

# e-beauty: A Successful Model for B2C Business

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## Abstract

This is a case study based on an online skincare and markup products retailer, e-beauty. The raw materials for the authors' analysis come from a close observation of its marketing tactics, operating environment, as well as comments from online free speakers, some "offline" female interviewees, and reported public spoke made by managers of the company. From a neutral perspective, the authors draw conclusions on the integration of various aspects of the facts with the aid of some well-established marketing principles and theories. Findings suggest that online retailers might go profit by taking the virtues of both "online" and "offline." In specific, instead of tirelessly pursuing totally virtualization, some traditional non-electronic and traditional marketing practices can be used to strengthen the area where "Internet" is weak. In practice, the authors suggest that judging from a consumer's perspective, or customer orientation, is the rule of thumb for the choice of appropriate marketing strategy and tactics.

## 1. Introduction

Online shopping, a prosperous business area which attracted great interests even several years ago, has undergone significant drawback. People's dream on Internet giant was dashed to the ground overturn with the astonishing decline of the NASDAQ's stock index. In recent years, many online retailers shut down one by one, so that people almost forget some of them are once famous or panegyricized. Amazon, once the most successful online bookstore, has also felt into the situation of struggling for survival.

As the e-business is surrounded in a worldwide stagnant environment, an online retailer, e-beauty, shows lights on a new avenue for B2C online business. e-beauty (<http://www.nicebeauty.com>), founded in Taiwan, April 2000, is an online retailer which offers electronic commerce platform selling women makeup and skincare products, providing health and fashion suggestions. It operates nearly 200 products from seven brands including Dr. Bella, Serene, Roberta di Camerino and KyuBuTo ReDinGu etc., among which Dr. Bella is the most important one. Only half a year later, the company reached balance and every dollar turned into profit since that. Until now, it has more than 180,000 members in Taiwan, monthly sales of more than HK\$5,000,000. On 8 October 2001, it established new business in Hong Kong (<http://hk.nicebeauty.com>).

How can e-beauty be so successful in online B2C practice? What's the difference between e-beauty and most flat online retailers? The implications under its success need to be dug up to guide online enterprises that are struggling on the edge of survival and those that intend to step into this

area. A detailed investigation of this case was conducted to answer these questions. The raw materials for the authors' analysis came from comments from online free speakers, some "offline" female interviewees, and reported public spoke made by managers of e-beauty.

This case study reaches the conclusion that the extraordinary success of e-beauty ascribes to its splendid combination of online virtues with traditional business advantages, with the two complementary with each other. The combination effectively lowers consumers' perceived risks on online retailing, builds strong brands by providing various concrete and psychological benefits, targets and segments consumers implicitly while efficaciously. These measures adopted help reduce running expenses, induce tryout intention, and protect security. In turn, they lead to increased sales and profits. In the following section, the author first provides an overall description and analysis of e-beauty's practices in every main aspect. Then, synthetic remarks are provided based on the former work.

## 2. The Characteristics of the Products e-beauty Sell

It is said that among every \$1000 spent on makeup and skincare products, \$600 flow into the pockets of ad-agents and middlemen. This industry is a highly profitable business and the high costs are eventually born by end consumers. Li Junyan, senior manager of e-beauty in grant China area, said: "Through Internet, e-beauty makes possible for manufactures to face mass consumers directly, which significantly reduces the intervention from distributors and retailers, and thus increases cost efficiency. Therefore, e-beauty can charge competitively attractive prices for good-quality skincare and makeup products from Europe, America and Japan." Liang Yangming, the senior manager of e-beauty emphasized: "e-beauty help consumers to realize 'spend every penny on your own beauty'."

For every product, e-beauty provides colorful product photo as well as detailed description of its intergradient, function, usage and application, which make prospective consumers knowledgeable of all fundamental aspects of the product. "It is not enough, however. On the condition that I'm not familiar with a skincare brand, no matter how splendid it is boasted by the seller, I'll be hesitate to buy one unless I have a tryout in person" expressed by many interviewees. So, how to induce probation seems the first critical step toward profit, especially for e-beauty since it sells unknown brands. In addition, creating strong brand reputation is equally vital in personal care industry as well.

### 3. Brand Building

With the help of Internet, it is possible for e-beauty to charge low prices. "Price is one thing. I care more about the brand itself." "Using products of prestigious brands like Lancome, Shiseido or H<sub>2</sub>O makes me feel younger, safe and psychologically fulfilled." Given that consumers know nothing about Dr. Bella, how to make a brand in obscurity well known is the biggest challenge to gain consumers' belief.

To make consumers appreciate the brands sold by e-beauty, a photo of Wang Zuxian, a famous female actress known by Chinese, published on the website. If you click on the photo, a short video in which Wang Zuxian advertises for e-beauty and its products will show. Advertisement by a celebrity increases the credibility of the contents of the website and raises the admiration for brands associated with the advertising. Somewhat, it can also be taken as a kind of warranty. In addition, compared with TV ad, ad on Internet is much cheaper, can be published for a longer time and can be accessed whenever you want. So the ad can be accepted more actively than those that are released through traditional media.

The openness and freedom of Internet make it possible to separate building a strong brand with expensive agent fees, advertising fees and rents.

### 4. Induce Probation

The website also promotes extensively for its free gifts to induce probation. Every month, e-beauty provides 3 to 5 free skincare or makeup products with prices ranging from HK\$300 to HK\$500 for members (free membership). To cover the material and transportation costs, e-beauty charges HK\$45 or NT\$180 for every free gift.

"The volume and quality of free gifts are parallel to normal products on shelf. We turn the money that is traditionally spent on advertising and special shelves lease into products for consumers to have a tryout." Critique from competing websites responds that e-beauty's so called "free gift" is just a kind of "extensive promotion ploy". Anyway, the charge of "HK\$ 45" cannot be set equal to "free" apparently. The authors think that the success of this measure can be contributed to the following reasons.

From the viewpoint of consumers, different from in other circumstances, consumers can get a so called "gift" in normal volume, they have free membership and unlimited right to ask for "gifts", and the price is cheap even for normal products, especially when the retailer makes fantastic utilization of reference price effect. In specific, the regular prices of "gifts" are labeled up to several hundred of dollars, which are comparable to high-level skincare products. Perhaps no rational consumers will buy from ebeauty at these prices. In other words, the prices are unauthentic and thus be suspected. However, extensive literature on reference price shows that consumers are affected by exaggerated advertised prices even though they do not trust them fully and this effect can be embodied on purchase behavior. In this case, consumers unawares take the high advertised "regular" prices as reference, based on which "HK\$ 45" is judged and perceived to be very cheap. This altered price perception will lead further to increased

purchase intention and even real purchase behavior. Responses from Internet free speakers show that they are apt to take the risky (or chance). "While it is priced so low, I don't mind to be cheated and would like to have a try." The low prices also lower consumers' expectation on the performance of the products. So, consumers are more easily satisfied. "It's astonishing, I didn't expect products with so high quality" an Internet user gave comments after she got her free gift. In addition, lower price can greatly reduce consumers' perceived monetary lost and make consumers' curiosity affordable.

From the retailer's perspective, on the other hand, its operations costs and advertising expenditures can be controlled within a low level with the help of Internet. Also, its brands are not worth so much to be charged as famous brands. These grant that it could be profitable even at the price for "free gifts", since many middlemen and associated costs are saved.

Some research showed that if products are mainly judged by searchable attributes, e.g., price, intergradient, Internet is a good choice to sell this kind of products; on the contrary, if non-searchable attributes, e.g., smell, handle, of products are significant for consumers' buying decision, selling solely online is not a wise option. Skincare and makeup products can be roughly categorized into the later type. Thus, inducing probation is a countermeasure to tackle the limitation of Internet.

e-beauty website absorbed 30,000 members by the end of the first month after its setting up. During the first three months, it sent out 40,000 gifts. Now, e-beauty sends out 80,000 gifts every month. In August 2001, it even created a record of sending out 40,000 gifts within two days and a half.

### 5. Payment and Logistics

Instead of solving the biggest headache in B2C electronic commerce, logistics and payment, along the prevailing thinking, e-beauty cooperates with "offline" convenient chain stores, 7-eleven.

7-eleven, the biggest retailing network in Hong Kong, is composed of 441 convenient chain stores and located almost everywhere in Hong Kong. It provides clean, comfortable and kind shopping environment, fresh, quality products, as well as speedy and convenient service. Every month, there are more than 20,000,000 capita buy from 7-eleven. To finish their orders online, consumers are required to indicate which 7-eleven store they would like to draw their ordered products. After a consumer makes order or asks for free gifts online, she/he will receive a confirmation email assuring the product ordered or gifts asked, time period to draw product, the place to draw etc. Consumers need to pay in cash as soon as they get their ordered. Although consumers can't enjoy the convenience of getting goods while staying at home, it is almost equivalently convenient to drop by 7-eleven in Hong Kong. The cost would be much higher if goods were sent by post or FedEx, and consumers sometimes complaint they can't wait for the products at home in the daytime.

It is also preferable that consumers can pay by cash. According to many online surveys, privacy and security are

the most serious concerns preventing consumers from shopping online. The payment security is especially concerned. "I'll never give out my credit card number online." "It's too dangerous to give out my credit card information on the Internet." Consumers show their distrust on Internet when they need to pay and therefore they are hesitant to provide their credit card number. Cooperating with traditional convenient store seems a wise solution.

## 6. Loose Shopping Environment

e-beauty also raises the freedom of consumers' choice by: 1) providing a relative long time period for consumers to draw the products (normally 6 days); 2) if consumers fail to draw the products, there is no monetary punishment, except that they will never get the chance to order free gifts if they fail three times. These measures free consumers from compulsory action, instead they create a loose and trustful environment, give room for consumers to "regret" and consider more. They can help to raise consumers' favor on e-beauty and appreciate its consideration. "We make consumers moved continuously," said Liang Yangming.

## 7. Targeting and Segmentation

While e-beauty takes advantages of various means, it doesn't forget the basic concept in marketing, targeting and segmentation, especially in this highly competitive industry, or you might lose the whole market.

The idea segmentation can be embodied everywhere. It emphasizes that its products are designed according the Eastern skin type. The websites are written in Chinese characters, the celebrity chosen are highly famous among Chinese, it distributes goods just locally, and consumers need to pay on domestic or local currency. For most online retailers, with the help of Internet, they try to reach consumers globally. While for e-beauty, it seems somewhat "myopic". In Taiwan, there is <http://www.nicebeauty.com>, while in Hong Kong, there is <http://hk.nicebeauty.com>. e-beauty targets to Taiwan people and Hong Kong people respectively. All the above facilitate the transaction process in the target market, reduce the risks from extraordinary factors, e.g., exchange rate, product performance failure, and make the shopping experience more convenient and enjoyable.

e-beauty is also aware that although loyal consumers are surely important and crucial to the company, a great proportion of skincare or makeup users are always switching and apt to take bargains, especially in a highly competitive industry. To well grasp this segment, the "free gift" program is always in operation, with the products offered varied every month.

## 8. Conclusion

Overall speaking, we think the success of e-beauty lies mainly in its combination strategy, in specific, it takes the advantages of Internet media; at the same time, it retains benefits of traditional business practices, e.g., paying in cash, as a supplementary. In other words, each works to strengthen the area where the other is weak. Compared with online retailers that tirelessly pursue being totally virtualized and take great efforts and investment to catch up

in logistics, e-beauty abandons such efforts, instead it adopts seemingly lagged manner, something between modern and tradition.

It is easy said than done. The case manifests that thinking from consumers' perspective is a useful device in guiding detailed measures or practices. No matter how advanced a technology or practice is, whether consumers perceive it favorable or unfavorable is the theme. An online retailer must see through its consumers' eyes to judge what advantages of Internet and traditional business practices respectively should be retain. Some traditional marketing concepts, e.g., target, segmentation, brand reputation, are still useful or even fatal for online retailers.

In practice, the author thinks that e-beauty's practice can be best used for reference when setting up online retail stores selling high value-added unknown consumption brands in high population areas having developed offline retailing network charged by just a few holders.