

Digital commerce innovation in health, beauty and wellness

How digital commerce is allowing the sector to excel in times of change



Editor's introduction



Digital transformation has impacted many sectors and seen significant change in how businesses operate and what they can offer. While some

sectors are leaders, others have been slower to adopt and there is still much to be done.

In this white paper, produced in partnership with Adobe Commerce, we take a deeper dive into the opportunities within health, pharma, personal care and beauty to see how digital can help retailers, brands and businesses in these sectors enhance their offers and the customer experience.

We examine the need for change and the impact of the pandemic in particular on accelerating the move to digital, despite these sectors being amongst the most reliant on face-to-face contact and informed consultations in the past.

We consider the ability of digital to transform the supply chain, allowing for better planning, efficiency and traceability through maximising digital opportunities – something which is particularly important when you consider the impact of viral social media trends on sales and supply in the cosmetics sector for example which can mean products quickly sell out.

We also consider the ability to use data to further enhance the customer experience through segmentation and personalisation, allowing organisations to mimic the benefits of face-to-face consultation more closely.

And finally, we look at how organisations in these sectors are using digital commerce principles and benefits to drive further growth, for example by enabling transparency and trust and improving accessibility.

The white paper also includes an in-depth case study with the Department of Health and Social Care on its project to digitalise the supply of PPE and associated stock during the pandemic, and how having a stable platform at the heart was critical.

Liz Morrell
Research Editor
Internet Retailing



The importance of future-proofing your business



When the COVID pandemic hit, businesses had to adapt, and some industries were impacted more than others.

Across the world, government guidelines were implemented that restricted the ability for face-to-face contact. Within the health, wellness and beauty industry, this was a huge problem. The ability to see, touch and feel products, as well as have in-person consultations, is integral in this field. So much so, that many businesses within the health and wellness field had not yet focussed their efforts on digital transformation.

In a time where some of their products and services would be in great demand, many businesses field faced an enormous challenge: They needed to understand how to replicate the experience within a pharmacy or beauty store, and even between businesses and those who stock their products through a digital platform.

It was challenge that many businesses, such as the Department of Health and Social Care, came to us and asked for help in solving.

The good news is that the world of “online shopping” has come a long way from where it was. Experiences where virtual reality is used to colour match a foundation to the individual, or artificial intelligence recommends a pharmaceutical product based on previous orders, are much more common, and enabled by technology.

The prevalence of the marketplace model was another growing trend, alongside direct to consumer subscription models, showing that whatever technology these businesses were investing in, it needed to be future-proof and agile. If the pandemic taught us anything else, it is that we should always be prepared for tomorrow.

Fast forward to today, and in the midst of a cost-of-living crisis, these lessons are even more integral. Whether purchasing a new colour lipstick, or stocking the shelves of their pharmacy, customers expect personalisation at every touch point of their journey, as well as flexible ways in which they can purchase.

Bethan Williams-James
Solutions Consultant

Adobe



Adobe

Introduction: Why the sector needs to change

The health, wellness and beauty industries have traditionally been sectors that demanded a physical presence but what impact has that had on digital growth in the sector?

In health and wellness, for many reasons, the focus has been on face-to-face engagements and assessments. Encouraging customers to open up and discuss their ailments allows advisors to build trust and give the best advice.

In the beauty and personal care sector, meanwhile, face-to-face contact has offered what many thought couldn't be replicated online - the ability to touch, smell and try out products to see if they suited the buyers' tastes or needs, whether that's testing a foundation shade or sniffing a scent.

But digitalisation has led to a transformation that has shown that a digital commerce approach can not only enhance the physical benefits of these sectors but is also hugely powerful in its own right.

Statista figures suggest that by 2025 online sales will begin to overtake the share of offline sales^[1] in such sectors and globally the beauty and personal care market is expected to hit sales of \$716.6 billion by 2025, up from \$511 billion in 2021.

Whether in pharma, wellness, beauty or personal care the opportunities that digital offers, coupled with the powerful impact of digital influencers on driving sales – especially within beauty - means that having quality digital operations has to be a priority for all businesses in the sector.

ENABLING A DUAL-PRONGED APPROACH

So how do businesses make this dual approach work – and how can online be used to supplement the benefits of face-to-face consultations in these sectors?

The consultation is still an important part of the customer engagement process in both health and beauty, and many companies and customers still prefer it. It's what can stand the sector apart from other parts of the retail industry that are less reliant on human and customer relationships and interaction in-store.

But digital allows a greater sharing of expertise; access to specialists that may otherwise not be possible or be too daunting to approach, and greater transparency and traceability than has been possible in the past. And all this comes post-pandemic, with consumer interest in making the best choices for their health and wellness remaining high.

Bethan Williams-James, a solutions consultant specialising in commerce at

Adobe, says that taking full advantage of the benefits that digital commerce offers, alongside instore experiences, allows customers a wider breadth of interactions. And it means that when a customer does seek out face-to-face advice it can be even more specific to their needs.

“The introduction of digital channels does not detract from the traditional face-to-face approach or the wholesale model, but rather looks to enhance consultations by utilising digital experiences for different types of customer journeys, as well as to enhance consultations by keeping them focused on the things that cannot be resolved without a professional,” she says.

“In addition, brands can now bring together disjointed data and, with the help of AI, get a more accurate view of the overall shopper journey and begin to understand (at an aggregated, anonymised level) how users conducted product research online, the actions that took place on the website and what drove eventual purchase in-store.”

FORCES OF CHANGE

In the health sector, the NHS Long Term Plan^[2] was published in January 2019. It outlined the organisation's ambitions for improvement over the next decade – and the critical role of technology in the future NHS and the critical priorities supporting digital transformation. The plan had included the right for patients to have online GP consultations and access to a digital-first primary care offer by 2023/24.

Covid accelerated that process, as access to healthcare altered and demand for

advice soared. Digital helped to protect both patients and staff at the height of the pandemic.

That led to huge change. Pre-pandemic, around 80%^[3] of GP appointments took place face-to-face. By June 2020 this had fallen to just under half. Use of e-prescription services also rose with 1.25 million nominations - where patients choose the pharmacy that they want their prescription sent to electronically - received in March 2020.

Behaviour change was also fuelled by more basic measures too – such as accessing Covid tests online. “With an enormous number of Covid positive cases, it was integral that we were able to self-serve, self-test and self-isolate,” says Williams-James. “We needed to be able to go online and order Covid tests to our house and then post them to a laboratory and sent results digitally.”

The same need for ease of access was true for PPE, something we explore with an exclusive interview with the Department of Health and Social Care, which worked with Adobe Commerce to help digitalise PPE supply. Meanwhile, in the following sections we look at the key transformations that digital commerce can enable in the health, beauty, personal care and wellness sectors.

References

[1] <https://www.statista.com/outlook/cmo/beauty-personal-care/united-kingdom#sales-channels>

[2] <https://www.england.nhs.uk/digitaltechnology/>

[3] <https://www.nuffieldtrust.org.uk/files/2020-08/the-impact-of-covid-19-on-the-use-of-digital-technology-in-the-nhs-web-2.pdf>

Opening up supply chain opportunity

Digitalisation has enabled significant changes in the health and beauty sectors, improving the supply and visibility of stock as well as greater assurance of the availability of products and services, traceability and accountability so what impact has this had?

For many businesses within this field, capturing data - which we explore further in the following section of this white paper - helps them to better plan their merchandising and supply chains. This can be particularly important in light of the peaks in demand and unpredictability seen in the past couple of years.

“Using data and predictive analysis it is possible to predict future threats to the supply chain, allowing businesses to handle this appropriately,” says Adobe’s Williams-James.

In the cosmetics industry, the rise of influencer marketing and viral trends on social media platforms such as Tik Tok^[1] now drive beauty product adoption – which can bring its own challenges to availability for products that become overnight must-haves.

Effective strategies and capabilities around essential supply chain functions such as demand planning, inventory management and adequate fulfilment are essential to

be able to deal with such unpredictable demand and better meet customer expectations.

DRIVING SUPPLY CHAIN EFFICIENCY

Digitalisation can also speed up processes across the supply chain. Within the healthcare industry, for example, pharmacies can reorder and restock based on their time schedules through a digital portal which – as with a traditional ecommerce site – can also feature recommendations on products and tailored pricing or discounts.

Meanwhile, digital communications enable customers to digitally reorder prescriptions they are cleared for – as well as informing them as soon as prescriptions are ready to collect. For example, Walgreens Boots Alliance turned a century of service into a next-gen digital experience with Adobe’s help. Customers could receive personalised recommendations based on past purchases or remind customers they are due for their annual flu shot. Such services help to clear bottlenecks and speed up service instore.

CHANGING CUSTOMER EXPECTATIONS

While such behaviour shifted by necessity during the pandemic it’s now become the norm. This means that patients and customers now expect change and

self-serve options in other areas of these sectors too – allowing for the further improved accessibility of products and services than has been seen before.

Such change also enables a more positive customer experience, according to Williams-James. “Going to the GP, picking up prescriptions and seeing consultants - if you live with a chronic illness it can feel like your life is this on repeat,” she says. “Taking one of these worries away, such as reordering prescriptions, makes a huge difference. The accessibility of healthcare around your working day is now fully supported through digital channels.”

ENABLING ACCOUNTABILITY

But there are more unique ways that digitalisation can help to improve the supply chains of businesses within the health, wellness and beauty sectors too. The issue of traceability and accountability is essential in these sectors. In beauty and personal care, for example, consumers want to understand the ethics and procedures behind their products. Does it fit in with their belief around animal testing, for example, or align with their more general health and wellness beliefs? Who has been involved in its production within the supply chain and are the claims a brand or retailer is making supported by scientific evidence? Communication and transparency around such issues is vital.

Meanwhile, for more critical sectors such as pharma and health and wellbeing, the issue of accountability isn't just a desire from customers but can also be a necessity of compliance. Drug batches, for example, legally need to be traceable.

Meanwhile, issues such as how items need to be stored – for instance, whether they are perishable or temperature-sensitive – also mean greater complexity within the supply chain and require closer visibility of inventory as well as collaboration with inventory partners.

EXAMPLES OF CHANGE

Digital commerce can help to revolutionise supply chains and accessibility and open up opportunities. As we see in the Department of Health and Social Care case study later in this white paper the introduction of a digital commerce-based B2B platform enabled the department to be able to distribute PPE at scale – something that hadn't been done before.

References

^[1] <https://www.elle.com/beauty/a42724529/viral-tiktok-trends-beauty-2022/>



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Unlocking data to bring maximum commercial impact

One of the greatest opportunities for embracing digital commerce strategies in the health, beauty and wellness sectors is the ability to enhance the customer experience by using customer data to maximise interaction – whether that’s online or face-to-face.

In the beauty sector, Adobe’s Williams-James cites the example of L’Oreal which is using data to self-service B2B journeys for salons looking to stock the brand, as well as enabling sales executives to use the platform, pulling reporting together on their clients to help nurture business relationships.

This ability to relationship-build online is critical in emulating the advantage of traditional face-to-face interactions in building trust. Companies can do this post-purchase too – such as providing information about the use of products or complementary products that customers might be interested in.

Williams-James says a successful data-driven strategy to achieve this trust-building online relies on three key factors – firstly content and personalisation, secondly a seamless customer experience and finally responsible data management.

The latter is especially applicable given more intimate personal data might be

involved, such as detail about a customer’s medical condition. Building data to enable personalisation is therefore vital in these sectors to help better emulate the physical element of service found in-store.

THE ABILITY FOR SEGMENTATION

Within the beauty and wellness sector, for example, retailers can boost their customers’ digital experiences with segmentation that allows for personalised product suggestions based on consumer demographics, lifestyle and skin care or health concerns.

“The beauty products you use are very personal - whether it’s a shade of red lipstick that is known to pair well with the foundation you already have, or a shampoo to tackle the dandruff you are struggling with,” says Williams-James.

“Digital transformation allows businesses to personalise interactions both in-store and online with customers based on preferences, problems, or previous purchases, mimicking the face-to-face consultation that is traditional.”

And the opportunities are extensive. Personalising content can include reviews from similar customers or product recommendations based on previous orders or search history.

As well as helping to provide social proof to prospective customers, digital commerce can also improve consumer confidence in a product. Increasingly customers are now able to access information from a trained expert on how a product works – such as through video chats.

THE NEEDS OF THE DIGITAL CONSUMER

Digitalisation also helps to future-proof businesses and organisations for a consumer who is expecting to be interacting digitally in an ever more sophisticated manner no matter what sector they are in.

“Each generation is turning more and more to digital channels for their experiences with brands, and they expect them to be personalised,” says Williams-James. “Those brands who have already moved to modernise the health and beauty industries are already reaping the rewards.”

And it can help brands in communicating to consumers about the beliefs that such consumers hold dear.

“Younger generations are also more environmentally conscious and inclusive, meaning they want to hear what you are doing about it,” she says. “Content around being Certified B Corp, or messaging that clearly outlines no testing on animals, is also going to win them over.”

But delivering this personalised experience relies on efficient data collection, she explains. “Data is key to building a personalised experience and, by proxy, trust with the customer. Data

collection is the foundation of that, which organised and harnessed in the right way can build individual experiences with key results.”

Businesses can also use data to their advantage by linking data points around the financials, such as the cost of the product, and current pricing. Pharmaceuticals and beauty products generally have a high margin – between 55 to 80% according to McKinsey.^[1] This can help to maximise business opportunities.

“This allows businesses to create custom offers and experiences that can allow for items to be sold at a dynamic price that is competitive,” she says. The benefit is that both parties win. “This refined, data-driven orchestration of a customer journey can build loyalty and trust, whilst benefitting the margins at the same time.”

But it can help drive other growth too. “There are many ways in which a business can use data from various systems in order to inform a commerce strategy,” says Williams-James.

“Using commerce business intelligence helps businesses get a picture of what the scene looks like today. It allows customers to pull in the various data points from across their business (analytics, ERP etc), so they can create visual reports and identify areas for opportunity.”

References

^[1] <https://www.mckinsey.com/industries/retail/our-insights/the-beauty-battleground-the-sprint-to-win-on-services>

Using commerce principles to drive new areas of growth

As we have already seen the health, wellness and beauty industries have seen huge changes as they have embraced digital commerce and there is more to come.

In the healthcare market customer needs are clear – they want better access to healthcare on their terms making it easier to get the expert advice and products that customers need.

That might be online consultations that better suit timetables and availability, mobile apps through which customers can reorder medications or subscription models that help to ensure supply.

To help the surety of supply, as well as take away the barriers to purchase for consumers, has meant the move to a subscription model is strong for brands in these sectors. This works for both individual items as well as for high-margin subscription boxes.

Companies such as Harry's Razors^[1] have built business models based on these needs, encouraging customers to sign up for regular deliveries of products such as razor blades and shaving balm.

The subscription box market, meanwhile, grew significantly during the pandemic in particular, particularly in areas such as health and wellness.

In the UK alone the subscription box market is set to be worth £1.8 billion by 2025^[2] and has risen in size by 135% since 2017, with £1.4 billion spent on subscription boxes in 2020.

The use of technology such as augmented reality (AR) is also increasing access to advice and products, especially in areas such as beauty. Shoppers are no longer daunted by trying products or asking advice from a beauty consultant in-store since they can now do it virtually.

Such interactions can be standalone digital experiences, or part of a wider combined physical and virtual experience that enables the customer to get as close as possible to replicating what would happen if they were in-store.

ENABLING TRANSPARENCY AND TRUST

The transparency and accountability that digital commerce enables for the health, beauty and wellness sector is also a significant opportunity.

As we saw earlier, traceability of products within these sectors can be vital. Shoppers have an increasing interest in where their products come from and the ethics behind their production and want to know more detail than ever.

Alongside transparency is this ability to further drive trust, and in turn digital adoption, in these sectors through responsible data collection and data-driven personalisation. “This is one of the key building blocks to build digital trust, personalise experiences, give tailored advice and increase loyalty,” says Williams-James.

This is particularly important when you look at the health market where encouraging B2C customers to engage on digital channels can help relieve pressure on nurses and doctors.

But it's not quite that easy. “The B2C sector is behind others in the digital space for many reasons, including the development of responsible patient data management,” she says.

That has meant hesitation by some businesses in these sectors to embrace the full benefits of digital commerce but this reluctance needs to stop, especially given the new opportunities such change offers to companies.

“The focus has had to be/has been safer to be within the traditional models of face-to-face appointments and consultations for this market but that has put a huge strain on the healthcare industry in particular, regarding the number of nurses and doctors who are able to support these types of engagement.”

The B2B sector, meanwhile has developed at a faster pace as it doesn't necessarily suffer the same issues of data compliance. “The Covid pandemic focused the overall

efforts of B2B customers – digitising their journey in lieu of face-to-face meetings, but also growing marketplace models within the health and beauty sector,” says Williams-James.

And, as we see in our following case study with the Department of Health and Social Care's embracing of digital commerce to help distribute PPE, it has also enabled great change as organisations bridge the online and offline journeys.

References

^[1] <https://www.harrys.com/en/gb/our-story>

^[2] UK Subscription Box Market report from Royal Mail - ChannelX

CASE STUDY: PERFORMANCE HEALTH

Consumer healthcare business
Performance Health is the largest global manufacturer and distributor of products to the rehabilitation and sports medicine markets. As well as a DTC business model the company also sells to B2B customers including healthcare providers and practitioners such as chiropractors, physical therapists and athletic trainers.

When the company moved from a home-grown ecommerce solution to an Adobe Commerce based solution in a multiphase implementation it allowed the company to add various new features and capabilities to its site that have prompted growth. The new platform helped drive 53% increase in total orders, 15% increase in online revenue, 12% growth in average order value and 21% increase in new customers, as well as a reduction in customer service complaints.

Department of Health and Social Care



Department of Health & Social Care

During the pandemic, the Department of Health and Social Care (DHSC) used the principles of digital commerce to create an ecommerce platform, including website, to improve the supply and distribution of urgently required PPE and associated stock to busy frontline organisations such as primary care and social care.

The initial iteration of the PPE e-Portal was a pro-bono project based on the eBay ecommerce environment and launched in April 2020, only a month after the first Covid lockdown was enforced. It initially served primary care and social care before additional sectors such as public services, local authorities and vaccination centres were added.

The urgency of the project and the scale of the pandemic meant that a longer-term, more flexible and future-proofed digital platform needed to be considered, however. “We wanted to improve our systems through implementing a new

platform for ordering PPE and related stock so that customers, in predominantly non-acute health and care settings and contexts, could access their COVID-19 PPE requirements,” says Vishal Wilde, who was the lead policy official for this project at the DHSC until early 2022.

DHSC partnered with CTI Digital to build and implement the new ordering platform (‘Portal 2.0’) based on Adobe Commerce. It enabled the greater control needed to effectively enable continued fulfilment of the latest applicable policy requirements and strategic priorities.

Ian Cassidy, commerce director at CTI Digital, says that the customisation options the platform offered were essential to keep up with these rapidly changing requirements, as well as the differing ordering limits for different customers. “There were niche customisations we needed to do but with the platform we can change whatever we want, whenever we want,” he says. Such customisation means that customers using it only see the PPE and associated items most relevant to their particular organisation, allowing them to order faster and more easily.

User research helped define the needs of those using the PPE e-Portal and led to the creation of a new, more user-friendly and accessible website for users. This was



particularly important since the diversity of the customer base using the portal brought its own challenges. “We had to ensure the purchasing journey and catalogue availability was the best it could be for users at the time,” explains Cassidy. “This isn’t a customer on ASOS browsing. This is, for example, a hospice wanting access to products quickly.”

Wilde agrees: “One of the key challenges we face is that the customer base encompassed by the platform is very diverse. This means that being inclusive and user-centric in approach is critical; the significant improvements in accessibility and user experience are key examples of this.”

A soft launch of the new platform began in January 2022 before the project was taken over by NHS Supply Chain which now has operational responsibility for the platform.

Since then DHSC has phased users onto the new platform. By June 2022 46,955 of the 63,369 organisations invited to register themselves on the new portal had done so

and between April 2020 and 31 December 2022, 9.66 billion items in total had been distributed through Portal 2.0 and the predecessor platform provided by eBay.

During 2023/24 some items available through the portal will no longer be free and the platform has the flexibility to offer paid items.

Wilde says the project is proof of how valuable embracing the concept of digital commerce can be, even for non-traditionally retail-focused sectors. “Implementing Portal 2.0 brought numerous opportunities for the DHSC and NHS Supply Chain.

For example, where the project was somewhat unconventional, we used these foundations and history as a unique set of learnings for the successor platform’s context. Embracing the principles of digital commerce facilitates accessibility and the new platform supports the health and care system accordingly.”

Conclusion

While digital commerce isn't new this white paper has shown that in some sectors there are still many opportunities to embrace it more fully to generate extra revenue and build customer engagement.

Healthcare and pharma are the most obvious for change with new behaviours necessitated and driven by the pandemic having stuck since – electronic prescriptions being just one such example. And as our case study with the Department of Health and Social Care shows embracing the benefits of digital commerce was crucial to managing limited supplies in such times.

But customers now expect easier access to products and clearer visibility about them whatever product category they are considering – whether that's their prescriptions or their latest beauty product purchase.

The need for a face-to-face consultation process in such sectors has previously been a benefit that couldn't be replicated in the same way online.

It offered the opportunity of better engaging the customer and providing more expert advice. But it's also been a barrier too – being able to get an appointment with a medical professional, for example. Or it may have simply been too daunting a prospect.

Digital commerce breaks down such barriers and now enables either an alternative for that face-to-face consultation process, enriched by technologies such as AR, or an ability to combine the benefits of digital and physical to the benefit of the consumer.

One thing is for sure. There's much more change to come in this sector yet.

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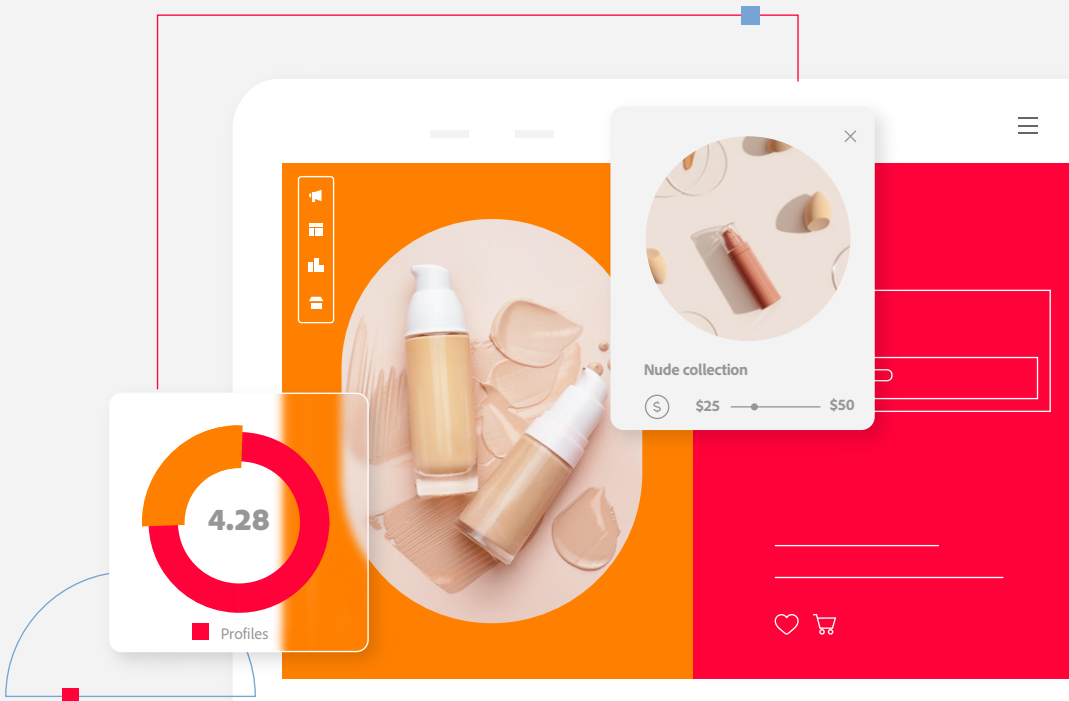
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