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Nu Skin Enterprises: Market Research Project

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Market Research Project

Presented by:
Jay An
Brian Carroll
Tim Headrick
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Introduction

Nu Skin Enterprises sells products in several areas including cosmetics, nutritional supplements, and technology services. Nu Skin approached the Brigham Young University (BYU) team with a problem and a vision. After performing a website overhaul, Nu Skin noticed a significant decrease in the percentage of purchases made online compared to by phone; in fact, the numbers dropped from about 34 percent of purchases made online to just 17 percent.

Purchases made online are quite preferable to those made by phone for two reasons; first, Nu Skin incurs much higher costs when people order by phone. This is especially problematic when dealing with a large volume of customers. Just a small change in the percentage of people using the phone can greatly increase Nu Skin’s overhead costs, and thereby cut into its profits. Second, Nu Skin simply does not have the resources to handle all orders that are currently made by phone, which causes long wait times for customers, and leads to dissatisfaction.

Nu Skin’s vision is to raise the percentage of customers that order online from 17 percent to 40 percent by the end of 2008. With this ambitious goal in mind, the BYU team tailored its research to help them move forward. The central question is, how can Nu Skin increase its conversion rate of those who visit nuskinusa.com to those who actually make purchases through the site. We hope to answer the following peripheral questions as well: (1.) Why do people order by phone rather than online, and (2.) How can Nu Skin improve its site to increase the percentage of online customer orders?

Process

A specific process was outlined to answer the central question stated as follows: How can Nu Skin Enterprises increase the conversion rate of people who visit nuskinusa.com to people who actually make purchases on the website? The following steps were taken:

- Survey design and distribution (two surveys)
- Usability study plan (Nu Skin provided task sheet and study resources)
- Contacting and securing study participants
- Conducting usability study at Nu Skin Enterprises
- Compiling and analyzing data on survey and usability study

The first survey was designed to get a general sense of Nu Skin consumers’ online shopping behavior, demographics, and attitude toward nuskinusa.com. These findings were helpful in narrowing down the population for the usability study. Several sample questions extracted from the survey are as follows:

- How often do you make purchases online at websites other than www.nuskinusa.com (e.g. amazon.com, ebay.com, etc.)?
- How often do you purchase items from Nu Skin by phone?
- How often do you purchase items from Nu Skin online through www.nuskinusa.com?
- What percent of your Nu Skin purchases do you make offline (i.e. by phone, through another distributor, etc.) because of research you did online at www.nuskinusa.com?
If you have ever chosen to purchase Nu Skin products by phone rather than online, why?

The second survey was designed to obtain volunteers for the usability study. This survey described the study and the incentive (a gift-basket of Nu Skin product valued at over 150 dollars), and asked for name and contact information of participants. Four participants were identified through this process, and four more were discovered by calls made to Nu Skin customers and distributors.

The usability study took place at Nu Skin Enterprises. Participants arrived at the building one by one and sat at a computer with the Nu Skin website in front of them. A member of the BYU team was in the room with each participant and read each task aloud from the task sheet provided by Nu Skin. Nu Skin representatives, meanwhile, watched the process through an observation window.

The Nu Skin observers were able to view the participant's keystrokes and mouse movement on a separate monitor, as well as hear everything that was said. Participants were encouraged to describe actions and thoughts continuously. The BYU team member present prompted participants by asking the following questions:

- How do you feel about this task
- If you were at home alone, what would you do at this point?
- Have you attempted this task before?
- What is going through your head right now?

Participants did not move from one task to the next until the task was completed or the participant completely gave up or stated that at this point s/he would simply call Nu Skin or try again later.

Usability Study Findings

The usability study went very smoothly, and participants succeeded in making comments that highlighted possible improvements to the Nu Skin online shopping experience. Most of the information from the usability study was gathered directly by the Nu Skin employees who observed participants' monitors and responses through the observation window. The BYU team's recommendations based on these findings are subsequently detailed in the next section.

One prominent issue that the Nu Skin employees discovered with the website is that consumers generally only try to find products using one specific method that they are accustomed to; they do not stray from their normal online shopping habits. Part of the reason for this is that consumers are not always extremely familiar with a given product and therefore have difficulty problem solving and brainstorming alternative methods of locating the product.

A second observation made through the study is that if the most correct key words are not entered into the search box, often no results will appear. Generally, participants in the study
succeeded in tasks when using the search tool once they figured out that ‘less is more.’ Fewer words often returned better, more accurate results.

A third discovery is the need to define the term ‘ADR.’ The acronym is not intuitive for people who have not previously set up an ADR, so a clear definition of ADR as a ‘monthly recurring order that can be changed’ as well as a brief summary of the benefits one receives from using the ADR would increase the number of accounts set up.

A final item that came to the attention of the study observers is that consumers like to be able to share product information with friends, which is profitable to Nu Skin because it increases knowledge, awareness, and overall customer base. The website, nuskinusa.com, however, does not provide a simple way for consumers to do this.

The BYU team noticed several other details as well:

- The ‘express shopping’ form can be difficult to manage. If item code is copy/pasted into the information box the process may not work
- The ‘Shop’ option tab on the main nuskinusa.com page is not highlighted to differentiate it from other options on the page (i.e., it should stand out more)
- Product categories within the ‘Shop’ option tab are difficult to navigate and not organized in an intuitive manner
- Consumers generally do not persist at a given task that is difficult for more than approximately three minutes
- Some consumers expressed difficulty finding nuskinusa.com when at home on their own
- Overall aesthetic appeal of the website was very well received

One final note on the study is important to record. While doing the usability study, it became clear that knowledge of participant demographics is vital. One of the participants brought a friend to do the study. This man barely spoke English, and after several painful minutes the moderator discovered that he had never used a computer before. This was somewhat embarrassing to him and did not help further the specific purposes of the study, although it did speak to one specific problem with online purchases. Many Nu Skin consumers speak languages other than English, and have trouble using the nuskinusa.com website for this reason.

These observations are all very detail oriented, and the BYU team feels they are possible to fix by implementing several changes to the website. The recommendations in the next section offer possible aspects of the above results to focus on finding a remedy for.

**Recommendations Based on Usability Study Findings**

The first finding stated above outlined the observation that consumers search for a product using one method, and then give up. The BYU team feels that although Nu Skin cannot change consumer behavior, several possible solutions exist. One is to make nuskinusa.com more visually oriented. This targets a possible underlying problem; that people do not have enough product information to think of alternate search procedures. Distributors and customers, however, often know what the product looks like, even if they don’t know the specific product
name or name spelling. If the site showed pictures of products rather than simply product names, then consumers could more easily search for and locate the items they are looking for.

Another finding outlined above discussed the fact that consumers need an easy way to communicate new Nu Skin discoveries to friends. This is a simple fix: Nu Skin could add an "Email this page to a friend" icon/button to make the process simple and obvious to consumers.

Several other at-a-glance recommendations are as follows:

- Offer an option of a short website tutorial with assistance from an employee
- Aggressively promote the 5 percent discount on ADR accounts
- Move the 'Shop' tab to the middle of the web page in an obvious spot, and make it stand out from other tabs (make it larger, a different color, etc.)
- Create a small map or visual navigation tool to remind customers where they are in the site and what 'clicks' they have previously made

One important item that the BYU team discovered throughout the process is that survey results do not always match the results ascertained from the usability study because people cannot always answer survey questions accurately when they have to remember past experiences; rather, they must actually attempt the task and think out loud to provide the most accurate results. Because of this, the team recommends further studies in the future.

An example of an area where another usability study or focus group would be helpful is in determining how to group products into product categories within the site so that consumers may easily locate what they are looking to purchase. Many participants stumbled around the site for several minutes before locating the correct product and commented that certain labels were misleading. A group could be used to advise Nu Skin on how to intuitively cluster products.

In conducting usability studies, be sure that all participants understand the purpose of the study. Let them know they are encouraged to give both positive and negative feedback. The purpose of the study was right away when the participant was contacted, but reinforcing this again right before the study is helpful. Also, the fact that participants worked with Nu Skin may have caused negative feedback to be withheld. Using individuals with no ties to Nu Skin may reveal new information.

Because hands-on studies of this nature are so important, participants are vital. With the usability study discussed previously, participants were selected from several volunteers, and from many cold calls made to Nu Skin customers and distributors. In order for Nu Skin to more easily locate participants, the BYU team has started a list of those willing to participate in studies of this nature that will be included at the end of this paper. This list allows for convenience as well as proper planning. One item that is important to remember is to have those who run the study know basic participant demographics (consumer vs. distributor, participant's primary language, etc.). The team recommends that Nu Skin updates and adds to this list as the company finds more willing consumers in order to make each study increasingly simple to carry out.
Survey Findings

The purpose of the website-usage survey is to better understand the purchasing habits of Nu Skin consumers and distributors. The survey was designed to provide information on consumer habits that would lend itself to the use of cluster analysis, regression analysis, and the analysis of individual questions. The following sections will break down the analyses performed on the website-usage survey to form the basis of the team’s final recommendations.

Cluster Analysis

The cluster analysis is drawn from the forty-five respondents who completed the portion of the survey that asked them to rate on a five-point scale of very easy to very hard how effective the online-purchase process is. In order to construct the clusters, the team used the statistical package SPSS. After inputting the data, we ran a hierarchal analysis using Wards method and Euclidean distance to separate and identify the number of clusters we would analyze. The number of clusters identified came to be three. The distribution was cross-checked by running a K-means analysis, which showed that the clusters are rather well defined. This means that three distinct segments of consumers exist whose needs are identified based on the traits of each individual cluster.

The next step in the analysis is to find the centroids of the three different clusters. This was done again using SPSS. Once the centroids were computed, a line graph was made in excel which provides an easy to see and understand visual of the clusters (see appendix). Each cluster has been given a name that represents its specific characteristics. Cluster one is named “Average users,” cluster two is named “First time users,” and cluster three is known as “Frequent users.”

Although the results from this analysis seem simple, we can draw important and relevant facts that will add to our final recommendations. First and perhaps most important, we see a general trend in all three of the clusters. No matter what type of consumer is being analyzed, the line slopes upward when it crosses “Creating and updating your ADR.” This means that ADR creation is a difficult step for consumers, and because the slope is especially dramatic for clusters one and two, who are likely candidates to have need for an ADR, we can assume that this process hinders many online purchases. It is also important to note that all three clusters showed that finding products on the website is difficult, which is consistent with usability study results (interestingly, finding products comparatively the most difficult for the frequent users).

Regression Analysis

In order to understand which variables best predict the purchase habits of Nu Skin customers, the team performed regression analysis. The first and primary regression was computed in order to understand the effect that a person’s age had on how often s/he made purchases on the Nu Skin website; therefore, ‘age’ is the independent variable and ‘number of purchases on the website’ is the dependent variable. After running the regression we find that as age increases the number of purchases also tends to increase. In other words, Nu Skin products are bought more frequently by older people. It is important to note that the regression received an R-square of only .082 and a P-value of .0568. These numbers indicate that some error is likely involved, and the data is not extremely statistically significant. We cannot make the above
assertion with 100 percent confidence, but the team does feel there is a relationship between age and online purchase.

To extend the analysis further, the team next included a third variable into the regression. This addition shows how purchase behavior is affected whether a given individual is a customer or a distributor. In order to gather this information we created a dummy variable and included it into our regression analysis. Our new output shows that customers actually tend to make purchases more often than distributors do (this may seem counter-intuitive but keep in mind this is frequency; perhaps distributors buy in bulk and, therefore, make less frequent purchases). The new regression shows an R-square of .157 and the dummy variable has a P-value of .6. Again this leads us to assume some error but is significant enough to consider.

Over the course of the study the team located several additional interesting facts. When consumers order from nuskinusa.com using the ADR process, they receive a five percent discount. The team discovered that only about 48 percent of the surveyed customers were aware of this discount, yet 32 percent surveyed customers actually made their purchases online specifically so they could take advantage of the discount. This means that of consumers who are aware of the five percent discount, exactly two-thirds shop online specifically to benefit from it. If Nu Skin increases the awareness of the online discount, then many more customers are likely to shop online.

**Recommendations Based on Survey Findings**

From the statistical analysis done on the website-usage survey, the BYU team has generated several recommendations for Nu Skin. The cluster analysis results lead us to suggest that Nu Skin consider revising the ADR process. As stated previously this seems to be the tripping point for all three consumer segments (clusters). If this process were a bit more user friendly, then fewer people would leave the website. The clusters also show that locating a specific product can be difficult for even the experienced users. This underscores the findings in the usability study as well, that the search process should be revised.

A look into the regression analysis provides us with further recommendations for Nu Skin. The analysis showed that, in general, older people who are customers tend to purchase from the Nu Skin website more often than younger people or distributors. The team recommends that Nu Skin either tailor the website to these consumers, or focus on reaching out to the younger generation of Nu Skin users to increase the frequency of their online purchases. A specific recommendation in this regard was also given above with the usability study recommendations: make nuskinusa.com more visually oriented (i.e. use pictures).

**Conclusion**

Nu Skin is a very successful company, and this project aims to enhance the company’s online success by answering the question, how can Nu Skin increase the conversion rate of nuskinusa.com visits to actual online purchases? The process, as discussed earlier, included both a survey and a usability study that emphasized customer needs and abilities in regard to nuskinusa.com. The results and recommendations are outlined in detail above; however, the final overall conclusions are as follows:
• Focus groups/usability studies are vital in truly understanding what consumers need
• Important aspects on the site need to be visually eye-catching. This includes the ‘Shop’ tab as well as products that consumers may search for
• Keep it simple: any given purchase task should take no more than a few steps to complete
• Focus on the people: know customers, study participants, and consumer groups to best meet needs.

By implementing the results and recommendations, Nu Skin will better be able to target consumer needs and understand consumer processes. Customers will then be able to quickly and successfully access products, which will allow for a more positive online shopping experience and a greater likelihood of repeat purchases.
## Appendix A Cluster Analysis

<table>
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<th>Selecting products</th>
<th>ProceedingToCheckout</th>
<th>Creating an ADR</th>
<th>UpdatingYour ADR</th>
<th>Updating Shipping and Billing</th>
<th>Entering Payment Information</th>
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Series 2 - First time Users
Series 1 - Average users
Series 3 - Frequent Users
### SUMMARY OUTPUT

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### ANOVA

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<td>144.3379</td>
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<td>Total</td>
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### Standard Coefficients

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### Appendix C  Regression Output with Dummy Variable

#### Model Summary

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*a Predictors: (Constant), CustomerDummy, Age*

#### Coefficients(a)

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*a Dependent Variable: Purchase*