

Ad Campaign Plan

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Situation Analysis

Industry Information

The beauty industry has once been controlled by legacies, however since the beauty industry has become online, brands like IPSY, Glossier, and Fenty are new household names. The beauty industry now has spanning geographies and similar demographics (Grunberg, 2018). The beauty industry made \$483 billion in revenue in 2020 and \$511 billion in 2021. The annual compounded growth rate for E.L.F. is 4.75% and is predicted to exceed \$716 billion in 2025. The expansion of the cosmetics market has increased extensively through the digital channels and attract more customers willing to pay prices for quality products. As the nation grows in globalization, there is more competition with international companies that offer higher quality products than what is available in local areas.

The Asia Pacific and North America dominate than beauty industry making up more than 60% of the total market. Shopping preferences are different globally so it is important that beauty brands are focused on their customer-centric model. The United States has been considered the most valuable beauty and personal care market in the world in 2018. Distribution methods are evolving however, traditional media chains still play the largest role in the United States. Multi-brand department stores like Walmart, Target, and specific beauty brands like Ulta and Sephora. E-commerce penetration has increased slightly in recent years and by 2023, the online share is predicted to be 48% in the United States. Emarketer reports that beauty buyers who value quality most are more likely to shop directly from a brand's website while in larger stores, consumers buy a product based on prices (Roberts, 2020).

Brand History

E.L.F. Cosmetics was founded in 2004 in Oakland California by father and son Joey and Alan Shamah. The idea for a brand was created when Joey's wife came home with beauty

products for an outrageous price. Joey wanted to fill a gap in the market for quality products at affordable prices. In 2013, E.L.F. opened its first brick-and-mortar store in New York City. E.L.F.'s retail presence expanded to 19 stores in New York, New Jersey, and California in just three years.

E.L.F. has a wide product range of beauty products including liquid eyeliners, mascaras, brow gels, eye shadows, lipstick (plumpers, glosses), clarifying powders, concealers, and bronzers. Most of E.L.F.'s products are sold for \$6 or less. E.L.F. believes in affordability and being on-trend. E.L.F. founders found factories that understood their mission to create inexpensive makeup. Today, E.L.F. products can be found at stores like Target, Walmart, Old Navy as well as online (Sandler, 2020).

Competitive Positioning

E.L.F.'s top competitors include Physician's Formula, NYX, Ulta Private Label, Essence Cosmetics, L'Oreal, Covergirl, Maybelline, and Revlon. The founders of E.L.F. recognized a gap within the industry as quality cosmetic products often come at a high price.

E.L.F. launched with a line of over 20 items with every product costing just \$1. E.L.F. has continued to thrive based on their niche as many less expensive products are usually made with cheap quality. E.L.F. collaborates with larger department stores for shelf space and uses their space in stores to promote their quality products for a low price.

E.L.F. pays attention to attention to exactly what their customers want. E.L.F. has a team that travels around the world to look at social and global trends, which is what inspires their colors and innovative textures. E.L.F. uses celebrity influencers to promote their products on social media. The company focuses on bring cosmetics back to the basics by accentuating natural

beauty. E.L.F. releases line extensions such a Beautifully Bare, as a way to gain more consumers and promote their niche (Jacques, 2017).

Swot Analysis

Strengths: ● Affordable prices of products ● High quality ● Strong social media following ● Top competitor for e-commerce makeup brands ● Multi-channel presence	Weaknesses: ● Digital presence lacks (no mobile application) ● Lack of diverse color range of foundations ● Lack of product innovation ● Relies on customer-driven content
Opportunities: ● Expand retailers who sell products ● Increase brand awareness ● Increase market saturation	Threats: ● Competitors like NYX ● Consumer demand for natural products

Share of Market

The last closing price for E.L.F. is \$28.52. On the last day, the average price of a product for E.L.F. sold was between \$28.31-\$28.72. In the last year, the difference in prices for E.L.F. ranged from \$16.21-\$31.29. E.L.F.'s market cap multiplies the price of a company's stock by the total number of outstanding shares, which is 1.46 billion U.S. dollars. The average number of shares traded each day over the past 30 days for E.L.F. is a volume of 516.39k. The P/E ratio, the ratio of current share price to trailing twelve month EPS that signals if the price is high or low compared to other stocks is 237.53.

E.L.F Beauty has reported a surged net sales by 24 percent in their 2021 Quarter 4 fiscal year. They topped \$92.7 million. In 2021, E.L.F. reported selling, general, and administrative expenses are 62.4%. In 2018, E.L.F. has a total of \$267 and by 2016, the company reaches around 300 million in income. By 2017, E.L.F. became increasingly popular as consumers

discovered E.L.F. and rose to just under 500 million. In 2018, their income decreased to around 17 million and by 2020, reached 18 million again (Journal W.S., n.d.).

Consumer Purchase Process

Consumers can purchase E.L.F. products in a variety of different ways. Items are available for purchase in their 19 stores as well as stores like Walmart, Target, CVS, and other drug stores. E.L.F.'s accessibility to consumers is just one of their assets. Consumers can also purchase products through their website. Being e-commerce allows E.L.F. to connect with different consumers around the world and create more brand awareness. As E.L.F. continues to expand, so will their partnerships with stores (Sandler, 2020).

Methods of Distribution

E.L.F. has boosted digital sales since April 2019 with e-commerce targeting niche customer segments. In 2019, E.L.F. closed many stores to focus on their e-commerce and department store relationships. E.L.F. has 19 stores nationwide and offers its products in over 19,000 stores in stores such as CVS, Walgreen, Target, Old Navy, K-Mart, Walmart, Amazon, and Ulta. E.L.F. uses Food, Drug, and Mass channels and direct channels. E.L.F. has no distribution model however, they believe there is a significant potential with deepening their distributions with their current retailers and by continuing to be innovative and grow to gain more shelf space (Sandler, 2020).

Pricing Strategies

E.L.F. Cosmetics prides itself on producing affordable makeup and beauty products. The brand exemplifies the price advertising method in which they promote their beauty products as "equal in quality to higher-priced brands" (Arens, 2017, p. 21). The brand's low-cost pricing strategy has enabled them to "successfully undercut the notion that organic products and

high-quality cosmetics...are only available as aspirational price points” (Grunberg, 2018).

E.L.F.’s affordable products typically range from \$1 to \$24. For example, their “Moisture Lock Primer” is only \$8, which is a fraction of the cost compared to the market standard (Rubin, 2018).

Primary Market

E.L.F.’s primary target market is women under the age of 24, who are part of Generation Z. These consumers have an annual income of under \$20k and a college degree (ELF Demographics and Consumer Insights). These consumers value the affordability of E.L.F as they are makeup beginners. The convenience of the brand being sold in Target, Walmart, and most major drug stores allows easy access to the products. They live in centrally located areas where they can either drive or access public transportation. As part of Gen Z, they are likely active on social media and see advertisements for E.L.F on Instagram or makeup reviews on YouTube. Beauty products are something they chose to purchase to express themselves and experiment with different looks.

Secondary Market

The secondary target of E.L.F is women between the ages of 25 and 34. These women have a slightly higher annual income ranging between \$20k - \$40k (ELF Demographics and Consumer Insights). These women may not use makeup every day, but enough to purchase basic products for work and special occasions. Though they have the financial means to invest in higher-end makeup they make the conscious effort not to because they are price-conscious. Since they are working professionals they tend to live in larger metropolitan areas. They may feel the societal pressure to wear makeup, which is why they purchase value-based makeup products from E.L.F because there is a low risk of purchase.

Marketing Objective

E.L.F.'s marketing objective is to increase the market share by 5% in the fiscal year 2022-2023. In the 2021 fiscal year ending in March, E.L.F. has reported the only top 5 U.S. color cosmetic brand that gained share (Yahoo, 2021). During the 2021 fiscal year, E.L.F.'s net sales were estimated to be \$318 million USD. The total U.S. revenue of the cosmetic industry is estimated to be 49.2 billion USD. This roughly gives E.L.F. less than 1% of the total market share, so there is significant room for growth in the cosmetic industry.

Advertising Objective

The IMC pyramid in exhibit 8-5 indicates how “compared with the number of people aware of the product, the number of people who take action is usually quite small” (Arens, 2017, p. 254). This is why it is essential for E.L.F. to maintain high brand awareness and boost sales by increasing their audience reach.

1. Within 2 years make one-fifth (32.2 million) of the reported 161 million U.S. women who use beauty products daily aware that E.L.F. Cosmetics is a cost-effective makeup brand (D, 2017).
2. Inform one-third (10.8 million) of this “aware” group that E.L.F. is a superior brand for its price, quality, and value.
3. Convince one-third (3.6 million) of the “informed” group that E.L.F. is a high-quality cosmetic brand that is free of Phthalates or Parabens a better user experience
4. Motivate one-third (1.2 million) of the “desire” group to visit a physical store or e-commerce site and purchase products

Advertising Budget

Though they are not an industry leader, E.L.F still has the resources to allocate \$35 million dollars towards promotional advertising for the campaign. The company needs to maintain its market share within the growing beauty industry by expanding its awareness through various demographics. A majority of the outdoor advertising will be located in the large metropolitan areas near public transportation. In addition, E.L.F will spend approximately \$10million on social media influence to reach their Generation Z and Millennial consumers.

The object/task budget model would be most effective because E.L.F is a prominent national brand. This method is goal-oriented, so E.L.F can ensure they are employing the most effective strategies to meet their advertising objectives. As the ad campaign evolves and requires different levels of awareness and promotion, the budget buildup adapts to the changing market conditions (Arens, 2017, p. 267).

Advertising Strategy

The E.L.F. Cosmetic campaign will demonstrate its high-quality products at an affordable price to connect with young consumers. The campaign will feature a diverse group of real people to reflect their audience and emotionally appeal to consumers. Viewers will be able to see that makeup can be fun and affordable. Colorful eye-catching images will be used to attract a large audience.

According to Selected IMC Appeals, the rational appeal for E.L.F. will include esteem and safety (Arens et al., 2017, p. 309). E.L.F. cosmetics help improve their consumers' self-esteem and feel comfortable in their own skin. They also appeal to safety because all of their products are safe for skin and involve no animal testing. For emotion appeal, E.L.F. will focus on style/beauty to emphasize the confidence women feel when wearing their favorite makeup. Both

these rational and emotional appeals will lead to E.L.F. having a stronger connection with consumers.

Products Benefits

- Affordable prices
- Vegan and Cruelty-free products
- High-quality makeup
- Easily accessible

Advertisements will demonstrate high-quality makeup while focusing on the low prices and being cruelty-free. Younger consumers are more conscious of where they spend their money and care about the brand's ethical actions. Consumers will be reached through advertisements on their phones/laptops, their commute to work on public transportation, and during their shopping trips to the mall. This will create more organic interactions with viewers and allow E.L.F. to show that anyone at any makeup skill level can enjoy using their products.

Product Personality

E.L.F. is inclusive, relatable, and expressive. With 40 shades of foundation, E.L.F. creates a space for people to feel confident exploring their makeup and trying something new at a low cost. It brings out your inner youthful glow.

Product Positioning

E.L.F. is an affordable, cruelty-free, vegan brand that provides an opportunity for people at any makeup level to explore inner individuality. Makeup can be expensive and intimidating, but E.L.F. cosmetics create an inclusive experience for all women.

Tone of Advertising

Advertisements will be positive, fun, friendly, and genuine. Showing real models in an uplifting environment, having a good time, and feeling confident in their makeup reflects E.L.F.'s brand personality. This tone will create an enjoyable experience for people viewing the advertisement and demonstrates a positive brand image for the company. Ideas reflecting E.L.F.'s personality, positioning, and tone includes:

- Creating a fun experience no matter what the occasion
- Creating your own beauty standard
- Creating an inclusive experience for all women

Media

Social Media: The best way for E.L.F to reach its young target audience is through social media. Currently, 90% of adults ages 18-29 in the U.S. are active on social media networks (Tankovska, 2021). E.L.F. will utilize the most popular platforms that were reported in 2021 to be Facebook, YouTube, and Instagram. They will participate in influencer marketing to gain the trust of potential consumers. Through influencers, E.L.F. will host makeup competitions through social media and the winners will receive a "giveaway" that includes a collection of E.L.F. products to spread awareness.

Pop-Up Shops: This gives businesses the opportunity to create an enjoyable experience for consumers to try various products. E.L.F. will educate consumers about the brand and its messaging throughout the event, as well as offer makeup classes. These pop-up shops will be located in Targets and malls located in popular areas within cities. Consumers at pop-ups are looking for unique products (39%), local assortments (36%), convenience (33%), and a fun experience (30%) (Retail TouchPoints, 2020). This will raise awareness and get people excited about the products E.L.F. has to offer, which results in loyal customers.

Streaming Services (Hulu): Audience-based targeting is what makes Hulu essential for reaching consumers. E.L.F. will target consumers based on age, gender, interests, and zip code to show their advertisement to their desired audience. As of 2020, 70% of Hulu viewers are using the cheaper subscription that includes advertisements (Feldhake, 2020). E.L.F. will create a colorful, eye-catching relatable advertisement to intrigue viewers and inspire them to buy the makeup products.

Transit: Gen Z and millennials have been demonstrating a trend of not buying cars and relying more on public transportation, especially in cities (Gadek, 2021). Consumers in transit are saving money by using public transportation, and this creates an opportunity for E.L.F. to demonstrate their affordable makeup products. E.L.F. will create an attention-grabbing advertisement that will be repeated and organically reach a larger audience.

Mobile Advertising: Consumers spend a lot of time on their phones and 72% will actively use the Internet on their mobile devices (Consumer Acquisition, 2021). E.L.F. will use in-app advertising to reach the mobile audience. There are a high number of apps and E.L.F. advertisements will be shown in the following: Amazon, Instagram, and YouTube. Through these advertisements, E.L.F. will experience meaningful engagement and interactions.

Campaign Evaluation

Determining if the campaign has had the desired effect on consumers is vital to reach the previously listed advertising objectives. The outcome of the campaign strategies will be evaluated in multiple ways. First, an electronic survey can be emailed to women in the United States who frequently use makeup. This will see if their thoughts of the brand or purchasing behavior have changed after or after the campaign. The survey will assess the level of reach and effective advertising method has had on the target audience. To add, the website traffic and

unique visitors to the page will be tracked to notice if there is any impactful change. In coordination with the advertising objectives, E.L.F. will use this evaluation plan to determine if the 1.2 million consumers in the desired group purchase more products or increase brand engagement. Moreover, Interviewing individuals outside of the physical locations of E.L.F. can also be another strategy to collect qualitative data in regards to the effect of the campaign. The in-depth evaluation plan can be repeated as needed to monitor the influence of the campaign on E.L.F's company.

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