



**A STUDY OF KEY SUCCESS FACTORS OF NEWLY
ESTABLISHED PREMIUM SKINCARE BRANDS
MARKETED VIA ONLINE CHANNELS**

BY

MISS PICHAON YENPRATEEP

**AN INDEPENDENT STUDY SUBMITTED IN PARTIAL
FULFILLMENT OF
THE REQUIREMENTS FOR THE DEGREE OF
MASTER OF SCIENCE PROGRAM IN MARKETING
(INTERNATIONAL PROGRAM)
FACULTY OF COMMERCE AND ACCOUNTANCY
THAMMASAT UNIVERSITY
ACADEMIC YEAR 2016
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ENTITLED

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was approved as partial fulfillment of the requirements for
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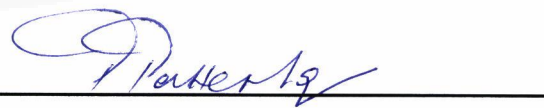
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ABSTRACT

This study is a contemporary topic in applied marketing in the area of technology. The study aims to understand success factors of premium skincare products that are sold via online channels. Key variables studied are the marketing mix (4P), online execution, and firm's best practice that leads to brand success. Sources of data will come from secondary data, and primary data focusing on qualitative research through in-depth interviews with brand owners, and also conduct focus group with the customers. Important questions that results of the proposed study will answers are what makes the new established premium skincare brands that sell through online channels successful, so that brand owners and managers can utilize for their own execution.

The key points in findings regarding factors that contribute to successful brands online are strong branding, good utilizing of online platform tools that efficiently reach target group, and selecting suitable business models. Brands that execute these aspects well, will be able to overcome touch&feel barrier, which is the key challenge that online brands face.

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Thank you MIM program for making me realize my real potential that is far beyond what I thought. Thank you for MIM office as well, a place full of friendly, caring, and fun individuals, making me feel at home.

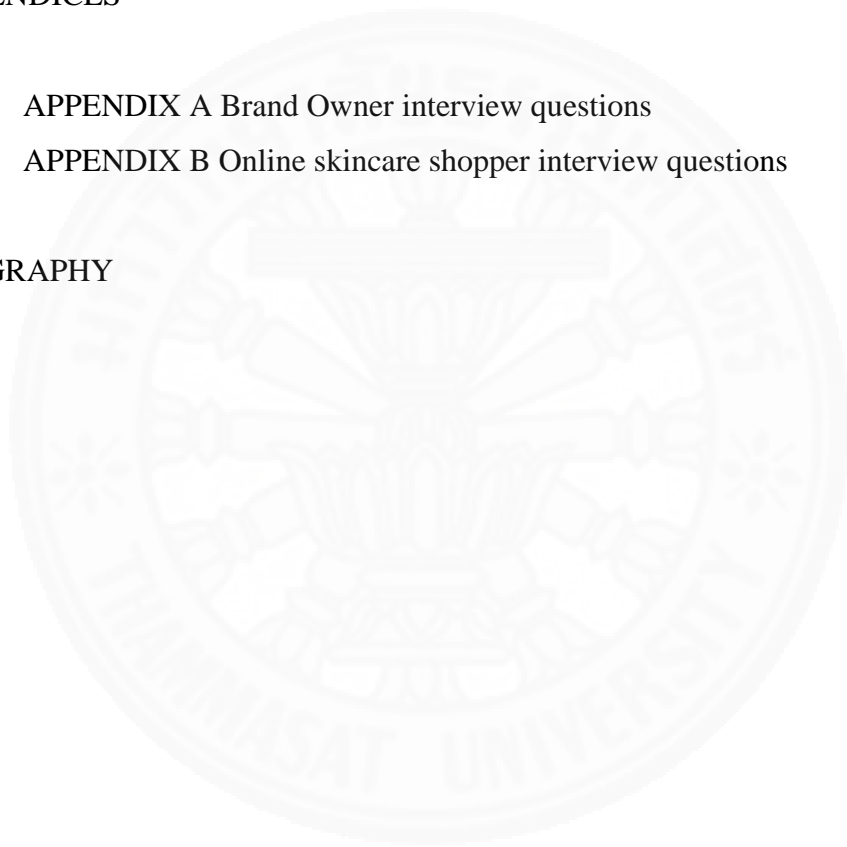
Lastly, I would like to express my deep gratitude and blessing to my loving parents, my family, and my husband. I could not make it without them. They are my source of energy.

Miss Pichaon Yenprateep

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CHAPTER 1

INTRODUCTION

No one can deny the importance of online channels, especially for commercial purposes. With Thailand being the world's biggest social commerce market where 51% of online shoppers have purchased goods and services directly via a social media channel, online has emerged as a new important channel for new businesses today.

The rise of new online businesses are due to convenience in starting up; low capital investment, freedom of communication, targeted customer advertising and sometimes no inventory needed. Looking more specifically, the top category purchased from online channel are skincare/cosmetics, fashion, and IT equipment. (Admin, 2017)

1.1 Problem statement and Research Purpose

Despite economic downturn, skincare is one of the categories that can still experience positive growth due to many reasons. In terms of demand side, Thai women are becoming more conscious about their appearance so they tend to purchase a lot of beauty products hoping to make them beautiful. Supply side gives even a clearer picture; Thai cosmetics and skincare manufacturers are ranked no.1 among ASEAN countries, so it is not difficult to find OEM (Original Equipment Manufacturer) to develop products for new brands. (export.gov, 2016)

Moreover, with the skyrocketing growth of online channel and social networks especially Facebook and Instagram, it shows massive opportunities for new brands to utilize as platform for selling products, due to low cost and convenience in operation.

Although many new brands are born, but not everyone is successful. Some are able to sustain its business, while some cannot maintain its customers and eventually have to close down.

The study therefore aims to understand **success factors of newly established premium skincare brands in online channels**; how to be differentiated and stand out in an extremely red ocean arena. It is a contemporary topic in applied marketing

in the area of technology. Important questions that results of the proposed study will answers are what makes the new established premium skincare brands that sell through online channels successful, so that online entrepreneurs can utilize for their own execution and drive their own brand to success.

Due to the nature of this topic that requires a deep understanding of a specific target group, this research uses an exploratory method through In-Depth interviews with both brand owners side in several industries, and also online skincare shoppers. Secondary data from different sources; newspaper, journals, articles, TV shows, will be gathered as well for a more profound understand of the topic especially on the cases of successful online startup brands.

1.2 Research Objective

- 1. To understand what are the key success factors of newly established brands marketed through online channel**

What strategies, execution or any ingredients that lead to success of newly established brands that sell through online channel.

- 2. To understand consumers' decision criteria in purchasing a new brand online**

What customers look for when they decide to purchase a new brand of skincare that has no retail presence. What is their path to purchase and what impacts their purchase decisions.

- 3. To understand online skincare purchasing behavior**

Purchase behavior includes online purchase relative to offline purchase, frequency of purchase, products they buy.

*note: this study will focus on premium skincare with price 800Baht and above

CHAPTER 2

REVIEW OF LITERATURE

This section of the report contains online market overview, relevant academic journals and existing research articles on the key success factors of online brands, and also examples of brands that become successful online.

Skincare market

Unlike other industries where its revenues are dependent on the country's political and economic situations, beauty and skincare categories are still growing, earning it a "recession-proof" status. This is most evident in Asia, where sales is expected to reach 4.5trillion baht by the end of year 2017 (Tan, 2016)

In Thailand, skincare has market value of 26billion baht with 5% growth (Marketeer, 2016) and will continue to skyrocket with the beauty conscious nature of Thai women, together with the rise of e-commerce and social media. Moreover, there are increasing number of skincare manufacturers to support both local demand and the export to foreign countries, as Thailand consists of many high quality ingredients for cosmetics/skincare. In online market, skincare is ranked number two in most purchased category (43%) after clothing (55%). (Admin, 2017).

Internet & Social Commerce Trend

Internet usage among Thai population has reached 42.7% penetration (Internet live stats, 2016), and at least 90% of these internet users use social media (Nguansuk, 2016). The main social media that people use for online shopping are Facebook, Instagram, and Line.

Thailand is the world's biggest social commerce market where 51% of online shoppers have purchased goods directly via a social media channel (Krutaine & Chatikavanij, 2016). According to Bangkok Post, Thailand has about 41 million Facebook users, 33 million Line users, 16 million Youtube users, 7.8million Instagram users, and 5.3 million Twitter users. It is estimated that there are at least 1 million social commerce users that are selling products through online channel, and is expected to double in the next three years (Bangkok Post, 2016).

Moreover, according to Positioning magazine, Thai consumers' online shopping spending has increased 19% in 2016 relative to previous year, and is expected to grow another 13% by the end of 2017. Purchase are normally made through mobile phones and tablets, which account around 50%. All in all, this shows that online market is a promising business to be in.

Online concerns for brands

One key challenge all new startup brands need to face is the fact that no one knows who you are, therefore one technique is to share your knowledge and contribute something to society rather than hard selling your products since the beginning. Doing this helps build credibility and reputation overtime, making customers trust your brand and eventually leads to purchase (Schiff, 2016). Same concept also applied to global online startup such as as PayStand, a B2B payment platform. Jeremy Almond, the CEO, stated that businesses should turn founder into a thought leader, sharing opinions on social media on topics related to your business. (Schiff, 2016)

Thai online shopping behavior

In terms of Thai online shopping behavior, there are many sources that customers receive information and use as factors in their purchase decisions, such as reviews, blogger reviews, peer recommendations, etc. However, the most influential source that trigger purchase is from **real user reviews, and testimonials**. Skincare is among the top categories that people purchase online, which represent vast opportunity in this market. Typical price range of online purchase among online shoppers are below 1,000baht for skincare category, they are reluctant to spend high amount due to inability to try the physical products first. (Nuttaputch, 2015)

Learning from successful online startups worldwide

One good example of local Thai skincare brand that become successful using CEO personal branding is Medileen, a medical skincare that makes 880baht revenue from online channel. Khun Jib, the owner, started the brand in 2014 from importing skincare and sold through a website. Khun Jib then got triggered with the idea of

promoting herself as skincare expert, helping recommend skincare to people based on their skin problems, reviewing products herself and selling through Socialcam, which leads her to success. When she has large customer base, she developed her own brand called Medileen, positioning as a highly innovative medical product. The way she sustains business is through building trust. **Customers find her inspiring in personal life and as businesswoman. As a result, creates many brand advocates.** (Mushroom TV, 2015).

Using social influencers can also be a good way to promote your new brand online. Birchbox is a successful beauty and personal care online startup that sends beauty products in a box based monthly based on monthly subscription. They promote themselves by partnering with beauty influencers that help review their new products, and take photos to pose on their social network channels. Boxed Water, a water startup brand also uses online influencers to promote their campaign as well. These people post photos and put hashtag (#) of the campaign making it easier for audience to find, effectively help spread the campaign to larger target audience, and also create engagement. So, influencer marketing is a proven technique that lead to more revenues and expand your reach. Brands should utilize on not only popular influencers also the ones with strong voice among your target market. (Pigabyte, 2015)

Zappos.com is a startup shoe website that is acquired by Amazon at valuation of 42billion baht within 10 years. Their success lies in its unique business model that is built around **developing long term customer relationships** rather than competing on price. In execution, they make the website easy to shop, products can be viewed from different angles, having vdos of employees explaining about product's unique features, constantly analyze how consumers navigate their site and continuously improve its features. Zappos also provide fast shipping, and 100% satisfaction guarantee return policy for 365 days for full refund. Eventhough return rate is 50%, higher than average industry rate of 35%, but it helps create loyal customers and eventually lead to increase purchase. The ones with high return rate are the more profitable customers for Zappos. Customer service is also a core value at Zappos, they are given full decision to give customers a 'wow' experience, and make customer shopping experience as memorable as possible. All of the built in customer-focused

company culture and execution that strictly follows its philosophy leads to its phenomenal success. (Harper Baird, 2012)

Panicloset is a clothing business sold through online platform with revenues over 100million baht/year. The brand focuses on vintage girly style clothing for everyday wear targeting at 20-40 years old women. Having **unique positioning and specific core target** is critical to success, even faced with competitors but brands will still stand out. Panicloset Facebook page has more than 1.2followers, the owner's technique is to have admin to communicate to customers **24 hours a day with fast response**. Also the interaction between customers is important, admin act like customers' friends and Panicloset uses women related content to draw people into its page, to make them feel relatable to the brand. This helps turn the page followers into users, and then brand loyalists. (administrator, 2014)

In summary, Thailand skincare market has value of 26billion baht with 5% growth and is expected to continue growing due to the rise of e-commerce and social media. The internet usage among Thai population is also considered to have high penetration of 42.7%, out of this, 90% use social media. However, people not only use social media for communication, but also for shopping. Thailand has become the world's biggest social commerce country with 51% of shoppers buy products through social media. Main social network platforms are Facebook, Line, Youtube, Instagram, and Twitter respectively, with at least 1 million social commerce users in estimation. The products most purchased are fashion, IT equipment, and beauty products.

As internet usage, and social commerce is growing tremendously, so as business startups. There are many brands that have become successful, each of them contribute different factors as successful ingredients for their businesses. Medileen credit her success from personal branding of the owner and online influencers such as beauty bloggers to help increase credentials to her product. Zappos has become global phenomenon due to its customer-focused business culture that gives them enjoyable shopping experience with full refund policy all year round. Panicloset believes its success lies in strong positioning and clear target audience, also the close relationship with them customers. Moreover, real user reviews, and testimonials are also good tools to use because Thai people like to read reviews before making purchase.

CHAPTER 3

RESEARCH METHODOLOGY

In order to fulfill the research objective of finding key success factors of selling newly established skincare brands online, exploratory research is the most effective method in achieving the results. Interviews will be conducted with both the owners of online skincare brands to understand their strategies and execution, and also with the online skincare shoppers. The information from both sources will be obtained and analyzed to find the results.

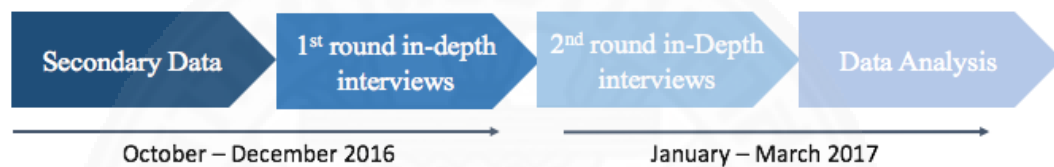


Figure 1: Research timeline

3.1 Secondary Research

Secondary data will be obtained from all the different credible sources and scholar articles in order to get basic understanding about the topic prior to conducting primary research. The information sources from secondary research include the Internet, newspapers, articles, magazines, books. This data is obtained to understand about the overview of skincare market size, internet usage trends, the overall nature of Thai women online shopping habit and user profiles. The information about landscape of the industry, the entrepreneurial practice will also be obtained from secondary data source as such skincare pages on social networks, TV shows about successful skincare entrepreneur Aryu Noi Roi Larn (Young millionaire). Moreover, success cases of businesses that are established through online channel, not necessary skincare, will also be studied as well in order to get a deeper understanding of their strategy and utilize it for the skincare category.

3.2 Primary Research

The purpose of using qualitative method for secondary research is to gain insights from both the sellers and the shoppers side to determine success factors of online brands. For primary research, In-depth Interviews were conducted among the brand owners and also the online shoppers. The questions for the brands will focus on their strategies and performance, while questions for shoppers will focus on key decision criteria. Content analysis was used to glean the patterns and themes from the interviews.

For in-depth interview, the objective is to explore the opinion the information on possible customers individually. This is the important part in order to get insightful information from potential consumers, and the results will use to design the questionnaire in later stage. The areas of questions include online purchase decision journey, factors that impact intention to buy, key selection criteria, promotions that are attractive, shopping experience in online shop both good and bad will be noted.

The first round of interviews was conducted during October – December 2016, the second round between January – March 2017. A total of 14 online business owners, and nine online shoppers was interviewed. Prior to the interview session, the interviewer needed to pass screening tests to ensure they represent the qualification that will be truly useful for this report. Interviewers also needed to provide demographic information such as gender, age, income, and skincare brand they purchase with price range.

3.3 Sampling Plan

In-depth interviews were conducted among different groups of respondents to get understanding from both parties. The segmentation and qualifications for each groups are as below.

Brand owners (n=14)	Online shoppers (n=9)
1. Entrepreneurs who has their own online brands that has been operating for at least 2 years 2. The brands must have revenue of at least 100,000B/month 3. Brands must be in consumer products categories; fashion, cosmetics, skincare	1. Female age 15-45 2. Shopper who has at least purchased skincare through online channel once in the past year, exclude name brand products. 3. Premium Skincare is day cream or night cream, with a price of 800Baht

Table 1: Respondent's screening criteria

3.4 Data Collection

The respondents were recruited through personal connections due to time and financial limitation. The interviews were conducted face to face, which took approximately about 30-40 minutes depending on the talkative level and probing for each person. The interviews had discussion guide that acted as basis for the session, but the interviewer also used probing technique to get the real insight from interviewer. Discussion guide for brand owners will be as in APPENDIX A, while question set for shoppers can be found in APPENDIX B.

3.5 Data Analysis

The data collected from both primary and secondary research was analysed using content analysis, which was used to analyze results and draw conclusions for the report. The best practices sharing from brand owners side will be cross checked with the shopper side on what the brands do that creating liking and lead to purchase.

3.5.1 Key research variables

According to the research objective, research variables that will include in analysis are

- 4Ps; how the brand positioning or differentiate their products, how they set pricing, distribution channel, and promotion.
- Online execution; how the new brands gain awareness from customers, how they reach wider audience, how they promote the brands.
- Best practices or other factors gleaned from the qualitative interviews that contribute to success of the brands

3.6 Limitations of the study

Due to constraint of time, resources, and nature of the study, there are some limitations as below:

- Sample size is selected through non-probability sampling method, via personal connections. Respondents are mostly Bangkok people and might not represent the point of view of total Thailand population
- Difficulty in finding skincare brand owners to interview, due to confidential reasons. They tend to not willing to give interview or not share strategies as they see this research topic as their potential competition. So the researcher interview brand owners from other categories instead and utilize the knowledge to apply to skincare.

Overall, the researcher interviewed owners of online brands in other categories as well, given their similar nature of being new startup instead of limiting to interview skincare brand owners. Also, it must be noted that to use findings of this study in business application, a quantitative test with larger sample size might be needed in order to ensure it represents total population.

CHAPTER 4

RESULTS AND DISCUSSION

4.1 Secondary Research

Secondary data was obtained from highly credible sources prior to conducting primary data. This significantly helped the researcher understand the context of the current environment of online business startup, identify key focus for the study as well as challenges. The findings can be found in the literature review section.

4.2 In-Depth Interviews Results

Face-face In-depth interviews were conducted with both brand owners and shoppers across different categories. For the brand owners, the researcher interviewed five fashion brands, four skincare brands, three accessories brands, and two cosmetics brands. It must be pointed out beforehand that there was no significant difference among each category, all startup online brands tend to share the same success factors across categories, therefore the analysis will be based on overall results. Key findings will be separated into shopper side and business owners side, then the analysis of results from both parties will be analyzed and reported as well.

4.2.1 In-Depth Interview with Shoppers

From nine interviews with shoppers, it is found that online skincare shoppers typically are the ones with regular skin type. They have no serious skin problems and just look for products that help make their skin better. Standard purchase size is 50gm as it is the easiest size to find. Main trigger that these shoppers shift from physical stores to online shop is largely due to lower price than physical stores, interest in buying a certain brand with no physical distribution and lastly price promotions. Also, another key finding is that online shoppers have very low loyalty as they tend to switch around to try new brands due to many variety of options.

After analyzing results from shoppers, they are categorized into two segments based on behavioral and psychological factors, they are called Trendy and Investors as per below table.

	Trendy	Investors
Purchase Behavior	Purchase skincare based on emotional factors such as beautiful presenter, premium packaging, aspirational story, etc. “Beautiful presenter somehow helps convince me to buy because it gives me hope that I my skin can be as good as her”	Purchase skincare based on functional benefits such as ingredients, how it improve the skin, clinical study proof, etc. “I like Peryosej because it explains in detail where horse placenta comes from, and have lab proof for real results”
Need & Expectations	Look for overall five sense experience during the usage, and sense of pride of using the product. “Putting on skincare is part of my daily ritual, so I need product that offer good experience overall”	Look for real results. “I expect to see improvements in my appearance, or I at least need to feel it, otherwise I will not buy it anymore”
Timing of purchase	Buy new skincare when they come across interesting ones, typically around once a month or every two months. “Although the existing product has not run out, but if I see new interesting one with promotions, I will buy to keep it first”	Buy new skincare when existing products are used up. “I use skincare product one at a time, and buy new one when existing one is almost used up”
Online channel	Mostly buy from brand’s own social media because of more dynamic and excitement in posting photos and promotions. “I browse through skincare brands in social media for new trends, or see from what others post”	Mostly buy from online skincare retailers such as Konvy, Orami due to being a more trustworthy source than brand’s own social media channels. “I buy from Konvy because there are many brands to choose from, many reviews, and seems credible”

Table 2: Segmentation of online skincare shoppers from qualitative interviews

Purchase Behavior

Trendy users purchase skincare based on emotional reasons such as beautiful presenter, premium packaging, aspirational story, rather than the product quality itself. They believe the brand they use reflect their self image, therefore aspirational image that the brand conveys will highly impact their purchase decision. On the other hand, Investors purchase skincare based on mainly product’s functional benefits such as active ingredients in the product, how it works scientifically to improve their skin, clinical study proof that show tangible results.

Need & Expectation

They also have different expectations; Trendy segment highly value overall experience during the use such as the smell, the soft texture, the opening of the packaging bottle, because it gives them pride of owning and using the product. Eventhough the skin results are not apparently better than before use, but Trendy people do not mind as they think it is better than not using anything, and they feel satisfied during its usage application. Investor expect to see real results, improvement on their skin, and assess real results versus what the brands claim.

Timing of purchase

Trendy consumers buy new skincare more often relative to Investors, which is whenever they come across interesting ones, typically around once a month or every two months. As they are more emotional, so it is easier for them to get hooked to different marketing tactics especially price promotions. Meanwhile, Investors are more careful shoppers. They buy new products only after the existing ones are used up, and take more time to find information before purchase.

Online channel

Surprisingly, types of consumers also impact which online channel they buy from. Trendy consumers regularly make purchase from brand's own social media because of more dynamic and excitement in posting photos and promotions. Investors buy from online cosmetics retailers such as Konvy and Orami due to being more official platform, and also perceived to be more trustworthy.

4.2.2 In-Depth Interview with Brand Owners key findings

From a total of 14 in-depth interviews with brand owners, researcher found that there are many factors which are considered to be important in doing online business startup, which can be summarized as **branding, utilizing online platform, and business models**. While different respondents emphasize on different factors and use different tactics especially in marketing execution, but these are the core aspects of doing successful online business.

Branding

All new startup brands need excellent branding, this includes online brands as well, because it is a basic requirement for a good sustainable business. Branding can be a simple thing that does not necessarily require complexity but it needs to be clear. As taken out from the interviews, branding element for online business is summarized as below model.

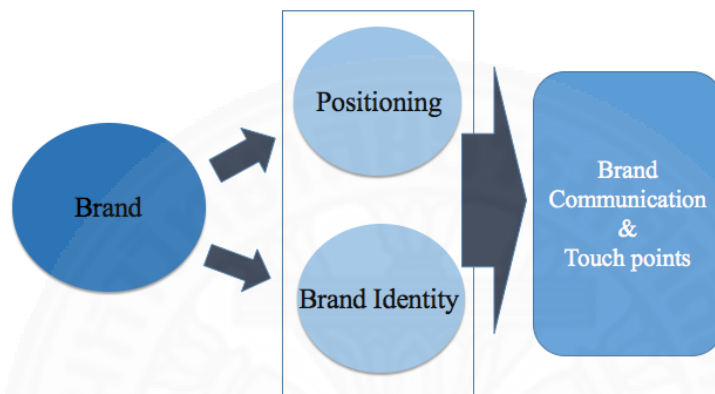


Figure 2: Foundation of online branding from qualitative interviews

From the interview results, branding for new startup businesses consists of brand positioning, and brand identity. Brand positioning means being clear with yourself who you are, what your brand stands for in consumers' minds. Some brands just simply launch out products into the marketplace utilizing whatever business opportunities emerge, or whatever concept they can think of each time they launch. These firms appear to be very unattractive as not being unique and indistinguishable enough from other competitors, in the minds of consumers. Especially in extreme red ocean skincare industry where everyone is claiming similar benefits, and similar ingredients. Even if the product concept itself is differentiated, but it is still not sustainable as competitors can soon imitate and steal shares.

“At first I thought I had unique active ingredient for my sunscreen (Abalone), so I communicate on this product ingredient without having clear branding in mind. Turns out it is not enough, as other competitor soon copied, customers never return”. – Terng, 29 (Avant brand owner)

Hence, brand positioning is critical as being the first foundation in creating sustainable business. As there are many types of customers out there in the market but a brand cannot serve everyone, so having clear positioning will help a brand offer the right products and communicate the brand in the way that will support what it stands for, towards specific group of customers. This is the basis that allows a brand to become highly distinct in the market, and make it easier for a brand to create loyalty consumers who believe and trust in the brand value.

Brand Identity is personality and character of the brand, it should support the brand positioning. Brand identity are all the visual aspects that consumers will experience, such as logo, standardized template, font, colors, mood & tone in wording that communicates to consumers, etc. Some brands came up with brand identity guideline, which is used for deep mutual understanding of the brand within the company and also for briefing with graphic or advertising suppliers to ensure the brand will have consistent image. It is important because it helps the brand express who it is, what it stands for, and therefore capture strong positioning in consumers' minds.

“I was clear since the beginning that I want to launch a minimal clothing brand, so I used origami symbol as a logo that represents freedom and minimalism, and use the origami concept in all my communications”

– Prae, 30 (Issara brand owner).

The stronger, more clear and concise positioning and identity the brand has, the more chance of successful the brand will be. Moreover, brand owners need to ensure that its branding is delivered across to consumers through good marketing execution and in a consistent and coherent manner across all touchpoints to prevent consumer confusion.

Utilizing online platform

Selling products online require understanding of the role of each platforms, and its tools/ analytics that each platform provides. Using it correctly can highly contribute to brand success. There are three popular social network platforms among

Thai consumers; Facebook, Line, and Instagram, each one with different purpose. Results are common among all brand owners that Facebook is used as a main platform for creating awareness as it can directly send advertising to selected target group, it also allows brand to create content that support its brand positioning. Facebook analytics tools are very useful in improving your business, you can understand who your real customers are in terms of demographics and behavior such as the kind of content they prefer to read, the kind of posts or photos they are likely to engage. Brands can therefore adjust its strategy according to its customer behavior.

Instagram is a good platform for showing photos of the products, lifestyles of the brands. The brands should not just post its own products because consumers will get bored, but instead post inspiring photos that encourage people to engage through liking the post. Interactions between brands and consumers will be less comparing to Facebook, but it helps increase preference of consumers, that will eventually lead to purchase.

Line is an excellent engagement tools. Online brands have no physical presence, therefore Line allows brands to communicate with consumers and answer questions they may have. This service is very critical to brand success because it is the only personal connections between brand and consumers. Fast response is crucial in creating first impressions, delayed reply may upset consumers and lower their brand consideration

“I have to lay out strategies for each online platform, such as posting content on Facebook, posting beautiful photos on Instagram, and inform customers through Line when I launch new collections. Every posts on each platform should be done strategically.”

– Kim, 28 (Kimmame brand owner)

Business Models

Online brand owners across different categories employ different business models to use depend on their skills and expertise, which consists of own online channels, online retailers, online distributor, and multilayer incentives. No matter

what models the brand pick, they have chance to be successful, but it depends on whether they execute it right. Each one requires different skill set.

Own channels

Brands can sell products through their own channels such as websites, and social media. This is a good business models for brands that have resources to do all execution itself such as posting photos, replying messages to customers in all channels, doing its own advertising to end users, and logistics. It allows the brand to have full control of its brand positioning, marketing strategies and communications, therefore creates more professional image in consumers' minds. However, awareness might be limited because there are only have few sources that can reach consumers which are websites and social networks with no help from other third party retailer. Brands therefore need to do **ensure its advertising reach target wide enough to create sales revenues**. Moreover, logistics will take up big operation activities because brands need to send products to all individual consumers itself.

“I build my brands and sell my products through my own channels only, using my own resources, except logistics that I outsource. This is the best way for me because I can control overall brand strategies and all marketing executions very well” – Jib, 35 (anonymous online skincare brand owner)

Online retailers

Another business model is for brands to list its products on skincare/cosmetics online retailers. Popular ones in Thailand now are Konvy and Orami, where they gather all brands to sell on their websites and deduct margins from the brands. This is a good way for brands in **making the products reach wider audience as these retailers have very large customer base**. They help promote the brands, launch promotions, control distribution and logistics on behalf of the brands, which is very convenient for brand owners. However, due to many product listings, your product might not be the focus of the retailer shop, and is even diluted with other competitor brands. Once you have lower sales, brand owners will be forced to reduce price or join promotions with retailers to boost up sales volume.

This will more or less reduce further margins from brands, while they might be able to get higher margins if they sell through their own channels. Also cashflow will be needed more than other models because online retailers pay on credit terms, while in other models brands will get paid right away.

“I list in my product in Konvy, it helps increase brand awareness and boost sales at the beginning, but on top of margins, they require constant price promotions which leave me even lower profits. But I need to rely on them anyway because they take up big part of my sales.” – Kee, 32 (Earths brand owner)

Online distributor

Online distributors model is selling products through assigned individual distributor, normally certain number of people in each regions. These distributors are required to buy wholesale in large amount with volume steps, the larger volume the buy, the cheaper prices they get. They then distribute to other smaller shops, with additional margins in return, just like in physical stores business models. This is beneficial for brands in the way that first of all, they do not have to deal with individual delivery like in own channels, but instead send products in bulk volume to key distributors only. Second, in terms of brand communication, these distributors will help promote the brands through their own social media channels. Brand owners just come up with marketing communications, while distributors will help promote. The key to success in this model is to **ensure that distributors implement marketing communications according to the brand guidelines, ensure price is set standard rate throughout the country** in order to prevent inconsistent marketing. Reward systems are also needed to **keep them aggressive**.

“I assigned customers who are influencers in their social circle to be my distributors in each regions. They buy from me wholesale and distribute it to other small online shops or to consumers. It’s convenient in my operation but I need to set target and give them rewards to keep them aggressive”

- Joy, 38 (Sureporn brand owner)

Multilayer Incentives

Last business model is multilayer incentive. This method, brands will sell bulk volume to biggest distributors, who will find other individuals who act as downline to sell products to other individuals in a network chain on referral basis. This model relies on an integration of both online and personal connections, as sellers buy products in sufficient volume that they can sell, and use their own personal social media platform to sell products. It is the fastest model to gain revenues due to power of networking, but key success factors lies in strong multilayer incentive system that will fairly distribute profits to all individuals in the chain, reward incentives to recruit more people to join the network, and incentives for sales such as overseas trip. **It also requires strong branding, most of the time of not only product but the owner as well.**

“I PR myself as an owner that helps other people get rich, people trust me and make it easy for them to expand seller network because they believe they can get passive income from selling my product” – Bee, 35 (B Secret brand owner)

4.2.3 In-Dept Interview key findings from both shoppers and brand owners

Shoppers path to purchase

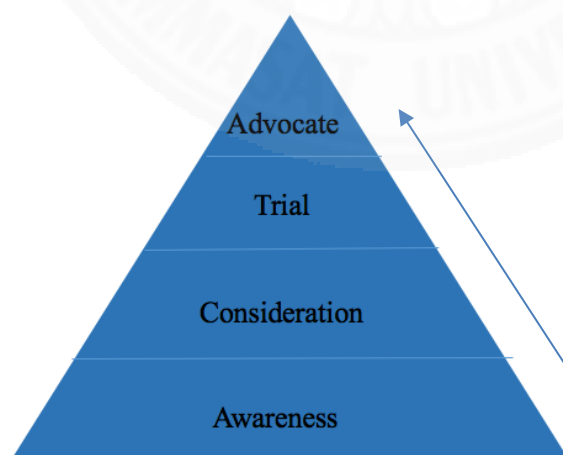


Figure 3: Traditional Path to purchase for shoppers

The researcher uses traditional path to purchase model to analyze shoppers' behavior. After analyzing results from the interviews, it is found that online purchase behavior seem to be similar to offline purchase. They start with knowing the brand, then consider the brand based on all the stimulus received, decision to buy, then ultimately become advocate for the brands by recommending to others.

However, in the detail of each phase, it is found that there are some significant differences. Especially in **consideration phase**, brands with physical presence will be easier for consumers to make decision to buy because of the ability for physical touch and feel, especially talking in the scope of premium price product. In online channel, consumers can only decide from claims, photos, and reviews, without feeling the texture or smelling the actual product. This creates what the researcher would like to call 'touch & feel barrier' when buying products. Secondly, there is also an issue of trust when brands are newly established, consumers do not know about it before and they cannot see the face of the seller but have to transfer the money to them in advance, researcher name it 'trust barrier'. **Touch&feel barrier, and trust barrier are the two key entry challenges that all online brands need to overcome in order to be successful.**

Tools for online brands to tackle each path to purchase stages

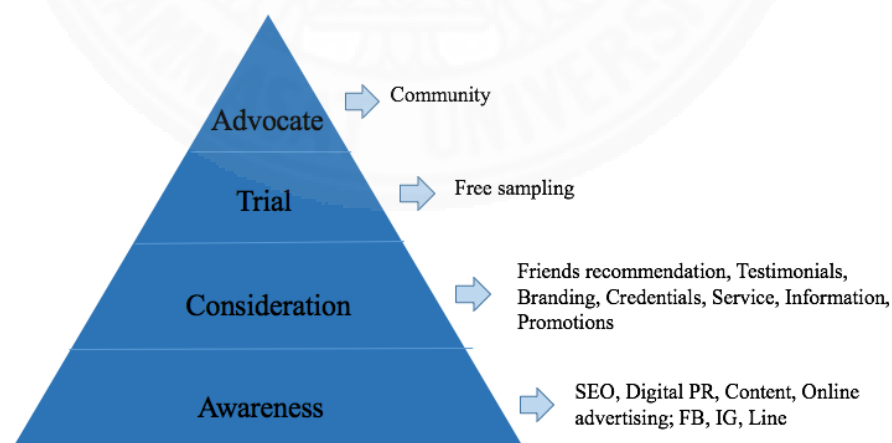


Figure 4: Tools for online brand in each path to purchase stage from qualitative interviews

In an offline physical world, **awareness** is created through billboards, TV commercials, radio, etc., but in online world, everything happens online. From the interviews, all of brand owners across different categories employ similar technique that suit their brands. The tools that new brands tend to use to create awareness are such as SEO (search engine optimization) for when consumers search google for generic information, your brand will come up. Brand tie-in in different online media such as online news source, facebook page related to women, etc. Online banner in articles, websites, and other advertising tools in both Facebook, IG, and Line that will reach its target group. As there are many online advertising methods to choose from, key challenge is how to select the right one that reach the right audience in the most effective manger. Brand owners must carefully analyze the objective, select media that reach target group, constantly update content from brands that are interesting and useful to consumers not just hard selling the products, and ensure to reach large enough audience.

“My brand page now has over 50,000 fanpage, which did not come easy. It is like trial and error, my team had to try a bit of SEO, a bit of online seeding, content, tie-in, test which one performs best, and keep adjusting until we hit the right target. We know we hit the right target when customers come”

–Prae, 30 (Isaara brand owner)

Consideration stage is the most challenging tasks for brand owners. As mentioned earlier in the report that consumers lack touch&feel experience, brands can overcome this issue in this stage. Successful brands can convince potential customers to consider their products among all other thousands of brands available in the market. They do it by promoting on brand story, ingredient detail, various testimonials from real users, credentials such as award received or any type of certification depending on the types of consumers what they are attracted to. In consumers’ point of view, however, there is **nothing more convincing than recommendations from friends/family**. They believe that friends will recommend them the best thing that has proven to work, thus it is the most influential factor in making shoppers want to buy the product.

Although different brands give importance to each tools differently, but the main thing in common is responsive reply to consumers. Because there is no physical shop, when consumers become interested, they will tend to send messages to either Line or Facebook inbox to ask for more detail, or sometimes calling on the phone. Consumers see this as critical aspect because it is the only human interaction they will get from brands, it gives them trust that brands actually exist. Key learning is that brands need to be informative, giving useful information, and also address concerns consumers may have in a fast, almost promptly manner. It is important because this is the only human interaction customers will get. It makes them overcome the online barriers to certain extent.

“When I come across products I am interested to buy, although I have no questions, but I will contact brand through Line anyway. It makes me feel like I’m buying a product from real human, and give me trust that they really exist...that they won’t take my money and leave”

– Ploy, 27 (skincare online shopper)

“Be very fast in replying consumers’ messages, and also assist them with their needs. This helps create impression, trust in the brand that we do exist, and lead to purchase. Most of the time when my team respond slow, sales are not coming.” – Kong, 30 (Memorybook brand owner)

Trial stage is when consumers decide the buy the product based on their experiences with the brands from consideration phase. It is straightforward, but there are things brand owners do in this stage that help close sales better which are limited offer promotions, and free sampling. Sampling can be a good tool to overcome online barrier as well, because consumers get to experience the real products. The important thing is that the product needs to be good enough that consumers would want to buy after they test it.

“Glow Mori becomes successful because we give out a lot of free sampling through our facebook page. We are sure of our product quality, so the retention rate is very high. We still give out sampling every now and then, and also every time we launch new products” - Kae, 32 (Glow Mori brand owner)

Last stage is **advocate**, when consumers really love the brands and help recommend to their friends/family, share their positive experience, and help spread word of mouth. According to the interviews with brand owners, ultimate goal is to have loyal customers who repeat purchase and help recommend to others. According to shoppers, they become brand advocate if they really love the overall experience with the brand, they will share to their friends. For brand owners, they think it is difficult in a very competitive environment nowadays, but if a brand can achieve it then it will no doubt be very successful and sustainable in the long-term. At the end, it comes down to the product quality and overall experience of using the product.

“Other than other marketing activities we do, I think what differentiates my brand from other competitors is the product quality that reflects in customers repeat purchase and also invite their friends to buy. They become advocate for us, and word of mouth is the reason we grow this much”

– Chote 29, (Zettino bag brand owner)

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

From interviewing a total of 14 brand owners across categories, and nine skincare shoppers, there are different factors that contribute to success of online brands. Each company owes its success to different things, but overall they share the same common practice.

Capture the right consumer segmentations.

Skincare shoppers can be categorized mainly into two segments; Trendy and Investors. They are different in terms of behavior and mindset. Trendy segment purchases skincare based on emotional reasons such as packaging, aspiring image of presenter, brand story, because they believe that the skincare they use reflect their self image and feeling of pride. They also highly value overall experience during the usage through five senses such as the product texture, scent. They buy skincare more often because they are rather emotional and easy to get hooked by marketing tactics.

Trendy consumers tend to purchase through brand's channels such as social media that reach them. On the other hand, Investors buy skincare based on functional benefits such as clinical study, proven ingredients as they look for real results with their skin rather than the experience of using. The frequency of purchase is less because they only buy when old one is used up, and take more time to find information. Online channel they like are online retailers that look more professional than brand's own social media. Now that brand owners know different types of consumers, they should decide who they want to target and tackle them differently as they require different branding approach.

Branding is basic foundation for successful and sustainable online business

1. Branding

Three core pillars are extracted from the interviews with brand owners that are basic foundation for successful business; Branding, Utilizing online platform, and

Business models. For branding, brand owners need to have clear brand positioning as to being firm who they want to be in consumers' minds. Also another thing is brand identity that needs to support brand positioning as well. Brand identity is personality and character of the brand which is conveyed through logo, brand template, font, colors, mood&tone in communication. This is to create uniqueness and differentiate from the market. The more clear, concise, and unique positioning, the more sustainable the brand would be because it is difficult to copy. So brand owners must ensure that they have clear positioning, brand identity, and also able to deliver those essence across to consumers through all touchpoints in a consistent and coherent manner.

2. Utilizing online platform

Deep understanding of the role of each online platform, its features, its tools and analytics that each platform provides, are critical to brand success. Facebook is a good platform for creating awareness as it can directly send advertising to selected target group. It also has analytic tools that enable brands to analyze who are its customers, in terms of the demographics and behavior. Instagram is a good platform for posting photos, showing products or lifestyle photos of the brands. However, brand owners should be noted that what they post should not only focus on products, but insert lifestyles that are related to consumers. Meanwhile, Line is an excellent tool for communication. Brand owners can utilize this social network application to interact with customers. Fast response is crucial in creating first impressions and turning to sales.

3. Selecting a suitable business model

There are several online brand business models that are implemented among respondents, depending on their skills and expertise because each one requires different skill set.

Own channel allows brands to have full control of its brand positioning, marketing strategies and communications, which creates more professional image in consumers' minds. But awareness might be limited because there is no third party to help promote. Brands who use this model need to do ensure its advertising reach target

wide enough to create sales revenues, and also efficient logistics to individual consumers are also needed.

Online retailer is good in helping the products reach wider audience fast as these retailers have large customer base. They help promote the brands, launch promotions, control distribution and logistics on behalf of the brands, brand owners can focus on marketing without dealing with many operation activities. It is recommended that brands need to prepare certain amount of cashflow due to credit payment term from those online retailers, and also forced joint promotion with them which will reduce more margin.

Online distributor beneficial for brands in the way that they do not have to deal with individual delivery like in own channels, but instead send products in bulk volume to key distributors only, so less operational activities to cope with. Moreover, they do not have to do all communication on their own, as distributors will help them promote as well. Key to success with this model is to ensure that distributors implement marketing communications according to the brand guidelines, ensure price is set standard rate throughout the country, and set up effective reward system that will keep distributors aggressive in selling products.

Multilayer Incentives key success factors lies in strong multilayer incentive system that will fairly distribute profits to all individuals in the chain, reward incentives to encourage more recruitment of other people into selling network, and incentives for sales such as overseas trip. It also requires strong branding, most of the time of not only product but the owner as well.

Brands have to overcome touch & feel, and trust barriers.

Brands with physical presence will be easier for consumers to make decision to buy because of the ability for physical touch and feel. In online channel, consumers can only decide from claims, photos, and reviews, without feeling the texture or smelling the actual product, creating touch&feel barrier. Moreover, for newly established brands, consumers have no awareness, and cannot see face of the seller while have to transfer money when purchase. This creates 'trust barrier'. These are the two main challenges that new online brands need to overcome.

Online shoppers path to purchase is similar to offline, but require different approach

Path to purchase of online shoppers and offline are similar. Customers start off with knowing the brand, consider, then trial, and eventually become advocate. The approach to hook consumers in each stage is, however, different from offline.

For awareness stage, different tools that can be used are SEO, brand tie in, websites, advertising banner. Brands that become successful need to use the right advertising tools, and media to reach the right target. Consideration stage is the most challenging because brands need to overcome online barriers of touch&feel, and trust. The ways that brand can make consumers consider other than branding itself are communication ingredient detail, various testimonials from real users, credentials such as award received or any type of certification depending on the types of consumers what they are attracted to. However, the most influential method for purchase decision is recommendation from friends/family. Therefore, it is opportunity for brands to launch campaigns that promote recommending products to friends for example. On top of that, responding to consumers' concerns and orders promptly and in helpful ways are critical because it is the only human interaction they will get, which is crucial in overcoming their online barriers. Trial is when consumers decide to buy the product. Brands need to ensure that it assist consumers in making purchase as easy as possible in confirming order, payments, and delivery. Advocate is the last stage where customers love the brands so much that they recommend to their friends. At the end, products that deliver performance above expectations, and give them overall positive experience will be the ones that shift consumers to become top of the pyramid of being advocate.

All in all, there are many elements that are required to make online brands successful. Everyone put emphasize on different factors, but they share the same characteristics. Brand owners should fully understand their target customers well, set its clear branding and communication strategies, as well as efficiently utilize online platform to the maximum benefits. With the right strategy, right planning, and right execution, success will surely come.

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APPENDIX A

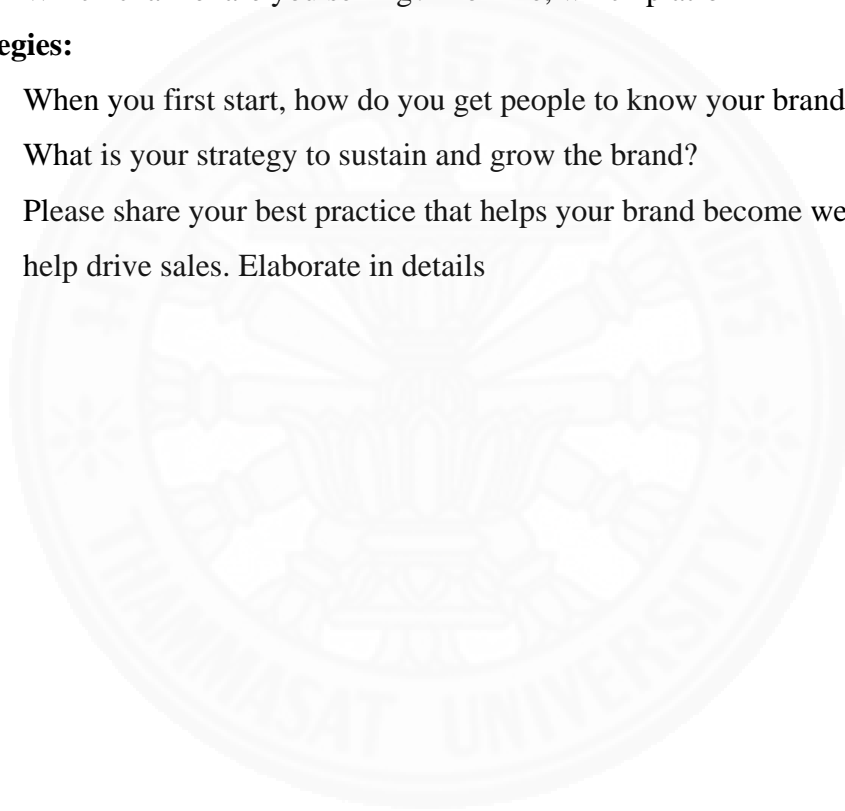
BRAND OWNER IN-DEPTH INTERVIEW QUESTIONS

Background:

- The background of the brand, how it is established, for how long?
- What is the product portfolio?
- What is current revenue, how has the revenue trend been? What is the growth?
- What is the positioning of the brand, the story, the unique selling point?
- Which channel are you selling? If online, which platform

Strategies:

- When you first start, how do you get people to know your brand?
- What is your strategy to sustain and grow the brand?
- Please share your best practice that helps your brand become well-known, or help drive sales. Elaborate in details



APPENDIX B
ONLINE SKINCARE SHOPPER IN-DEPTH INTERVIEW
QUESTIONS

Online skincare buying behavior:

- How often do you buy skincare?
- What are the regimen?
- How long have you been buying online skincare?
- Where do you buy online skincare?

Brand purchase:

- Have you ever bought skincare range 800-1200 before?
- Which brand?
- How do you know about the brand?
- Please guide through your experience with shopping with the brand
- What are your touchpoints with the brands
- What makes you decide to buy certain product?
- How do you trust that the product will suit you? What are the proof you look for?
- Anything the brands do that make you like the brand?
- Any online brands that you like? Bought or never bought

BIOGRAPHY

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