pride Moisture Miracle ingredients are free of harmful components including Parabens, Mineral Oil, Sulfates, & Petrolatum. This ensures our products are safe, all-natural, and gentle.



Black Castor Oil

Black Castor Oil assists in nourishing the scalp as well as hydrating and moisturizing your dry natural hair. It also plays an essential role in helping to promote nourished, soft hair growth.



Coconut Water

Coconut Water helps to strengthen, restore, and add moisture to your natural hair. This natural ingredient works to hydrate your hair as well as promote overall healthy, natural hair growth.

Refresh & Take Down Collection



1. Hair & Scalp Sealing Oil

African Pride Black Castor Miracle Hair & Scalp Sealing Oil is crafted to lock hydration and



2. Braid & Scalp Cleansing Rinse

Black Castor Miracle Braid & Scalp Cleansing Rinse gently detoxes & conditions natural hair,



3. Moisture & Detangling Masque

Black Castor Miracle Moisture & Detangling Masque softens, conditions and removes knots &

ADVERTISING ON AMAZON

As with off-Amazon digital marketing efforts, each piece of the puzzle is integral in driving conversion, and they all must work in concert. First, product pages must be optimized. Then, Amazon advertising can be activated. **70% of customers never click past the first page of search results, and 35% click on the very first product.** That data point should motivate advertisers because—as with off-Amazon—paid results will always come first, followed by organic. A real-time bidding environment with intense competition, Amazon offers a cost-per-click model where budgets and target keyword lists are set before execution. There are three main types of search ads on Amazon:

1. Sponsored Products
2. Sponsored Brands
3. Product Display Ads

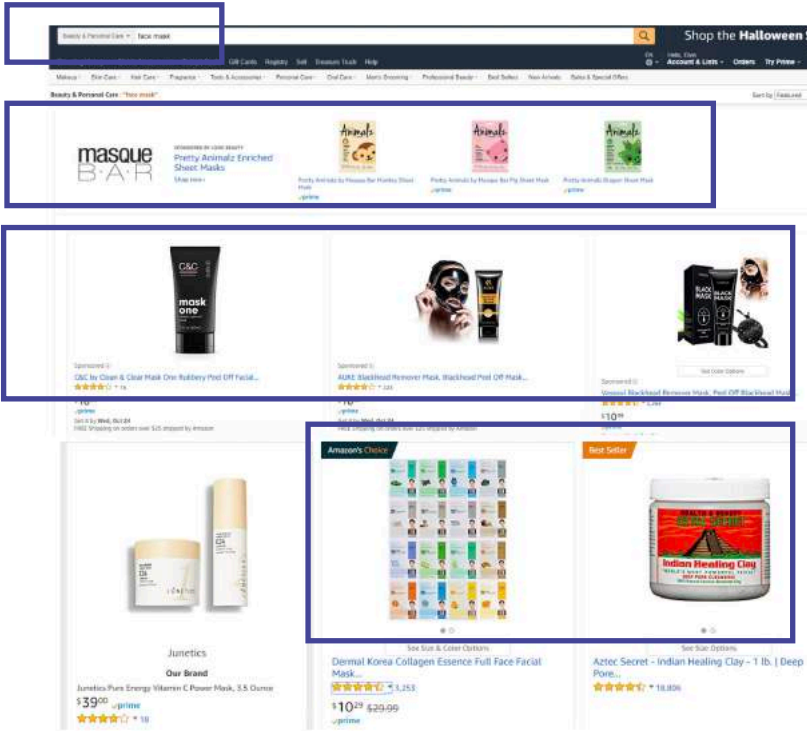
Because Amazon continues to develop advertising, maximized visibility is essential towards remaining competitive in 2019. **2018 advertising traffic was up 158% vs. 2017 within the beauty category specifically**, and we expect similar increases in 2019. Below, we offer a visual of the various advertising placements on Amazon.

Keyword Search
Facemask

Sponsored Brands
Brand Awareness Strategy

Sponsored Products
Direct Response

Organic Rankings
Algorithm based on Best Seller Ranking, Sales, Reviews, Traffic



SUSTAINING SUCCESS

Much of this strategy guide describes best practices that can be applied to consumer products outside of beauty, but beauty, with its incredible growth on Amazon, deserves particular focus. As Amazon launches its own Private Label and Exclusive beauty brands—two in Q1 of 2019—emerging beauty companies will need to compete by differentiating themselves and by acing all of the elements we have discussed.

The strategies and insights described throughout this assessment **do not make for set-it-and-forget-it tactics**. Well-thought-out strategy, robust content, advertising dollars, and a sincere investment of time, knowledge, and resources are required to compete and shine. And finally, **what brands do off-Amazon matters just as much as their engagement on the channel**. Amazon can be an incredible sales opportunity, but a multitude of elements and a topline business perspective are required to get it right.



If you are a brand looking to set a strong Amazon strategy, reach out to Rina at ryashayeva@stellarising.com or 212-614-2622.

