INVESTIGATING THE EFFECTS OF TECHNOLOGY AND THE INTERNET USE ON CUSTOMER BEHAVIOUR TOWARDS COSMETICS INDUSTRY WITH AIMS TO CREATE BEAUTYFIND BUSINESS

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ABSTRACT

The purpose of this research is to gain a better understanding of online consumer behavior and examine the impact of the Internet and widespread technology use in present day with regards to online shopping for beauty products. The research analyses online consumer behaviour and decision journey and the impact of social media, available online product reviews and recommendations on consumers' purchasing decisions. Also,

The research is based upon secondary data and primary data analysis. Secondary data is comprised from critical literature review. Primary data was collected through online questionnaires using quantitative research design method. The knowledge from the undertaken research will be used for the development of a new enterprise, which links 'Subject Section' to the following 'Enterprise Section'.

Therefore, key research findings make recommendations for further research in 'Enterprise Section' and inform the development of the new business Beautyfind, which is an online platform to purchase beauty products. The platform aimed to provide an improved consumer experience by enabling its users to compare prices of beauty products across a number of different retailers operating within the United Kingdom.

Subject Section

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Abstract

The 'Subject section' presents the research on millennial consumers and their behavior towards shopping for beauty products with a particular focus on online medium. This work also presents an extended research on online beauty industry within the United Kingdom and in the context of a global level, reviewing industry insights, information on the latest trends, changes in terms of technology and the impact of Internet usage on consumer behaviour. Therefore, the study methodology is applied to look at the changing consumer behavior, consumer expectations and shopping preferences, the growth of the online sales and the future vision of the beauty industry. To precise, the paper provides an extensive review of the literature on the selected relevant topic and proposes a research methodology to research and analyse online beauty consumer behavior and the impact of the technology on consumer purchase intention and decision-making. The main findings from the research are that millennial consumers are looking for digital tools to enhance and aid their shopping experience and tend to switch to online shopping feeling that they can find better offers and deals online. As well, as research results indicate, consumers find it easier to compare, research and review products online rather than in store. Therefore, the research provides a valuable overview on the beauty industry from a consumer perspective and informs the author about the potential opportunity within the market.

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Chapter 1

Introduction

The Subject part presents key background information and analysis undertaken to explain the changing consumer behaviour in decision making and purchasing path processes. Consequently, this part begins with the general study on consumer behaviour and narrows down to online consumer behaviour with a focus on the online beauty industry. Additionally, this part presents the research, insights and findings from primary and secondary data relating to online consumer behaviour towards shopping for beauty products online in the United Kingdom. Therefore, the research undertaken in the Subject part serves as a base for further study in Enterprise section.

1.1 Background to the study

In 2017, during one of the most important conferences in the beauty industry called 'WWD Beauty Summit' top senior executives of global beauty companies and innovative beauty startups discussed how much the beauty industry is changing and how these changes affect the industry. Camillo Pane, the Chief Executive Officer (CEO) of Coty (global beauty company) highlighted the fact that the beauty industry is becoming increasingly complex. Nowadays, brands are created at the speed of light – barriers to entry have been lowered, beauty consumers' taste changed, they are searching for new products responding to their actual needs. Consequently, traditional makeup was down 1.3% in 2016 while independent brands were up to 42.7% (Kestenbaum, 2017). Additionally, another important speaker Mike George, president and CEO of QVC noted that these changes (and in a way threats for long-time operating beauty companies) are coming from sources that are much bigger than the industry itself. Such changes as erosion of trust in society, competition to sell at the lowest price among beauty brands (this becomes even more apparent in the context of e-commerce),

consumers' craving for authenticity and shifting sources of influence in the industry (referring to the fact that the actual consumers are the ones who influence beauty companies, it is not up to a company to decide their focus and activity) are the major factors bringing the complexity to the beauty industry (Kestenbaum, 2017). Therefore, many brands have switched their focus on finding the ways to simplify the overwhelming complexity of the industry trying to help consumers find beauty products they want, like and that respond to their individual needs which in turn creates a connection with the users (Global Data, 2018 and Deloitte, 2017).

What is more, this revolutionary technology use and social media age that we have nowadays has shaped a new digitally savvy generation of completely different consumers (Kestenbaum, 2017). In present day, consumers instantly search for information online, perceiving it as the most convenient and efficient way to access the information. When it comes to the beauty industry, consumers research the brand or search for information about a certain product on social media, for example, Instagram, where endless sources of information are available. It has become highly important to be visible in an online world, such as social media, to become a successful brand/ company in the industry (Rivas, 2017, Global Data, 2018 and Translate Media, 2017). As from personal author's insights from working in the beauty industry and being an active social media user, a brand without an Instagram account is perceived as less credible and desirable brand in comparison to the ones that have an account. Therefore it corroborates with the statements found in the literature.

Consequently, researching the products, reading comments and reviews of friends, beauty communities, popular social media personalities and comparing products and prices online have become standard pre-purchase processes (Woo, 2018 and Fisher,

2017). Therefore, the main action has switched to an online medium, where new changes and information spread happens faster than in an offline world. Consequently, due to these changes, online platforms (both social media and websites) have flourished during the past five years creating completely new opportunities for both consumers and new types of businesses focusing on how to remove the complexity of the industry by providing the tools to enhance and ease their shopping experience while shopping for beauty products (Translate Media, 2016). Therefore, now it is up to each beauty company to decide the way they leverage in online medium and the way they exploit the strengths of their brands.

However, every company operating in the beauty business, whether it is product (for example, face cream), service (for example, hair stylist) or technology based (mobile beauty application or online beauty community platform) has to address the shifts in the industry and adapt to the changing environment efficiently and on time. Therefore, in the context of this briefing and presenting the reader with the selected industry, the author raises the most important hypotheses based on the insights from her own work experience in the beauty company managing a premium category brand, observations of consumer behaviour in retail environment and analysing the industry in online from a number of different resources.

Main hypotheses to be carried out throughout the study of the paper are presented below:

1) Consumers do feel overwhelmed in pre-purchase stage because of the wide choice of beauty products and different channels available to purchase from. They highlight a need for tools to help differentiate between products and brands (Mintel, 2016).

2) Consumers are smart buyers, therefore they use the Internet to compare beauty products prices, other available offers and different alternatives (Fisher, 2017).

3) Consumers are very often influenced to purchase a certain beauty product by peers' or by popular social media opinion leaders' reviews and comments online (especially on social media) (Creswell, 2017).

4) Website and mobile application design quality (including branding, visualisation), available reviews and user experience are important motivational factors encouraging making the purchase online (Investis, 2017 and Georgiou, 2018).

5) Overall, consumers tend to search for quality informational content, real consumer reviews and feedback about the beauty products since beauty industry is highly driven by promotional activities and advertising. According to Cosmetics Europe 'Consumer Insights 2017' report, consumers have a clear enthusiasm for online ratings and reviews.

Therefore, further parts of this section will present a more in-depth explanation of the study itself, starting with the research aims and objectives in order to deliver the reader the most important aspects of this paper prior to the actual literature review and research.

1.2 Research Aims and Objectives

The purpose of this research is to gain a better understanding of on-line consumer behavior and experience of consumers of beauty products. This knowledge will be used to explore the development of an on-line platform aimed to provide an improved consumer experience.

In order to present and validate important finding on this subject, the research comprises of secondary data analysis from critical literature reviews as well as primary data, collected by the author of the dissertation.

In order to fulfill that aim -the main objectives are set out and identified below:

1) Contextualise consumer behavior using key theoretical frameworks;

2) Contextualise on-line consumer behavior using key theoretical frameworks in view to identify key factors influencing on-line consumer behavior;

3) Contextualise the online beauty market in view to identify key trends/factors influencing consumer behavior;

4) Identify which trends/factors have the biggest influence on UK female consumers;

5) Use key findings to make recommendations for further research and online retailers;

6) Use findings to inform the development of new/improved online platform to purchase beauty products.

1.3 Research methodology

The research builds upon the main aims and objectives of the research as introduced in previous parts of the paper. In order to present and validate important findings on the research subject, the research comprises of secondary data analysis from critical literature review as well as primary data, collected by the author of the paper. Quantitative research method was chosen for primary data collection. Consequently, the data was generated through self-administered online questionnaire posted on social media (Facebook). The questionnaire target audience/group was based on self-selection sampling technique in order to gather answers from precisely targeted group of people that could be potential Beautyfind users. Chapter 3, which is Research Methodology,

introduces the overall study's research design, which presents the reader a wider spectrum of the research conducted in the paper.

1.4 Summary of Chapters

The Subject section consists of 5 chapters. Chapter 1 presents the reader the background to the study, starting with the foundations of the project and the statement of the research problem to be carried out throughout the research study. Chapter 1 also presents research aims and objectives in order to identify key elements of the study and present the reader the main focus of the research. Chapter 2 primarily focuses on literature review, in order to put the research into academic context and draw important findings from the undertaken review. The third chapter of the paper presents the research methodology behind the primary data collection and, therefore the analysis of data, results and discussion are covered in Chapter 4. Finally, Chapter 5 presents the conclusions, recommendations and limitations of the undertaken research.

Chapter 2

Literature review

2.1 Background research

This study on consumer behaviour focuses on how individuals make decisions while shopping for cosmetics to spend their available resources, such as time, money and effort, how it has changed over the years and what is the impact of the recent growth of the Internet and technology usage. The study also presents and explains the fundamentals and the evolution of consumer behaviour guiding the reader into a further analysis of consumer behaviour towards researching and shopping for cosmetics in online medium, which has become and important part of each consumer's journey. More importantly, the synergy of offline and online mediums are examined in order to understand the complete consumer behaviour principles.

2.2 Consumer behaviour

This literature review on consumer behaviour serves as a valuable foundation for further analysis and understanding of the beauty market environment, its consumers and their changing behaviour as well as trends and the impact of a growing global Internet usage during the upcoming decades.

2.2.1 Origins and definition of consumer behaviour

The section introduces the concept of consumer behaviour, explores its origin and presents the main models. Therefore, in order to present a reader with a coherent study on consumer behaviour it is important to analyse the emergence and evolution of consumer research and the consumer behavioural field as well as to explain the key terms. To begin, a consumer is an individual who identifies a need or desire for a certain

product or service that then makes a purchase and disposes of the product/service during the three stages within the consumption process, the stages are as follows: are pre-purchase stage, service encounter/purchase stage and post-purchase stage (Solomon, 2006). As for consumer behaviour, it is the analysis of the use of behaviour principles to interpret human economic consumption (Foxall, 2001). According to Foxall (2001), consumer behaviour analyses the intersection between economic psychology and marketing science, which stands for the study of behaviour of consumers and marketers, especially as they interact. Consumer behaviour principles aim to interpret such natural consumer behaviours such as purchasing, saving, gambling, brand choice, the adoption of innovations, and the consumption of different services. Additionally, consumer behaviour researchers aim to understand how consumers recognise a certain need, search for information, evaluate alternatives, purchase and consume certain products and services (Bray, 2008).

In terms of consumer behaviour emergence, the concepts of the study development were borrowed from other scientific disciplines, such as psychology, sociology, social psychology, anthropology and economics (Schiffman and Kanuk, 2007). While consumer behaviour evolution has been a continuous process throughout many decades and has been analysed as a part of other long established scientific fields, it is only since the 1950's that the foundations of present day consumer behaviour as a discipline were laid (Fullerton, 2013). Between 1930's and 1940's, as the marketing concept was developing, attention was given to pricing theory, media studies, application of psychological discoveries to advertising and the extension of the distribution channels (Pellemans, 1971). From the 1950's many marketing studies were performed in the area of marketing research and motivation research. Consequently, they provided interesting insights on consumer behaviour, which later became a field of interest for marketers

(Pellemans, 1971 and Assael, 2004). As a result, consumer behaviour became a very important field since consumers' rational decision-making became marketing specialists' primary concern.

2.2.2. Consumer decision-making processes

One of the main focuses in consumer behaviour is the way that consumers change, adapt and use decision-making strategies during the whole consumer behaviour process (Moon, 2004). There are a number of studies covering consumer decision-making processes offering different models and theories. However, since the focus of this study is to analyse how the Internet and the recent use of technology has changed consumer behaviour, the following part of the chapter will focus solely on the main decision-making process models and the most popular academic theories.

To begin, consumer decision-making is a complex process that involves different stages from problem recognition to post purchase activities. It is also referred to as a problem solving process in which the consumers' cognitive representation of the problem is a key to understanding the process (Tyagi and Kumar, 2004). Some of the best-known traditional consumer decision-making models were developed back in the 1960's and 1970's as part of a developing discipline of consumer behaviour research (Erasmus, Boshoff and Rousseau, 2010). Most of the theories of consumer buying decision-making present that the purchase decision process consists of several key steps. Even though it may vary from a product to services, all the customers pass through a similar process (Prasad and Jha, 2014). Consequently, one of the most common traditional models of decision-making is a five-step consumer decision process classification, which is shown in Figure 1. The model consists of five steps that consumers experience when buying a product or service:

1. Problem recognition;

2. Information search;

3. Evaluation of alternatives;

4. Purchase decision;

5. Post purchase evaluation.

Figure 1. The five stage model in consumer behaviour journey. Source: Kotler (2012).

However, Solomon (2006) criticised the traditional model by saying that it is a very rational perspective while in reality consumers sometimes may behave irrationally. He argued that consumers do not face all the stages in this sequence when they intend to make a purchase. He highlights the importance of 'purchase momentum' - impulses that lead to spontaneous or not well-thought purchases. Also, Solomon (2006) stated that consumers possess their own strategies and they choose a product or service according to the situation and the level of effort required.

Furthermore, in the popular academic article 'Consructive Consumer Choice Processes' by Bettman, Luce and Payne (1998) the authors analysed consumer decision-making processes based on an information processing approach. The authors argued that due to the consumers' limited processing capacity, they often do not have well-defined existing preferences and due to this reason they construct them using a variety of their own decision making strategies. Therefore, the authors identified four primary aspects that explain consumers' choice strategies:

1) The total amount of information processed before the purchase. For example, the amount of information processed can vary depending on a product. An automobile purchasing choice usually involves detailed consideration of much of the information available; it is a well thought out decision and takes a substantial amount of consideration before the purchase. While on the contrary when buying a new FMCG (Fast Moving Consumer Goods) product consumers do not spend a lot of time conducting detailed research about the purchase.

2) The selectivity in information processing. This involves highly selective processing of attribute information (time spent on the research varies depending on attributes) and consistent processing of alternative brands. This means that the more consumers are selective in processing the information, the more susceptible their decisions may be to factors that influence the salience of information.

3) The pattern of processing. Whether a consumer is considering making a purchase by alternative (selection from different brands considering multiple attributes of a single option) or by attribute (when values of several alternatives on a single attribute are examined before making a purchase decision). In this case the brand is substantially less significant, the consumer is more focused on a particular feature, as, for example, which car is the safest from the selection available.

4) Compensatory and non-compensatory strategy. A compensatory strategy is one in which a good value of one attribute can compensate for a poor value of another. For example, deciding how much you are willing to pay for a very good as oppose to an average reliability in a car involves making a trade-off between reliability and price. In a non-compensatory strategy, a good value on one attribute cannot make up for the poor value of another. If a consumer wants to purchase the safest car, then their choice will be made regardless of its high price and regardless of another cars' high ratings for, for example, horsepower.

Another interesting view on profiling consumers decision-making styles was presented by Sprotles and Kendall (1986) . They identified eight factors and based on these factors developed a typology of eight distinct decision-making styles that influence decision making:

1. Price sensitivity. This relates to consumers who are conscious of lower prices, are concerned with getting the best value for money and look for cheaper alternatives.

2. High-quality consciousness. Such consumers tend to search for the very best quality in products.

3. Brand-consciousness. Consumers tend to buy well-known brands, prefer best selling, advertised brands. Also, brand loyal consumers tend to purchase brands in order to express their individual identity.

4. Novelty-fashion consciousness. Tend to get excitement from buying new things. They keep up to date with latest trends and styles.

5. Impulsiveness. Such consumers do not plan their shopping. They are not usually that concerned about how often they shop or how much they spend.

6. Confusion by over-choice. Experience information overload, they face difficulty in making a purchase.

7. Habitual, brand-loyal orientation. Such consumers have their own formed habits and favourite stores/brands where they prefer to shop.

8. Hedonistic, recreational shopping consciousness. Consumers tend to shop just for fun as they enjoy the shopping process.

Consequently, even though there are many different factors that can influence consumer's decision, they can be summarised and characterised in eight certain shopping styles and can be used while segmenting customers into those following groups according to their mental orientation as these shopping styles constantly dominate consumers' choices.

However, it is also important to note that people often do not have well-defined preferences during their decision-making processes; instead, they may construct them on the spot when they have to make a choice or during the exact purchasing process (Bettman, Luce and Payne, 1998). As well, consumer decision-making is vastly shaped by consumers' goals since it has a major impact on how consumers make their choices in order to accomplish certain needs. Four of the most important goals shaping consumer decision-making according to Bettman, Luce and Payne (1998) are:

1) Maximising the accuracy of the choice. Therefore, according to the authors consumers tend to conduct a thorough research about the product they wish to purchase and they compare their options among other alternatives, some people prefer decision speed and ease over accuracy (for example, during product promotions) while others dedicate time to think and research.

2) Minimising the cognitive effort required to make the choice. Consumers tend to minimise the effort by considering fewer alternatives, placing more importance on a dominant attribute and not considering other alternatives' attributes.

3) Minimising the experience of negative emotion when making the choice. Due to this consumers sometimes tend to delay or avoid making the decision.

4) Maximising the ease of justifying the decision. Since consumers react to social norms and opinions of others, they feel it is easier to justify a decision comparing to others behaviour and reactions.

A large amount of academic research was conducted throughout the studies of consumer behaviour. A high number of different theories and models presented by the academics serve as a valuable foundation for understanding the consumer and developing new modern concepts on today's consumer behaviour. However, in reality, some of the models are less applicable or too old or simply no longer relevant. For example, very often people do not have the access or the time to access all the available information about a certain product and are not motivated enough to make an accurate and perfect decision. Additionally, another important factor is 'purchase momentum' (Solomon, 2006), when people make spontaneous purchase decisions. Even when consumers make decisions on a purchase and spend time on related information search, brand choice, and product usage very often they are influenced by time pressure, others opinion, advertising, reviews or recommendations (Moon, 2004). In consideration of current market trends, such as technological change, an information explosion and the rise of the Internet usage it is obvious that the way consumers research and shop for beauty products nowadays has become an even more complex process (Kestenbaum, 2017). Consequently, the following section will present the main findings on online consumer behaviour.

2.3 Online consumer behaviour

The Internet has become a major medium for purchasing and selling products, sometimes it is even compared to an industrial revolution since it has had a significant impact on the current period in terms of recent technological advancement and its widespread use (Smith and Rupp, 2003). Consequently, new technologies along with the Internet have changed the way consumers research and shop. Currently consumers rarely purchase certain products without first reading about them online. Therefore, the further paper guides the reader to another part of the literature review, which is online consumer behaviour introducing the main theories and models on it.

2.3.1 Origins and definition of online consumer behaviour

Nowadays, in the business to consumer (B2C) e-commerce cycle, consumers use the Internet for such purposes as: searching for product features, prices, reviews, selecting products and services, placing an order and making payments (Javadi *et al.*, 2012). As a result, now consumer behaviour has become a more complex process since consumers also make decisions if they search for information online and then buy through an offline channel or whether they search information through an offline channel and then buy online, or simply use the Internet to research the product and to make a purchase (Moon, 2004). Consequently, the definition of online consumer behaviour has arisen. Online shopping behavior (also called online consumer behavior or Internet shopping behavior) refers to the process of purchasing products or services via the Internet. The process consists of five steps similar to those associated with traditional shopping behavior presented earlier in the paper (Javadi *et al.*, 2012 and Chan et al., 2003). According to Chan *et al.* (2003), most of the components of consumer behaviour theory have been applied to the study of online consumer behaviour. Therefore, since present day consumers are in both offline and online mediums (either shopping or researching or both), it is crucially important to analyse and understand both traditional (offline) and

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online consumer behaviours and their decision-making motives. Consequently, the further part of the paper focuses on online consumer behaviour and its models, which are important to identify and examine for further research on consumer behaviour towards shopping for beauty products.

Firstly, it is important to explain the growth of online shopping and explore consumer motivations behind it. Compared to the traditional way of shopping, the online medium gives the consumer the ability to shop from anywhere for varying products and services from all over the world. It enables them to view products on their screens quickly, to compare to other alternatives online, visualise them and decide whether or not the products fit their needs. What is more, the Internet gives an opportunity to engage in online discussions with fellow consumers about the products and services, read the comments and reviews to gain some insights from consumers perspective (Joines, Scherer and Scheufele, 2003). However, there are two main factors encouraging consumers to adopt online shopping:

1. **Convenience**. Online shopping convenience has been one of the principal motivations underlying customer preference to shop online (Jiang, Yang and Jun, 2013). Nowadays, since consumers' lifestyles are hectic, they prefer to allocate less time for shopping and more for other priorities, therefore the desire for convenience and ease of use has encouraged consumers to switch to online shopping as an alternative medium. The unique benefit of the Internet, which is convenience, involves such features as an easily accessible shopping platform, ease of use and information search, accessibility anytime and from anywhere, interactivity and system reliability (consumers can even effect or amend transactions).

2. **Efficiency**. According to Javadi *et al.* (2012), online stores provide consumers with free and rich information about products and services, therefore the

research about potential purchase has become much easier online. Many online stores also have tools to help consumers compare and evaluate alternatives to make purchase decisions among various products and services. Also, now online consumers have more control and bargaining power because the Internet offers more interactivities between consumers and product/service providers as well as transparency. Consequently, consumers become smart shoppers since they have a greater availability of information about products and services.

As a result, these two important motivational factors have built a strong growth in consumers' online commercial engagement and according to the latest data on Statista (2018), the annual worldwide e-commerce growth in 2017 was +24.8%, which is still a notable high double-digit growth despite the slight decrease in comparison to 2016 (Figure 2). As for the e-commerce share of total global retail sales, it is expected to rise to 17.5% as of 2021. As a result, consumer behaviour has changed significantly and new models and frameworks have been introduced in order to analyse the way a consumer researches and makes purchase decisions nowadays. The main relevant online consumer behaviour models are presented in a further part of the paper.
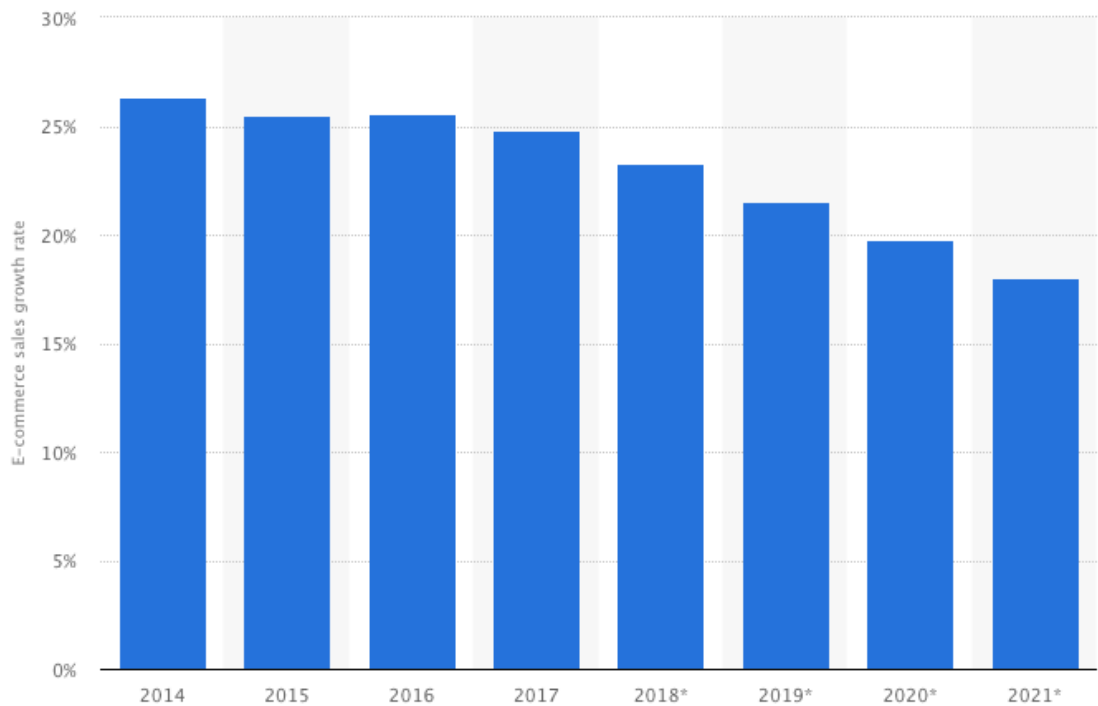
Figure 2. Annual retail e-commerce sales growth worldwide from 2014 to 2021. The figure presents estimated figures for 2018-2021 period. Source: Statista, 2018.

2.3.2 Online consumer behaviour models

According to Smith and Rupp (2003), current models of online consumer behaviour have been more focused on problem solving, following the traditional behaviour model stages, which are learning (cognitive), evaluating (affective) and purchasing (conative). For example, Chan et al. (2003) presented a very simple linear model, which consists of three stages that are: intention, adoption, and continuance. According to these authors, it presents the key blocks of the foundation of online consumer behaviour.
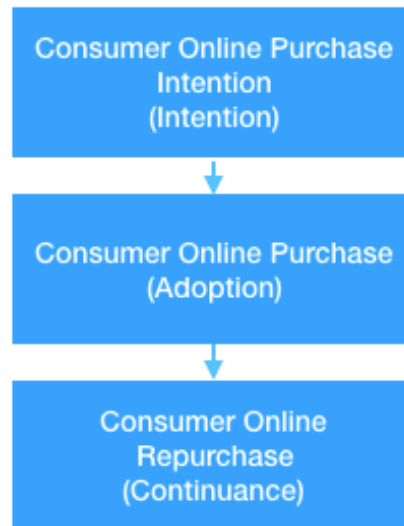
Figure 3. The figure presents linear model of online consumer behaviour. Source: Chan et al. (2003)

However, many academics criticise this linear simplified approach as such models tend to neglect alternative consumer behaviours, that are now more common and claim that in general, complexities of the decision to purchase online are extremely difficult to model. Smith and Rupp (2003) constitute that consumers' needs are not always well defined and usually they are shaped during the selection and decision making process. Therefore, understanding the complexities of online shopping behaviour is important for any operating business delivering online products or services. Consequently, to apply it to a framework, Smith and Rupp (2003) state that the decision- making process can be viewed as three-stage process that can be affected by many external factors, therefore, evolving not as a linear process (Figure 4). The three stages are described below:

1. **Input stage.** Influenced by the consumer's recognition of a product/service need and consists of two sources of information: the website and its marketing (promotions, advertisements on the websites, spots on television or radio and etc.) and consumer's socio-cultural influences. For example, friends, family and

peers influence, also social class standards, age group factor and etc. More details about input stage are presented in Appendix 1.

2. **Process stage.** This stage focuses on how consumers make purchase decisions. Before consumers buy online they deal with the psychological factor of motivation for the actual need of a product or service. Therefore, the main aspect in the processing stage is such factors as consumers' perception, motivation, attitude and emotions towards a certain product or service online.

3. **Output stage.** This stage consists of two closely related post-decision activities: purchase behaviour and post-purchase evaluation. Purchase behaviour tends to be more of a trial purchase when a consumer evaluates the product through direct use. A repeat purchase usually signifies adoption of the product or service. Both processes are highly influenced by different external influences, such as discounts and promotions during purchase behaviour and psychological or emotional satisfaction with the product or service during repeat purchase behaviour, both of them forming part of the post-purchase decision making behaviour.
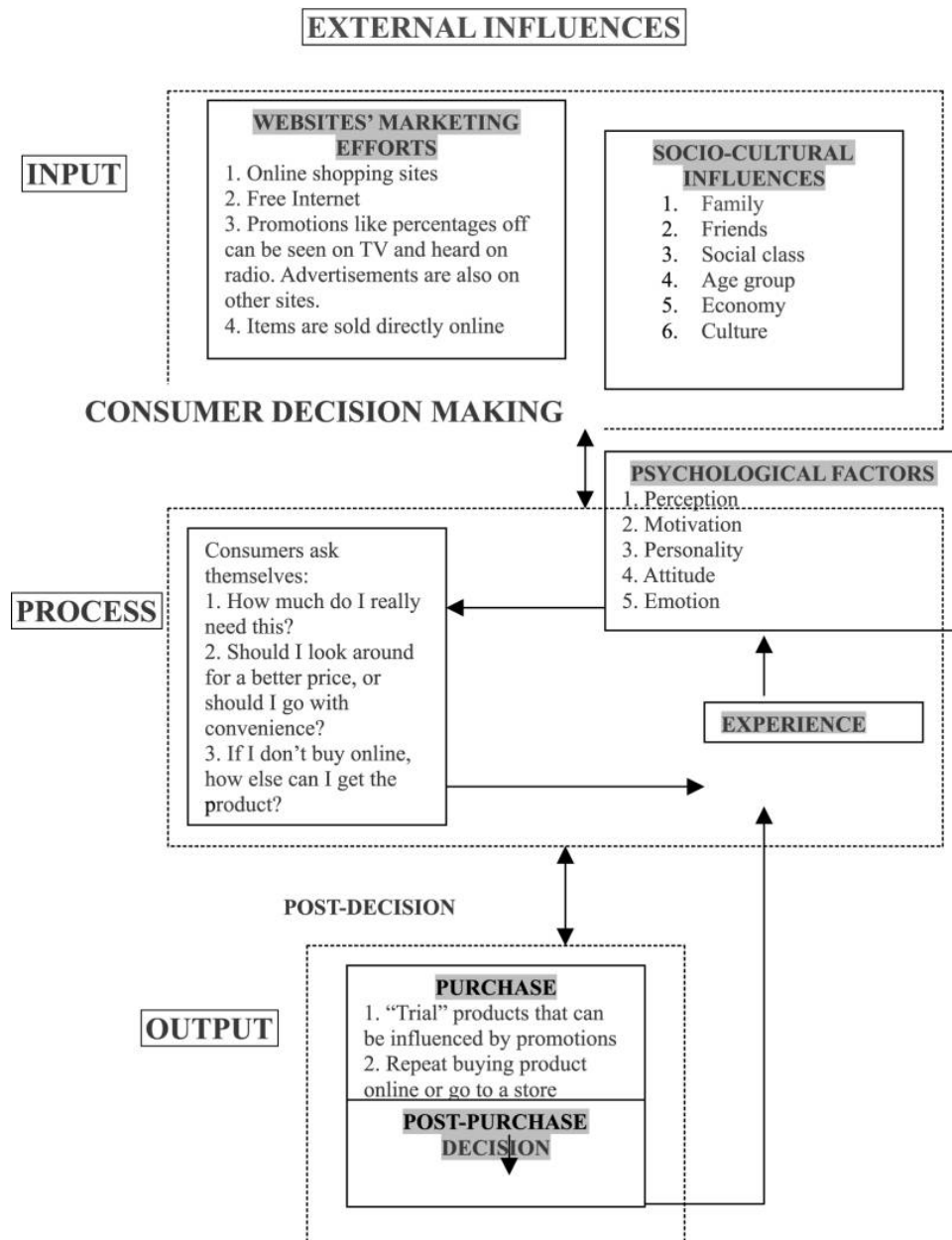
Figure 4. Consumer decision-making model for online shopping behaviour. Source: Smith and Rupp, 2003.

Although Smith and Rupp (2003) present an informative consumer decision-making model, authors still claim that a good model should be adaptable to provide information on why and whether consumers' needs, fears and perceptions have direct impact on purchase decisions. It has to evaluate many different external factors and cannot consist

only of rational aspects of decision-making factors since many other factors that were ignored in the past are incorporated in consumer behaviour processes.

In order to explore online consumer behaviour and decision-making in more depth, the author of the paper presents the reader with another more recent and extended framework introduced by Darley, Blankson and Luethge (2010). The framework is based on the original five-stage problem-solving process model as well as on the main decision process stages, which are the cognitive (consumers' beliefs), affective (consumers' attitudes), and conative (consumers' intentions) factors underlying the external influences on the decision process stages (Darley, Blankson and Luethge, 2010). In this framework (Figure 5), the external or environmental factors are broken into four parts (we can observe the tendency and identify the same factors as in previously presented frameworks):

1) Individual differences or characteristics such as motives, values, lifestyle, and personality;

2) Socio-cultural factors such as culture, social class, reference groups, and family;

3) Situational and economic factors;

4) Online environment aspects, for example, website quality, website interface and satisfaction, and website experience.
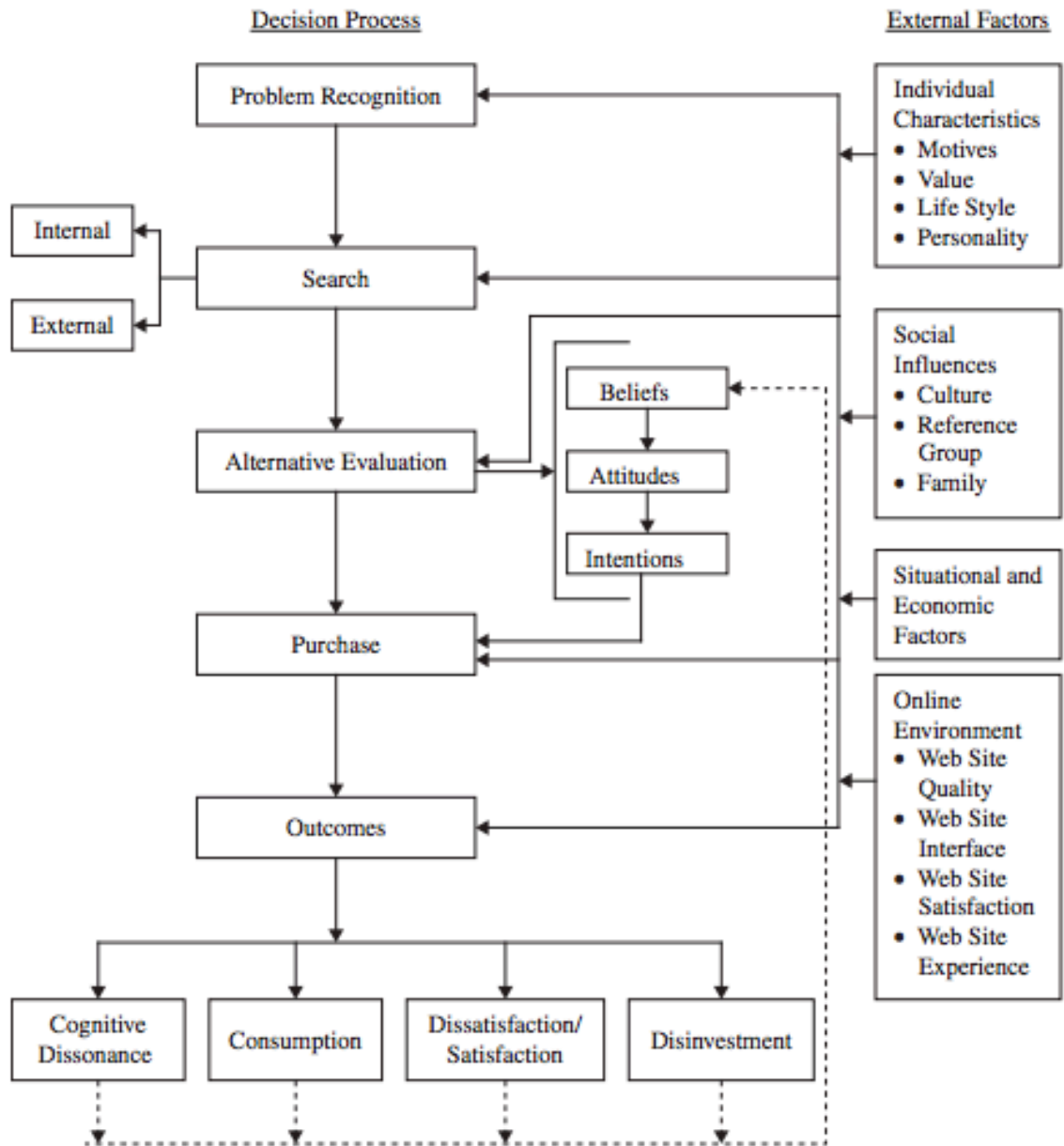
Figure 5. A modified model of online consumer behaviour and decision making, introduced by Darley, Blankson and Luethge. Source: Darley, Blankson and Luethge (2010).

To conclude, this model reflects the actual generic online consumer behaviour and summarises all stages prior, during and post purchase. Also, the model is well-constructed as it shows all the decision making factors including social, economic, cultural, psychological as well as such aspects as consumers' beliefs, attitudes and

intentions, which also form and impact consumers' choices. What is more, the model also presents technical aspects such as online environment factors (website quality, interface and the overall online experience), which are becoming critical since consumers are becoming smarter and more digitally aware shoppers.

2.3.3 Changing consumer perception towards online shopping

Online commerce continues to be a highly important topic in the field of consumers' shopping behaviour. Access to online medium improves the consumers' ability to make informed and well-thought out decisions about a product or service purchase as well as consumers' general knowledge of technology use, which has also become a valuable personal skill (Smith and Rupp, 2003). Consequently, the number of people adopting online shopping is continuously growing, therefore the perception towards online shopping is changing positively and, simultaneously, more and more research is being carried out by the academics researching on this particular subject.

As Figure 6 shows, 84% of people aged over 16 years old (in the United Kingdom) shopped online from a computer or smart device during past three months as of April 2017. The percentage is very high not only for online shopping but as well in other categories of the figure for example, using a search engine (90%) or managing finances online (73%), which confirms two main insights- the fact that online commerce is important and the general positive change that people are comfortable using the Internet and technologies (smartphones) for a number of different activities even when it comes to passing their sensitive personal information for online banking.
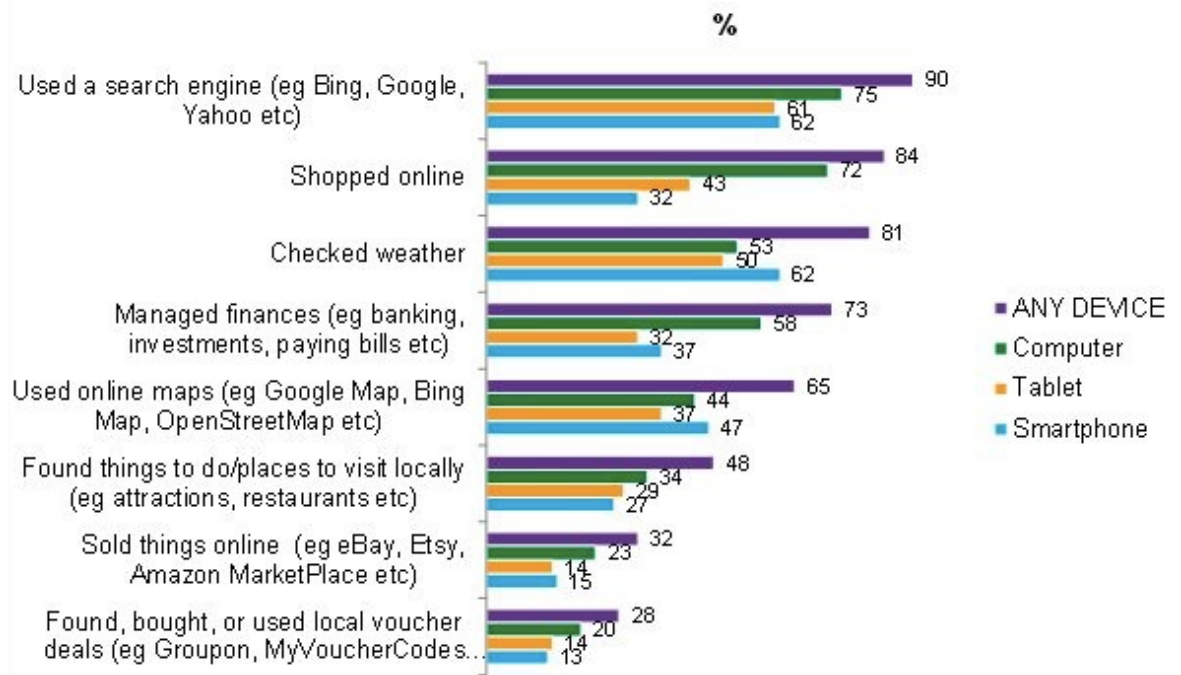
Figure 6. Online retail, finance and information-related activities performed in the past three months as of April 2017, United Kingdom. Base: 1,021 Internet users aged 16+ who personally own a tablet; 1,655 Internet users aged 16+ who personally own a smartphone. Source: Lightspeed/Mintel, 2018.

In terms of technology use while shopping online, smartphones play a key role in the adoption of online shopping in the United Kingdom. As recent data from Statista shows, there is an important rise of mobile commerce, which is to become the key tool of future online shopping. Figure 7 presents that 66% of smartphone users have researched an item online, then viewed in-store (offline) and then purchased online, whist 53% of respondents often look at items in-store and purchase online and less than half of smartphone users, which is 42% research items online but buy in-store. Consequently these figures show that the online medium is the key environment where people research and search for the information about products and where majority of consumers end up purchasing the product.
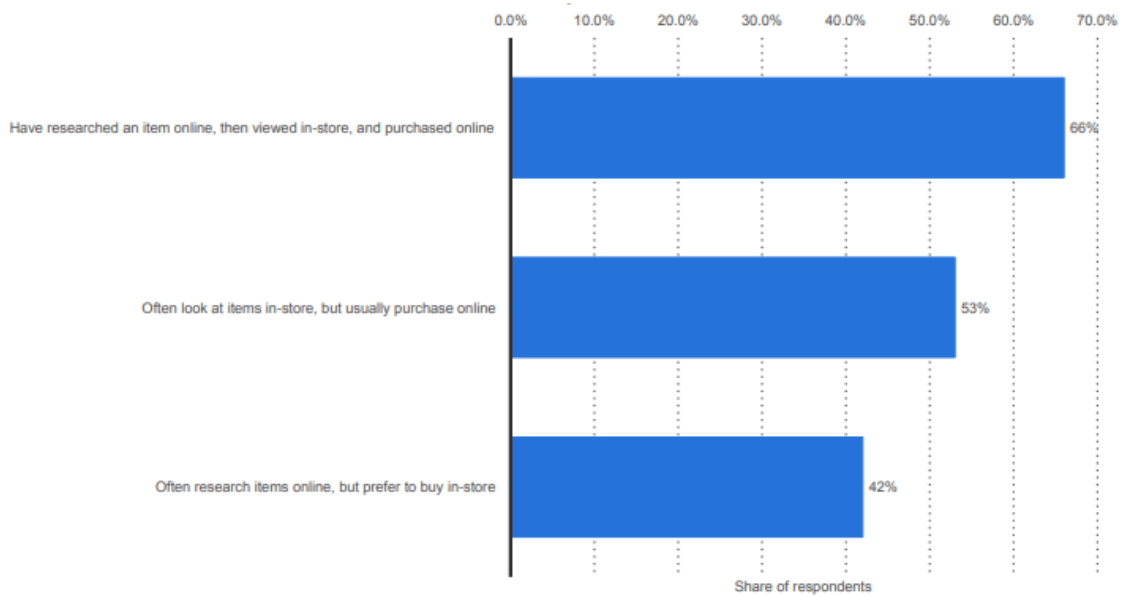
Figure 7. Showrooming activities and attitudes of smartphone owners in the United Kingdom as of September 2013. Respondents – smartphone users. Source: Statista, 2013.

2.3.4 Limitations of online-based models

This literature review introduced valuable foundations and frameworks on consumer behaviour and presented useful insights on both offline and online consumer paths. However, these online-based models are still generic and are not compliant to all of the industries equally. For example, consumer behaviour while researching and shopping for certain products differs depending on the product (industry). Therefore, the further paragraphs of the paper will analyse consumer behaviour towards shopping for beauty products (only) and how it has evolved over the last decade with technological transformation and widespread Internet use.

2.4 Consumer behaviour towards beauty products

This section analyses general consumer behaviour towards shopping for beauty products and is not divided into online and in-store (offline) shopping due to the importance of online and offline mediums synergy. The author presents the most recent insights into the consumer journey while shopping for beauty products and based on secondary data concludes to the final insights and summary on the main and most significant consumer behaviour aspects while shopping for beauty products online.

2.4.1 Changing consumer behaviour towards shopping for beauty products

During the past decade consumers' behaviour towards shopping for beauty products has changed dramatically. According to 'Cosmetics Business' news, UK region's beauty and personal care market experienced another year of solid value growth in 2017. And while premium beauty has thrived in recent months (as of May 2018), brick and mortar department stores – Britain's traditional retail route for premium beauty – were struggling (Wray, 2018). Additionally, according to Launchmetrics 'Beauty Redefined' report (2018), product packaging (54%) and websites (51%) are the most used sources of information for cosmetic consumers. Therefore, it shows a significant change in the beauty market - consumers in the UK are equipped with endless information about the beauty products available online and, for this reason, online beauty retailers are gaining significant weight and importance in the entirety of the consumer journey.

Therefore, as showed in Figure 8, 31% of consumers researched beauty products before purchasing online and 15% before buying in store. These results show that consumers shopping online tend to research about products more than the ones who choose to buy in store. As well, the figures show the impact of social media on consumer behaviour since 9% of consumers viewed a beauty-related video (excluding adverts) before

purchasing a product and 8% followed a beauty brand on social media to engage with the brand further. Since both new and classical brands are focusing on their online presence and service, this online and offline synergy is due to gain even more importance in the future – it will become a 'traditional' consumer journey and without checking and researching the product online consumers will be less likely to purchase it either in-store or online.

Figure 8: The figure presents beauty activities done online in the last 3 months. 1,067 Internet users aged 16+ who have bought beauty products online in the last 12 months. Source: Lightspeed/Mintel, 2017.

According to Shapouri (2016), beauty shoppers even if they have not had time to research a product before coming to the store, asking for help is still not something they are likely to do and would rather reach for their smart phones for a quick check on a product's feedback or price comparison as oppose to asking the salesperson (Shapouri, 2016). Additionally, the rise of social media (Instagram in particular) enabled consumers not only to read the information about the product online but also read peers' and key-opinion-leaders' reviews and recommendations about beauty products. This

way, social media serves as an efficient tool to bring and spread awareness about beauty products and brands as well as to accelerate sales.

To summarise the overall global changes and shifts in online consumer behaviour towards shopping for beauty products, there are two main factors currently shaping the consumer behaviour trends in beauty industry, described below:

1. Growing importance of offline and online environment synergy. Online medium is increasing in terms of where consumers go to research beauty products, compare prices, check availability and get information while in-store. Consumers are spending more time on digital media than on any other media and mobile is the most convenient and functional tool that consumers use as a main digital tool for shopping. 63% of beauty customers use their mobile device as a resource to help them find information about products while shopping in-store (shown in Figure 9). Additionally, 43% of beauty buyers say that most of the time they go to store to test beauty products in person, but eventually make the purchase online and very often on a mobile device (Beauty Beyond, Facebook IQ, 2016).
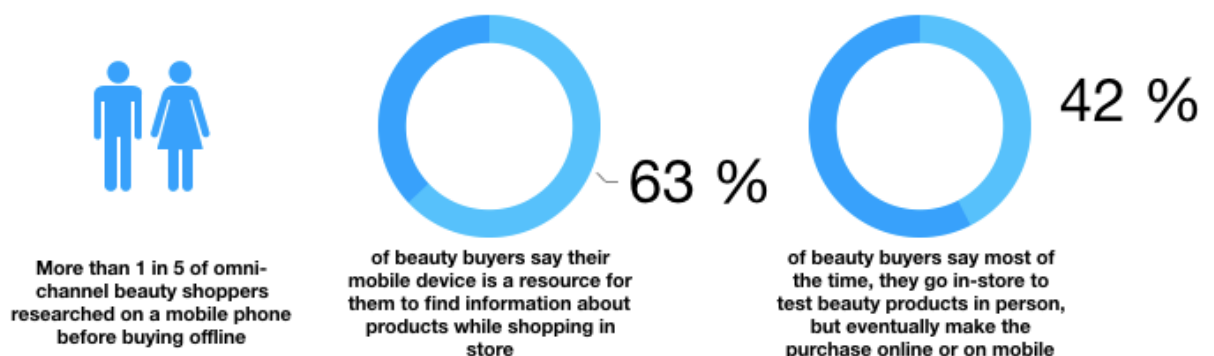
Figure 9: Presents an increasing role of mobile in the beauty path to purchase within the US market. Source: Beauty Beyond. Facebook IQ, 2016

2. E-commerce → M- Commerce. Due to increasing use of mobile devices e-commerce is switching to m-commerce (mobile commerce).

According to Beauty Beyond Facebook IQ report (2016), 55% of beauty buyers check on their mobile devices first when they want to see beauty content. As a result, 57% of omni-channel beauty consumers agree they purchase more on their smartphones rather than any other devices (Beauty Beyond, Facebook IQ, 2016). Also, as Figure 10 presents, the connection to mobile devices is perceived as more personal and constant than relationship with larger screens. This has created both opportunities and challenges for beauty marketers. To respond to this change, all leading beauty brands have adapted their digital strategies and now focus on maintaining and increasing their mobile engagement and conversion rates in order to sustain their competitiveness.

Figure 10: Presents the rise in mobile and m-commerce in US market. Source: Beauty Beyond. Facebook IQ, 2016.

Therefore, the mobile shift has happened and the mobile's role in the beauty path to purchase is only going to grow. Millennials (people born from the early 1980s through the late 1990s (Hudson, Kim and Moulton, 2018)) are driving this growth; they are the

'Thumb Generation'. This Thumb Generation is more likely to conduct online shopping activities on their mobile devices than the older generations who came of age exerting control through a remote or a mouse (Beauty Beyond, Facebook IQ, 2016). As for an indication of what is to come in the beauty industry in the near future, Figure 11 presents that 81% of the driving Thumb Generation would research a beauty product on the smartphone and 64% would buy beauty product on the smartphone. Around 60% would also download retailers' mobile application since they find it enhances their shopping experience.
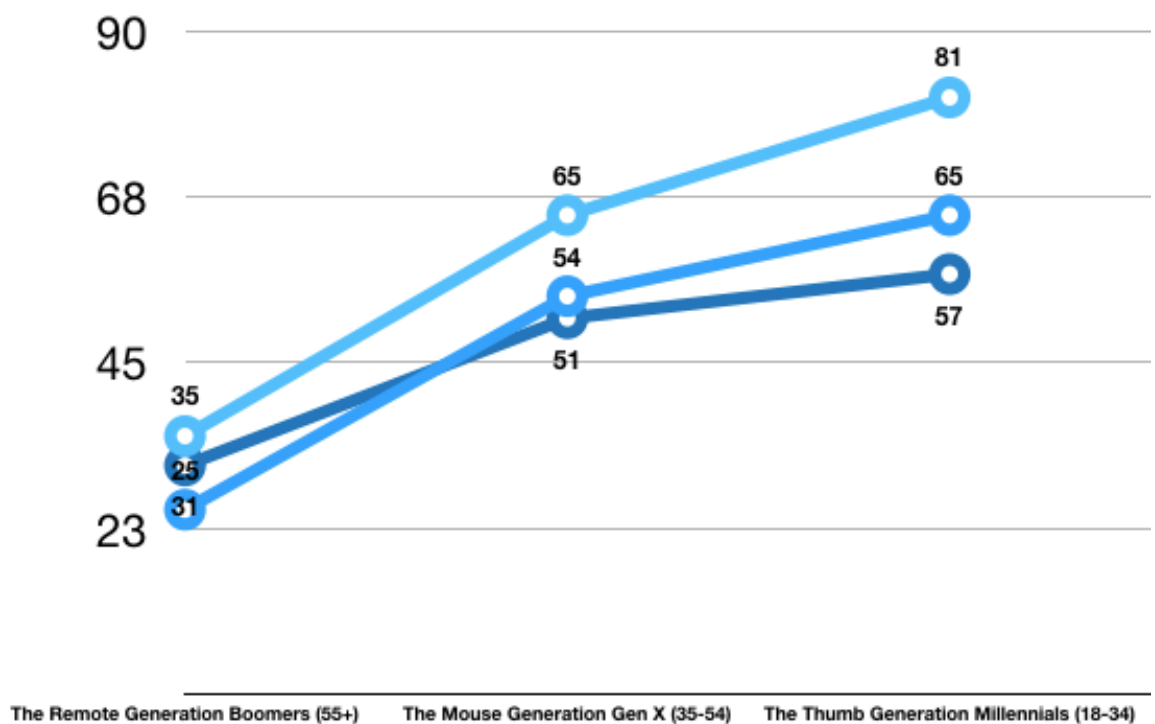
Figure 11: presents an indication of what is to come for beauty according to different age groups. Source: Beauty Beyond. Facebook IQ, 2016.

Additionally, as seen in Figure 12, based on the research for Facebook IQ, mobile is perceived as a less distracting tool, therefore people are more attentive when consuming

media on mobile devices. In 5–10 years, everyone is going to be a mobile shopper. Millennials' purchasing power is increasing. Generation Z are sure to follow, meaning that the power of the thumb will only become more important to understand and quickly adapt to people's mobile-native and changing behaviors becomes a priority for every brand. Consequently, this is another reason while mobile is important for retailers and why there has been a focus in this area during the past years (Beauty Beyond. Facebook IQ, 2016). Also, as research shows, people feel more positive towards the information that they see on their smartphone, which also in some situations can encourage an online purchase.
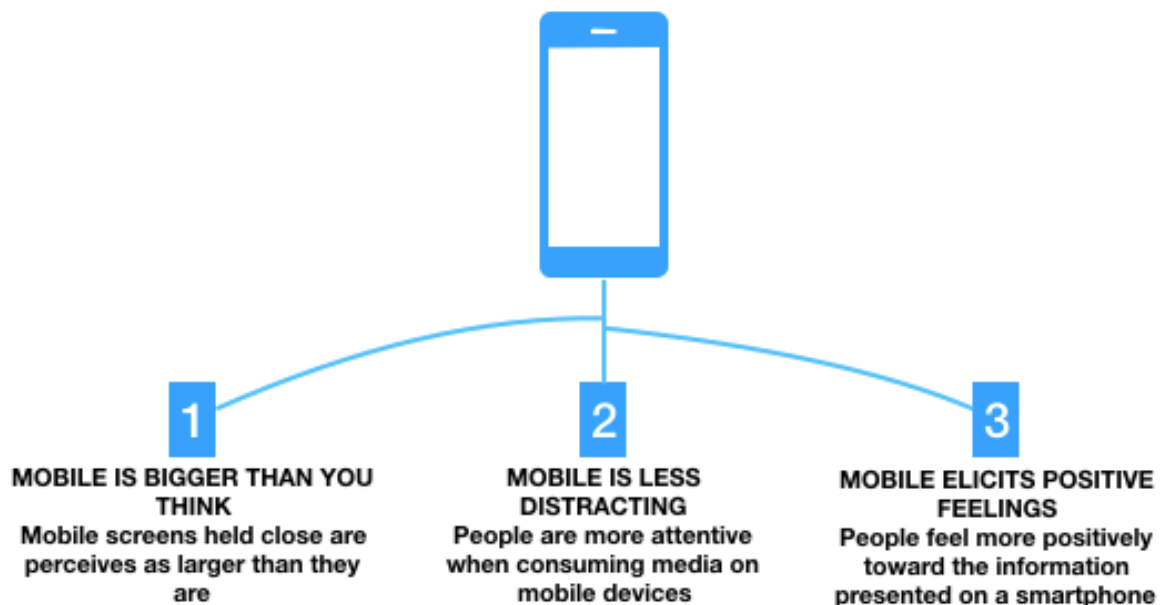
Figure 12: presents digitally savvy consumers' the relationship with the mobile in the US market. Source: Beauty Beyond. Facebook IQ, 2016.

2.4.2 Beauty consumer online purchase decision motivational factors

There are a number of factors that influence consumers to make a purchase online. According to Mintel 'Beauty Online - UK - October 2017' market research report (2017), the main factors affecting consumers shopping for beauty products in the United Kingdom are:

1. Price factor. The beauty market is very much driven by marketing incentives and promotional offers. As presented in Figure 13, 42% of consumers shop online because the platform offers regular deals and promotions. Therefore, most common reasons for purchase are:

a) Product was on special offer;

b) It was an advert or promotional campaign.

2. Trust factor. Almost half of beauty consumers (45%) tend to purchase online via a website or mobile application when the platform has a good reputation (is associated with trust).

3. Convenience factor. Convenience is also an important factor encouraging consumers to buy beauty products online since 35% of consumers agree that for them convenient delivery options are important factors while purchasing a product online as well as 34% agree that it is important that the platform is easy to navigate while researching, choosing and purchasing a beauty product.

4. Online benefits factor. Consumers tend to find it more beneficial to order products via an online platform since they find it encouraging that online platforms offer free samples (21% agrees that it is an important factor that encourages an online purchase)

while 18% subscribe to loyalty schemes to gain additional benefits from certain online beauty platforms.

The website/app...   %

...has a good reputation	45
...has regular deals and offers	42
...offers convenient delivery options	35
...is easy to navigate	34
...offers free samples	21
...offers a loyalty scheme	18
...lets me virtually try products first	7
None of these	13
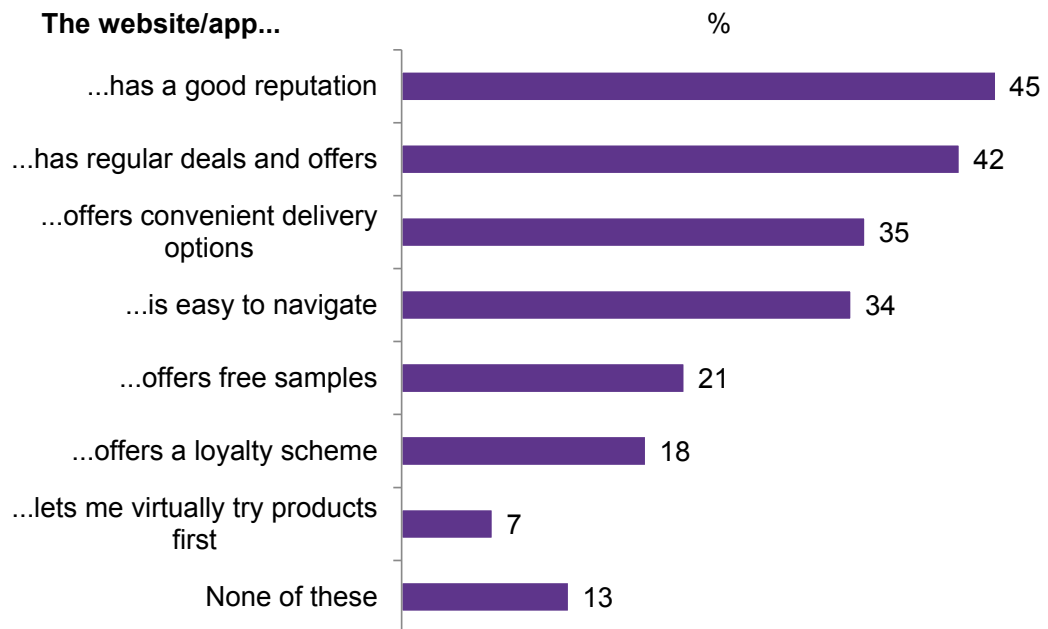
Figure 13: Factors that are most important when buying a beauty product online. 1,067 Internet users aged 16+ who have bought beauty products online in the last 12 months. Source: Lightspeed/Mintel, 2017.

Additionally, it is important to note that social media and peer-to-peer recommendations are gaining a high significance whist shopping for beauty products also. Beauty is one of the main industries where social media shapes the desire for certain products, helps brands gain awareness and accelerate sales, and sets the trends. Consequently, being the industry that actively exploits social media and is dynamic in its online medium, it had a high impact on consumer behaviour fundamentally changing the consumer's journey. Therefore, the report guides the reader to further analysis on changed consumer behaviour towards the beauty shopping and presents the key hypotheses and a new

consumer behaviour model taking into consideration all the research and findings so far presented in the report.

2.5 The changing environment of the beauty industry

Summarising all literature review and study findings, this section of the paper proposes a redefined framework to describe the consumer journey towards shopping for beauty products and how the Internet and technology has shaped the way consumers behave at the each stage of the whole shopping process.

2.5.1 A proposed framework for beauty online shopping

Based on traditional consumer behaviour framework, the research on online consumer behaviour and consumer decision-making as well as background research on online beauty shoppers. The author presents a simple framework on consumer behaviour and decision making towards shopping for beauty products online which also serves as an useful model for further primary data research:
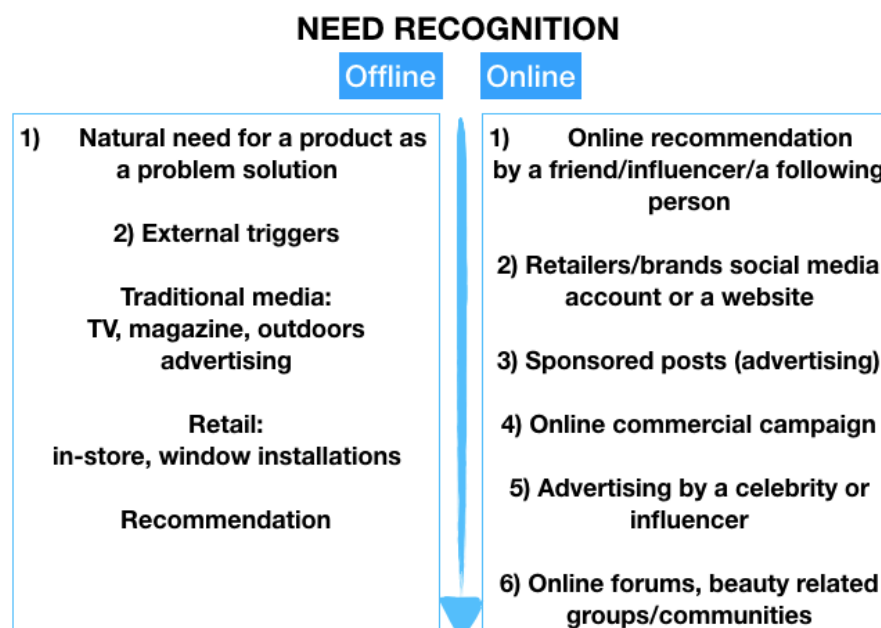
INFORMATION SEARCH

Offline

1) Check how brand/retailer looks in-store

2) Check the quality of the product (all the sensorial aspects)

3) Consult to beauty advisor

4) Check for more information online while in-store

Online

1) Check retailers/brands social media account or a website to investigate the brand and a certain product

2) Check posts on social media from other influencers/peers about a certain product

EVALUATION OF A PRODUCT

Offline

1) Consult to beauty advisor for more in-depth information

2) Compare prices/offers online while in-store

3) Continue research online (refer to the right side) while in-store

Online

1) Check retailers/brands social media account or a website for reviews and ratings

2) Check other available online sources for more in-depth information

3) Compares prices/offers across different retailers

EVALUATION OF A ALTERNATIVES

Offline | Online

1)   Evaluate alternatives (different brand, different price range etc.) while in-store

2) Ask beauty advisor for other alternatives to compare the product

3) Use information available online to check other alternatives while in-store

1) Evaluate alternatives (different brand, different price range etc.) online

2) Compares prices/offers across different retailers available online

PURCHASE

Offline | Online

1)   Purchase done in-store

1)   Purchase done online

POST-PURCHASE BEHAVIOUR

Offline | Online

1) Sign up for client database, if approached and if agreed to do so

2) Return in-store to engage and discover more about the brand, if satisfied with the product and (or) service

3) Recommend to family or friends etc. about the product, if satisfied with the product and(or) service

4) Repeat purchase (same product/same brand), if satisfied with the product and(or) service

1)   Consumer engages with the brand/retailer online (website, social media etc), if satisfied with the product and(or) service

2) Signs for newsletter or subscribes for special offers and promotions, if satisfied with the product and(or) service

3) Leaves reviews, ratings, feedback about the product (positive or negative)

4) Repeat purchase (same product/same brand), if satisfied with the product and(or) service
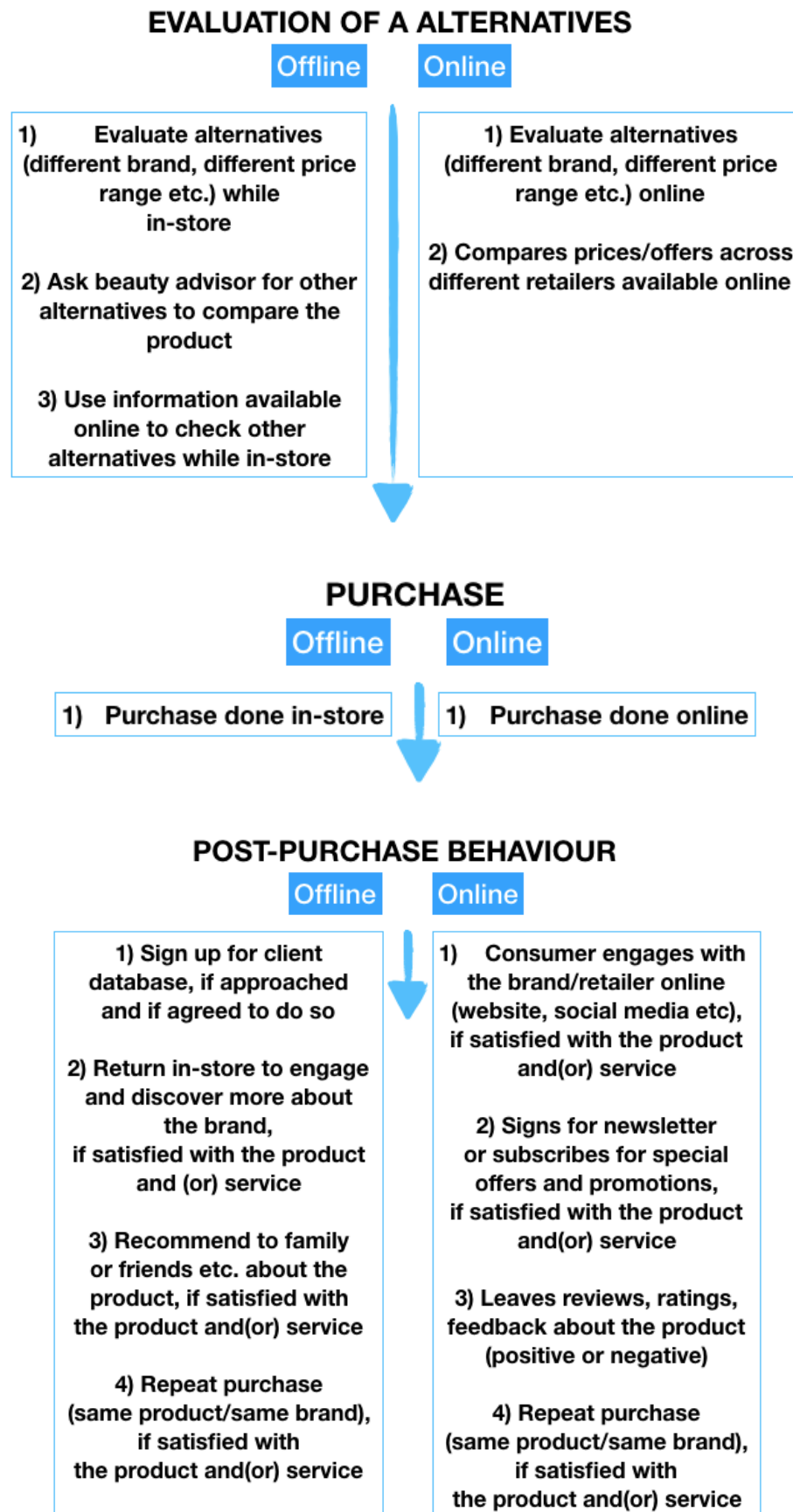
Figure 14. A proposed framework for beauty online shopping. Source: author's own.

1. **Need recognition (offline or online).** The moment when a consumer spots the need for a certain product or a product to solve their problem. Alternatively, as seen in the proposed model (Figure 14), it may also happen when a consumer sees a certain product online, for example when recommended by a popular person on a social media or a peer on an owned social media account and therefore this creates a need for it.

2. **Information search (offline and online synergy).** Consumers search for the information about products, carry out their background research about the brand and its philosophy, check if they can trust a brand and if they are good quality enough. In offline it is rather going to the stores and checking how the brand looks in a retail environment; in online it stands for checking brand's social media and web pages– how popular it is online, what is the brand image, content and reviews.

3. **Evaluation of a product (peers recommendations, reviews, rating, price comparison).** Once decided about the product, consumers read reviews online on the webpages as well as reviews/comments on social media to make sure the product will justify their needs and expectations. In offline, consumers ask beauty advisors for their review/feedback on the product or again, being in the store check for the information on the phone in online. Also, consumers are promotionally literate, meaning that they are comparing prices of alternative products as well as looking for the discounts and special offers among different retailers. Therefore, even when consumer decides to purchase a certain product, they will check on the Internet where is the best price or offer among various available retailers.

4. **Evaluation of alternatives (mainly research is done online).** Since the Internet provides endless information about any product, consumers can also to

evaluate other products and look for alternatives. It is a standard pre-purchase process since any consumer checks at least one alternative to compare and evaluate before making the purchase.

5. **Purchase (online or offline).** As noted in previous sections of the study and as seen in Figure 13, consumers tend to shop in different ways depending on the situation, their shopping habits and preferences.

6. **Post-purchase behaviour (engagement with the brand online, re-purchase online).** This stage is very important from a brand's perspective. Consumer's engagement with the brand online is more likely to create a brand loyalty and positive relations to the brand, therefore post-purchase behaviour is an important process within the consumer journey. Being engaged with the brand, being satisfied with the product – these two factors help brands establish loyalty and increase likelihood of engagement and re-purchase. Post-purchase behaviour is easiest to track online as well as post-purchase interaction with the brand happens mainly online as well.

To complement on the process presented above, it is important to bring attention to two important decision making moments while shopping for beauty products online:

1. **Urge for a product.** The moment when a consumer spots the need for a certain product (a problem to be solved) or, as seen in the proposed model, when sees online a certain product praised by a popular person/opinion leader on social media or a peer and creates a need for it.

2. **Price or an offer.** Digitally competent beauty consumers are smart buyers, therefore comparing the prices and offers online, researching the product has become a usual pre-purchase behaviour. Since the competition among brands is

high (including the competition in terms of prices), consumers tend to get used

to different offers and discounts which makes them aware of such options.

As well, it is important to highlight the fact that even during the offline shopping, digitally competent consumers are very likely to enhance their shopping experience using the Internet (on mobile devices), this way ensuring to make a good purchase decision. As a result the online medium has become a significant part of the shopping experience and will continuously grow with further acceleration of e-commerce and technology adoption in daily lives.

2.5.2 Summary

Although there might be variations throughout the consumer journey while shopping for beauty products, the main interactions and behavioural moments are highlighted in this part of the paper. What is more, the most important aspect author wants to note - there is an obvious fact that the online medium serves as a highly helpful tool for brands, retailers and other players in the market enabling them to enhance the consumer shopping experience and deliver information and help that they need, which in return results in a higher number of purchases or another form of return on investment (ROI).

Therefore, primary data will be collected from the actual beauty shoppers in order to test the model to see whether it confirms the beauty consumer journey introduced in the framework and whether author's conclusions and summary on earlier introduced literature review and findings can be validated.

Chapter 3

Research methodology

In order to achieve the aims and objectives of this research, suitable research methodology is necessary. In the previous chapters, the author introduces consumer behaviour, decision-making theories and frameworks. In order to fully understand how consumers act during their own consumer journey whist discovering and shopping for cosmetics products online. It is important to implement a methodology comprising of primary data collection techniques and research design for further study and exploration of the topic.

3.1 Research process and techniques

Before explaining the research methodology and presenting research techniques chosen for the research of this study, it is important to present a brief overview of the whole research process. The research process consists of a series of actions or steps necessary to effectively carry out research and the desired sequencing of these steps. This study is designed to follow the processes as shown in figure 15 below. The very first research stage is to define a research problem. At this stage, the researcher (the author) formulated the research problem and defined the research aims and purpose. Consequently, during the second stage of the research process, which is a literature review, the author examined the available literature and presented two types of literature—the conceptual literature (analysed concepts and theories of consumer behaviour) and the empirical literature (studies made earlier within same subject). In the same section of the paper the main hypotheses and conclusion of the research are presented, which is the third stage of research process. At the fourth stage the author guides the reader to research methodology in order to select a suitable research design

and techniques to respond to the main findings and research undertaken in earlier chapters. The fifth stage is data collection and execution followed by data analysis (stage six) and reflection/interpretation of findings (stage seven).
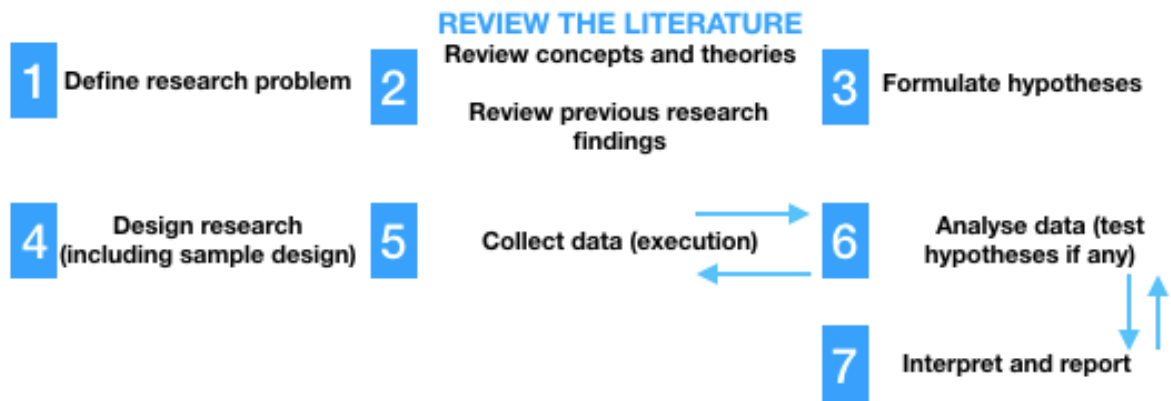
Figure 15. Research process in flow chart. Source: Kothari, 2004.

To continue the further discussion on the research process, there are four main research types identified, which are important to note since they give a certain focus and guidance throughout the research (Kothari, 2004 and Saunders et al., 2007):

1) **Descriptive versus analytical.** Descriptive research includes surveys and fact-finding enquiries of different kinds. The main characteristic of the descriptive method is that the researcher has no control over the variables; the researcher can only report what has happened or what is happening. During the descriptive research the researcher seeks to measure such items as: frequency of shopping, preferences, behaviour of people, causes of behaviour or similar data. The research methods usually used in the descriptive research are survey methods including comparative and correlational methods. In analytical research the researcher has to use facts or information already available, and analyse these to make a critical evaluation of the material (Kothari, 2004).

2) **Applied versus fundamental.** Applied research aims to find a solution for an immediate problem facing a society or an industrial/business organisation, whereas fundamental research is concerned with generalisations of the information and with the formulation of a theory. Research studies concerning human behaviour carried on with a view to make generalisations about human behaviour. These are also examples of fundamental research, however, research aimed at certain conclusions and solutions facing a concrete problem is an example of applied research. Thus, the main aim of applied research is to discover a solution for a practical problem (Kothari, 2004).

3) **Quantitative versus qualitative.** Quantitative and qualitative data researches differentiate both data collection techniques and data analysis procedures (Saunders et al., 2007). The term quantitative is used as a synonym for any data collection technique (such as a questionnaire) or data analysis procedure (such as graphs or statistics) that collects or uses numerical data. In contrast, the term qualitative is used as a synonym for any data collection technique (such as an interview) or data analysis procedure that generates or use nonnumerical data. This type of research is aimed at discovering the underlying motives and desires, using in depth interviews for the purpose. Qualitative research is very important in the behavioural sciences where the aim is to discover the underlying motives of human behaviour. Through such research we can analyse the various factors which motivate people to behave in a particular manner or which make people like or dislike a particular thing (Kothari, 2004).

4) **Conceptual versus Empirical.** Conceptual research is related to some abstract idea or theory. Empirical research is more focused on experience or observation itself, without any regards to a system and theory. It is data based research, formulating conclusions, which are usually verified by observation or

experiment. In other ways, it can also be referred to as an experimental type of research. In empirical (experimental) research the researcher works on a hypothesis and probable results or conclusions obtaining necessary facts (data) to prove or disprove a raised hypothesis. Evidence gathered through experiments or empirical studies are considered to be the most powerful support possible for a given hypothesis (Kothari, 2004).

Therefore, once the author is familiar with the different research types and techniques, the research can be carried further towards defining methodology design and research methods.

3.2 Methodology overview

The term methodology refers to the theory of how the research should be undertaken. Research methodology does not only include research methods and techniques but also the logic behind the methods used in the context of the research study and explains why it uses a particular method or technique. Methodology also explains such aspects as why a research study has been undertaken, how the research problem has been defined, in what way and why the hypothesis has been formulated, what data has been collected and what particular method has been adopted (Kothari, 2004). Whist methods refer to techniques and procedures used to obtain and analyse data. It includes questionnaires, observation and interviews as well as both quantitative (statistical) and qualitative (non-statistical) analysis techniques (Saunders et al., 2007). The research itself comprises of defining and redefining problems, formulating hypothesis or suggested solutions; collecting and evaluating data to reach a conclusion and carefully testing the conclusions to determine whether they fit the raised hypothesis (Kothari, 2004). In short, the research is a search and study for information through an objective and

systematic method of finding solution to a certain raised problem. Additionally, according to Saunders et al. (2007), research has a number of characteristics:

1) Data are collected systematically;

2) Data are interpreted systematically;

3) There is a clear purpose: to find things out.

In this way, the researcher obtains important components in order to conduct a coherent research methodology and the design of the study.

3.3 Research design and methods

As mentioned in earlier parts of this paper, the study aims to identify changing consumers' shopping behaviour for beauty products with a particular focus on e-commerce and the synergy between online and offline shopping preferences in order to identify key shifts and changes within the beauty industry. In order to do so, an extensive literature review and Internet search was undertaken to identify this information, which serves as a valuable context and backbone for further data analysis. In terms of research methodology, Figure 16 presents the research design created for this study. The research design of this study is a mixed method approach - qualitative analysis is performed to examine individual-level behaviour whilst the quantitative approach is undertaken to support the findings with numerical data. The description of the research design steps is as follows:

1. **Qualitative research.** Review on: a) consumer behaviour, b) online consumer behaviour and c) consumer behaviour towards shopping for beauty products (with a focus on online shopping behaviour). Main objectives – to present the main conceptual models on consumer behaviour and the decision making process to explore the origins and the main theories on consumer behaviour and

to evolve into recent changes within consumer behaviour due to the impact of the Internet and technology, and, finally, to understand the beauty shopper's behaviour within the modern consumer behaviour journey.

2. **Quantitative research.** Individual level analysis based on online questionnaires (on beauty sector). The questions focus on behavioural characteristics such as: actual behaviour of online consumers while shopping online, the impact of the Internet (including social media), motivational factors behind the online shopping and consumers preferences in terms of different channels/websites to shop from.

3. **Findings.** Presents a comprehensive understanding of online consumer behaviour towards shopping for beauty products.

RESEARCH DESIGN

LITERATURE REVIEW ON:

CONSUMER BEHAVIOUR

ONLINE CONSUMER BEHAVIOUR

CONSUMER BEHAVIOUR TOWARDS SHOPPING FOR BEAUTY PRODUCTS

OBJECTIVES

ANALYSE AND UNDERSTAND...

1. THEORIES AND MODELS ON CONSUMER BEHAVIOUR

2. DECISION MAKING PROCESS

3. CONSUMER JOURNEY

RESEARCH

1. PRIMARY DATA COLLECTION ONLINE QUESTIONNAIRE

2. SECONDARY DATA COLLECTION REVIEW AND ANALYSIS

OBJECTIVES

ACTUAL CONSUMER BEHAVIOUR ONLINE

IMPACT OF TECHNOLOGY AND THE INTERNET USE

BEHAVIOUR ACROSS MULTIPLE RETAILERS

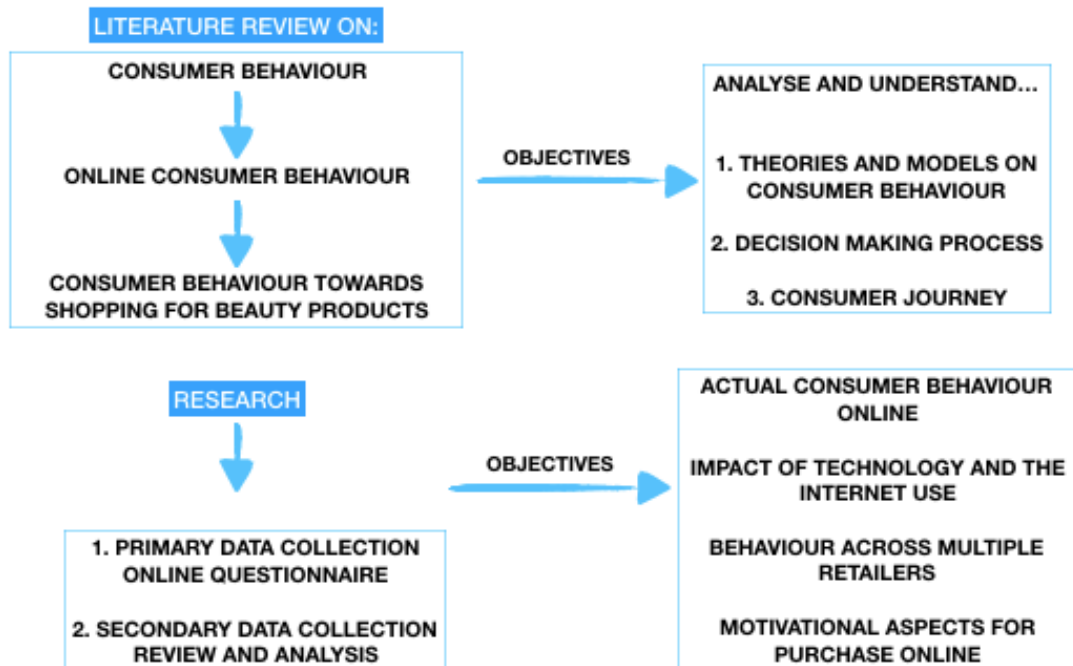MOTIVATIONAL ASPECTS FOR PURCHASE ONLINE

Figure 16. Research design. Source: author's own.

To summarise the methodology design, qualitative and quantitative research design was chosen for this study and the data was collected through online questionnaires and complemented with observations in offline retail and social media.

3.4 Data collection

Primary data can be collected either through an experiment or through a survey/questionnaire. When the researcher conducts an experiment, they observe some quantitative measurements with the help of which they examine the truth contained in their hypothesis. When the researcher conducts the survey, data can be collected by a number of these following techniques (Kothari, 2004):

1) By observation;

2) Through personal interview;

3) Through telephone interview;

4) By questionnaires;

5) Through schedules.

The study should focus on one of these methods for collecting the data taking into consideration the nature of investigation, objective and scope of the inquiry and the desired degree of accuracy. Therefore, as seen in the research design presented to the

reader previously, the researcher has chosen the questionnaire-based data collection method due to the following reasons (Kothari, 2004):

1) It allows easy targeting of a target group;

2) Respondents have adequate time to give answers and feel no time pressure since it is a self-administered way to complete the questionnaire;

3) Respondents can be easily reached through questionnaires due to the fact that the questionnaire form is online;

4) Questionnaires enable to cover all aspects of a topic a researcher needs to collect and cover (different types of questions), therefore it is more effective method to analyse consumer behaviour.

To start, according to Saunders et al. (2007), questionnaire is a general term that includes all techniques of data collection in which each person is asked to respond to the same set of questions in a predetermined order. It includes structured interviews and telephone questionnaires as well as those questionnaires when answered without an interviewer being present, such as online questionnaires. There are two types of questionnaires – self-administered and interviewer-administered as seen in Figure 17. It is one of the most widely used data collection techniques within the survey strategy because each respondent is asked to respond to the same set of questions, therefore providing an efficient way of collecting responses and feedback. Questionnaires may be used as the only data collection method or linked with other methods, for example, when a questionnaire to discover customers' attitudes is complemented by in-depth interviews to explore and understand these attitudes. Saunders et al. (2007) also distinguishes between three types of data that can be collected through questionnaires:

1) Opinion;

2) Behaviour;

3) Attribute.

These distinctions are important since they will influence the way the researcher forms the questions. Opinion variables record how respondents feel about something or what they think or believe is true or false. On the contrary, behaviour and attribute based questionnaires record what respondents do and are. Behavioural variables contain data on what people did in the past, do now or will do in the future. By contrast, attribute variables focus more on data relating to the respondents' characteristics. Attribute based questionnaires explore things a respondent possesses, rather than things a respondent does not, they are used to explore how opinions and behaviour differ between respondents and include characteristics such as age, gender, marital status, education, occupation and income.

Figure 17. Types of questionnaires. **Source**: Saunders, Lewis, and Thornhill (2007).

Therefore, for the primary data collection the researcher conducted a self-administered online survey, chosen to be as the most effective way of data collection to conduct the research.

3.5 Sample

While conducting research questions and objectives, sampling techniques provide a range of methods that enable the researcher to reduce the amount of data needed to collect by considering only data from a target subgroup (Saunders et al., 2007). Using different sampling techniques also enables the researcher to collect higher overall accuracy of responses to the set of questions related to research aims. Sampling techniques can be divided into two types:

1. Probability or representative sampling. Such sampling is associated with survey-based research strategies where the researcher needs to make inferences from the samples about a population to answer research questions and meet research objectives. It can be divided into four stages (Saunders et al., 2007):

    1) Identify suitable sampling frame;

    2) Decide on a suitable sample size;

    3) Select the most appropriate sampling technique and selecting the sample;

    4) Check that the sample is representative of the population.

2. Non-probability or judgmental sampling. Such sampling is most useful for an in- depth study that focuses on a small, perhaps one, case selected for a particular purpose/research. This sample provides the reader with an information-rich case study in which the researcher explores the research questions and gains theoretical insights. Also, limited resources (for example, time) or the inability to specify a sampling frame may indicate to use of non-probability sampling techniques (Saunders et al., 2007). Non-probability sampling techniques:

1) Quota sampling – normally used for interview surveys and is based on the premise that the sample will represent the population as the variability in the sample of various quota variables in the same as that in the population.

2) Purposive sampling – when the researcher selects the cases that best enable to answer researcher's questions and meet objectives

3) Snowball sampling – used when it is difficult to identify members of desired population.

4) Self-selection sampling – when the researcher publicises the need for cases and collects the data from those who respond.

5) Convenience sampling – selecting those cases that are easiest to obtain to researchers sample.

Consequently, self-selection sampling technique was selected in order to gather the survey responses - the researcher advertised the questionnaire online and gathered responses from targeted channels (Facebook groups) to collect answers from females in the United Kingdom about consumer behavior/decision-making processes while shopping for beauty products as well as to test whether Beautyfind target audience could be potential Beautyfind consumers (females with the interest in beauty industry). The target group specification is derived from defined research aims and objectives – to understand the key trends/factors within the beauty industry and how it influences consumer behaviour, to identify key trends/factors that have the biggest influence on UK female consumers and to contextualise the key theoretical frameworks on consumer behaviour presented in the literature review.

Full questionnaire is available to review in Appendix 2.

Selected sample:

- Females;

- 18-45 year-old;

- Likely to be beauty enthusiast – potential consumers. For this reason, the questionnaire was posted in specifically selected online female communities on Facebook with the interests in fashion, beauty, creative entrepreneurship, female-related information exchange (as shown in Appendix 3);

- Digitally savvy: Internet users, regularly shopping online, using social media, using the Internet as an information source;

- Based within the United Kingdom (due to the fact that for the research a non-probability sampling technique was used in order to gather the information from a smaller group that is as well Beautyfind target audience/potential users).

Sample size:

The sample size affects the reliability of outputs and possibility to collect a broader spectrum of different answers and opinions from the target group. Therefore, the sample size target was to collect 100 answers from target group in order to be able to observe the main tendencies and most popular answers on particular questions concerning the research. Therefore, 100 responses were collected, however since not all of the questions were obligatory or some of the respondents did not shop for beauty products online, some of the respondents did not answer some of the questions.

Chapter 4

4.1 Research results and discussion

The first survey question is about demographics in order to understand whether the survey participant belongs to the target group. Therefore, below the Figure 18 presents the first question on the age groups. As seen in the figure x, the majority of respondents, almost 38% (37 females) are aged between 22-28. 26.5% of respondents aged between 29-35 years old while 18.4% aged between 16-21 and 11.2% between 36-44 years old. Females over 45 years old, although are not selected as a target group of the research due to the research purpose and aims, account to 6.1% (6 respondents).
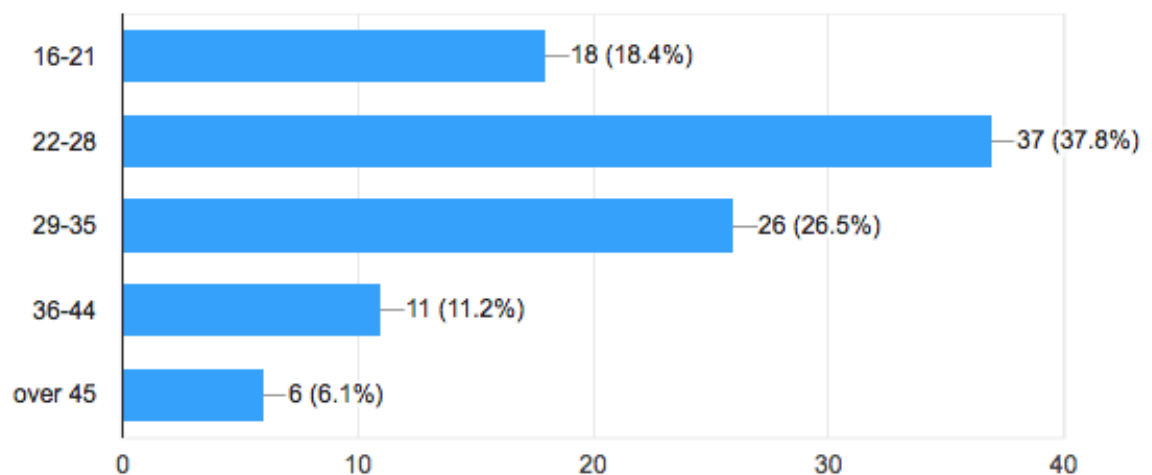
- Please select your age group:

Figure 18. The figure presents the first question from the questionnaire asking to select the age group. Source: author's own.

All of the respondents are females, since the survey clearly informs the participant that it is only for females, which is the target group.

- Please select your gender:

Figure 19. The figure confirms that all of the respondents are females. Source: author's own.

As seen in the third question, 85.7% of them are based in the United Kingdom. Although the research focuses only on the target group based in the United Kingdom, it still does provide valuable information since the ones outside the United Kingdom have same interests, preferences and shopping patterns (shop from the same retailers, are members of the same Facebook communities, keep up to date with the latest news and trends regarding beauty products similarly to those within the United Kingdom).
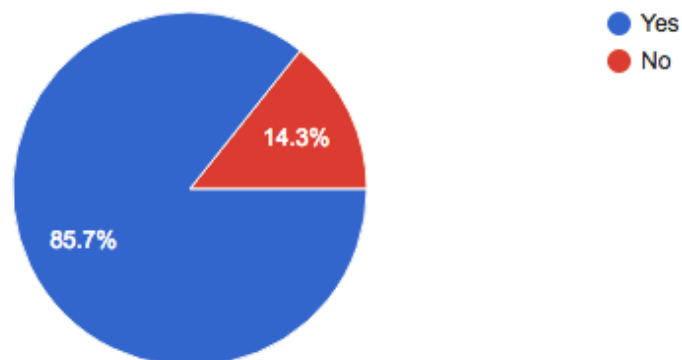
- Are you based in the UK?

Figure 19. The figure presents whether the respondents are based in the United Kingdom. Source: author's own.

In terms of online shopping for beauty products, the survey aims to understand whether the respondents have adapted online shopping in their daily lives. Consequently, 67.7% of respondents agree that they made two or more online purchases (beauty products) during the past 30 days. This shows a positive sign that majority of the respondents actually do shop online for beauty products.

- Have you made two or more online purchases (beauty products) in the past 30 days?
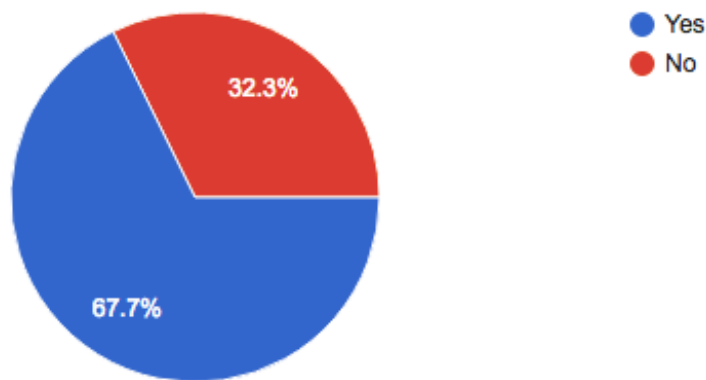

Figure 20. The figure presents whether the survey respondents have made two or more online purchases (beauty products). Source: author's own.

Further question aim was to define how consumers find different channels (for example, an e-commerce website) to shop online (Figure 21). Consequently, the majority claimed that they found out about the channel from promotional posts on social media (31.3%), while second most popular answer is that through a recommendation of a friend (28.3%). Also, 21.2% answered that from a platform that they already knew and 19.2% searched for it on Google. In terms of finding a recommendation by social media influencers, 16.2% found out about the platform from them. Less popular answers were 'Advert or link on another website' (8.1%) and 'From an offline advertisement' (2%). Some respondents added their own answers, which were 'Recommendation on a make

65

up group' and 'Recommendation from a famous person'. To conclude, answers for this question confirms the importance of offline and online environment synergy (presented in literature review), since majority of the respondents use social media and find out about products/brands/websites from these channels. Additionally, it informs the reader that the most efficient way to reach a potential customer is via the promotional social media post or word of mouth. Therefore, social media plays an important role in consumer awareness and engagement in present days. Also, good website rating and SEO certainly helps brands/companies reach their potential future customers as well (Google search).

- Thinking back to your most recent online purchase (any beauty product), how did you find or hear about the website/mobile application you purchased?
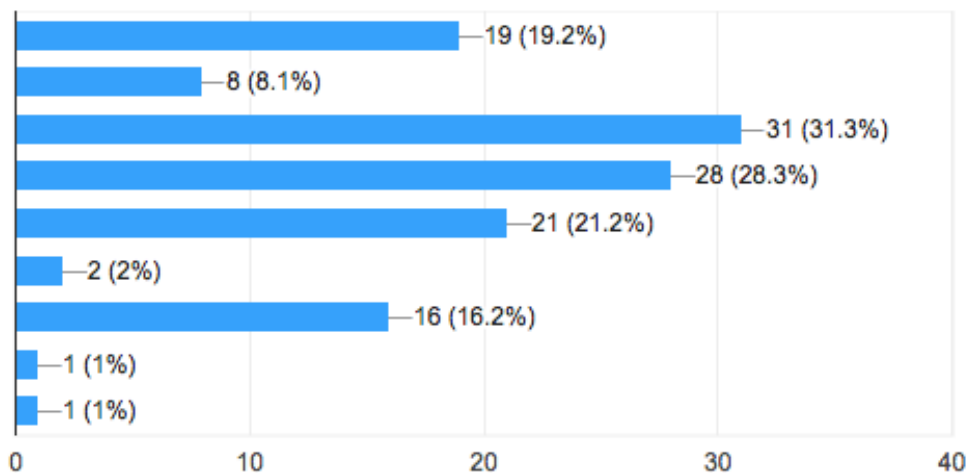
19.2% Google search

8.1% Advert or link on another website

31.3% Promotional social media post
(for example, Facebook or Instagram sponsored post)

28.3% Recommendation of a friend

21.2% From an e-commerce site that you already knew

2% From an offline advertisement (TV, magazine etc.)

1% Other: recommendations from a make up group

1% Other: recommendation by famous person

Figure 21. The figure presents responses for the question how did the respondents find or hear about the website/mobile application they purchased from. Source: author's own.

To continue, another survey aim is to define whether consumers trust recommendations (influencers and bloggers recommendations in particular) or posts on social media (Figure 22). 83.7% agreed that they do trust what is being recommended on the social media. Therefore, the result again shows that social media channels are efficient to use in business strategy and it is worth to invest resources into it. Consequently, the results confirm the hypothesis '3) Consumers are very often influenced to purchase a certain beauty product by peers' or by popular social media opinion leaders' reviews and comments online'.

- Have you ever bought any beauty product online as a result of a recommendation or a share that you have seen on social media? For example, bloggers and influencers recommendation on Youtube vlog or Instagram post.
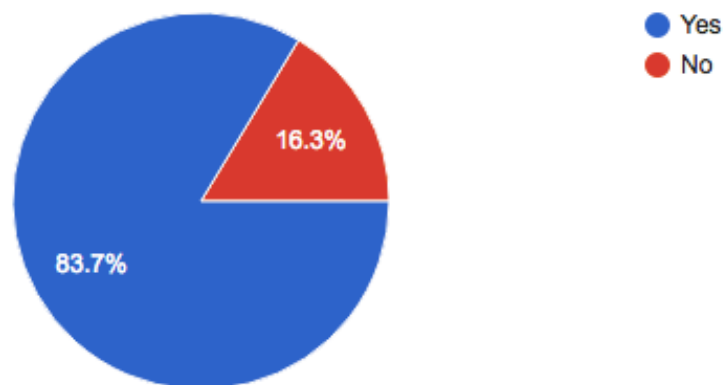

Figure 22. The figure presents whether respondents trust recommendations about beauty products and posts that they see on social media. Source: author's own.

To continue, another survey focus was consumer purchase behaviour journey (Figure 23). 55.6% answered that they tend to do the research about beauty products online and if they feel they like it they make an online purchase. 24.2% answered that they use online to research the product, but test and purchase the product in-store. However, it still shows that online serves as a first intention/touch point before making the purchase. Another 10.1% answered that they research online, check the product in-store but still make the purchase later online. A few of respondents answered that they see that quite many brands available only online, therefore they do not have any other choice than to purchase online in order to get the product they want. This as well shows that sometimes consumers cannot buy certain brands/products in stores within their region, therefore they have to find alternative ways – to make a purchase online. And only 8% answered that they prefer to go in-store to check the product and make a purchase. Therefore, it is save to conclude that online has become a dominating medium while researching and shopping for beauty products within the target group of consumers. Most important, the results confirm author's proposed consumer journey and framework for beauty online shopping in the literature review.

- Before making a purchase of any beauty product, please choose the most applicable purchase behaviour journey below:


Figure 23. The figure present consumer behaviour in relation to online and in-store shopping preferences. Source: author's own.

Then, the survey explored the consumer behaviour further to understand consumers' overall perception and relation towards online shopping. Therefore, the majority agreed (67.7%) that in online they could find better offers and discounts than in stores. Then, 56.6% agreed that they tend to compare prices of beauty products online, which informs the researcher that consumers are curious and tend to compare products before coming to the decision. Also, it confirms the hypothesis '2) Consumers are smart buyers, therefore they use the Internet to compare beauty products prices, other available offers and different'. What is more, 43.4% agreed that online platforms such as Instagram, Youtube and Facebook do influence their purchase decisions- they tend to buy products

that are popular among bloggers and vloggers and tend to follow latest social media trends about beauty products. Therefore, it confirms the power of social media and influencers' industry and the whole transformation of the beauty industry, which was highlighted in 'Background to the study' and in 'Literature review'. Another interesting result, which was selected by 38.4% of respondents, that when consumers are in-store, they always check the product online, to read reviews and recommendations about the product. Also, 31.3% of respondents agreed that they compare prices across different retailers online while in store. Therefore, both answers show that consumers enhance their experience in stores by using their tools (such as smartphones) to access online and check, compare and make their decision about certain beauty product purchase while. In this way, it makes their shopping experience easier. They highlight a need for tools to help differentiate between products and brands. Consequently, the result confirms hypothesis '1) Consumers do feel overwhelmed in pre-purchase stage because of the wide choice of beauty products and different channels available to purchase from'. Additionally, 35.4% agree that they think they are smart buyers due to the facts mentioned before: comparing prices online, reading reviews, using online medium to enhance their shopping and make more informed purchase decisions (refers to second hypothesis). To continue, another 37.4% feel to be more encouraged to purchase from e-commerce website when the product is on offer or discount. Therefore, this informs the researcher that special offers and discounts available only online encourage making consumers to make a purchase online, perceiving it as a 'good deal'. Only 1% of all respondents answered that they prefer to shop in stores and do not enjoy shopping online.

- Please select the ones you agree with. It is only regarding shopping for BEAUTY products. You can select more than one:
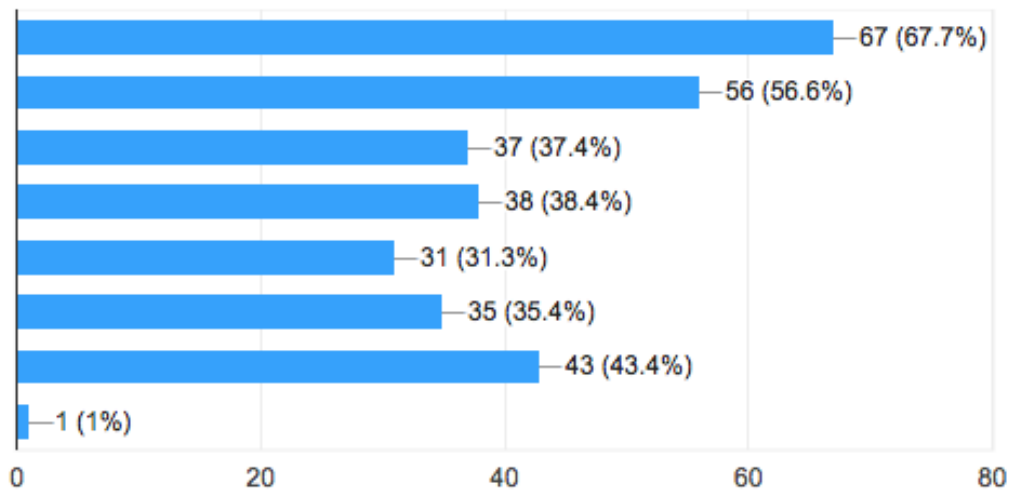
67.7% I believe that online you can find better offers and discounts than in store

56.6% I tend to compare prices of products online

37.4% I am more encouraged to purchase from e-commerce websites when the product is on offer or discount, otherwise I prefer to buy in-store

38.4% When I'm in-store, I always check the product online to quickly read reviews and recommendations

31.3% When I'm in-store, I compare product's price across different retailers online on my phone. I want to know which retailer offers the best price or offer for the product I'm about to purchase

35.4% I believe I'm a smart buyer - I always check the product rating online, I compare prices and available offers, I sign up for newsletters to receive promotions and good offers

43.4% I think that Instagram, Facebook and Youtube influence my shopping preferences - I tend to buy products that are popular among bloggers and vloggers, I tend to follow latest social media trends when it comes to beauty

1% I like to see products in real life

Figure 24. The figure presents consumer behaviour relationship towards shopping for beauty products online. Source: author's own.

Since one of the research aims was also to identify the most popular online platforms for beauty products' shopping, below in Figure 25 is presented the full list. Beauty Bay collected 39 mentions and is the most well-known online beauty platform among the respondents. The second is Cult Beauty with 14 mentions. The third is Superdrug,

which has 9 mentions and the rest two in Top 5 position are online pure players Lookfantastic and Feelunique, having 8 and 7 mentions respectively.

- Please indicate your favourite websites/online retailers for beauty shopping that come to your mind at the moment:

39: Beauty Bay   4: Amazon   1: Mecca

14: Cult Beauty   2: Revolution   1: Boots

9: Superdrug   2: Selfridges   1: Estee Lauder

8: Lookfantastic   1: Groupon   1: Urban Decay

7: Feelunique   1: Makeup revolution   1: Charlotte Tilbury

5: Sephora   1: Birchbox   1: Ebay

5: Debenhams   1: Space NK   1: Mac

4: Asos   1: Tam Beauty   1: The Body Shop

Figure 25. The list presents respondents' favourite websites and online platforms for shopping for beauty products. Source: author's own.

In terms of using smart devices when shopping online, the most popular answer, which chose more than half of respondents (60.6%) was that all shopping is done on a mobile device, while second most popular answer (24.2%) was that most of online beauty shopping is done on a desktop computer. Consequently, the result confirms the fact that consumers switch to mobile, presented in literature review section '2.4.1 Changing consumer behaviour towards shopping for beauty products'. Also, equally 6.1% chose that they do most of their online beauty shopping on a tablet device while other 6.1% chose that they search and browse on a mobile or tablet device but place the order on a desktop computer. And again 3% claimed that they do not shop for beauty products online at all. Therefore, answers to this question confirm the fact that mobile has become the most popular tool for researching, browsing and shopping for beauty products.

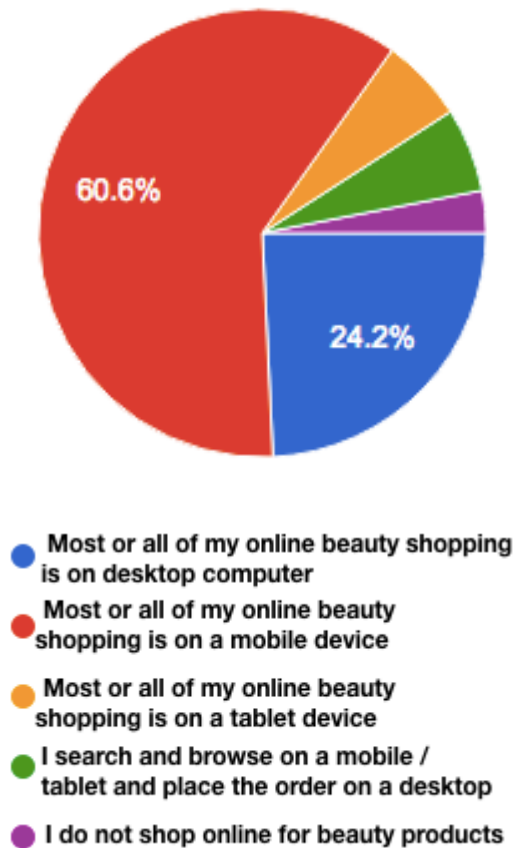- How do you use your different devices when shopping online?

Figure 26. The figure presents respondets' preference in devices/tools while shopping for beauty products online. Source: author's own.

To continue the research on smart devices, the next question (Figure 27) explored whether respondents use their mobile phone while shopping in-store. Therefore, 40.4% confirmed that they look for an online review of a product they are about to buy in-store. Other 28.3% of respondents use their mobile device to check the price of a product and see if there are any cheaper options at other retailers while other 28.3% of respondents informed that they do not use a mobile phone while in-store. Also, 3% of respondents pay for their in-store purchase with a mobile device, which shows that some of the respondents are highly engaged with their digital devices and are digitally

savvy consumers. To sum up, the majority of respondents do use their mobile devices while exploring the beauty products in store, which confirms the fact that devices enhance consumers shopping experience.

- Have you ever used a mobile phone while shopping in-store?

Figure 27. The figure presents respondents' answers whether they use mobile phones while shopping in-store. Source: author's own.

To analyse the importance of the online reviews during the decision making process of online shopping (Figure 28), 59.6% answered that they read available product reviews every time or almost every time before purchasing a certain beauty product online. 35.4% answered that they read the reviews sometimes while only 5.1% answered that they do not read the reviews. Consequently, consumers tend to trust others recommendations and feedback on products and it is highly important for a beauty website to have reviews section available for consumers to enhance their decision

experience. Therefore, the results confirm raised hypothesis '5) Overall, consumers tend to search for quality informational content, real consumer reviews and feedback about the beauty products since beauty industry is highly driven by promotional activities and advertising'.

- How often do you read customer reviews about beauty products when deciding on making an online purchase?
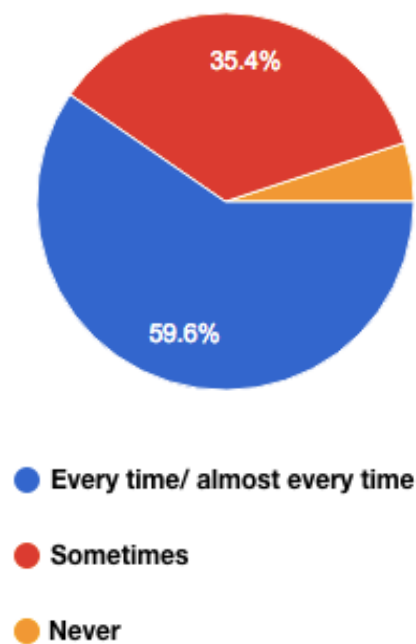

Figure 28. The figure presents whether the customer read reviews about beauty products before making the purchase. Source: author's own.

Furthermore, to explore whether consumers are likely to subscribe to retailers' or brands' newsletters to receive promotional offers and alerts about the discounts for beauty products, 63.9% agreed that they sign up sometimes, depending on a retailer or a beauty brand while 21.6% agreed that they sign up very often, which shows that they are interested to receive such content (Figure 29). Only 7.2% answered that they do not or almost never sign up for promotional content at all. Again, this shows that consumers

want to be well-informed and aware of the industry dynamics and want to know best offers available in order to be able to make best purchase decisions.

- How likely you would sign up for emails to receive promotional offers and alerts about the discounts for beauty products?
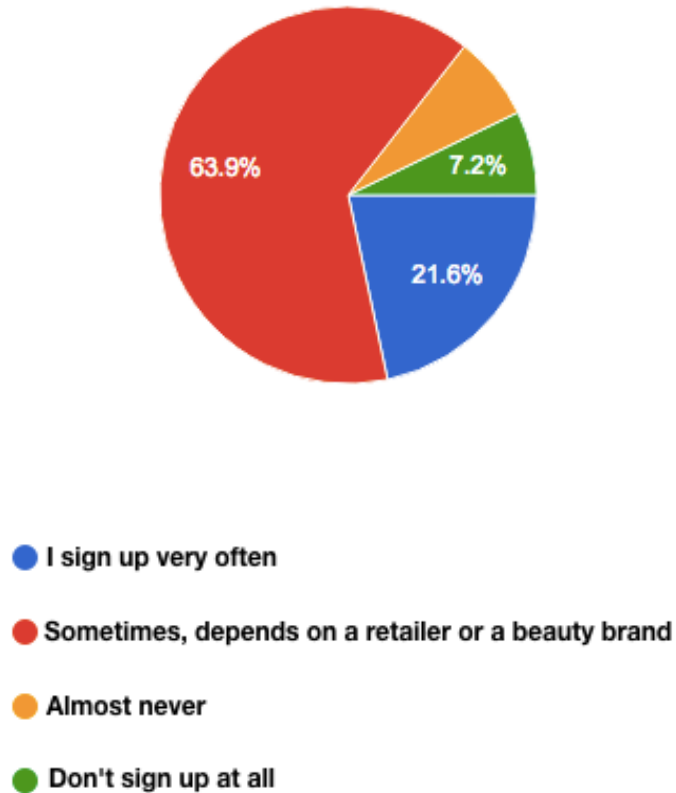

Figure 29. The figure presents whether the respondents sign up for promotional offers and discount alerts. Source: author's own.

Additionally, in order to present more insights on conducted survey, the figure below shows all of the questions with a justification and explanation for each of the research questions.

Question	Justification	Sections relate to
Have you made two or more online purchases (beauty products) in the past 30 days?	To see whether a person has adopted online shopping for beauty products.	'2.3.3 Changing consumer perception towards online shopping'
Thinking back to your most recent online purchase (any beauty product), how did you find or hear about the website/mobile application you purchased?	To understand how consumers find/ what they know about different beauty e-commerce platforms. Whether they know many of them or ask for recommendation.	'2.4.1 Changing consumer behaviour towards shopping for beauty products'
Would you ever buy a beauty product from a relatively new website or mobile application that is not very known yet? You can select more than one.	To understand what are the key trust factors that the newly introduced platform/application has to posses in order to be used by a consumer.	'2.4.2 Beauty consumer online purchase decision motivational factors.'
Have you ever bought any beauty product online as a result of a recommendation or a share that you have seen on social media? For example, bloggers and influencers recommendation on Youtube vlog or Instagram post.	To measure the impact of recommendations; to measure the impact of social media and the dominance of influencers/bloggers in terms of encouraging the consumers to buy certain products.	To test whether '2.5.1 A proposed framework for beauty online shopping' corresponds to survey's answers.
Before making a purchase of any beauty product, please choose the most applicable purchase behaviour journey from below:	To understand the most common consumer behaviour towards shopping for beauty products.	Research objective, number 3 and '2.5.1 A proposed framework for beauty online shopping'
Please select the ones you agree with. It is only regarding shopping for BEAUTY products. You can select more than one:	To understand the most common behaviour towards shopping for beauty products. To understand their perception/attitudes towards online shopping.	'2.4.2 Beauty consumer online purchase decision motivational factors'
Please indicate your favourite websites/online retailers for beauty shopping that come to your mind at the moment:	To identify what are the most popular e-commerce websites for shopping.	Research objective, number 5.
How do you use your different devices when shopping online?	To understand what are the dominating/preferred devices during the online shopping.	'2.4.1 Changing consumer behaviour towards shopping for beauty products'
Have you ever used a mobile phone while shopping in-store?	To see whether consumers use online while shopping offline.	'2.5.1 A proposed framework for beauty online shopping.'
How often do you read customer reviews about beauty products when deciding on making an online purchase?	To understand the importance of online reviews and ratings. To understand whether consumers actually trust them.	'2.4.1 Changing consumer behaviour towards shopping for beauty products'
How likely you would sign up for emails to receive promotional offers and alerts about the discounts for beauty products?	To understand whether consumers engage in promotional activities, if they are interested in receiving such info.	'2.4.1 Changing consumer behaviour towards shopping for beauty products'
Do you use any price and offers comparison websites/mobile applications at the moment?	To understand whether consumers actually use price comparison websites and whether they use any for beauty.	'2.4.1 Changing consumer behaviour towards shopping for beauty products'
If there was introduced a new price comparison tool for a beauty product, you would prefer it to be:	To understand whether there is an interest for price comparison tool for beauty products.	To inform the further 'Enterprise' section.

Figure 30. The table presents a justification and explanation for each of the research questions. The last three questions explore and are related to the 'Enterprise section', therefore they are not presented in this section. Source: author's own.

To summarise all of the answers and feedback generated from the survey, it is obvious that the role of technology is very high and important in present day. Therefore, generated responses from the survey helped the researcher to understand the importance of the synergy between the online and offline environments, the role of social media and also to determine the motivational factors behind the vast use of the Internet and technologies while researching and shopping for beauty products as well as to identify current challenges while shopping for beauty products in present day. Additionally, it serves as a valuable source of information in terms of understanding the consumer behaviour while shopping for beauty products.

Chapter 5

The final chapter presents the conclusions and outlines primary data's contribution to the whole analysis conducted in the first part of the paper ('Subject section'). Finally, the study's recommendations and limitations will be highlighted to take into consideration before guiding the reader to the second part of the paper, which is 'Enterprise section'.

5.1 Conclusions

To summarise the undertaken research, the survey results present the key findings informing the development of new online platform to purchase beauty products and serve as a valuable source of information for further research in the Enterprise section. It is obvious that consumer behaviour within beauty field has dramatically changed over the last decade. With the rise of technology power consumers have become active and engaging users, whose voice and opinion have become more important than ever. As a result, social media has transformed into one of the key channels of communication for both consumers and beauty brands in terms of raising awareness, promoting certain products, sharing knowledge, rating and reviewing the products. What is more, as survey's answers show, consumers are open to new solutions to enhance their beauty shopping experience since the rapid growth of the industry has brought a high complexity and saturation to the market. Therefore, there is a clear opportunity within the market to create new innovative tools to enhance consumers' shopping experience and remove the complexity during the pre-purchase stage of consumer behaviour journey.

5.2 Recommendations

This section presents recommendations for the business idea that will be introduced in 'Enterprise section' in terms of its market entry strategies and key points to evaluate before conducting commercialisation strategy.

The survey results inform the researcher that there is a high potential to introduce a new online platform to purchase beauty products and serving as a tool to aid and enhance consumers' beauty shopping experience. Also, the results confirm that social media serves as a valuable information source for the consumers therefore the business should consider expanding its social media strategies from the very beginning of the business operations. As for growing and retaining the users' loyalty, the platform should focus on informative and credible content on the platform as well as precise information regarding product prices and comparisons to build consumers' trust in long term. Additionally, research results show that recommendations and word of mouth are strong and efficient information sources, therefore focusing on information spread through these channels will help the business convert to active users more easily. Another interesting aspect is that mobile devices have become the key devices for information search therefore the platform has to be mobile friendly and built on high responsive design standards.

5.3 Limitations

It may be necessary to put together a sufficiently larger sample to permit in-depth analysis and a broader spectrum of different answers and opinions. Additionally, validity and reliability of the research is limited by such factors as clarity of author's questions and the way respondents have perceived and understood certain questions

upon answering them. Also, due to the time limit the questionnaire was not tested or approved with any other parties before sharing it to the target group, which unfortunately limits the scope of the information collected.

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Appendices

Appendix 1.

	The product: online shopping Web sites	The price: of the online Web sites	Product promotion through: cross advertising	Where the product is sold: Internet
Family	All family members can use online Web sites. Children frequent them because they tend to have more time	Almost all Web sites are free for anyone to browse	Online Web sites promote to families by having Web sites aimed directly toward family. Websites may include coupons on family movies bought in stores	Online Web sites sell their products on the Internet
Friends	Friends influence consumers by relaying information on interesting Web sites they have bought from	Almost all Web sites are free for anyone to browse	Online Web sites promote to consumers" friends the same way they promote to anyone. With "buy one get one" sales. E-mails alerting them about sales, some of them even including coupons	Online Web sites sell their products on the Internet
Social class	Social class of a consumer also affects what Web sites if any, particular consumers are frequenting	Almost all Web sites are free for anyone to browse	Consumers who frequent Web sites and actually buy items are far more likely to receive coupons and e-mails about promotions	Online Web sites sell their products on the Internet
Age group	Consumers of a certain age group may tend to use the Internet more often	Almost all Web sites are free for anyone to browse	Older consumers who do not know how to use a computer are not going to get information concerning promotions	Online Web sites sell their products on the Internet
Economy	The type of economy we are in also greatly affects willingness and ability to buy	Almost all Web sites are free for anyone to browse	If the economy is not in good standing, fewer promotions and coupons will be sent to consumers	Online Web sites sell their products on the Internet
Culture	Those cultures that do not own computers will not buy from online Web sites	Almost all Web sites are free for anyone to browse	If there are cultures that do not believe in the Internet or cannot afford the Internet, they will not be given promotions	Online Web sites sell their products on the Internet

Appendix 1 presents the main factors defining the input stage of the model illustrated in

Figure 3. Source: Smith and Rupp, (2003).

Appendix 2.

Survey about Online Consumer Buying Behaviour towards Cosmetics.

Hi! My name is Olga and currently I'm finishing my masters degree at the University of Manchester.

This survey is a part of my dissertation project for MEnt Masters of Enterprise degree. I am conducting a study related to online consumer buying behaviour towards cosmetics (w/ a focus on females). Therefore, I am interested to see and understand your personal opinion about your online shopping for beauty products in your daily life.

Please note that the information collected will be kept anonymous and used for academic purpose only. No individual responses will be identified on any of the questionnaires.

Directions. The survey will take approx 5 - 7 minutes (16 questions). Please select the most appropriate answers that you feel reflect your behaviour the most.

THANK YOU very much in advance for your help!!!

1. Please select your age group:

☐ 16-21

☐ 22-28

☐ 29-35

☐ 36-44

☐ over 45

2. Please select your gender:

○ Female

○ Male

○ Prefer not to say

3. Are you based in the UK?

○ Yes

○ No

4. Have you made two or more online purchases (beauty products) in the past 30 days?

○ Yes

○ No

5. Thinking back to your most recent online purchase (any beauty product), how did you find or hear about the website/mobile application you purchased?

☐ Google search

☐ Advert or link on another website

☐ Promotional social media post (for example, Facebook or Instagram sponsored post)

☐ Recommendation of a friend

☐ From an e-commerce site that you already knew

☐ From an offline advertisement (TV, magazine etc.)

☐ Recommendation or share by a peer/influencer you follow on social media

6. Would you ever buy a beauty product from a relatively new website or mobile application that is not very known yet? You can select more than one.

☐ No

☐ Yes, if it has good reviews

☐ Yes, if it offers better price or online offers

☐ Yes, if it seems reliable and trustworthy when it comes to website/application design, terms of use, payment metho...

☐ Yes, if I see that some of my following bloggers/influencers promote it so that I know it is reliable

☐ Maybe, I can't answer it right now

7. Have you ever bought any beauty product online as a result of a recommendation or a share that you have seen on social media? For example, bloggers and influencers recommendation on Youtube vlog or Instagram post.

○ Yes

○ No

8. Before making a purchase of any beauty product, please choose the most applicable purchase behaviour journey from below:

○ I do my research about the beauty product online, then check it in-store and purchase in-store.

○ I do my research about the product online, then check it in-store but still end up buying online.

○ I do my research about the product online and if I feel I like it, I order it online.

○ I simply go to the store to find what I need, I don't rely on online reviews, descriptions and pictures.

9. Please select the ones you agree with. It is only regarding shopping for BEAUTY products. You can select more than one:

☐ I believe that online you can find better offers and discounts than in store

☐ I tend to compare prices of products online

☐ I am more encouraged to purchase from e-commerce websites when the product is on offer or discount, otherwise I...

☐ When I'm in-store, I always check the product online to quickly read reviews and recommendations

☐ When I'm in-store, I compare product's price across different retailers online on my phone. I want to know which reta...

☐ I believe I'm a smart buyer - I always check the product rating online, I compare prices and available offers, I sign up ...

☐ I think that Instagram, Facebook and Youtube influence my shopping preferences - I tend to buy products that are p...

10. Please indicate your favourite websites/online retailers for beauty shopping that come to your mind at the moment:

Short-answer text

11. How do you use your different devices when shopping online?

○ Most or all of my online beauty shopping is on desktop computer

○ Most or all of my online beauty shopping is on a mobile device

○ Most or all of my online beauty shopping is on a tablet device

○ I search and browse on a mobile / tablet and place the order on a desktop

○ I do not shop online for beauty products

12. Have you ever used a mobile phone while shopping in-store?

○ Yes, to find an online review of a product I'm buying in-store

○ Yes, to find a product at a cheaper price

○ Yes, to pay online for an in-store purchase

○ None of the above

13. How often do you read customer reviews about beauty products when deciding on making an online purchase?

○ Every time/ almost every time

○ Sometimes

○ Never

14. How likely you would sign up for emails to receive promotional offers and alerts about the discounts for beauty products?

○ I sign up very often

○ Sometimes, depends on a retailer or a beauty brand

○ Almost never

○ Don't sign up at all

15. Do you use any price and offers comparison websites/mobile applications at the moment?

○ Yes

○ No

○ Yes, but not for beauty products

16. If there was introduced a new price comparison tool for a beauty product, you would prefer it to be:

○ A website (easy to use on mobile phone, tablet or desktop devices)

○ A mobile application

○ I would not be interested in such tool

Appendix 2 presents the full questionnaire conducted to collect the primary data for the research purposes. Source: author's own.

Appendix 3.
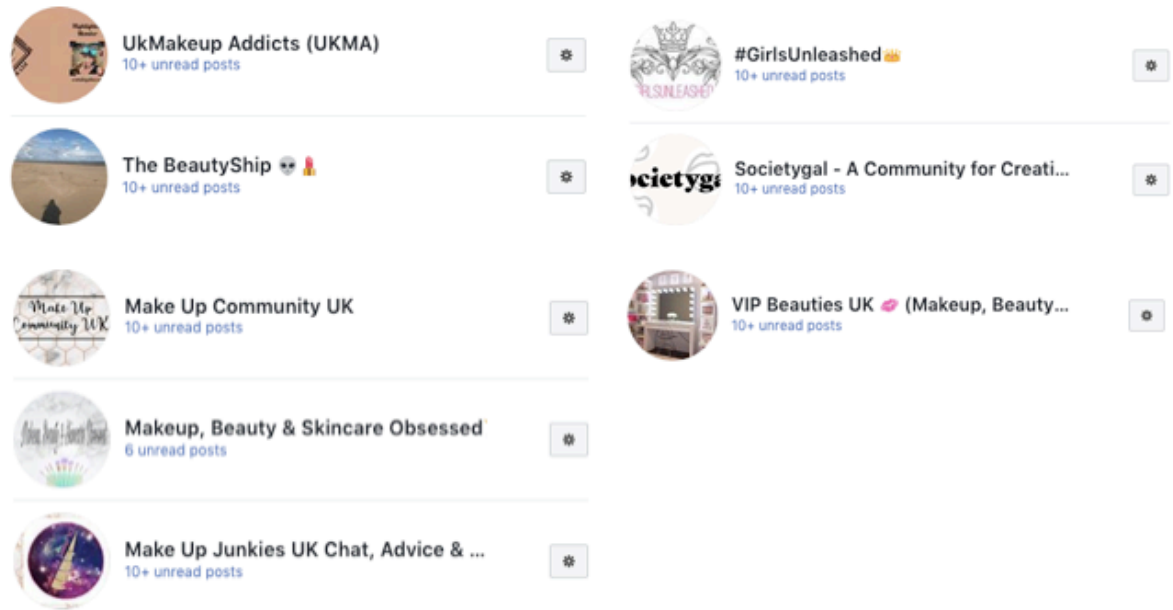
Appendix 3 presents Facebook groups where online questionnaire was posted. The groups were chosen based on location, interests and focus of the group as well as group's activity and number of members. Source: author's own.

Enterprise Section

Table of Contents

Word count: 17 960

List of figures and tables

Executive summary

Beautyfind is a platform-enabled, digitally driven business with the purpose to aid and enhance consumers' shopping experience while researching and purchasing beauty products online. Findings from secondary and primary data research confirm that online beauty industry has a strong growth potential in present day and within the near future due to the global rise of the industry and its focus on online commerce as well as changes in consumer behaviour and adoption of social media, which is proved in the undertaken research to be one of the beauty industry's growth drivers.

The rising power of the Internet and technology use (especially mobile devices) create a great opportunity for Beautyfind to exploit the market by offering consumers a tool to aid their shopping experience. Both secondary and primary data confirms that consumers spend time researching and comparing the products online and that they are interested in tools that would help and enhance their shopping experience. Additionally, to obtain a strong understanding about the market and its potential for Beautyfind, various factors like technological, economical, opportunities, threats, competition and business competitiveness within the operational market are studied and presented in PESTEL, SWOT analysis as well as business model canvas in order to explore and present each of the core business elements.

Based on analysed market dynamics and the nature of the business, Beautyfind expects to generate revenue by the end of third operational year with the balance of £35 994,28. The company has a three-year financial plan, which aims to present and explain the financial opportunities, forecasted figures and scope of the business. The financial analysis concludes that Beautyfind business has a potential to become a profitable

business organisation with a strong potential for further growth and expansion of the business.

Chapter 1

The 'Enterprise section' presents key background information and analysis of the beauty market in the United Kingdom in order to introduce the reader industry insights and explain the potential of business idea presented further in the section. Having work experience at L'Oreal Group with premium brands and following all of the latest news related to the beauty industry the author realised that beauty market has become an overly saturated industry and while consumers get a very high exposure to the latest products available in the market (thanks to social media and the Internet in general), they feel more lost and overwhelmed than ever. What is more, having lived in three different countries during the past few years, the author spotted the power and growth of online shopping that is happening in the United Kingdom as opposed to other lived countries. The author has spoken to many beauty consumers within the United Kingdom on social media as well as in real life and tried to understand what are consumers' preferences and challenges in terms of online shopping for beauty products. Therefore, the most common answers being 'many retailers, difficult to find the best option', 'many promotional offers and different prices for same products across retailers', 'difficult to choose among all of the the brands' and 'many new brands are available only online' led to a potential business idea that will be presented and carried out throughout this section.

Consequently, in this part of the dissertation the author presents the general briefing on the beauty industry as well as beauty industry dynamics on the global level in order to familiarise the reader with the industry. Then the author guides the reader to the main dynamics within the beauty industry in the United Kingdom. Finally, in this chapter the author identifies the problem within the beauty market and presents a solution to an identified problem along with the supporting background information in terms of the

industry trends and projections, beauty consumer characteristics and the potential of the industry in terms of creating a new venture. Therefore, the beauty industry insights and analysis serves as a valuable foundation for the further 'Enterprise Section' reading.

Since the enterprise section mainly focuses on validating the competency of the author's presented solution (business idea) to an identified problem within the market, further parts of the enterprise section consist of a route to commercialisation strategy, business idea's service overview, its development methodology and concept validation as well as financial analysis and possible risks.

Overall, the 'Enterprise Section' provides a clear definition of the author's business idea and supports it with a detailed analysis from market overview and issues, project concept and development to commercialization and financial analysis and risks.

1.1 Introductory briefing on beauty market in the United Kingdom

This section serves as a short overview on the beauty market insights within the United Kingdom. It informs the reader about the industry and presents the main market dynamics in order to deliver a valuable context and background information for further analysis of the market and the proposition of the business idea in further chapters.

Therefore, the main shifts and trends in the UK beauty market are presented below:

1. Slower spend on beauty products than in the past. Cautious of their budget, consumers browse for deals online, resulting in slower spending growth than have been in the past. Also, consumers show little interest in advanced technological involvement, currently preferring apps that research products and prices. According to the Figure 1 presented below, the main reasons for buying a new beauty product online is related to

the price aspect since 58% of consumers agree that they buy a product online when it is affordable. Additionally, according to Wray (2018) consumers in the UK are looking for quality over quantity. For this reason, it can be seen that has been a switch to premium beauty products and changed consumer behaviour towards researching, comparing and buying more well-thought beauty products, sometimes even considered as an investment.

The product...   %

Category	%
...is affordable	58
...has good ratings online	50
...is from a brand I like	40
...will last a long time	28
...is fashionable/on-trend	18
...is recommended by celebrities/bloggers	5
...is only available online	5
None of these	6
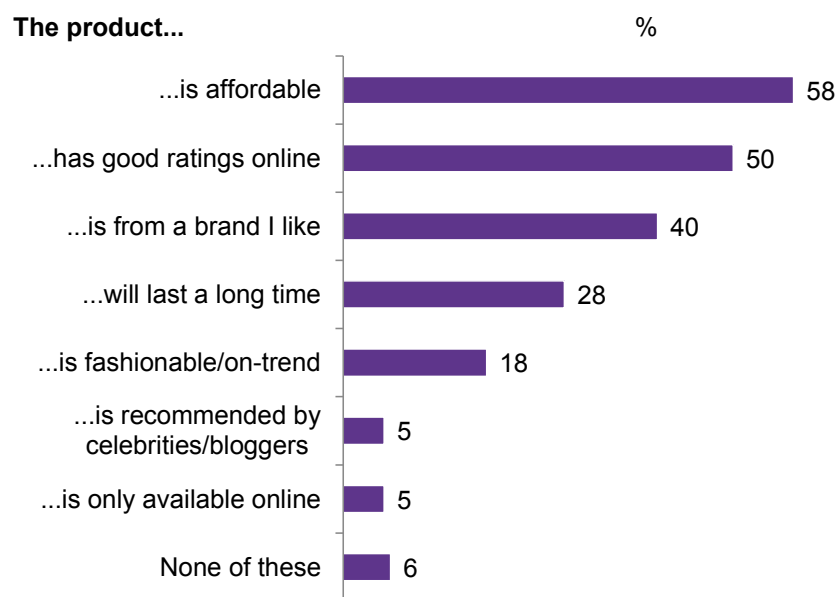
Figure 1: 1,067 Internet users aged 16+ who have bought beauty products online in the last 12 months. Source: Lightspeed/Mintel, 2017.

2. Consumers seek for real reviews and recommendations online about beauty products. Online trust in a brand comes from clear navigation and positive ratings and review from users, as shoppers are wary of social media opinion leaders' recommendations. More precisely, friend and family referrals are number one on the list of the most influential touch points before the purchase (Launchmetrics, 2018). As a result, more than half (53%) of beauty customers agree that they cannot trust celebrity

endorsements for beauty products given via social media and are rather seeking for the honest opinion of their peers, rather than the advice of celebrities. Consequently, user generated comments and reviews are quite often now used in campaigns designed to build consumer trust and engagement (Lightspeed/Mintel, 2017).

3. Option to compare prices of beauty products would encourage consumers to use beauty-related application. Beauty companies have begun to invest in advanced technology like VR to provide customers *retailtainment* and boost engagement. While these features may become more relevant in future, consumers currently want easy-to-use mobile applications to aid their retail experience. Currently applications are not widely used, basic price comparisons would encourage their greater use, confirming the current importance of spend over advanced functionality like augmented reality (Lightspeed/Mintel, 2017). According to Figure 2, 19% of consumers compared beauty products prices online and 31% of consumers researched about beauty products before their online purchase. Therefore, it again shows that beauty consumers are cautious in terms of prices.

Figure 2: The figure presents beauty activities done online in the last 3 months. 1,067 Internet users aged 16+ who have bought beauty products online in the last 12 months. Source: Lightspeed/Mintel, 2017

1.2 Problem within online beauty market in the United Kingdom

Therefore, in the context of recent online beauty market trends, changes, insights and key problems are presented below (summarised by the author; based on the author's insights, Mintel reports, 2017, Lóreal Finance, 2017 and Beauty Beyond, Facebook IQ, 2016):

1. Mutual beauty consumers and beauty brands/retailers related problems:

1) The beauty market is experiencing a slowing growth (but still growing) as consumers spend more time on online researching, comparing and searching for the best value deals for premium beauty products. Consumers are price cautious.

2) The global trend of celebrity marketing seems to be over-used and causing mistrust (this especially applies for elder millennials), which is also a problem for beauty brands since celebrity-endorsed marketing strategies have become a significant part of their media budget.

2. Beauty consumers:

1) Customers are seeking for easy to use mobile applications to fit their lifestyles and reduce their time spent researching for products and during the product purchase path. Despite increasing m-commerce importance, buyers face friction points on mobile devices:

a) On a desktop it is easier to use due to a bigger screen;

b) On a desktop it is easier to see all available products;

c) On a mobile/tablet it is difficult to compare products/retailers information;

d) Entering personal data (personal info/ card details) is not user-friendly on mobile/tablet.

These are the top reasons cited for buying on desktop or laptop rather than a mobile or tablet. Therefore, the beauty consumers still have not found an easy, convenient and helpful mobile application tool to enhance their shopping for beauty products online from mobile devices.

2)   In a highly competitive and saturated market, customers are overwhelmed with the options and product selections. There is a severe lack of personalisation options, price comparison features/tools and qualitative feedback, which collectively are the main factors that improve customers' experience.

3. Beauty brands:

1)   Premium beauty is very much driven by promotional offers and activities. Consequently, premium brands face increasing costs in terms of promotional activities, digital, PR and e-PR investment (high promotion budget spending).

2)   Cosmetics and social media synergy boosts beauty sales and reinvents the market. Since celebrity endorsement is becoming less credible, beauty brands aim to generate 'real' comments and reviews about the products, encouraging their own consumers to leave feedback after the product purchase on their online platforms as well as asking for reviews and comments in social media. Such data has become a very valuable asset for those companies that understand its importance (for instance, recent example of online beauty pure player Feelunique has made a partnership deal with with beauty tech mobile application Veleza for their owned community generated reviews about the products from beauty on their platform (Copp, 2018), since knowing and understanding the customer is one of the most important aspects in the business.

3)   Searching for the best value deals, consumers are tempted to search for cheaper products via other alternatives online, such as Amazon, Ebay or the *grey market*, which is a big problem for all major beauty companies as it still takes the majority of online sales.

1.3 Solution

Therefore, the solution is to introduce a price comparison and reviews website to enable consumers easily find all the information about beauty products they need in terms of product reviews, ratings, description, price and promotional offers across different retailers.

Consequently, to analyse whether there is a potential interest and demand in price comparison tool the author conducted a survey to understand whether any price comparison tools are being currently adopted and used by respondents (Figure 3). Therefore, 55.6% answered that they do not use any price comparison specific tools while 28.3% answered that they do use, but not to compare the prices of beauty products while 16.2% confirmed that they use such tools to compare prices of beauty products.

- Do you use any price and offers comparison websites/mobile applications at the moment?
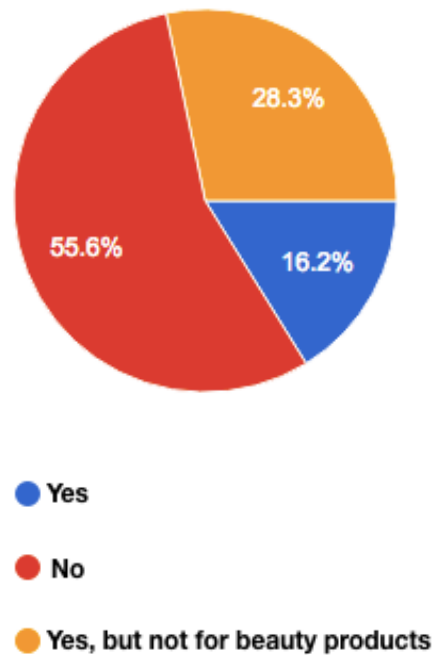
Figure 3. The figure presents whether respondents use any price comparison websites/mobile applications. Source: author's own.

The next survey question (Figure 4) explored whether the respondents would be interested to use a price comparison tool for beauty products and if they preferred it to be a website or a mobile application. Therefore, 61.6% answered that they would prefer it to be a mobile application while 35.4% favoured a website option. Only 3% answered that they would not be interested to use such tool at all, which shows a positive response towards the demand for price comparison tools for beauty products. To sum up, the figures 3 and 4 presents that respondets actually would be interested to use a price comparison tool while shopping for beauty products and the preferred platform is a mobile application.

- If there was introduced a new price comparison tool for a beauty product, you would prefer it to be:
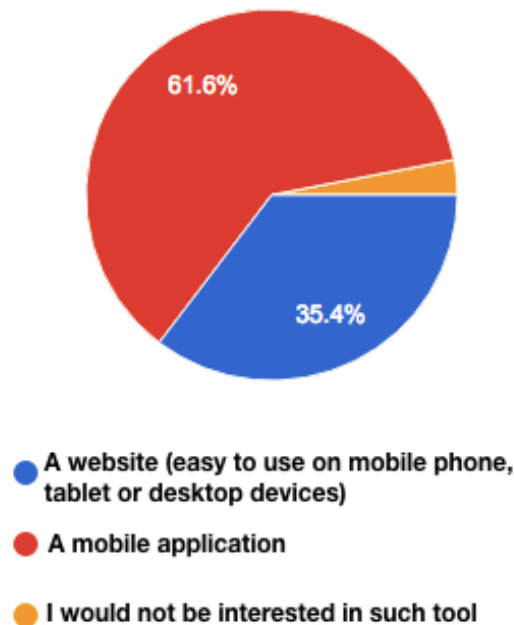
Figure 4. The figure explores whether respondents would be interested to use a price comparison tool while shopping for beauty products and whether they would preferred it to be a mobile application or a website. Source: author's own.

Additionally, with regards to demand for such a product, the figure below presents factors that would encourage smartphone or tablet owners to use a beauty-related mobile application. Consequently, 25% of online beauty shoppers answered that they would use a beauty related mobile application to compare beauty products' prices across different retailers. 24% would use the application for easy use and navigation within the application while researching beauty products.

Category	%
Price comparisons across different retailers	25
Easy to use/navigate	24
Suggests products that suit my skintone/hair type	21
Product tutorials	19
Exclusive or loyalty member content	16
Instant purchasing	12
Visualises future results of a skincare regime using my photo	11
Virtual makeover using a range of brands	10
Regular videos or articles from beauty bloggers	7
None of these	54

Figure 5. The figure presents that easy to use mobile applications that aid purchase decisions are most sought after. 1,067 Internet users aged 16+ who have bought beauty products online in the last 12 months Source: Lightspeed/Mintel, 2017.

Therefore, with the obvious signs of consumer interest for helpful online platforms to enhance their shopping for beauty products and in the context of sales growth and opportunities within the beauty industry in the UK, it is clear that there is an actual demand and high potential for price comparison tool.

1.4 Overview of the business idea

The key idea of the business is to build a website that enables consumers to make the best beauty product purchase in terms of price and offers across different retailers by offering a price comparison mechanism, the best beauty products deals, access to all best offers, read reviews about the products and keep up to date with beauty trends.

1.5 Vision

The main goal of Beautyfind is to disrupt the beauty market and online shopping experience by enabling consumers to find and choose the best price and offer existing within the their market quickly and conveniently. Starting as a price comparison tool for beauty products, the vision is to become a community driven platform that would deliver high user engagement as well as active registered users. By incorporating digital strategies early on in the business, including cooperation with social media influencers, grow the awareness among young digitally competent female users and become a recognisable beauty industry related platform associated with credibility and trust. Therefore, the main Beautyfind vision is to become a 'Top of Mind' website for females for comparing beauty products' prices and researching about the products.

1.6 Mission

The business mission is to change the way consumers shop for beauty products in the United Kingdom and how they research, read reviews and compare prices of beauty products across retailers operating within the UK. Therefore, below are the main added value points, which shape the main mission of the Beautyfind:

- Search for the best deals (compare pries and offers) across online pure players and brick and mortar;
- Save favourite products or brands, receive an alert once when an offer is available;
- Community reviews and feedback;
- Beauty novelties, trends and product information;
- A short and seamless purchase path;

- Collecting points to spend via the application.

Consequently, 'Beautyfind' focuses on added value to a consumer by providing a convenient online tool to enhance and aid their shopping experience and make purchase choices and decisions easier.

Chapter 2

Beauty market overview

In this chapter two an overview of the beauty market is presented starting with the introduction to the global beauty market overview in terms of sales figures, growth and market insights, narrowing down to the beauty market key drivers and characteristics about beauty customers within the United Kingdom.

2.1 Global beauty market overview

Annual growth of the global beauty market from 2004 to 2016 is presented below in the figure 6. The worldwide cosmetics market, estimated at a total of 184 billion British pounds (or 205 billion euros) as of 2016, grew at +4.0% (+0.4pt 2014-2016) (Lóreal Finance, 2016). Although the growth is slightly slower in comparison to 2006-2007 and 2011-2012 gaps, it still demonstrates a healthy growth since 2014 and forecasted to reach around 208 billion British pounds by 2017 (Yeomans, 2013).
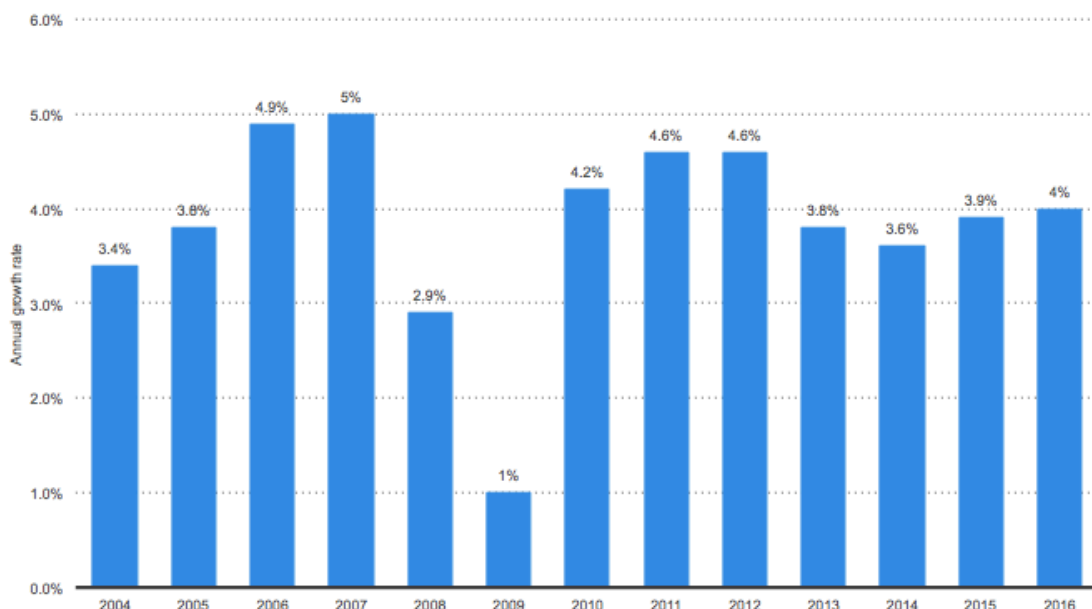
Figure 6. The annual growth of the global beauty market from 2004 to 2016.

Source: Statista, 2017.

Therefore, global cosmetics market remains buoyant with steady and stable growth. However, the online beauty market is more dynamic and delivers faster growth acceleration – as seen in 2016, online worldwide beauty sales grew at +20.7%. The main online sales driver was premium (luxury) cosmetics segment (as seen in Figure 7, the luxury/premium beauty segment achieved 5.7% growth whilst the total market achieved 4% growth), achieving 11% weight of the total online sales in 2016 (Lóreal Finance, 2016). Additionally, according to the more recent Lóreal Finance 2017 report, the premium segment grew twice as fast than the total cosmetics market (8.5% versus 5% total market) as presented in Figure 7 below:
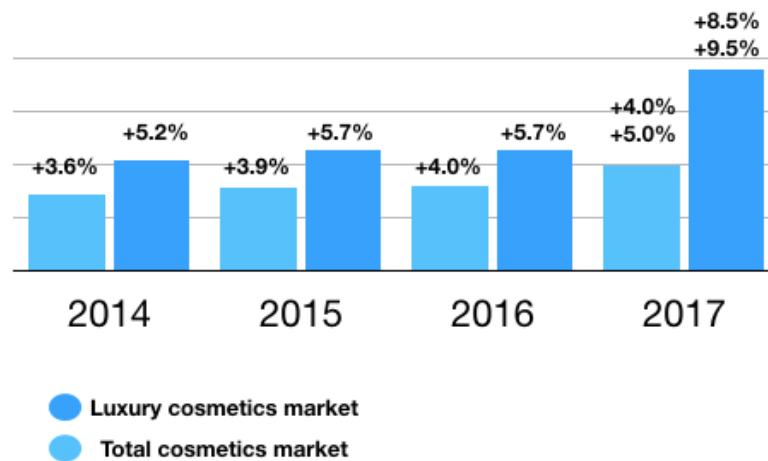
Figure 7. The performance of the luxury cosmetics market compared to the total cosmetics market (as a %). The figure presents Lóreal's estimate of the global cosmetics market in 2017 based on manufacturers' net prices. Excluding soaps, oral hygiene, razors and bladers. Source: Lóreal Finance, 2017.

Therefore, there are a number of reasons behind beauty the industry growth. First of all, *selfies* and constant picture-taking cause consumers to be more aware of how they look and even pressures them to look their best all the time and that's one of the factors encouraging the beauty industry growth Kestenbaum (2018). Consequently, social media has become one of the main beauty industry growth drivers and plays a hugely

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important role within the market. Another important source of support for growth are the acquisitions that major beauty companies are making. Big beauty companies buy relatively large numbers of small brands (the so called 'indie' brands) that actually grow thanks to social media and makeup 'junkies'. Therefore, many entrepreneurs who note the growing interest of big leading companies to acquire successful new beauty brands are motivated to create yet more new beauty companies in this way growing and expanding the market. Currently there is no other consumer sector like this right now with such a steady flow of growth, innovation, consumers' interest, engagement and acquisition activity positioning the industry in a self-supporting cycle that continues to build, grow and that benefits consumers (Forbes, 2018).

Therefore, to summarise the main dynamics during the recent years in the beauty industry, the key factors that have contributed to the success of the cosmetics market are presented below (Lóreal Finance, 2017):

1. Continuing growth of beauty product spending online;

2. The expansion of social networks (social media impact on the beauty industry);

3. Growing interest for new, different, better and premium beauty products.

2.2 UK beauty market overview

In terms of the beauty market overview in the United Kingdom, the retail value of the industry in the United Kingdom reached around 13 billion British pounds (or 14.6 billion euros) in 2017. However, in 2018 the expected market value will be over 13.5 billion British pounds (or 15 billion euros), which is a 5% growth versus 2017 (refer to Figure 8). Therefore, the industry has been steadily growing throughout the last five years and is forecasted to continue the same stable positive growth.
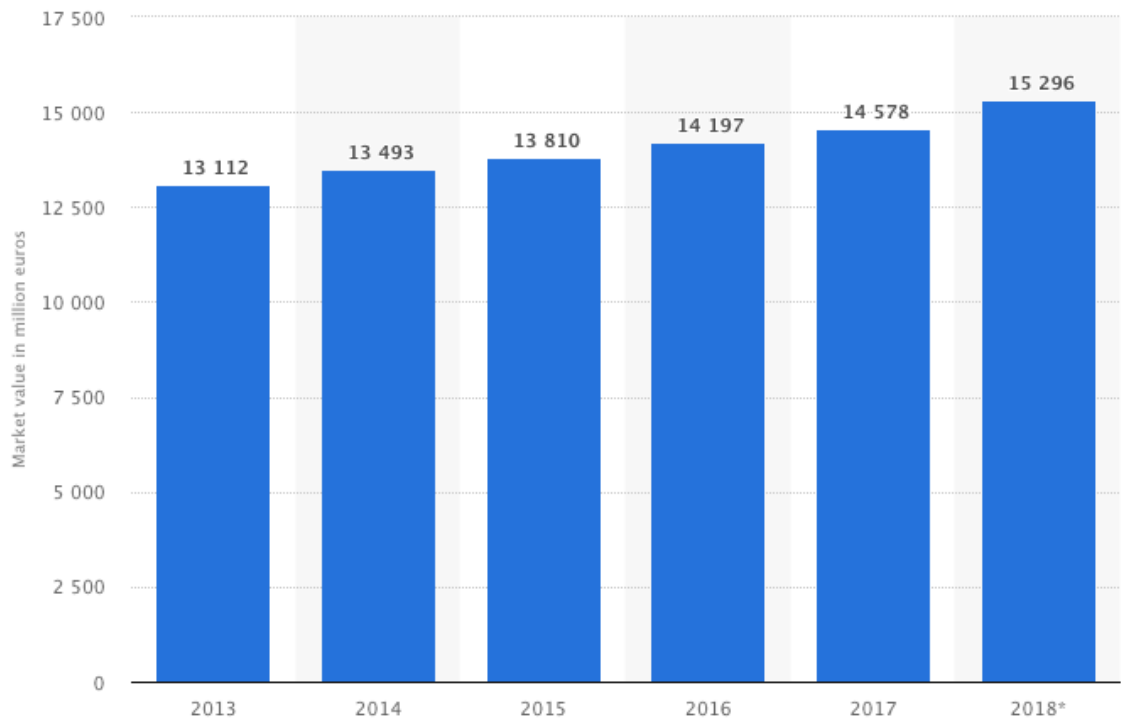
Figure 8. The figure presents the market value of beauty and personal care in the United Kingdom from 2013 to 2018 (in million euros). Source: Statista, 2018.

In terms of online sales in the United Kingdom, Figure 9 displays the forecasted retail e-commerce sales as a share of total retail sales in the United Kingdom (UK) from 2015 until 2018. In 2018, the e-commerce sales are expected to reach a share of 18% of all retail sales in the UK. For 2017, the forecasted share of retail sales revenue that came from e-commerce is 16.9 %. E-commerce retail sales have been steadily increasing in conjunction with mobile commerce retail sales, which are projected to increase to approximately 29.04 billion British pounds by 2018. Total e-commerce sales in the UK amounted to approximately 532 billion British pounds in 2015, which made it third largest e-commerce market in the world (Statista, 2018). Consequently, there is a positive trend within the beauty e-commerce business – beauty market is growing with the increasing value in online sales, meaning that there is the opportunity for the Beautyfind within the industry.
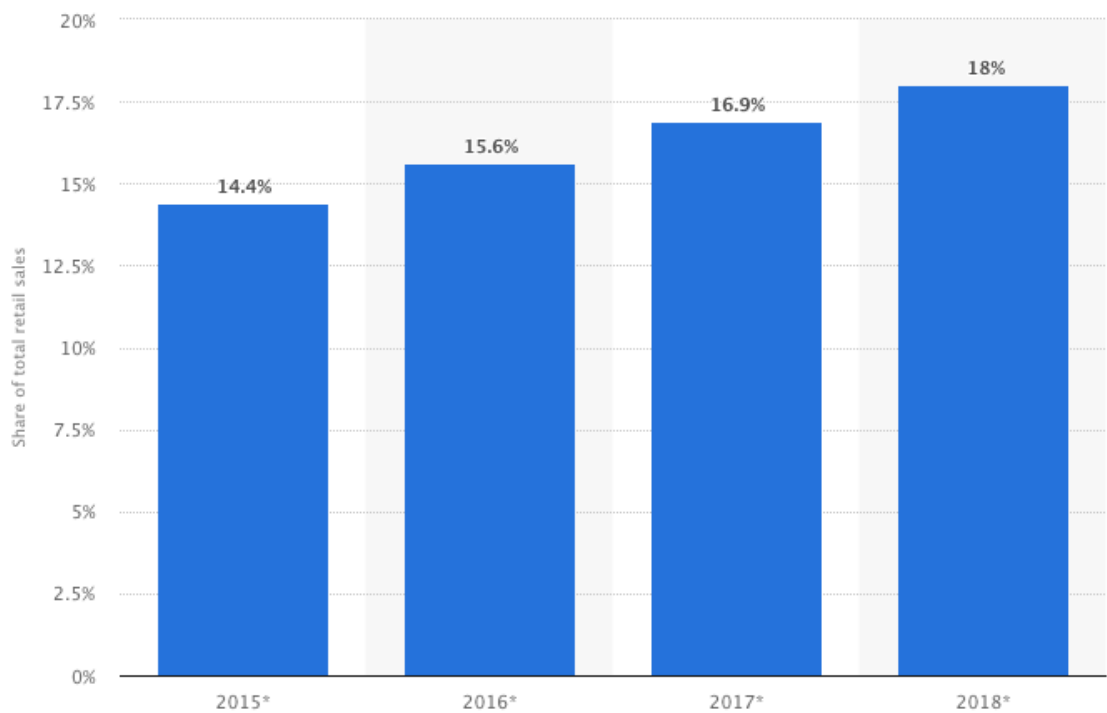
Figure 9. Market share of total online retail sales revenue in the United Kingdom from 2015 to 2018. Source: Statista, 2018.

As for the online beauty industry market in the UK, the data is presented below to give a context for further problem definition:

Online consumer expenditure growth on beauty products: 1.1 billion British pounds 2017 versus 1.02 billion British pounds 2016. Market growth is +8% (10.4% weights of the total beauty market in 2016, forecasted to reach 11% in 2017).

The figure below presents estimated growth for 2017 – 2022. The best growth projection is estimated to reach 1.7 billion British pounds in 2022 versus worst growth case 1.18 billion British pounds.
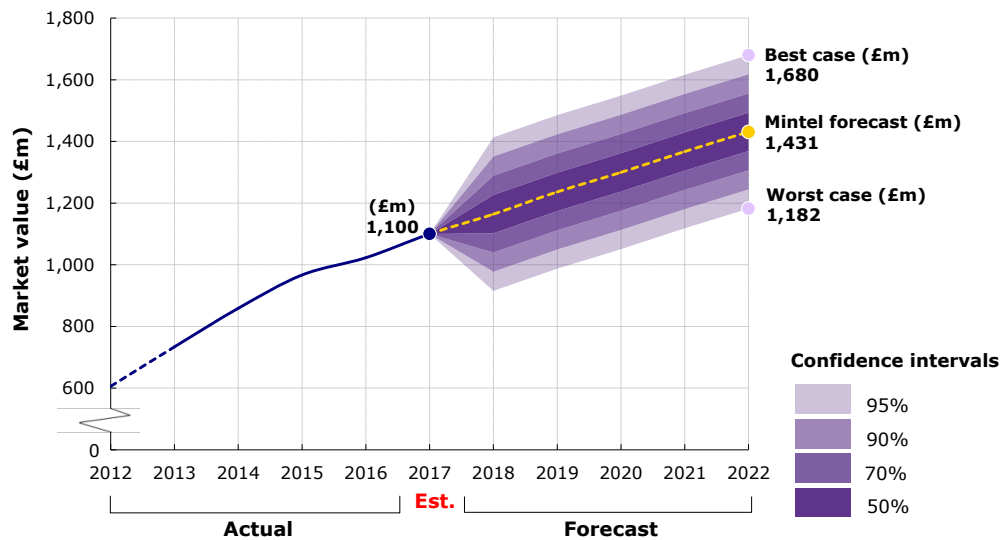
Figure 10. The figure presents the UK online beauty market growth and estimation for 2022 (growth +22%). Source: Mintel Estimates, 2017.

2.3 Characteristics of a beauty consumer

In 2018, Launchmetrics presented a detailed and informative 'Beauty Redefined' report (2018) on the beauty market and the main changes and trends happening within the industry. The company also explored how digital marketing is transforming the cosmetics industry and what impact it has on beauty companies as well as their consumers. The chapter 'Anatomy of a Beauty Consumer' from the mentioned report presents a very informative and rich description of a beauty consumer today. Consequently, as stated in the report, over the last decade cosmetics consumers have become increasingly hyper-connected through technology. Searching for online recommendations has become an essential step when buying a beauty product as well as sharing them on social media or in review sections (this confirms the facts presented earlier in beauty industry overview in chapter '1.1 Introductory briefing on beauty market in the United Kingdom'). To continue, social media has allowed brands to create stronger connections with consumers throughout their decision-making process.

Millennials are at the centre of many brands' strategies since they are the main target for both new emerging beauty brands and old classic ones, which used to target only mid-age sophisticated high earning females (for example, Chanel). However, this young, always online generation has little in common with the classic consumers. Not only are they characterised by constant technological consumption, but they are also especially healthy lifestyle conscious and interested in personal care. They are extremely interested in preserving and preventing their body and skin from any negative impact often searching for products with the word 'anti'. Another important factor to note is that 63% of millennials agree they are more likely to trust blogger or user reviews over brand claims (Launchmetrics, 2018). What is the most important, the typical millennial consumer is interested in smartphone-connected electronic tools for beauty and seeks to enhance and simplify shopping experience with the use of a smartphone.

Consequently, the main characteristics of today's millennial beauty consumers are:

1) They are time conscious. Beauty consumers want what they want and when they want it (Launchmetrics, 2018).

2) Consumers want ease and value. They expect the brands to simplify their shopping experience and deliver great results, since competition is very high and consumers have become just as used to high performing brands (Launchmetrics, 2018).

3) According to McKinsey research (Hudson, Kim and Moulton, 2018), they are three times more likely to say they usually learn about new products or brands from social media.

4) They are quick to try new products, and they change their preferences often. Therefore, millennial consumers are less brand-loyal (Hudson, Kim and Moulton, 2018).

5) They expect to be able to try anything at once and free of charge. They search for innovation in beauty and they want their discovery and shopping experience to be fun and interactive (Hudson, Kim and Moulton, 2018).

2.4 Main external factors affecting UK beauty industry

A strong understanding of the external environment in which the company operates in is crucial. One way to analyse the environment is to break it into four parts and map them (Medium, 2018):

1) Market forces, like demand and revenue attractiveness (economic and industry dynamics);

2) Industry forces, including competitors and suppliers (presented in further SWOT, market competition and company competitiveness analyses);

3) Key trends, including technological and social trends (technological and social factors);

4) Macroeconomic forces, like global market conditions and economic infrastructure (economic and legal factors).

Therefore, firstly PESTEL analysis is presented below to analyse and take into consideration the important external factors that could potentially affect the business.

2.4.1 Economic factors

Accelerating online beauty market growth (Bonacina et al., 2017). Selective beauty segment is the main growth driver (Fisher, 2017). Currently, millennial consumers are very likely to start using beauty products purchasing premium brands, not mass-market products as it was before. Consequently, premium beauty and cosmetics brands are

growing market share and sales revenues as they increase their appeal with millennial consumers though innovation and a stronger digital platform (Global Data, 2018). As a result, brands observing such change offer products targeted to their lifestyle and needs and in this way encouraging young consumers to buy their premium products.

2.4.2 Social factors

Availability: easy access via online, easy to receive and give feedback, write and read reviews, rate products and engage. User reviews and ratings are the most important factor when choosing products online, therefore community engagement and social aspect plays a highly important role for Beautyfind (Fisher, 2017).

2.4.3 Technological factors

Increasing number of mobile users. Shifts and changes in consumer behaviour in online create a high potential for increasing usage of high quality responsive websites, mobile applications and purchasing via mobile tools. Consumers look for good functionality and assistance online, Additionally, cosmetics companies are expected to register high growth in the next three years, benefiting from the surge in online sales, therefore sales growth for cosmetics companies will come mostly from e-commerce (Bonacina et al., 2017). Since Beautyfind is a technology and e-commerce driven business, there is a strong potential for the business and its growth in the future due to the industry trends and dynamics within the near future.

2.4.4 Legal factors

Risk on legal regulations in terms of using retailers' trademarks. Therefore, agreements with all main online pure players and brick and mortars have to be signed in order to provide a full capacity price comparison service.

2.5 SWOT analysis

In order to further analyse further factors related to the business idea and its implementation, SWOT analysis is presented below to give a more in depth overview on the Beautyfind environment.

2.5.1 Strengths

1) Collecting data of the main target audience and proven customer behaviour across different beauty retailers online.

2) Collecting data for promotional offers and marketing activities, which is a valuable data to cooperate with retailers or beauty brands.

3) Online and offline marketing (OO marketing). No separate online – offline strategies. Brands understand the synergy of both online and offline. Having high engagement on the Beautyfind platform will create an interest for beauty brands and retailers. Recent example from L'Oréal's investment in beauty tech startup (Fortune, 2017) shows that companies are interested in investing in tech startups in order to be in control of startups activities and also due to other two reasons: first, they are interested in owning data and knowledge, which startups can provide and second, mergers and acquisitions (M&A) of smaller beauty brands is a part of their growth strategy since they are the new industry disruptors (please refer to Figure 11 and Figure 12 to see the global growth of small beauty brands/startups and the growth of top 10 beauty companies' growth including and excluding mergers and acquisitions. The top 10 beauty companies are: L'Oréal, Unilever, P&G, EL, Coty, Beiersdorf, J&J, Avon, Shiseido and Kao).

4) Price comparison tool – the main strength of the business. The website would gather premium brands/products as they are most price-sensitive and the most dynamic segment in the beauty sector, being the main beauty industry growth contributor.

Small is the new big

Global brands are losing shares as small brands/disruptors are gaining
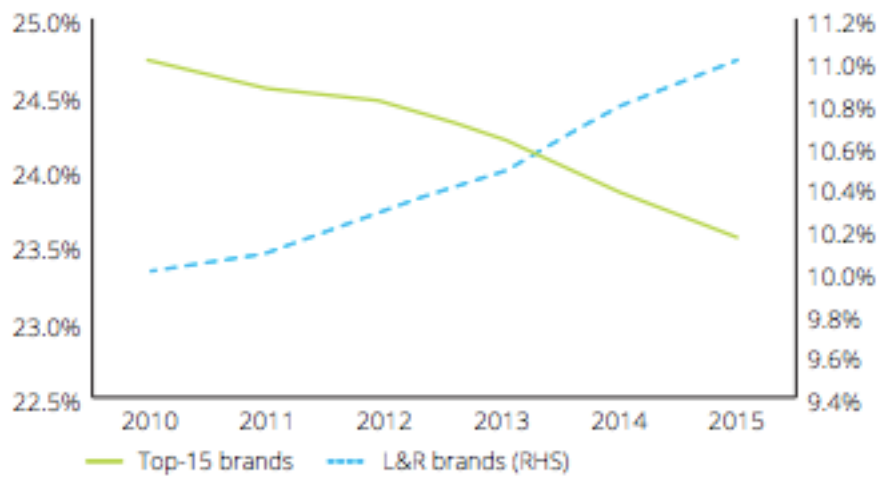
Source: Euromonitor and J.P. Morgan.

Figure 11 presents the fact that global brands are losing shares as small brands/disruptors are gaining weight in the global beauty industry. Source: Deloitte. Shades for success Influence in the beauty market, 2017.

Source: Euromonitor and J.P. Morgan. Top-10 players include: L'oréal, Unilever, P&G, EL, Coty, Beiersdorf, J&J, Avon, Shiseido and Kao.

Figure 12. The figure presents Top 10 beauty companies' growth with M&A and excluding M&A. Source: Deloitte. Shades for success Influence in the beauty market, 2017.

2.5.2 Weaknesses

1) Customers' preference to buy directly from a retailer (online or offline).

2) Customers' preferences to buy offline.

3) Offline shopping is still an important experience for consumers. Brands still strongly focus on *retailtainment*, customer service and offline customer experience.

4) Trust factor. Being a new product entering the competitive market will require the building of strong awareness and credibility amongst the target audience.

2.5.3 Opportunities

1) The main opportunity, which aligns with the business idea's vision and mission – to create a tool that would improve customer experience. Consequently, it is to consider creating an efficient and engaging website; a disruption that would improve the experience of beauty shoppers.

2) Create a platform with user-generated content – reviews and comments about the products. Many companies value such data, therefore this can also be a part of the businesses assets.

3) The platform would be also used as an advertising channel for beauty brands and retailers, which would provide additional revenue streams.

2.5.4 Threats

1) Strong grey market players in premium beauty segment. There are many accounts, websites and retailers (both online and offline) that offer cheaper or not original products. A part of consumers, being more price sensitive when it comes to premium

products, tend to buy from non-authorised retailers and taking the sales share from authorised distributors and partners.

2) In terms of value proposition – since the website is focused on premium beauty products, it is important to avoid users' consumption as "application for discounted products" or "bargain deals" that will put off beauty retailers from any kind of cooperation. Therefore, it is very important to position the application as an convenient mobile tool to search, compare and research about the beauty product with high engagement from users (product reviews, comments).

3) Competition: existing mobile applications and websites that offer price comparison tool s as well as customer's feedback. For example, in 2016 L'Oréal partnered with a start-up platform Founders Factory (based in London) to support 5 beauty start-ups on their program. One of the start-ups is beauty company Veleza, which focuses on reviews and beauty products matching personal needs. It has approximately +60k users. The application provides reviews and real consumers photos using some particular products. Although the idea is aide the choice of a beauty product, it does not offer price comparison, which is still remains one of the main aspects while choosing a product from the high-end/premium segment. Another similar concept business is My Beauty Matches online website that select personalised beauty products and enables consumers to check the price across the main beauty retailers in the UK. However, the key focus of this website is to offer personalised products (based on their questionnaire) and help choose from a variety of different ones, but not to efficiently compare any beauty product price. Although there are many other similar competitors in the UK market, thorough analysis of competition in the UK market is provided in further chapters.

4) Rising power of Ebay, Amazon and other marketplace and technology giants. For example, amazon.co.uk is #5 in make-up related websites ranked by natural search voice share in the UK in February 2016 (Statista, 2016).

2.6 Competition in the target market

Below the author presents key competitors operating within the United Kingdom beauty industry:

COMPETITOR	STRENGTHS	WEAKNESSES
MY BEAUTY MATCHES	Offers personalisation - they have a well developed website using proprietary machine learning and artificial intelligence (AI) technology	High personalisation focus - limits the free choice for consumers
	Strength of its own developed algorithm	Online test - users have to complete the test to be able to use the platform
	Possibility to sign up for Sale Alerts (especially useful for the ones seeking for better prices)	
	Featured in popular press, which is very appealing to younger generations (Vogue, Harper Bazaar)	
	Strong key words: compare prices, personalised recommendations, biggest beauty website	
	Modern and appealing web design (presented in Appendix 1)	
VELEZA	Community of 68,000 members	No price comparison tool, although that was company's primary idea
	Partnership with one of the main pure players in the UK - feelunique.com	
	Developed mobile application	
	High user engagement: generated more than 20,000 product reviews	
PRICE RUNNER	Offers price comparison for many beauty products	Not generating reviews from users
	Quickly transfers to the website for a purchase	Does not have main beauty retailers
SKIN FLINT	Offers price comparison for many beauty products	Website design is not appealing and does not look credible
	Quickly transfers to the website for a purchase	Has limited selection for beauty products, many old stock products
		Poor quality search mechanism. Often transfers to uncertified retailers
FRAGRANCES COMPARED	Wide selection of top fragrances brands	Some sections are not running appropriately
	Convenient search engine	Content (pictures, descriptions) are low quality

Figure 13. The figure presents key competitors within the market. Source: Author's own, 2018.

Primary competitors. Beautyfind direct competitors, companies that are targeting the same audience or have a similar product — or both (Ferenzi, 2018):

1) **My Beauty Matches (www.mybeautymatches.com)**

Strengths:

- Offers personalisation – they have a well developed website using proprietary machine learning and artificial intelligence (AI) technology (useful for customers who need guidance and seek for help while choosing beauty products);

- Strength of its algorithm - many beauty brands and online retailers have approached My Beauty Matches to tap into the Beauty Matching Engine technology for the purpose of increasing their own conversion rates (Chowdhry, 2017);

- Possible to create personal account, sign up for Sale Alerts (especially useful for those on a budget);

- Featured in popular press, which is very appealing to younger generations (Vogue, Harperz Bazaar);

- Modern and appealing web design (presented in Appendix 1);

- Strong key words: compare prices, personalised recommendations, biggest beauty site.

Weaknesses:

- High personalisation focus - limits the choice for those consumers who want to research and explore more beauty products and this is very important for

smart consumers - a user has to complete an online test, then My Beauty Matches tailors and offers personalised products and only then a user can select one of the three given matches to compare prices and shop from the preferred retailer;

- Online test - visitors have to complete the test in order to even check a small number of products chosen, however researching for products online it may be be too much time consuming.

My Beauty Matches is the main competitor of Beautyfind operating within the United Kingdom. Their unique selling point (USP) is that it offers consumers personalised beauty products recommendations, which also aids brands and retailers increase their conversion rates. However, My Beauty Matches focuses more towards personalisation rather than offering a simple price comparison engine tool, which is the main focus and unique value of Beautyfind.

2) **Veleza (www.veleza.com)**

Strengths:

- Built a community of 68,000 members (Baldwin, 2018);

- Generated 20,000 product reviews with over 100,000 images created by its members - offers valued real consumers' generated reviews (Baldwin, 2018);

- Investment from L'Oréal company: the partnership, part of a joint venture between L'Oréal and start-up platform Founders Factory (includes both financial funding and mentoring) (Agnew, 2017).

- Partnership with one of the main beauty pure players in the United Kingdom www.feelunique.com to provide its customers with beauty product reviews from Veleza's community (Baldwin, 2018);

- Have both the website and the mobile application.

Weaknesses:

- Although in 2017 Veleza tried to install price comparison feature, as of today they do not offer a price comparison tool anymore. The author contacted the company in order to receive some information purely for dissertation purposes but they provided their online business generic overview, available in Appendix 2.

3) Price runner (www.pricerunner.co.uk)

Strengths:

- Offers price comparison for many beauty products from different retailers;
- Quickly transfers to retailers'/brands' website for s purchase;

Weaknesses:

- In the reviews section there are very little reviews, comments or engagement from users;
- Does not have all main beauty retailers (for example, while searching for some products there were no prices available from www.feelunique.com, which is one of the leading online pure players in the beauty market within the United Kingdom).

4) Skin Flint (www.skinflint.co.uk)

Strengths:

- Offers price comparison for many beauty products from different retailers;
- Quickly transfers to retailers'/brands' website for purchase;

Weaknesses:

- Website design is quite dated and does not look trustworthy;

- The website offers a limited selection of beauty products;

- Poor quality search mechanism;

- Quite often transfers to Amazon, as oppose to certified retailers;

- Has a large amount of old stock products.

5) Fragrances compared (www.fragrancescompared.co.uk)

Strengths:

- Contains a good selection of top fragrances brands;

- Has convenient filters to ease the search;

Weaknesses:

- The section 'Discount Codes' is not running or does not show any codes;

- The majority of product pictures are very low quality, therefore this lowers product credibility as well;

- Shows results mainly from www.allbeauty.com, does not have any leading online retailers, such as www.lookfantastic.com or www.feelunique.com;

- Limited only to fragrances.

Secondary competitors. Competitors that offer a high- or low-end version of the product, or sell something similar to a completely different audience (Ferenzi, 2018).

1) Search on Google (www.google.com)

To some extent, Google provides price comparison of entered beauty products in Google search, however it is not primarily used as price comparison tool for the beauty products.

Overall, the fact that there are similar websites available and some significant investments by multinational companies done shows a positive interest in this field. However, none of the websites provide a full spectrum of services that Beautyfind is set to offer its customers which makes it different from others existing in the market. What is more, a high proportion of the websites do not look credible enough or do not have strong branding and visual appeal. Therefore, Beautyfind has a strong potential to introduce the product that would bring new, additional value to online beauty shoppers.

2.7 Competitive analysis

Competitive analysis is a useful tool for deciding whether, when, and how to introduce a new product in a market as well as to evaluate whether or not a company's strengths outweigh their weaknesses in the operating market (Shankar, 2010).

Consequently, the main sustainable competitive advantages of Beautyfind are summarised and presented below:

- **An efficient and quick price comparison tool for shopping for beauty products.** The most important fact is that there is no similar website in the United Kingdom market at present, particularly with the focus on beauty products. The competitor websites mentioned previously still do not offer as much as Beautyfind will be set to offer its consumer;

- **A price comparison mechanism across United Kingdom based beauty retailers.** Some websites occasionally transfer to German or American websites which operate in different currency and have higher shipping costs;

- **Great exposure and access to different brands and websites.** Serves as a tool to find new products, browse best-sellers, avoid buying low rating products;

- **Community focused.** Ability to interact with an online community (leaving reviews and ratings about products to discuss with other platform users).

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This evaluation of Beautyfind website's competitiveness leads to a clear Unique Selling Proposition (USP), which is presented below:

1) Quick and easy price comparison tool;

2) Credibility and safety of use;

3) Community;

4) Product reviews and ratings.

Additionally, Value Proposition Canvas, which is available from www.strategyzer.com, is presented in Appendix 3.

2.8 Problem – solution fit

In the context of earlier presented beauty market research, findings, problems, competition and competitive analysis, below is the summary of identified problems within the beauty market and as a reflection provides the problem-solution fit. The identified problems in the industry and proposed solution to tackle them for consumers to create a market opportunity in terms of providing a new service within the industry. Therefore, the figure below highlights three main consumer problems/difficulties in the industry from a consumer perspective and how Beautyfind will aim to respond to them:

PROBLEM		SOLUTION	
COMPLEXITY	Saturated beauty market in the UK	INFORMATIVE WEBSITE WITH A FOCUS ON BEAUTY	The website will serve as a guidance for shopping both online and in-store. Customers' ratings and feedback, new products and best sellers reviews
PRICE VARIATIONS	Different prices and promotions across retailers for the same product	PRICE COMPARISON TOOL	The website will enable to compare prices across different e-commerce platforms
LACK OF COMPARISON	There is none 'top of mind' website or mobile app for beauty products prices	GREAT USER EXPERIENCE UX	Website with a high quality UX and responsive design, convenient to browse both on mobile or on desktop

Figure 14. The figure presents Beautyfind's problem - solution fit. Source: author's own.

Therefore, main three problems identified during the research are: complexity in the beauty market, price variations among retailers and lack of available comparison tools and sources. Consequently, in the context of global growth and rapidly accelerating online sales in cosmetics category there is a strong business opportunity within the sector.

Chapter 3

Product development

This chapter presents overall implications for the commercialisation of the business. It also identifies platform's key features and presents the overview of the product development to date.

3.1 Development phases overview

The platform, which is the main element within the product development, brings together end users (target audience) and producers (online e-stores) to facilitate the transaction with one-another. Usually such platforms enable companies to share information with end users to enhance the collaboration between the parties. This way, the platform's ecosystem connects two or more sides, creating a powerful network effects, which increases the value as more members participate (more active end users) (Hintermann, Morvan and Vazirani, 2016). Therefore, below is presented product development (the website/platform) phases' brief overview, highlighting the key aspects of the development process.

The development of a price comparison website engine consists of two main phases – strategic and technical development. In order to present the whole development in more details, both phases are explained below.

Phase 1. Strategic side:

- Monetisation strategy – to understand and decide how best to make a profit from the website in terms of how much to charge (commissions), when to charge and

explain all of the different ways of generating revenue from an online business. Consequently, this will help to scan other opportunities within the business.

- Functionality specification and website brief –to formulate a detailed website brief outlining the website's purpose, target audience, USPs, objectives etc.

- Marketing plan - to launch and promote the website, to set a marketing strategy, including search engine optimisation (SEO), pay-per-click, social media, e-newsletters, advertising, printed materials, direct mail (CRM strategy), re-marketing activities etc.

Phase 2 – technical side:

- Technical scoping - to scope out the technical requirements and data plan for the database. To highlight potential technical challenges or errors to avoid.

- Branding - once the brand name is finalised and confirmed, to produce a range of bespoke logo designs to meet the specific vision and client's brief. Then to develope chosen design to completion and create brand guidelines to ensure consistency across all of your communications.

- Web design and prototype – to create sitemaps, wireframes, then bespoke web designs and finalise the layout, branding, navigation, graphical styling and site structure.

However, before starting the product development, it is important to evaluate the concept of the nature of the business and choose the most suitable and efficient for the start of the business. Therefore, next 'Concept validation' section presents the reader with more insights about the market and possible route of market entry.

3.2 Concept validation

Concept validation is a highly important step prior to the product development stage as it helps to find if there is any actual potential and demand for it the new proposed product. The main pointers of commercial strength of the idea are to identify a problem within the target market (along with in-depth target market research), identify the target buyer (target audience) of the product/service and analyse whether the business idea will solve target buyer problem (problem-solution fit).

3.2.1 Product demand and potential

Therefore, the author presents a concept validation overview, which is based on the overall the demand for a product and covers the main six criteria below:

1) **Changing consumer behaviour.** Changes in consumer behaviour towards shopping for beauty products were covered in 'Subject' section, chapter '2.4 Consumer behaviour towards beauty products'. Additionally, further to validate the fact of changing consumer behaviour, some of the leading beauty industry entrepreneurs who attended the 'WWD Beauty Summit' have all come to the unanimous conclusion that changes in the industry are being driven both by consumers' varying tastes and habits as well as by technology (Kestenbaum, 2017).

2) **Global growth of the beauty market.**

3) **Global growth of premium sector.** The Beautyfind main focus is to serve as a convenient and efficient tool for premium beauty shoppers. Therefore, it is important to validate the idea of focusing solely on the premium segment, discounting the mass market. Therefore, according to Nielsen Insights (Nielsen Insights, 2016), global sales of products in the 'premium' tier (defined as products that cost at least 20% more than average price for the category) are

growing at a rapid pace. In fact, the growth of the premium sector in many markets is outpacing total growth for many fast-moving consumer goods (FMCG)/ mass market categories. Research has shown that when it comes to buying premium products, less than one-third of global respondents (31%) say they consider a product to be premium because it is expensive (Figure 15) —a clear warning to companies to focus on a very clear value proposition to support the change. Rather, respondents define premium products by exceptional quality and performance, they seek to find products that would deliver superior function or performance and tend to see the purchase as an investment (Nielsen Insights, 2016).
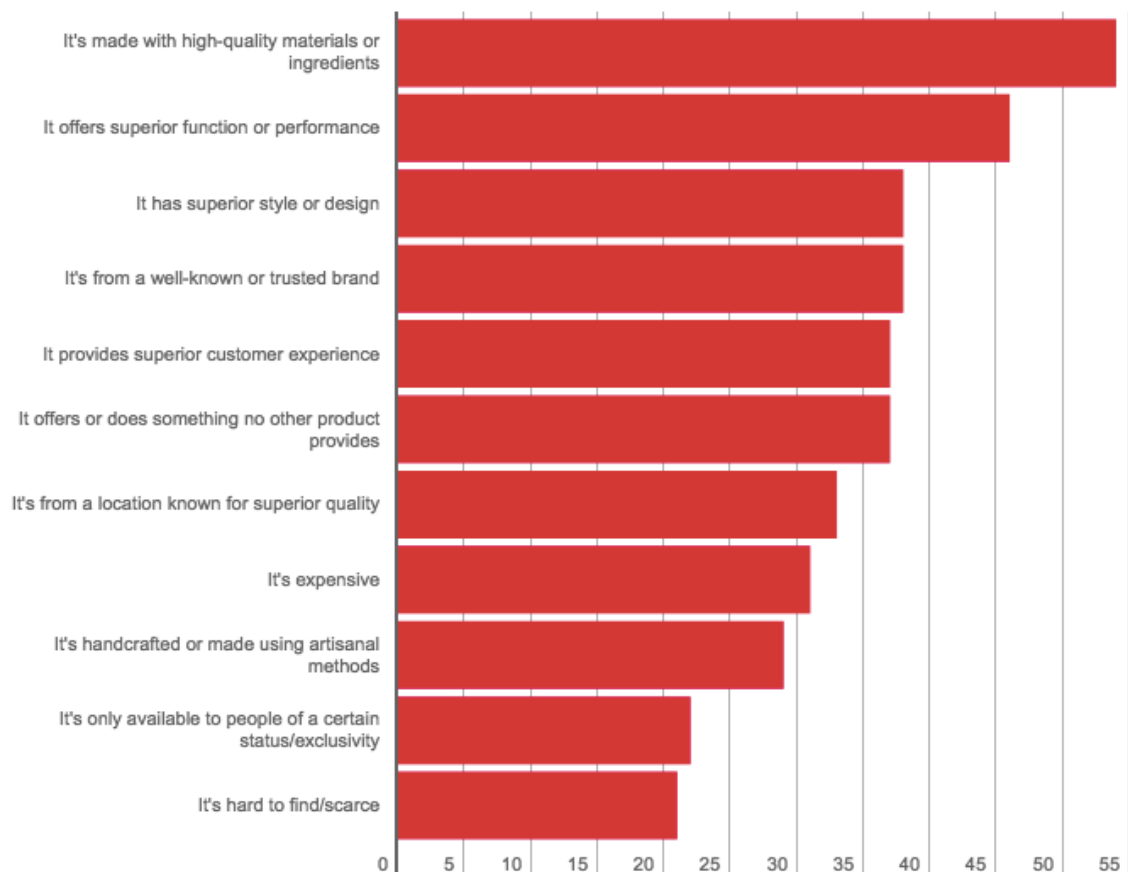
Figure 15. The figure shows the percentage of people who say attribute is what makes a product 'premium'. Source: The Nielsen Global Premiumisation Survey, Q1 2016.

Additionally, another Nielsen Insights report 'Categories with promising premium potential' (Nielsen Insights, 2017), noted that personal care and beauty categories have strong potential, since more than a quarter of global respondents say they will consider buying premium beauty products, and an analysis of sales data in several markets affirms the potential.

4) **Similar products and concept success.** For an in depth similar products (competition) analysis, please refer to SWOT analysis section 'Threats', which is covered in chapter '2.3.4 Threats' and chapter '2.4 Competition in the target market'.

5) **Rise of mobile applications.** The rise of mobile phone engagement and mobile applications' use. Additionally, according to Karin Tracy (Head of Industry, Beauty/Fashion/Luxury/Retail at Facebook), the phone has become one joined with the real world where offline and online are merging together. Therefore, the consumer has become the channel. Brands tell their story on social media/online and it is in the power of consumers to engage with it and share with others (Kestenbaum, 2017).

6) **Brand loyalty and changing shopping patterns.** Regarding the patterns of brand purchasing within a certain product category, complete loyalty is rare: most cosmetics consumers buy several brands in the course of a three-month period. In addition to multi-brand purchasing, most cosmetics consumers go to several stores even to obtain the same brand (Foxall, 2001). Therefore, consumers seek for the best options and are less brand loyal than, for example, a decade ago. Also, since the supply is higher than the total consumption, market saturation brings additional challenges in terms of brand loyalty. Consequently, Beautyfind focuses on providing the consumers the best offers and deals without

attachment to certain brands or offline/online stores, which is to serve consumers' needs at the highest convenience.

3.2.2 Mobile application versus website

In terms of product development, it is important to decide whether entry to the market with a price comparison website or price comparison mobile application. Currently, established online businesses maintain both websites and mobile applications, however for a startup it is important to develop and establish one channel first due to high risk associated with entering the market, the high costs of product development and being the new business, it is very likely to face many changes and improvements throughout the operating process. Consequently, the author has explored both options and presents product comparison based on the key features of the website and mobile application separately.

Firstly, it is important to highlight the main features of a website and mobile application separately, the main features of the website are presented below:

1) First, many companies have responsive websites in order to make their information, products or services available on various devices since it is especially crucial at the beginning of a product life cycle when looking for acquiring new customers (Think mobiles, 2018 and Upwork, 2018). Since the website does not require downloading or installation, it is much more successful in attracting and engaging with the new customers. However, it is important to note that while creating a website the main focus has to be on user experience and the design of the website, therefore only a responsive website will attract new users and deliver good traffic. Responsive (or mobile) website design

allows website's content to fit into any type of screen and while a usual website is built for viewing on a desktop, responsive mobile design is specially designed to appear on smaller screens like mobile phones (Think mobiles, 2018 and Upwork, 2018).

2) The website is much easier in terms of updating, supporting and bug fixing. It does not require the user to ha install the new version every time after a certain bug fix or an update. This fact is highly important for the new businesses, since in the beginning it is very likely that the website will be continuously improved and fixed. Additionally, it is not only easier to update the website but also cheaper (Think mobiles, 2018 and and Upwork, 2018).

3) Finally, the mobile website development is less expensive. Not only the overall development of the product is less expensive but also it does not require the creation of multiple versions of the same application for each operating system (for example, Android or iOS). The website option also offers lower maintenance costs and enables the business owners to analyse the traffic and advertise online easier, especially in terms of working on Search Engine Optimisation (SEO) (Think mobiles, 2018 and and Upwork, 2018).

On the contrary, the main features of the mobile application are presented below, to give the reader a general understanding before concluding to the authors' choice validation:

1) The mobile application delivers the user a unique user experience. The well-designed application gives the user all of the opportunities to perform or make some action just in few taps or scrolls. Also, mobile applications tend to be more resistant to the variety of screen sizes, therefore, design for the mobile

application is more user-friendly as it is done so for a specific platform (Think mobiles, 2018 and and Upwork, 2018).

2) Mobile applications work better with hardware sensors like microphones, cameras, GPS, etc. Therefore, it can serve as valuable tool in terms of identifying user's geolocation and offer better suited solutions for the user (Think mobiles, 2018 and and Upwork, 2018).

3) Focusing on special features and functions. Mobile applications enables the creation of more efficient functions of the platform, especially knowing the fact that consumers spend a lot of time online on mobile phones (Think mobiles, 2018 and and Upwork, 2018).

Therefore, to summarise the comparison, the author highlights the key points below (Think mobiles, 2018 and Upwork, 2018):

1) A responsive design website is equally displayed in all browsers, despite the device model while mobile applications requires the development of several applications for various platforms.

2) A responsive design website does not require the download and installation unlike the mobile application.

3) Website maintenance is less complicated – it is easier to update, maintain and fix bugs whilst mobile applications are difficult to update and monitor after they are downloaded. Additionally, application bugs can be fixed only in the next version. However, there is quite a high risk for a new business since many of users might not download an update and stop using the application if it was not efficient enough.

4) Finally, it is not strategically correct to develop a mobile application firstly while not having at least simple website.

To conclude, both options have their advantages and disadvantages. However, website development is as a safer and a more financially viable option to enter the market. Operating in the beauty market, it is important to create and deliver high quality and engaging content which would bring awareness and would enable the business/developer to work on and improve website's SEO, which will serve as the main traffic source in the long run.

3.3 Development methodology

In regards to platform development, the choice to build an online platform with external suppliers was based on the fact that it is easier and cheaper to cooperate with external agency rather than recruit an in-house team for the platform's development and maintenance. Therefore, the author sent enquiries to a number of different agencies based in the United Kingdom specialising in price comparison website development. The agency selection for potential future cooperation was based on the agency's information provided, the scope of the project development ability, clarity of communication with the client (author) and price. Appendix 4 presents the comparison of the main enquiries sent to the various web design and development agencies based in the United Kingdom, which aids the evaluation of the options and confirms the preference of SOZO agency for the cooperation on the project.

3.3.1 Minimum viable product

Customer value determines how products and services succeed in the marketplace. Early assessment of customer value is equally important for startups and for new product development within existing companies. As for a technology-run startup, software technology often defines the main competitive advantage of the company

(Münch *et al.*, 2013). Since any company launching a new product or a startup operates around a vision that its product will solve the problems of their target customers, founders often expect that their product will deliver an unprecedented return on their investment (Moogk, 2012). However, it is essential to validate its value as soon as possible and in order to do so, the company has to demonstrate the value it brings to the users - to create a minimum viable product (MVP). It is a process of idea generation, prototyping, presentation, data collection, analysis and learning (Lenarduzzi and Taibi, 2016). Therefore, once the MVP is created, it then needs to generate value-related feedback from real customers which is needed during further software development and maintenance, and decision-making should be increasingly based on the evidence acquired through the generated feedback (Münch *et al.*, 2013).

During the first development processes and launch of the price comparison website, the focus will be only on one beauty category (decorative cosmetics) due to the difficulty of the project scope and capacity as well as financial ability (all types of cosmetic products are presented in Figure 16). Makeup was chosen as the most dynamic and driven category - as seen in Figure 17, make-up has become the fastest growing category boosted by digital activation whilst skin care sales have dropped dramatically (Deloitte, 2017).

Also, in terms of community building and engagement, social media (mainly Instagram) will be used, since this channel performs in the target market best. As an absolute minimum for the first version of Beautyfind (MVP) key elements presented below:

- Call-to-action (CTA) buttons up on the home page;
- Advanced payment method and seamless checkout (one-click methods like Apple Pay or PayPal should be an option as well as bank payment);

- A visible 'Search' feature in the header;

- A visible 'Singup' box in the footer;

- Social media icons in the footer;

- The company's logo in top left or in the middle of the screen as per standard;

- A visible 'Contact' form;

- Security features (privacy policy, using a firewall, SSL certificate to establish security between the user and the platform);

- Responsive design;

- A mobile-friendly website.

TYPES OF COSMETICS

DECORATIVE COSMETICS	PERFUME	SKIN CARE	HAIR CARE	BODY CARE	SUN CARE	ORAL CARE
FOUNDATION	PERFUMES	SERUMS	SHAMPOOS	OILS	CREAMS	TOOTHPASTES
LIPSTICKS & GLOSSES	SCENTED OILS	EXFOLIATORS	LOTIONS	SOAPS	LOTIONS	MOUTHWASHES
LIP & EYE LINERS	AFFTER-SHAVE	TONERS	HAIR COLOURANTS	SCRUBS	OILS	FLOSSES
BLUSHES	SALVES	CLEANSING LOTIONS	MOUSSES	BODY LOTIONS	GELS	
MASCARAS		MOISTURISERS	TEXTURISERS	SHOWER GELS	SPRAYS	
EYE-SHADOWS		EYE CREAMS	SERUMS	BODY WASHERS		
POWDERS		FACIAL MASKS	CONDITIONERS	ANTIPERSPIRENTS		
NAIL VARNISHES		SHAVING CREAMS	ANTI-DANDRUFF SHAMPOO			
		HYDRATING & ANTI AGING CREAMS				

Figure 16. The figure presents types of cosmetics by category and sub-category.

Source: Cosmetics Europe, 2017.
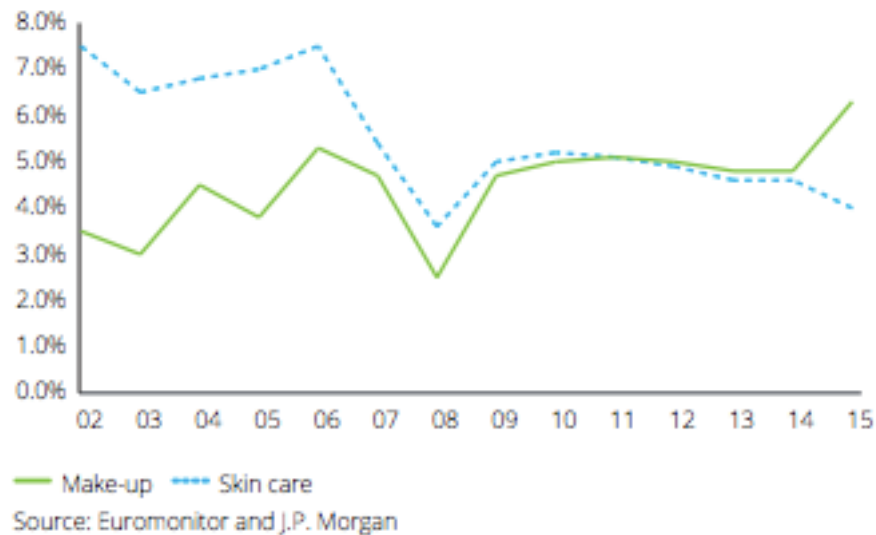
Figure 17. The figure presents that make-up is the industry growth driver. Source: 'Shades for success Influence in the beauty market', Deloitte, 2017.

3.3.2 An industry standard product

There are a number of aspects that any e-commerce website should contain. Since Beautyfind is an e-commerce platform, these standard elements listed below are obligatory to implement. Elements listed below will be used in addition to the previous elements presented in the MVP part (Launchmetrics, 2018):

- Subscribe and Save and wish lists – delivers additional perception of value while also saving time;

- Free and fast shipping to complete the path to purchase and seal the deal;

- User-generated reviews and ratings;

- Special offers (possibly partnerships with beauty brands and retailers);

- A welcome newsletter with a call to action (CTA) offer or promotion is expected;

- Frequently asked questions (FAQ);

- 24/7 online customer service.

3.3.3 Price comparison website standard product

When it comes to price comparison websites, an industry standard product must contain these other additional elements (along with the attributes previously listed above) in order to be positively approached by users and potential customers:

1) A wide range of products available and sold in the industry (if it is beauty, then all categories of beauty products, such as decorative cosmetics, fragrances and body care);

2) All main retailers within the operating region, in order to provide a reliable source of information and compare prices across many different retailers within the market;

3) Seamless and quick re-direction to a retailer.

However, the author notes again that regarding the development of the Beautyfind platform, in the short-term strategy the platform will offer a price comparison for decorative cosmetics only, whilst in long-term goal for the website is to be capable of searching for all types of cosmetics products.

3.4 Concept-product evolution

Below is the flow chart of the Beautyfind concept to product evolution where author explains the whole process from the business idea generation to its commercialisation strategy and the launch of the platform.
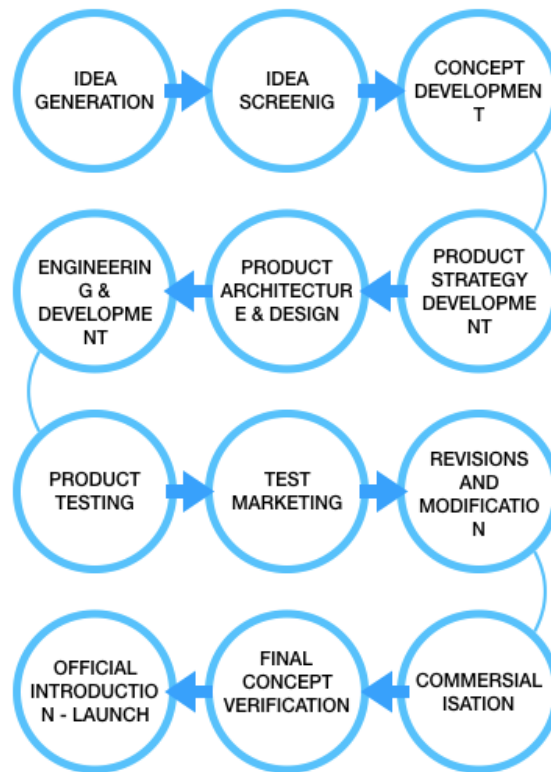
Figure 18. Beautyfind product development and evolution. Source: Author's own.

The 'Idea Generation', 'Idea Screening' and the whole 'Concept Development' stages are reflected in the Subject part of the paper as well as in Enterprise part Chapter 1 and Chapter 2 where the author conducts the extensive research behind the business idea creation. From the 'Product Strategy Development' stage to 'Revisions and Modifications' stages are covered in Chapter 3 as well as (at some extent) in Chapter 4 (it is more hands-on process which will be active during the actual product development stage). Finally, Chapter 4 is dedicated to 'Commercialisation' stage, which then concludes to the 'Final Concept Verification' and 'Official Launch' stages.

Therefore, Figure 18 serves as an explanatory guidance to understand the strategy behind the Beautyfind creation process.

3.4.1 Development process

Website/platform development involves these key steps:

1) **Branding.** Branding is a key element in Beautyfind since the website is targeted at female millennials who tend to evaluate the website based on the branding. Therefore, below is presented the mood board/branding concept for Beautyfind to present a brief vision of the branding:
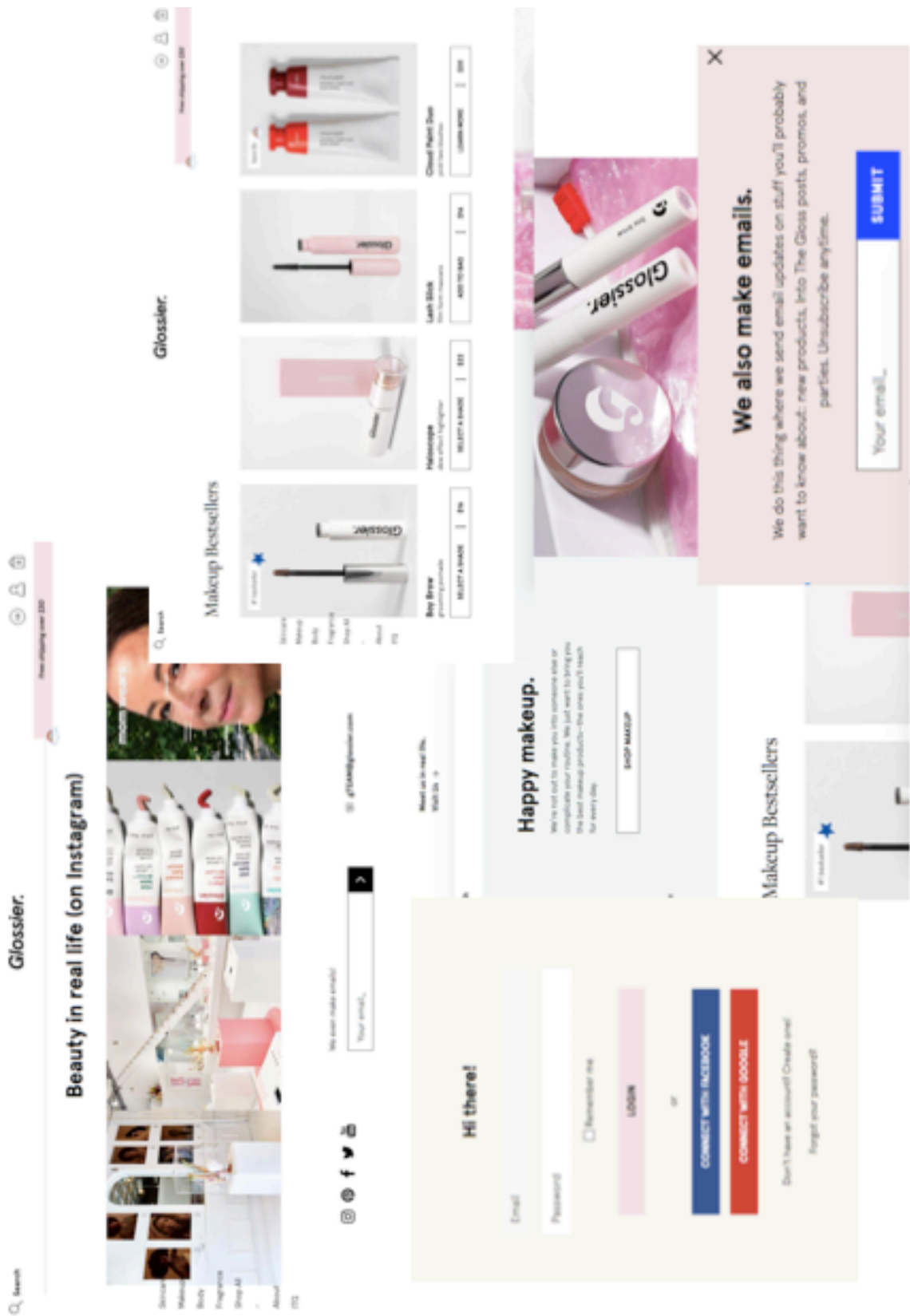
Figure 19. The figure presents the mood board/branding concept for Beautyfind.

Source: author's own, adapted from www.glossier.com.

2) **Web design.** Web design is another important element in brand positioning. Not only does it has to be modern and appeal to target audience but also deliver high functionality and adapt to different screens (responsive design);

3) **Technical scoping and programming.** The technical part of website development to be able to run the mechanism;

4) **Database build.** Collecting, storing and maintaining its own database of unique users for commercial purposes;

5) **API integrations with 3rd parties.** This is an important element to run the comparison search engine;

6) **Data scraping.** To acquire information, such as price and promotion, from online beauty e-commerce platforms. This is another important element to run the comparison search engine;

7) **Comparison engine installation.** This involves integration into the website and testing;

8) **Search engine optimisation (SEO).** SEO strategy and implementation in order to reach the audience through the organic search;

9) **Hosting, support and maintenance**. In order to run the website smoothly;

10) **Project management.** Help from an external team to aid with the website creation.

Once the key development steps within the whole development process are completed, a clear design prototype will be available to run for a test.

3.4.2 IT infrastructure

Another important part of the development process is the whole Information Technology (IT) infrastructure of the platform. IT infrastructure is the set of

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components that play an important part in the overall IT operation of a business. Infrastructure runs the applications, that processes transactions, handles the customer data and supports the analytical tools that help executives and managers make and communicate the decisions shaping complex organisations.

There are seven main IT infrastructure components, presented below:

1) Computer hardware platforms;

2) Operating systems platforms;

3) Enterprise software applications;

4) Networking/telecommunications platforms;

5) Consulting and system integrations and storage services;

6) Data management and storage services;

7) Internet platforms.
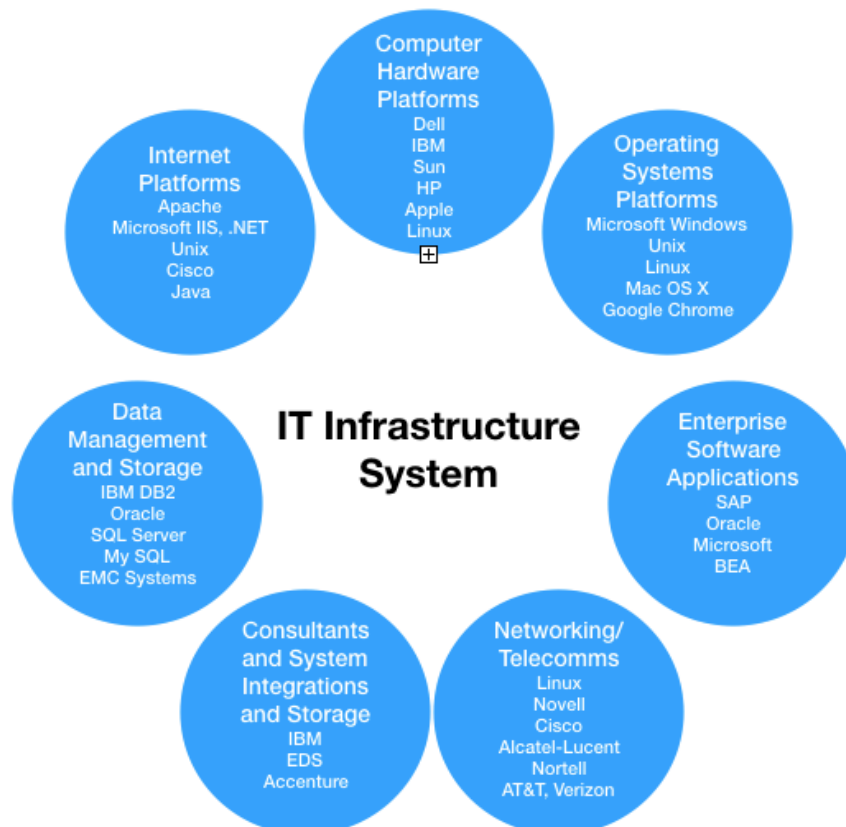
Figure 20. The figure presents the main IT Infrastructure components. Source: Laudon and Laudon, (2000).

In technology-enabled business, a firm's capability of providing a value-creating service to its customers, suppliers, and employees are a direct function of its IT infrastructure. Therefore, the IT infrastructure of Beautyfind is one of the main valuable assets of the business (Laudon and Laudon, 2000). To elaborate more on the connection between the enterprise, its IT infrastructure and its direct impact on business capabilities, Figure 21 presents the perspective that clearly defines the connection between each aspect as well as the business value provided by the technology. Consequently, successfully aligned business and IT strategies enable the production of value proposition to its target users and customers. Since the Beautyfind platform will firstly be built with an external web agency, the business will consult with the agency on all aspects of the platform development and maintenance. Agency (providers) will play an important role during the first infrastructure development process since their professional skill set, technological assets and experience in building price comparison websites will be highly advantageous whist building a new product.
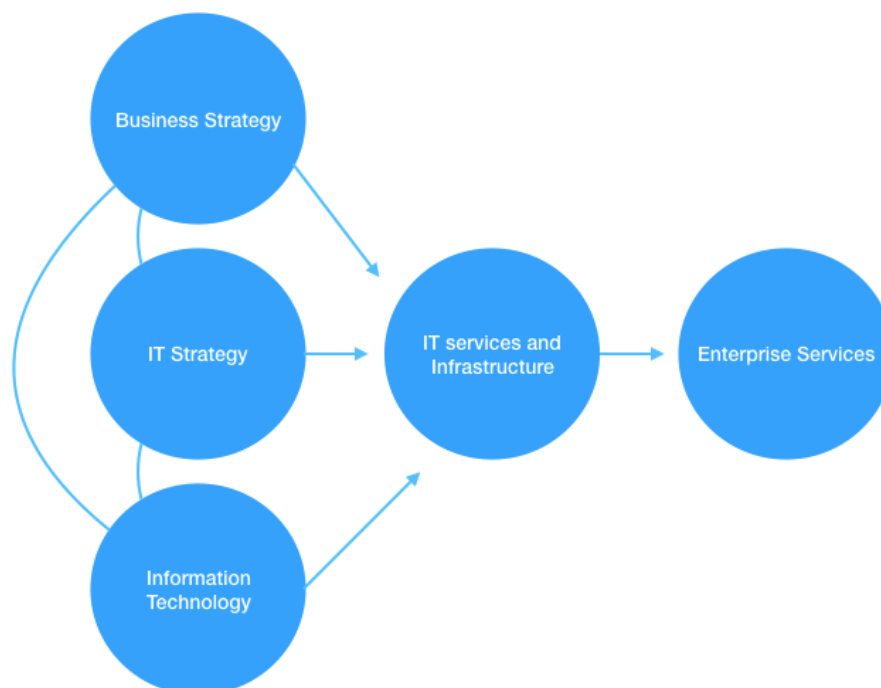
Figure 21. The figure presents the connection between the firm, IT infrastructure, and business capabilities. Source: Laudon and Laudon, (2000).

Overall, it is important to note that IT infrastructure is a valuable asset for a technology-enabled company and it is highly important to deliver a clear business strategy and unique value proposition in order to build a valuable platform based on an efficient IT infrastructure.

3.5 Stakeholder's analysis

Early stakeholder analysis increases the chances of a project or venture success through informing its design, preparation and implementation. It also helps for assessing the influence and resources they bring to bear on decision-making or implementation processes (Schmeer, 2000). Therefore, stakeholder analysis is another important element within the business startup process.

There are two types of stakeholders – internal and external (Gundlach, 2017). As presented in Figure 22, internal stakeholders are the company's employees, mangers and company's owner(s). External stakeholders are the company's suppliers, the society, company's customers, creditors, shareholders and the government.
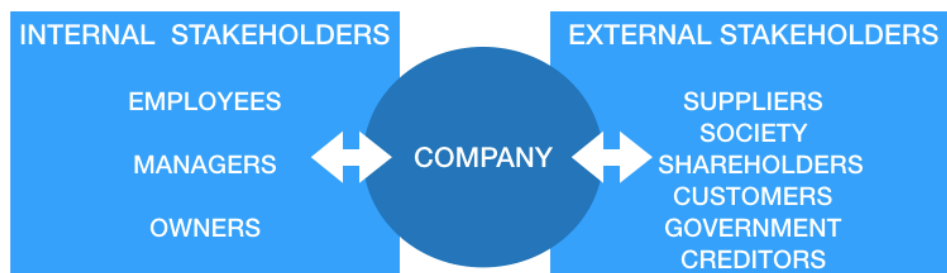
Figure 22. The figure presents the generic model of internal and external stakeholders. Source: Gundlach, 2017.

As for Beautyfind's stakeholder analysis, the key overview is presented below:

- Internal stakeholders:

  1. Employees (the team, including managers);

  2. Founder of the company (owner).

- External stakeholders:

  1. Web development and maintenance agency;

  2. Platform users and customers;

  3. External partners, such as influencers;

  4. Beauty brands and retailers operating in the UK;

  5. Potential shareholders (due to investments/funding);

  6. Society, who are the actual potential users;

  7. The government.

Additionally, in order to understand the power of each stakeholder, the 'Power and Interest Matrix' is shown below, which is applied for the Beautyfind case:
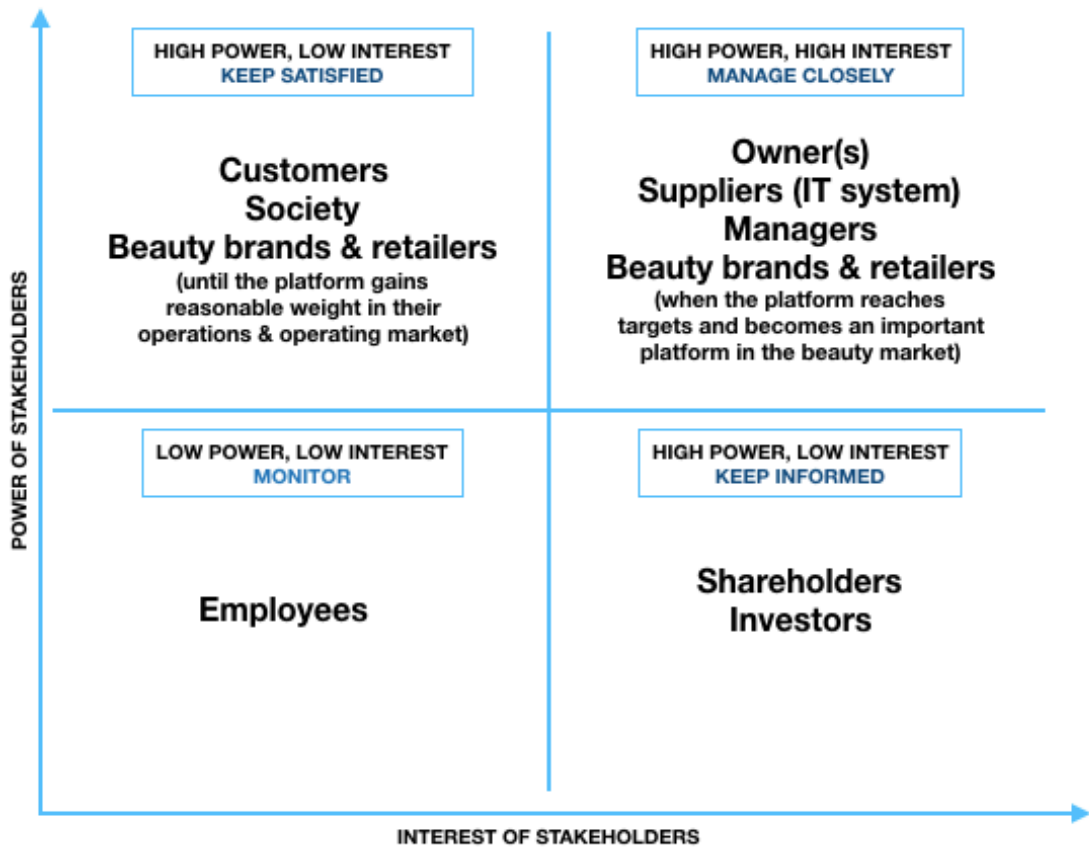
Figure 23. Power and interest matrix for stakeholder prioritisation. Source: Thompson, 2018.

Chapter 4

4. Commercialisation

During the past two decades there has been a dramatic increase in investment in technology enterprises, especially among start-up firms that were developing and working on technology with significant potential for commercialisation. Due to the small size of the company, start-ups usually have little experience in the market and do not have enough of other resources for the market entry. For such ventures, a key management challenge is how to translate technology into a profitable business – to implement correct strategies for commercialisation (Gans and Stern, 2003)**.**

Consequently, the following commercialisation section presents the proposed business model for the venture identifying the key resources (finance, people, equipment etc.) required for the creature of the new venture and how they could be obtained. It also identifies when the venture could start trading with a development plan detailing key milestones and the business strategy to be adopted over the next three years.

4.1 Business model canvas

Osterwalder's (2016) Business Model Canvas have been used in order to present a clear Beautyfind business structure and the key areas of the business. Therefore, the analysis starts with Beautyfind value proposition in order to explain what values the business aims to deliver to its future users.

4.1.1 Value Proposition

Value Propositions

1. Efficient and quick price comparison online platform
2. Source of information about the beauty products, offers and discounts
3. Real consumer generated reviews and ratings
4. Great UX experience and appealing branding
5. Exposure to variety of different beauty products
6. Great source of information in terms of user generated content

Being a relatively expensive product category in high-end and premium beauty segments, consumers are cautious of the prices and offers, even if they purchase only premium beauty products, being smart-buyers consumers want to know where they can purchase for the best possible price and offer. Therefore, Beautyfind's value proposition is to enable a consumer to find the best price/offer for a product that a user is interested to purchase. Also, another important value is that the platform will provide a source of information about beauty products delivering users valuable content and insights. Finally, the platform will focus on generating real consumer reviews and ratings that will serve as a valuable source of information.

To continue, Beautyfind is set to deliver its value proposition to its target consumer groups that are set in accordance to the business strategy and business target audience to receive highest entrepreneurial returns.

4.1.2 Customer segments

Customer Segments

1. Generation Z
(born between 1995-2010)
2. Millennials
(born between 1980-2000)

Digitally savvy, early adopter;
Interested in beauty, fashion, lifestyle, innovation and technologies;
Social media friendly;
Looks up to media influencers;
Shops online
or at least browses on e-commerce platforms;
Perceives one self as a smart

Customer segments are groups of people (or organisations) that a company wants to target (Stringfellow, 2018). Therefore, customer segmentation is a crucial element in the marketing strategy. Its aim is to identify and delineate market segments and consumers who are target consumers of

a company. Therefore, the market can be subdivided by geographic, demographic, psychographic or behavioural variables (Wind and Bell, 2007). Since it is important to define the company's target customer, market segmentation helps to process it since the goal of market segmentation is to separate the general market into categories, which can then be targeted and marketed to most effectively (Sharma, Sharma and Sharma, 2015). Therefore, target primary customers are as follows:

1. Geographic segmentation. Grouping consumers based on geographical boundaries. Beautyfind's target consumers are based in the United Kingdom since Beautyfind will focus on retailers and beauty brands that operate within the United Kingdom.

2. Demographics. Grouping consumers based on their personal attributes, such as age, gender, nationality, education and etc. The target audience is female millennials (born between 1980 and 2000) and Generation Z (born between 1995 an 2010) of any income or social class. As Figure 24 presents, these two generations are the main make-up/beauty consumers.
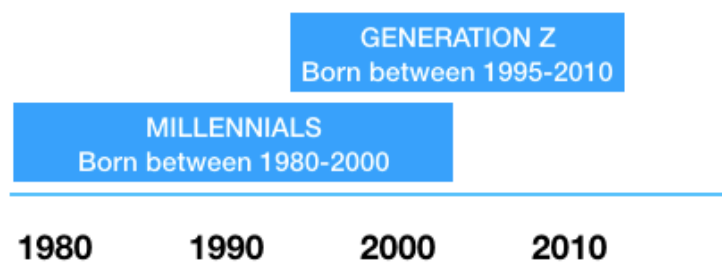
Figure 24: The figure presents that millennials and generation Z are the key make-up consumers. Source: L'Oréal Finance, 2016.

3. Psychographics. Grouping customers according to their lifestyles, for example, hobbies, personality, values, interests. Beautyfind's target is millennial and Generation Z females, who are interested in beauty, are digitally competent and are active users of social media. They value good quality products and are keen to explore and try new ones. They are interested in healthy lifestyle choices and refer their beauty routine as a part of it.

4. Behavioural. Grouping customers based on their behaviour toward products and services. For example, brand loyalty, benefits sought, readiness to buy. Beautyfind's target consumers are familiar with online shopping and describe themselves as *smart* shoppers, the ones who do their research about the products, compare prices online (even when they are in retail store), read reviews and feedback of other customers as well as those consumers who tend to follow influencers' recommendations.

For a more precise segmentation, Beautyfind's target customer is divided into primary target and secondary target customers. Therefore, Beautyfind's customers' target groups are presented below to give an overview on target customers:

Primary target customers:

1) Beauty enthusiasts and digitally competent female millennials and Generation Z, who:

- Prefer to shop online;
- Early trends adopters;
- Make high frequency of purchase;
- Follow the latest beauty trends and have a genuine interest for beauty;

- Medium spending power – can afford premium beauty products but searches for the best price and offers;

- Have social media accounts, read/write comments;

- Tend to follow influencers for inspiration, information about beauty products.

2) Digitally competent female millennials, who:

- Are interested in innovative tools, technology;

- Tend to shop online, but not always;

- Conduct a large amount of research/read about products online;

- Have an interest (at some extent) in beauty, fashion or healthy lifestyle.

Secondary target customers:

1) Highly price sensitive customers, who:

- Are likely to use the website only to find the cheapest offer when they need to buy a certain beauty product.

However, such customers are also valued since they might adopt the Beautyfind platform and use it more frequently whilst shopping or recommending to a friend.

4.1.3 Revenue streams

Revenue Streams

1. Advertising (beauty retailers & beauty brands)
2. Commission per purchase for the leads
3. Partnerships
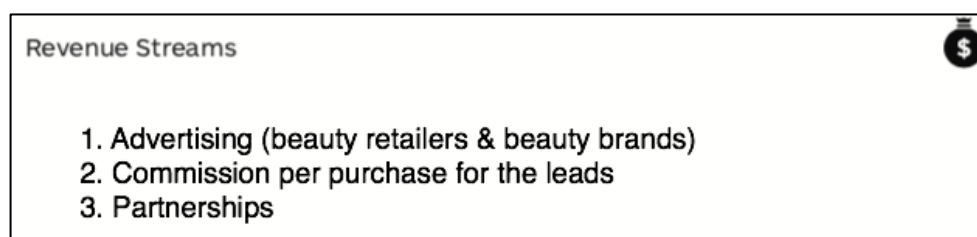
To recruit business' target customers effectively, every company needs to set its main revenue streams in order to be able to understand how to exploit them at the highest

scale. Therefore, there are different monetisation strategies, depending on the nature of the business. For example, it can be subscription fees, licensing fees or advertising (Stringfellow, 2018). Therefore, the primary Beautyfind revenue streams are based on selling the products of others (brands and retailers) by directing the users to other platforms. The website will not have any products of its own. Therefore, revenue streams will be a percentage of each product sold:

1. Commissions per purchase for the leads - most price comparison websites take the Cost Per Action (CPA) strategy to monetise the business. With CPA approach, online retailers and beauty brands selling online pay a commission on purchases that were directed from the price comparison website.

It is important to note that commissions will be low in order to build healthy relationships with beauty brands and retailers since it is important that they understand that it is useful for them as well – commissions to the platform have to be lower than their actual customer acquisition costs.

However, there are also two other highly potential revenue streams' sources, which are:

2. Online adverts placement on the website (for beauty retailers and beauty brands during their promotion period).

3. Consumers have taken the centre stage and big data has become a primary focus for many technology driven companies and their teams as it allows them to not only get to understand their target consumers' online behaviour but also to understand the products they are interested in and identify potential needs that can affect their business (Launchmetrics, 2018). Therefore, once the website delivers reasonable website traffic and generates a high number of reviews of different products, data will be used as a valuable asset for other beauty

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companies to accelerate their platform product reviews and understand beauty consumers' preferences and needs.

4.1.4 Key resources

The main resource asset of the business is the platform itself. However, to be able to implement any of the business strategies and operate the platform successfully, it is important to identify key business resources that will enable the organisation to operate and move processes further.

Therefore, the key resources are presented below:

Key intellectual resources:

1) The Beautyfind platform, which would provide a high amount of important data, in terms of consumer behaviour, consumer preferences and beauty market dynamics.

2) The whole IT infrastructure created by outsourced professionals

Key human resources:

1) Founger and CEO of the company;

2) In-house IT team to maintain the platform on a daily basis;

3) Sales and marketing manager;

4) Social media and PR manager.

Key physical resources:

Rented office space in Manchester city centre.

Key financial resources:

Early stage bootstrapped capital and first potential investments.

4.1.5 Key activities

Once key recources are identified it is important to set key activities to be able to understand the business main activities and align them with available resources. For platform-enabled online businesses (such as Beautyfind) that are nurtured by their networks, maintaining them is the key activity specific to such business model (Stringfellow, 2018).

Consequently, Beautyfind key activities include platform/website development and maintenance, by improving the user experience, adding new products and making changes to increase the conversion rate and marketing, both to customers and to affiliates.

The detailed key activities' list is presented below:

1. Driving online sales to brands' and online retailers' e-commerce platforms;

2. Partnerships (campaigns) with beauty retailers and brands to accelerate their promotions;

3. Partnerships with UK based social media influencers (this term is further explained in more detail in chapter '4.2 Customer acquisition strategy', where the author focuses on customer acquisition planning digital marketing strategy);

4. Advertising sales;

5. Building the online awareness and credibility of the brand;

6. Implementing strategies to generate customer reviews and feedback about different products on the website;

7. Growing and increasing the amount of registered users number and tracking their engagement on the platform.

4.1.6 Cost structure

Cost Structure

1. Web development and maintenance fees
2. Initial online advertising to enter the market
3. Salaries for teams: marketing, sales, IT, customer service, PR
4. Paid influencer partnerships

Beautyfind's cost structure consists of these main elements below:

1. Website development fees;

2. Website maintenance fees;

3. Initial pre-launch and launch online advertising/campaigns (social media focus: Instagram sponsored posts, Facebook sponsored posts);

4. Paid partnerships with influencers to create *digital buzz* and awareness (20 selected UK based influencers to post on their social media about the website and what it offers);

5. Salary for the freelance digital designer;

6. Salary for the sales and marketing manager (to build partnerships with brands and retailers);

7. Salary for content and social media editor (overseeing editorial and social media strategy);

Key Partners 🔗

1. Web design and development agency
2. Pure online beauty retailers operating in the UK market
3. Brick and mortar beauty retailers with existing e-commerce platform operating in the UK
4. Beauty brands available and sold in the UK
5. Social media influencers based in the UK

4.1.7 Key partners

It is crucial to maintain healthy key partnerships since they can optimise business models and help to reduce risk and acquire necessary resources for the business (Stringfellow, 2018). Since the majority of startups cannot afford to maintain in-house development at the early development stage, they tend to execute arrangements with other firms (suppliers) to reach the desirable market by effectively commercialising startup's built technology (Olesen, 1990). Consequently, such approach (outsourcing external agencies to develop the product) will be also undertaken during the Beautyfind early product development.

Therefore, Beautyfind's key partners are listed below:

1. Web design agency (website creation, development and maintenance);

2. Pure online beauty retailers operating in the United Kingdom;

3. Brick and mortar beauty retailers with existing e-commerce platform operating in the United Kingdom;

4. Beauty brands available and sold in the United Kingdom;

5. Social media influencers based in the United Kingdom.

4.1.8 Customer relationships

Customer Relationships ♥

1. CRM strategy and ongoing automated newsletters
2. Efficient & helpful customer service
3. Strong social media presence

Customer relationships are vitally important for any of the businesses in present day due to strong marketing and consumer focus. Therefore, Beautyfind target customer relationships are based and managed by these main strategies:

1. CRM strategy: targeted single-shot and ongoing newsletters;

2. Customer service strategy: efficient and helpful online customer service;

3. Social media strategy: strong social media presence- to build credibility, engagement and strong branding, which is important for the whole concept of the business.

Channels 🚚

1. Direct to consumer: The website and owned media

2. Second tier channels via partnerships with influencers

4.1.9 Channels

In the beginning of Beautyfind business cycle there will be two main direct to consumer channels: the website and its own social media account. Additionally, second tier channels will be acquired from partnership with influencers, having their social media accounts as a channel.

4.1.10 Summary

Business model analysis enables to understand the nature of the business and helps to set the business strategy and identify the key drivers of the business. The analysis also presents a company's key business elements and explains the whole structure of the business in a coherent way. Overall, it serves as a valuable and helpful analysis to both understand and present the business in one systematic framework.

Additionally, supporting business model canvas table is presented in Appendix 5.

4.2 Customer acquisition strategy

Since the cosmetics industry has experienced a radical change over the last decade, consumers have become demanding digitally competent users which have forced brands to develop customer acquisition strategies that are capable of generating brand awareness, accelerating sales and building brand loyalty and engagement (Launchmetrics, 2018).

Consequently, below is presented the AARRR (Acquisition - Activation – Retention – Revenue – Refferal) customer acquisition funnel framework introduced by Dave Mcclure.

The first metric, which is activation, means that users find a solution to their problem or need with the service/product the company provides. The second metric, which is acquisition, measures the visitors and signups (or sales) ratio. Therefore, improving acquisition channels or Search Engine Optimisation (SEO) the company is likely to improve its acquisition rates. The third step, which is retention, shows how a company's previous clients/users liked the product or service the company provides and if they return to repeat the purchase. This is a very important metric since it shows whether the user/customer was pleased with the provided solution to their problem. Revenue is also a very important metric in the customer acquisition strategy since if users transfor into paying customers efficiently. Additionally, customer acquisition cost also shows whether the company implements the right acquisition strategy, since if the costs are too high the company will not make enough profitability per client. Referral, which is the last metric in the funnel, leads to a healthy growth of the business meaning that acquired customers recommend the product or service to their circle of people (Startitup, 2018).
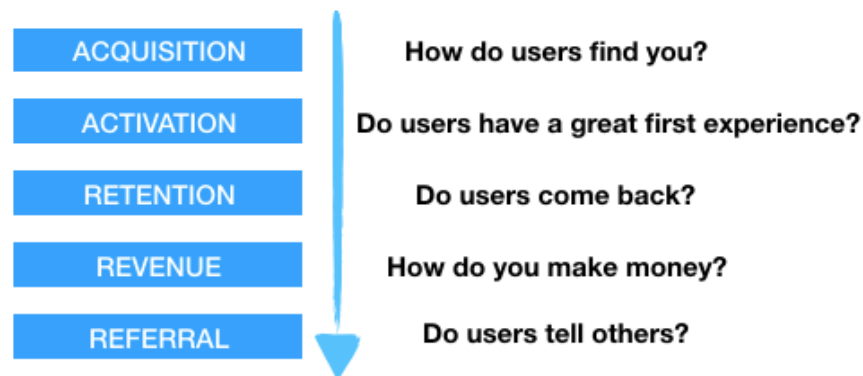
Figure 25. The figure presents customer acquisition funnel. Source: Startitup, 2018

These five useful metrics represent all of the behaviours of the customers in different stages. In order to start a successful business, it is highly important to be able to optimise every step of the funnel and understand what is important in each step of it. Additionally, when the organisation follows and analyses all of the metrics, it enables the organisation to understand when something is wrong with the startup and when or where they have to make changes something and not risking and making any wrong unmeasured assumptions (Startitup, 2018). Therefore, while building an efficient Beautyfind customer acquisition strategy, this framework will be used in order to create a coherent customer acquisition strategy plan and later accordingly to measure the efficiency of a company's activities to acquire and activate users so that they become repeat customers and refer to their circle of people, leading to a healthy growth of the business.

It is also important to note that heavy use of social media has not only transformed the way brands approach consumers with their products but has also affected their brand image building strategies as well. According to Ryan (2017), millennials are 247% more likely to be influenced by blogs or social media influencers rather than advertising on traditional media. Influencers are people who are the opinion leaders who dominate content creation in social media (mainly). During the recent five years they have highly

contributed to the evolution of the beauty industry, from products' production to consumer touch points (Launchmetrics, 2018). As well, these opinion leaders (or influencers) have also started playing a very important role when it comes to setting new trends or creating consumers' needs since they have become trend-setters in different industries, but mainly beauty and fashion. In this way, with a strong digital marketing and digital PR strategy brands have become capable of accelerating the business purely online even without retail stores and consumers have adopted shopping for beauty products both online and in stores, which before this big social media and digitalisation change was not a preferred method of shopping for beauty products.

Therefore, in order to bring awareness about the business and acquire a customer, different channels must be used in order to do so. Since Beautyfind target millennial digitally competent females, social media presence and coherent digital PR strategy are one of the key elements within the customer acquisition strategy, social media will be used as the main acquisition channel. Consequently, the Beautyfind customer acquisition channels are listed below:

1. Paid:

    - Social media advertising (sponsored posts);

    - Affiliate and partnerships;

    - SEM.

2. Viral:

    - Blog;

    - Content marketing.

3. Word of mouth (WOM):

    - Peers' WOM (online and offline);

    - Forums;

- Google SEO.

Additionally, in the next section the author presents digital marketing and PR strategy integrating and aligning all of the previously mentioned customer acquisition channels above.

4.2.1 Digital marketing and PR strategy

Since traditional media is losing traction in the beauty sector, especially since millennials consume much less traditional media (for example, TV) and tend to search for recommendations and information about the products on social media channels such as Instagram (Launchmetrics, 2018), both marketing and PR strategies will be focused purely on digital media and, as mentioned previously, these will be used as the main acquisition channel.

PESO model will be applied for planning the digital marketing and PR strategies (presented in Figure 26). The model was introduced by Don Bartholomew, which serves as the basis for creation and description of main indicators concerning social media (Kozielski *et al.*, 2017). All the measures indicated by Don Bartholomew have been grouped into five major areas: exposure, engagement, brand awareness, action and recommendations. Additionally, the measures are divided into four types, depending on who the owner of the content is: paid (P), owned (O), earned (E) and shared (S) media categories (Kozielski *et al.*, 2017). These indicators are as well the main elements of the digital marketing strategies, and measuring these has become fundamental for the brands and companies to be able to justify the direction they need to take in order to achieve higher efficiency and return on investment (ROI) (Launchmetrics, 2018). Therefore, below is the description of owned, paid, shared and earned media strategy,

which is an important part of Beautyfind's digital marketing and customer acquisition journey (Kozielski *et al.*, 2017):

1) To start, paid media refers to all forms of paid content, when the brand pays to leverage channel. Paid content are different display ads, paid search and sponsorships. For example, Facebook and Instagram sponsored posts.

2) Earned media are the contents about a given brand created spontaneously by Internet users, which is when users become the channel. It is usually created through the word of mouth, when the post or ad becomes viral or when there is a *buzz* on social media.

3) Furthermore, shared media are the contents shared by the Internet users. It is usually engagement with the influencers (including partnerships), online communities or co-branding activities.

4) Finally, owned media stands for all websites and web properties controlled by a company or brand. For example, own brand website, blog, social media accounts and mobile applications.
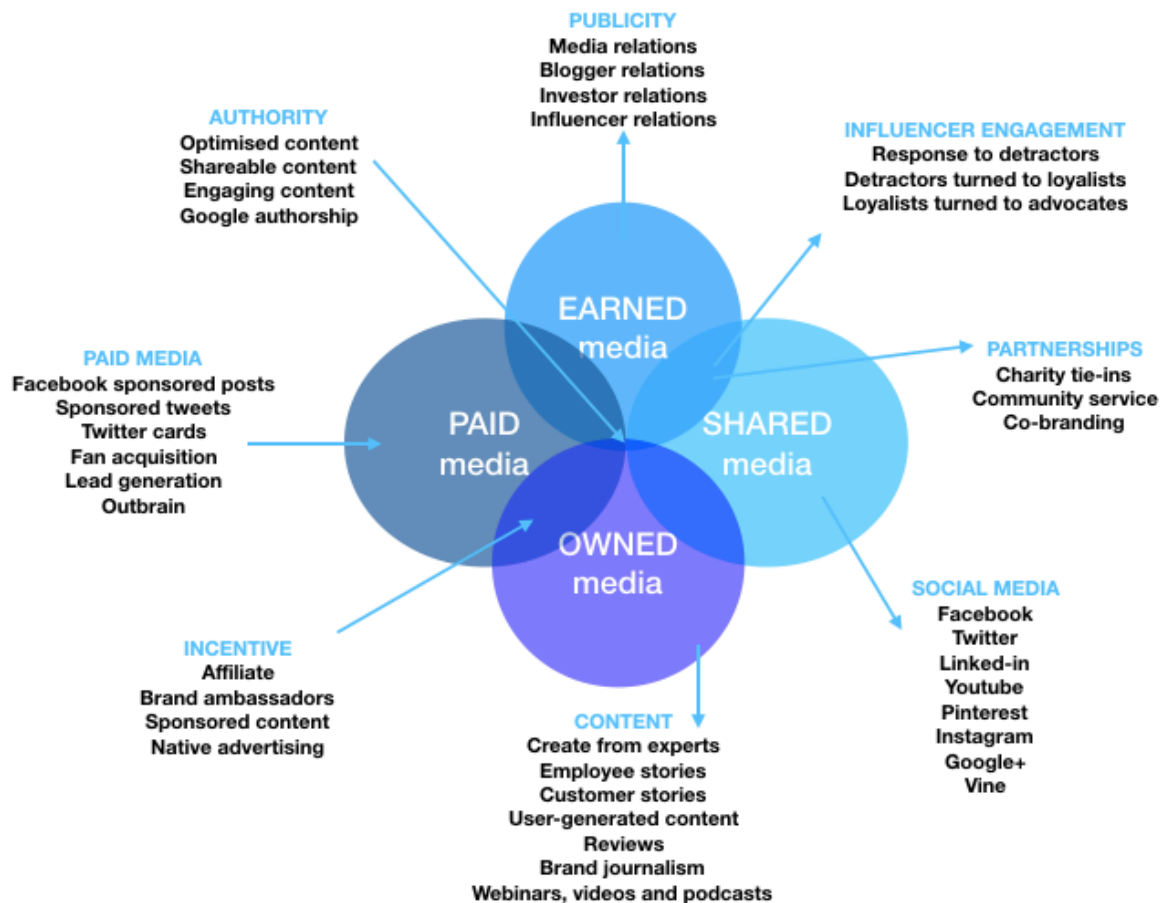
Figure 26. The figure presents PESO model, which is paid, earned, shared and owned media. Source: Iterative Marketing, 2016.

Additionally, it is highly important to measure cross-channel performance to understand the impact and ROI of their marketing strategies among owned, paid and earned media (Launchmetrics, 2018). Whilst creating the first brand's digital strategy it is also important to take into account the target consumer and the main consumer touch points in order to create a holistic campaign and achieve the main aims of brand's digital activations (Launchmetrics, 2018). Also, it is very important to understand how to define the right influencers and how the best approach for working with them - identifying company's main goals before starting working with influencers is highly important (Launchmetrics, 2018). Therefore, the main aims of the initial first launch strategy are:

1) To create awareness about the brand (the website itself) to create traffic and drive consumer engagement;

2) To establish brand equity and credibility;

3) To help identify and create authentic influencer partnerships.

Additionally, the generic overview on the Beautyfind main marketing activities and key metrics are presented in the figure below:

Activation	Main Impact on:	Investment	Return	Metrics
Create content for the website	Monthly traffic increase	Medium	Low	+15% in new visitors from organic search
Buy adwords	Monthly traffic increase	Medium	Medium	+20% in new visitors during adwords
Newsletter outreach (CRM)	Monthly traffic increase	High	High	70% click through rate
New landing page for campaigns	Visit to free account rate	Medium	High	30% increase in signups
Influencers activation	Free account to activated rate	Medium	High	40% increase in activation
Implement a live chat widget	Activated to paying customer rate	Low	High	10% increase in paying customer for those who uses the live chat
Support	Lifetime value	High	Medium	Increase in LTV for people who interact with support

Figure 27. Overview on the Beautyfind main marketing activations. Source: Gum, 2018. Adapted from Gary Gaspar sample marketing plan for Saas.

Furthermore, as any product/service launch digital marketing and PR strategy (or new product/service market entry strategy) consist of three main stages: pre-launch, launch and post-launch stages, below the author presents these three stages in a more detailed plan, based on the RACE digital marketing planning framework, presented in Figure 28 (Windt, 2017):

1) **Pre – launch (Plan).** Main tasks involve:

- Create and prepare branded content;

- Create Instagram, Facebook social media accounts (with the same branding as the website);

- Define smart KPIs of the launch campaign;

- Define segmentation (target market) and positioning of company's online value propositions;

- Plan, manage and optimise digital channels (work on search engine optimisation, social networks);

- Identify key cooperation channels: agree on cooperation with selected influencers;

- Once agreed, create awareness and social media *buzz* about the website, using influencers' channels as the main communication tool.

2) **Launch (Reach and Act).** Main tasks involve:

- Publish and promote prepared content: launch campaign social media posts (website, Facebook and Instagram posts), also allowing to share the content to other outposts;

- Sponsor influencers' posts, share them on owned media;

- Sponsor Facebook and Instagram leads to collect potential customers emails.

Campaign key measures:

- Leads and lead conversion rate;

- Time on the website people spend;

- Shares, comments and likes on owned media as well as in products comments/review section;

- Number of registered users on the platform.

3) **Post- launch (Convert and Engage)**. Main tasks involve:

- Continue sponsored Facebook and Instagram posts – always-on marketing campaign;

- Share consumers' and influencers' feedback on owned media to create credibility and trust;

- Continue accelerating owned media: sharing engaging users' content, engage in social media;

- Continue cooperation with selected influencers;

- Accelerate on building an online community on Instagram (the key owned media channel);

- Track and maintain growth of registered and active website platform users.

First post-campaign measures:

- Number of directed leads to retailers' website;

- Number of actual online sales;

- Average order in quantity and value;

- Revenue from each sales (commissions from retailers/brands);

- ROI from each selected influencer, their performance.
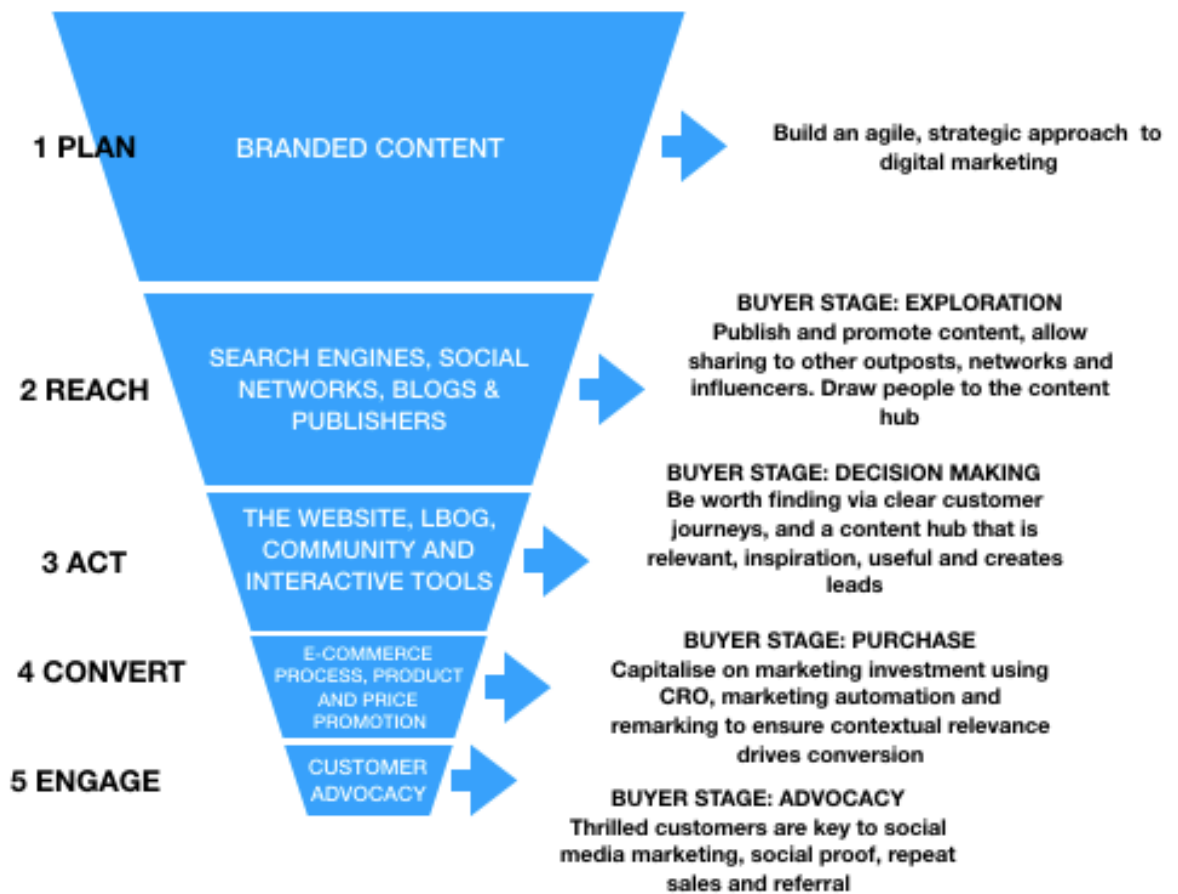
Figure 28. The smart insights RACE planning system for digital marketing. Source: Smart insights, 2017.

The timeline of the first marketing planning and execution campaign is presented below in Figure 29. Total duration is three months:
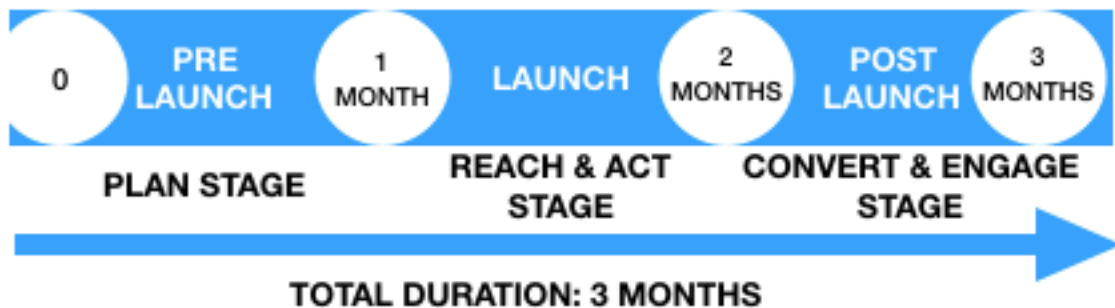
Figure 29. The figure presents the timeline of marketing planning and execution of launch campaign. Source: author's own (2018).

It is important to note that planned cooperations with influencers will be used as the main channel to reach the target audience in the most efficient way to tell the brand's/ business idea and story directly and to establish the brand's trust and credibility using the appropriate influencers as a communication channel. Influencers will be chosen as the main channel due to the fact that whilst in fashion and luxury media is the most used voice type, in the beauty industry influencers dominate online presence (at 55.56%), as shown in Figure 30:
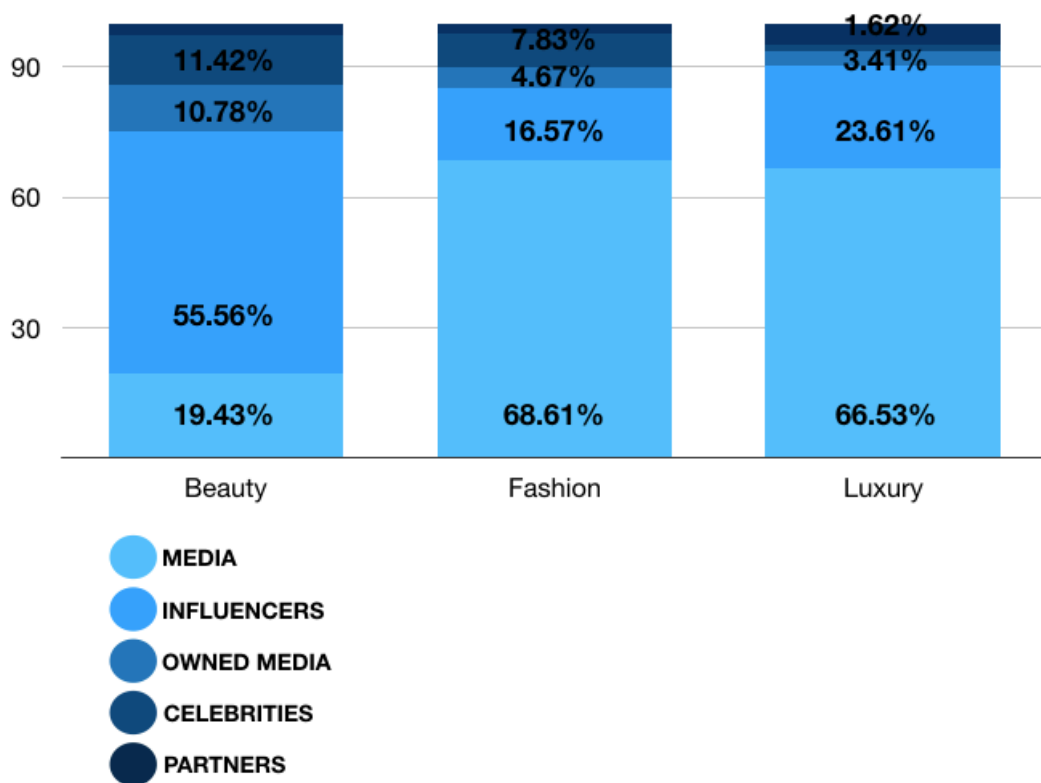
Figure 30. Voice split analysis by industry. Source: Launchmetrics, 2018.

To continue, influencers will be selected according these key performance indicators (KPIs):

Channels: social media (mainly Instagram). Figure 31 presents that social is the main channel in marketing mix in the beauty industry, making over 85%.

Reach (number of followers): micro influencers (which is the category of influencers who have from 10k to100k followers, according to Launchmetrics 'Beauty Redefined' (2018) report).

Target influencer: influencers posting about beauty, lifestyle and fashion.

Media quality: evaluation based on posts frequency, engagement trends and influencer's authority (uniqueness).

Content quality: evaluation based on engagement rate, quality of photos and texts, types of hashtags used (#), number of brands quoted/cooperations.
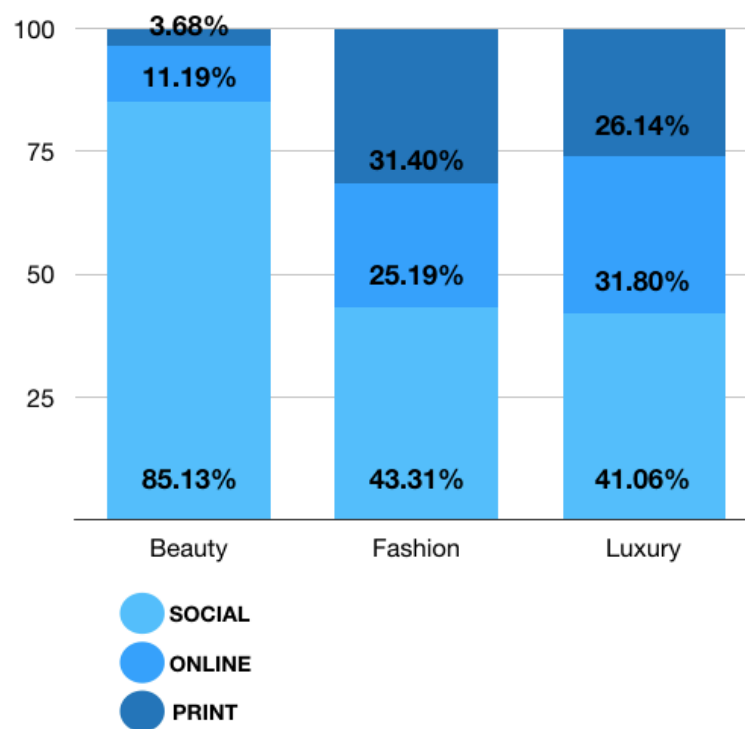
Figure 31. Channel mix analysis by industry. Source: Launchmetrics, 2018.

4.2.2 CRM and loyalty strategy

Since Customer Relationship Management (CRM) is an important element in engagement with customers and bringing trust and loyalty, this section will explain what is the CRM strategy behind the Beautyfind.

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First of all, Customer Relationship Management (CRM) relates to a strategy, managing the intelligent use of data and technology, the acquisition of customer knowledge and the development of loyal relationships with customers and/or customer groups and the integration of processes across the many areas of the firm that collaborate to generate customer value (Payne and Frow, 2006). CRM is an important element due to its efficiently and effectively increasing the acquisition and retention of profitable customers by initiating, building and maintaining relationships with them. Companies being disposed to vast amounts of customer data are therefore able to analyse, interpret and utilise it within their CRM strategies and across other companies' activities (Payne and Frow, 2006).

Consequently, in terms of Beautyfind's CRM strategy, during the first year of operating, the main focus will be to generate data (by bringing traffic to the website and tracking consumer behaviour and patters) and leads (by singing up users to the platform). Then, the firm will be able to utilise existing database of users' profiles with emails and send personalised newsletters, promotions and alerts to facilitate their shopping experience and bring them to the website. Since the platform will have a feature to save favourite brands or products as well as to opt for alerts for discounts and special promotions, this will serve as a valuable element in the CRM strategy bringing a clear value for the users as well as third parties (online retailers). Therefore, the outline of the first year's CRM strategy is below:

1) Personalised newsletters on favourite beauty brands and products with prices and ratings compared and reviews to read;

2) Newsletters about new beauty products or brands, this way all the beauty enthusiasts will be able to keep up to date with the industry;

3) Newsletters for opted alerts when a specific product goes on a sale or special offer;

4) Newsletters on trending beauty products and brands, to deliver some quality content.

All of the newsletters will have a clear Call to Action buttons (CTA) in order to bring the traffic to the website to explore, shop or continue reading. Additionally, once a larger database is generated, there will be an opportunity to cooperate with beauty brands or retailers for special newsletters campaigns. For example, during a promotion campaign a brand can cooperate to create series of newsletters to create higher awareness and visibility of the campaign and push the sales during that certain campaign period.

4.3 Funding opportunities

Lack of starting capital at the early stage of growth is a common problem pressing new company start-ups or new firms experiencing rapid growth (Vinturella and Erickson, 2013 and Sherman, 2005). Therefore, according to Sherman (2005) there are many different options to raise capital to aid the growth of the business within the early stages. However, some strategies will be more likely to succeed than others based on a business' stage of growth as well as the current trends within operating industry. Therefore, Sherman (2005) presents these main capital-formation strategies with a brief overview:

Stage of growth: seed/early-stage:

1) Bootstrapping – investment into the business from the owners own resources, such as credit cards, savings, home-equity loans;

2) Debt capital:

- Friends and family – a less complex way to borrow funds to kick-start the business;

- Bank loan – most banks provide loans to individual entrepreneurs if they have a good credit rating and history.

3) Equity capital:

- Angel investors - individuals who enjoy helping entrepreneurs in their business ventures. Angel investing has become an important source of financing for seed and early-stage companies. Some of angel investors are cashed-out entrepreneurs others are experienced private investors who feel the need to help an entrepreneur launch a new business. It is critical for an entrepreneur seeking angel investment to understand the angel's need and motivations and to then take steps to meet these needs. Additionally, quite often angels have previous management experience with start-up ventures and seek to help to accelerate other businesses they invest in. Angel networks, online platforms and angel funds are the main channels to find an angel investor;

- Early stage venture capital funds -venture capital (VC) plays a very important role in entrepreneurial finance. VC firms provide early-stage financing for a high-growth and high-potential companies that need to secure financing to bring their ideas to fruition. In order to identify good opportunities, venture capitalists invest early and take high degree risks being early-stage financiers and relying on their instincts (Vinturella and Erickson, 2013).

4) Other forms of raising capital:

- Crowd funding. These are online capital raising platwords such as www.kickstarter.com. There are many online platforms that have a strong investor network to raise the capital required;

- Raise funds by winning contests;

- University and private incubators. Many universities have established business incubators, to both foster entrepreneurship and assist in the creation of new businesses and ideas.

Additionally, Appendix 6 presents a detailed capital formation strategies pyramid, which includes all forms of capital formation.

Therefore, in the context of early stage funding options' overview, below is presented Beautyfind's funding strategy:

1. Entrepreneurs Fund (http://www.entrepreneursfund.com), venture capital member of COFRA Holding. They are able and willing to invest from seed stage (at early stage of the business) and support in financing alongside active business support. Most commonly they engage as early on as one of the first institutional investors because that is when they believe they can add the most value. They look for credible, passionate, and ambitious teams who are building companies with a compelling value proposition. They are looking for business propositions based on unique and protectable technology that addresses an important problem in a large market. One of their investment interests' are startups enabling technologies in retail, therefore Beautyfind could be a good fit in their portfolio.

2. Tech Manchester (www.techmanchester.co.uk). Tech Manchester is a comprehensive portal for creative, digital, and tech entrepreneurs based in Manchester. They launched their own angel investment programme and offer from grants and loans to angel investment and venture capital - a comprehensive list of funds available to start or grow the business. Whether the start-up requires financial backing to get the idea off the ground, or lacking the knowledge and experience that it needs to progress, Tech Manchester offers both crucial funds and valuable insights to help start-ups in their business journey.

3. Angel investments:

- Northwest Business Angels (www.nwbusinessangels.co.uk), which is one of the UK's longest established and most successful business angel networks. They help to receive an investment of between 10,000 and 500,000 pounds and reach out to a network of individuals who are actively seeking to invest in growing businesses.

Therefore, the further part of the paper identifies and presents the reader with the execution plan including the key milestones when the company will start trading. It is important that the execution strategy will be applicable only when Beautyfind receives first necessary investment to start building the platform and air its pre-launch online campaign.

4.4 Overall execution strategy

This section is divided into short-term execution plan, which is one year, and long-term strategy, which is overall three years as of first financial installment and actual project execution start.

Therefore, below is presented the entire three-year business strategy followed up by a detailed description afterwards:

3 YEAR STRATEGY - KEY MILESTONES
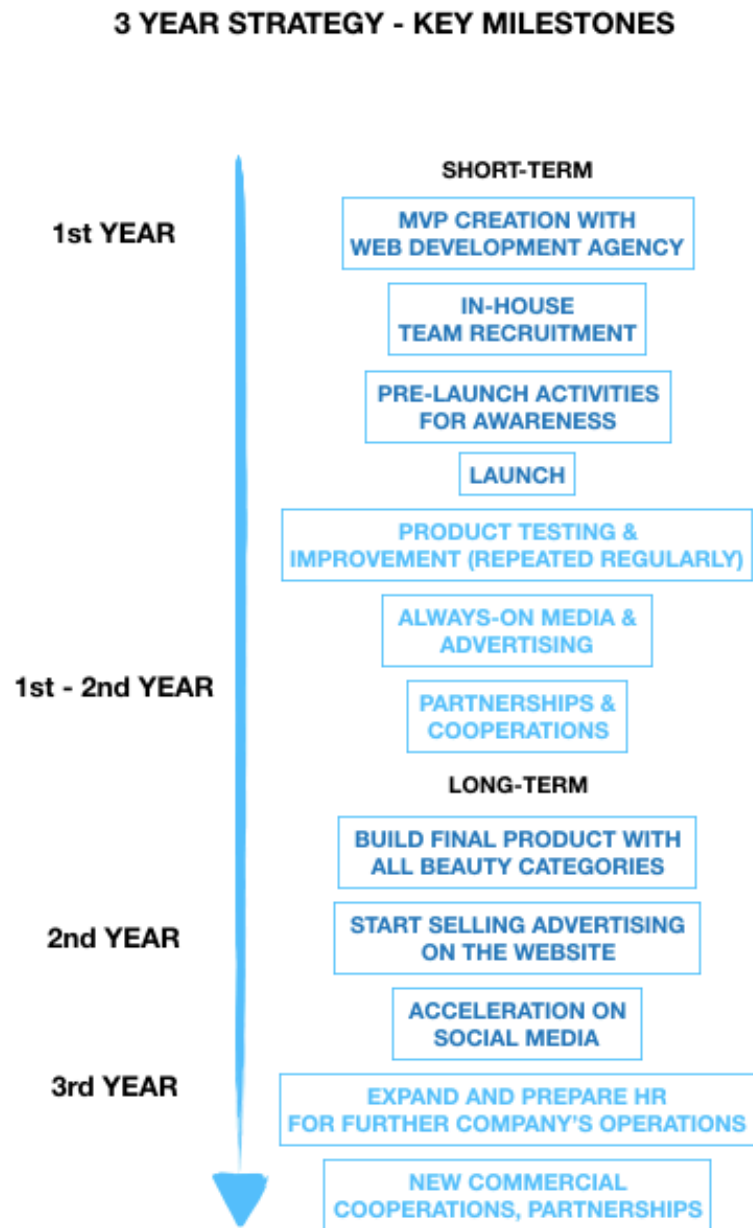
Figure 32. Beautyfind's three-year business strategy. Source: author's own.

Short-term execution strategy

Once the company receives the necessary funds for the development of the platform, the key actions to start are:

1) Start cooperation with external web development agency (SOZO) to create the platform. It is important to note that, as mentioned previously, the platform will

include and compare only decorative cosmetics' products due to the high scope of the technology work and high financial investment;

2) Recruit an in-house team;

3) Commence the pre-launch media campaign to create awareness before the launch of the website;

Afterwards, once the first beta version of Beautyfind is ready, direct entry into the market strategy will be implemented:

1) Air the main digital launch campaign

2) Check for system bugs and fix the platform where required

3) Continuously improve the website's SEO

4) Continuously maintain the platform, keeping up to date with latest offers and prices

5) Track and maintain the growth of registered users

6) Accelerate on owned media to grow the engagement and awareness

When the first months of operating the platform are over and the accuracy of the data is maintained at the high level at all times, the main focus will be to continue with acceleration on digital activities, such as improving owned media, growing the number of active registered users, continue growing the online community on social media, tracking users' behaviour on the website, airing post-launch paid media.

Long-term strategy (3 years as of first financial installment and execution date)

As for the long-term strategy, the main goal is to maintain a credible price comparison website with an accurate and up to date information on products and beauty products price comparisons. Once all the processes are aligned and the business is operating at a

good rate (between the first half and one year of trading), other categories of beauty products will be introduced, such as fragrance, skincare and body care products to increase the scope of the business. Once the website generates reasonable traffic, the company will commence the further revenue stream operations which are advertising placement on the website. Different beauty brands and retailers, interested to push and bring additional visibility during their promotions, will be approached and offered the opportunity to buy ad placement on Beautyfind.

Also, it will be important to maintain a healthy growth of active registered users on the platform as well as high following and engagement on social media (Instagram). Since digital trends are changing rapidly, the overall strategy of owned and paid media and advertising will be subject to change according to the latest market strategies and trends in order to engage with the existing users and effectively reach the potential platform users exactly where the target audience is.

Additionally, during the second half - third year of trading, when the company has built a sound knowledge about its users and overall consumer behaviour and preferences whilst shopping for beauty products online, the company will start up its partnerships with other online beauty retailers and brands that are interested in acquiring such behavioural data. Therefore, it will be important to secure returns by integrating the company's innovation and knowledge into an existing value chain by starting a cooperating with established industry players (Gans and Stern, 2003).

As well, as seen in the recent Veleza's example, customer/users reviews about products and services are perceived as a strong and valuable asset. Therefore, by maintaining good engagement on the website and social media, encouraging users to leave ratings

and reviews about products would help to repeat the success of the company and acquire some valuable financial partnerships in the future.

Chapter 5

5. Financial analysis

Chapter 5 presents the analysis of the projected financial performance for Beautyfind business covering a 2-year period.

5.1 Initial cost structure

Therefore, before conducting company's financial analysis, this section covers fundamentals of the business such as the initial development costs and the potential of price comparison websites in terms of different ways how the company generates revenue streams from business-to-business-to-consumer (B2B2C) business model.

Initial development costs:

ITEM	COSTS, £
FIXED COSTS	
New Domain Name	£10
Web Hosting on a server	£65
Total development CE for the entire project*	£70000
Marketing and promotion initial budget	£14000
TOTAL INITIAL COST:	**£84075**

*Cost Estimate provided by Sozo agency.
The list of services for the total cost of the project is presented in Appendix 7.

Figure 33. The figure presents the initial estimated project costs. Source: author's own.

5.2 Revenue model

It is very important to build a correct and effective (in terms of operating industry) monetisation strategy for a price comparison website to see a return on investment (ROI) soon. Therefore, below are presented the main three Beautyfind revenue sources:
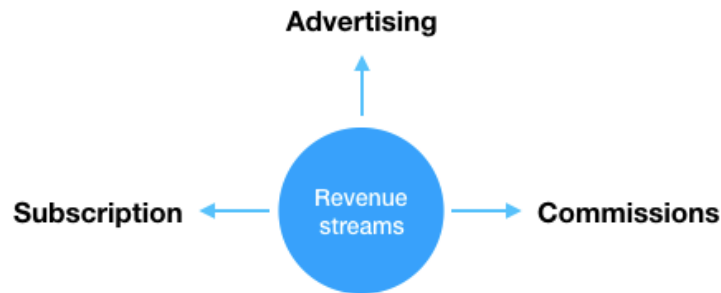
Figure 34. Beautyfind revenue streams. Source: author's own.

1) Advertising:

Advertising is one of the most common ways for comparison websites to make money. Selling advertising space for banner, display and text adverts bring in a steady stream of revenue. An alternative option is to set up a Google AdSense account (possible to control where adverts appear on the site and what type of advert, i.e. text, display or rich media). However, for Google AdSense to work, the website has to bring a relatively high volume of traffic (Shaun, 2018).

2) Commission:

Earning referral commission from the affiliate suppliers featured on the site is another popular option for generating revenue. There are a few ways to do so as well. If website users make purchases as a direct result of finding a supplier on the website, then Cost Per Acquisition (CPA) is a good option. However, in such case the company gets the commission only when the user makes a purchase, therefore the website has to provide all the information a user needs when making a purchasing decision. The alternative option is Cost Per Click (CPC), where every click through from the website to a third party supplier earns a company a commission. In this way the website provides the lead and the onus is then on the supplier to close the sale. In such case, suppliers (online retailers) give the partners tracking links to add to their website, that track click-

throughs or sales, as appropriate. Consequently, since many of beauty online retailers have already an established affiliate partner programme (for example, www.lookfantastic.com, it will be less complicated just to sign up with many retailers for affiliate programme and implement CPC strategy (Shaun, 2018).

3) Subscription

Another option to consider is to invite third-party suppliers to pay to feature on company's website. As well, there are a number of models to consider. It can be a monthly or annual fee, or the supplier might pay for X number of products to be featured. It is also possible to offer sponsored listings and paid posts, where companies pay a more to have their products or services appear at the top of search results. However, this is most effective when a website has a high traffic (Shaun, 2018).

During the first year the platform will aim to generate revenue from commissions (once the platform reaches high monthly unique visits and gains weight in the market, advertising on a platform and subscription will be implemented). According to Gaspar (2016), successful platform-enabled startups grow their monthly recurring revenue (MRR) at a rate between 10% and 25% monthly growth rate (MoM).

KPIs that directly impact the growth of Beautyfind's MMR:

1) KPI 1: Number of new customers - increase in the number of users/customers;

2) KPI 2: Monthly revenue rate - increase in the frequency of clicks to the websites/purchases per user.

Therefore, below is the table with the average calculated metrics of the platform for further revenue streams calculations that are expected to come from commissions:

KEY METRICS

(A) Monthly traffic increase (MTD)	10,00 %
(B) Visits to account rate	8,00 %
(C) Account to activated rate	19,00 %
(D) Activated to paying customer rate	21,00 %
(E) churn rate	3,20 %
(F) Sent to affiliate link (£)	0,3
(G) Average commission for purchase (£)*	3,9

*Estimated average purchase basket is £50
on average commission rate 6,5%

Figure 35. The figure presents the average calculations on website metrics. (A) Monthly traffic increase (MTD) – expected increase in unique visits to the platform on a monthly growth basis. (B) Visits to activated rate: users' register to account on the platform. (C) Account to activated rate: user's repeated login, commenting and rating products etc. (D) Activated to paying customer rate: users who purchase through the platform on partner's website or press on the links. (E) Churn rate: lost customers. (F) Sent to affiliate link: generated revenue per each click. (G) Average commission for purchase: commission received from average purchase basket based on 6,5% commission. Source: author's own.

However, to start the basic calculations it is necessary to plan the approximate initial traffic to the website. Consequently, below are presented explanations:

General target audience: 18-45 year-old females in the United Kingdom. Based on Office for National Statistics figures (2017), the total target audience population as of 2017 are 11 923 047 females. If the platform brings 1% of total target population, it will

be 1 192 304 unique visits to the platform throughout the year. First operating year's target is to reach 1%, therefore average unique monthly visits throughout the year will be approximately 99 358 visits. Consequently, based on this calculation during the first operating month it is planned to reach 28 000 unique visits with the growth of 10% each month (Figure 34).

5.3 Revenue projections: 3 year plan

1) First year monthly revenue projections:

Revenue model	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Monthly New visitors (as of campaign launch date)	28 000	30 800	33 880	37 268	40 995	45 094	49 604	54 564	60 020	66 023	72 625	79 887
New accounts (B)	2 240	2 464	2 710	2 981	3 280	3 608	3 968	4 365	4 802	5 282	5 810	6 391
New Activated accounts (C)	426	468	515	566	623	685	754	829	912	1 004	1 104	1 214
New Paying customers (D)	89	98	108	119	131	144	158	174	192	211	232	255
Existing customers	0	89	188	296	415	546	690	848	1 022	1 214	1 424	1 656
Lost customers (E)	0	3	6	9	13	17	22	27	33	39	46	53
Total customers	89	185	290	405	532	672	826	995	1 181	1 386	1 611	1 858
Revenue from purchased (G) (£)	£348,57	£720,84	£1 130,33	£1 580,78	£2 076,27	£2 621,31	£3 220,85	£3 880,35	£4 605,79	£5 403,78	£6 281,57	£7 247,14
Revenue from afiiliate links (F) (£)	£2 912,00	£739,20	£813,12	£894,43	£983,88	£1 082,26	£1 190,49	£1 309,54	£1 440,49	£1 584,54	£1 742,99	£1 917,29
Total revenue (£)	£3 260,57	£1 460,04	£1 943,45	£2 475,21	£3 060,14	£3 703,57	£4 411,34	£5 189,88	£6 046,28	£6 988,32	£8 024,57	£9 164,44

Figure 36. The figure presents first year monthly revenue estimations. Source: author's own.

Consequently, planned first trading year will involve platform tests, building the community of beauty enthusiasts as well as maintaining and improving the platform. Acceleration on reaching more unique and repeated visitors will start once the platform is fully developed – estimated yearly growth between 150% -165% (from second year).

2) Total 3-year revenue projections:

Total 3-year revenue: £ 439 957,29

	1 YEAR	2 YEAR	3 YEAR
Revenue from purchased (G) (£)	£57 419,00	£86 128,5*	£142 112,03**
Revenue from afilliate links (F) (£)	£24 381,46	£36 572,19*	£60 344,11**
Advertising		£6 000	£16 000
Subscriptions		£3 000	£8 000
Total revenue (£)	£81 800,46	£131 700,69	£226 456,14

* Projected 150% growth. ** Projected 165% growth.

Figure 37. The figure presents first, second and third year revenue projections. Source: author's own.

5.4 Marketing costs

In terms of planning digital marketing campaign budget the key channel for the first launch awareness campaign and always-on paid media will be social media channels –

targeted sponsored posts and partnerships with influencers. Therefore, below is presented 3-year digital marketing investment plan, including investment in sponsored social media posts to generate awareness about Beautyfind as well as Google Display Network (GDN) banners, retargeting and partnerships with influencers:

DIGITAL MARKETING BUDGET	YEAR 1	YEAR 2	YEAR 3
Sponsored Instagram posts	£5 000	£8 000	£10 000
Sponsored Facebook posts	£5 000	£8 000	£10 000
Partnerships w/ influencers	£8 000	£15 000	£17 000
Google Display network banners	£6 000	£8 000	£10 000
Display retargeting	£3 000	£3 000	£5 000
TOTAL	£27 000	£42 000	£52 000

Figure 38. Beautyfind digital marketing 3-year budget plan. Source: author's own.

As seen in Figure 38, the main spend will be on influencers' sponsorship on social media. The total first year's initial budget plan for 40 micro influencers is 8000 British pounds (average 200 British pounds per post), based on the evaluation from Launchmetrics report (2018), presented in Figure 39:

AVERAGE MIV per POST	High end	Mass market
Mega influencer	$62,000	$57,000
Macro influencer	$7,700	$5,300
Medium influencer	$1,900	$1,800
Micro influencer	$228	$261

Figure 39. Influencer value by tier. Source: Launchmetrics, 2018.

5.5 Yearly fixed and variable costs

Below are presented both fixed and recurring yearly costs in Figure 40.

ITEM			
FIXED COSTS	**YEAR 1**	**YEAR 2**	**YEAR 3**
New Domain Name	£10	£0	£0
Total development CE for the entire project*	£70000	£0	£0
Marketing and promotion initial budget	£14000	£0	£0
TOTAL INITIAL FIXED COST:	**£84010**	**£0**	**£0**
RECURRING COSTS	**YEAR 1**	**YEAR 2**	**YEAR 3**
Web Hosting on a server (incl. domain)	£203,88	£203,88	£203,88
Website maintenance cost**	£4000	£6000	£9000
Marketing and promotion	£27000	£42000	£52000
Content and social media editor salary	0	£22000	£24000
Sales and marketing manager salary	0	£25000	£27000
TOTAL RECURRING COSTS:	**£31203,88**	**£95203,88**	**£112203,88**
TOTAL COSTS:	**£115213,88**	**£95203,88**	**£112203,88**

*Cost Estimate provided by Sozo agency.
The list of services for the total cost of the project is presented
in Appendix 7.

**Approximate maintenance price. However important to note
that if anything to change/add should be additional
budget which is not included in this table.

Figure 40. The figure presents Beautyfind fixed and recurring costs' 3-year plan.

Source: author's own.

5.6 Break-even analysis

In terms of Beautyfind profitability, it is projected that the company will break even after third operating year with the closing balance of £ 35 994, 28.

CASH FLOW	YEAR 1	YEAR 2	YEAR 3
Cash incoming			
Revenue from purchased	57 419,00	86 128,50	142 112,03
Revenue from affiliate links	24 381,46	36 572,19	60 344,11
Advertising		6 000	16 000
Subscriptions		3 000	8 000
Total incoming	**£81 800,46**	**£131 700,69**	**£226 456,14**
Cash outgoing			
Marketing & promotion initial campaign	14000		
Advertising & marketing	27000	42000	52000
Web hosting	203,88	203,88	203,88
Platform development costs	70000		
Office telephone	240	240	240
Office rent	2400	2400	2400
Web repairs & maintenance	4000	6000	9000
Stationery & printing	600	600	600
Income tax	0	26340,138	45291,228
Wages	0	47000	51000
Total outgoing	**£118 443,88**	**£124 784,02**	**£160 735,11**
Monthly cash balance	**-£36 643,42**	**£6 916,67**	**£65 721,03**
CLOSING BALANCE	**-£36 643,42**	**-£29 726,75**	**£35 994,28**

Figure 41. The figure presents Beautyfind cash flow and breakeven analysis. Source: author's own.

5.7 Conclusions

In order to build the platform and start operations, the company aims to raise £ 100 000 for its initial operations. The company's break-even point is forecasted to be in by the end of third operational year (FY3) with the balance of £35 994,28. The company has a three-year financial plan and strategy in terms of operations' growth and primary sources of revenue. The future plan for growth is to increase website traffic and recruit more active users. Also, another growth strategy is to increase sales in advertising placement, which has a potential in terms of additional revenue streams. Overall, the financial analysis presents that the business has a potential to become a profitable venture with the potential for further growth and digital acceleration.

Chapter 6

6.1 Risks and assumptions

Whilst planning a new business it is important to predict and evaluate the possible risks and assumptions. Therefore, below are presented the operational, financial and strategic risks that a business might face during its operation:

1) Operational risks:

1) Key partners' relationship management. Beauty brands and retailers are one of the key partners of the business therefore if the brand or a retailer does not see the added value to their business, this could possibly be a result of a poor relationship and complexity to deliver the best result to the business end customer. For example, if one

of the key online beauty retailers refers to legal authorities or does not agree to make any partnerships with Beautyfind to offer additional promotional/campaign activities to push their channel and sales.

2) Difficulty to maintain a high standard of precise price comparison platform, especially in the beginning of the business operation. However, it is expected to face such a type of difficulties since in the beginning of trading the company will be still at the development stage (MVP) gradually improving the service level.

2) Financial risks:

Investment issues. Financial planning is one of the main challenges in any business, therefore it will be important to secure early-stage funding and evaluate the best options for funding the project.

3) Strategic risks:

Entering the market as a price comparison website it will be very important to build a lifestyle brand, not only a platform where users will be able to find the cheapest option. Therefore, it will be highly important to deliver the right message to potential users/customers – the platform is the destination for all smart users to compare and search for the best value for each customer personally (whether it is promotional offer or price discount) amongst a number of different retailers and beauty brands, but not to find the cheapest/bargain option.

6.2 Limitations

The paper considers Beautyfind business idea potential in the UK market in the context of beauty market growth, trends and online consumer behaviour. Although beauty market sales and digitalisation (especially growth in mobile devices usage) experience

global growth in all zones, there are a few important limitations in terms of partnership with beauty retailers (key partners), reactions of key partners and trademark infringements (brands might be not happy to be compared with other brands on the platform). In order to ensure that Beautyfind will be successfully commercialised, it is important to consult legal advisors to protect and direct the business towards the right decisions and strategies.

6.3 Future scope

As mentioned in the business development sections, Beautyfind's ambition in terms of growth is to become the primary source of price and offers comparison for beauty products in the United Kingdom. Therefore, once the website reaches a target score traffic and credibility amongst target consumers as well as healthy growth in terms of business profitability and ROI, the next growth strategy will be to develop a mobile application to increase the likelihood of the service adoption and continue further acceleration. Therefore, once the company reaches its break even point the focus will be to raise further investment in order to build a mobile platform and improve the platform in terms of its operations capability.

6.4 Conclusions

'Enterpise section' provides a detailed business overview in terms of operating market background, competition analysis, product development strategy and method, marketing and monetisation strategy and presents a three year plan in terms of marketing strategies and financial projections. Additionally, business model canvas serve as a valuable analysis on the key aspects of the business and provides the reader with a broader understanding about the business and its core elements. Overall, the analysis presents that there is a strong opportunity for the business - as a technology/platform enabled business operating within the growing online beauty industry, it has a potential to successfully enter the market with secured investment and right growth and marketing strategy.

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Appendices

Appendix 1.
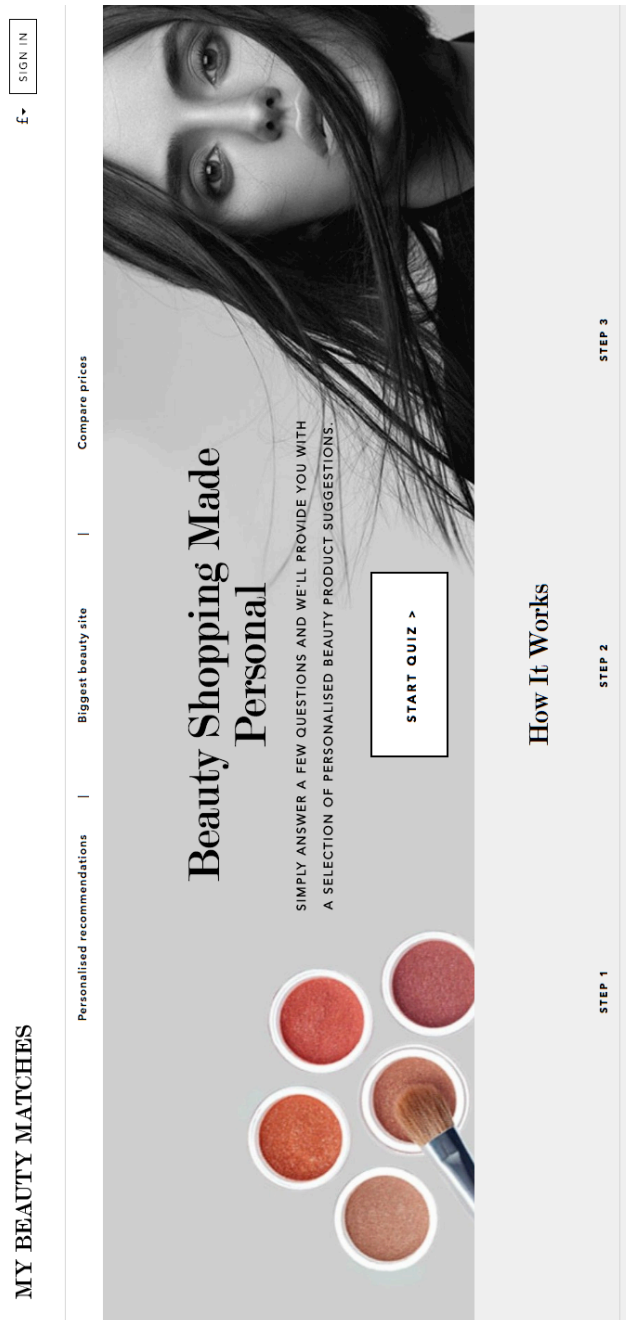
Appendix 1. The picture presents the screenshot from www.mybeautymatches.com website to show the design and concept of the site.

Appendix 2.
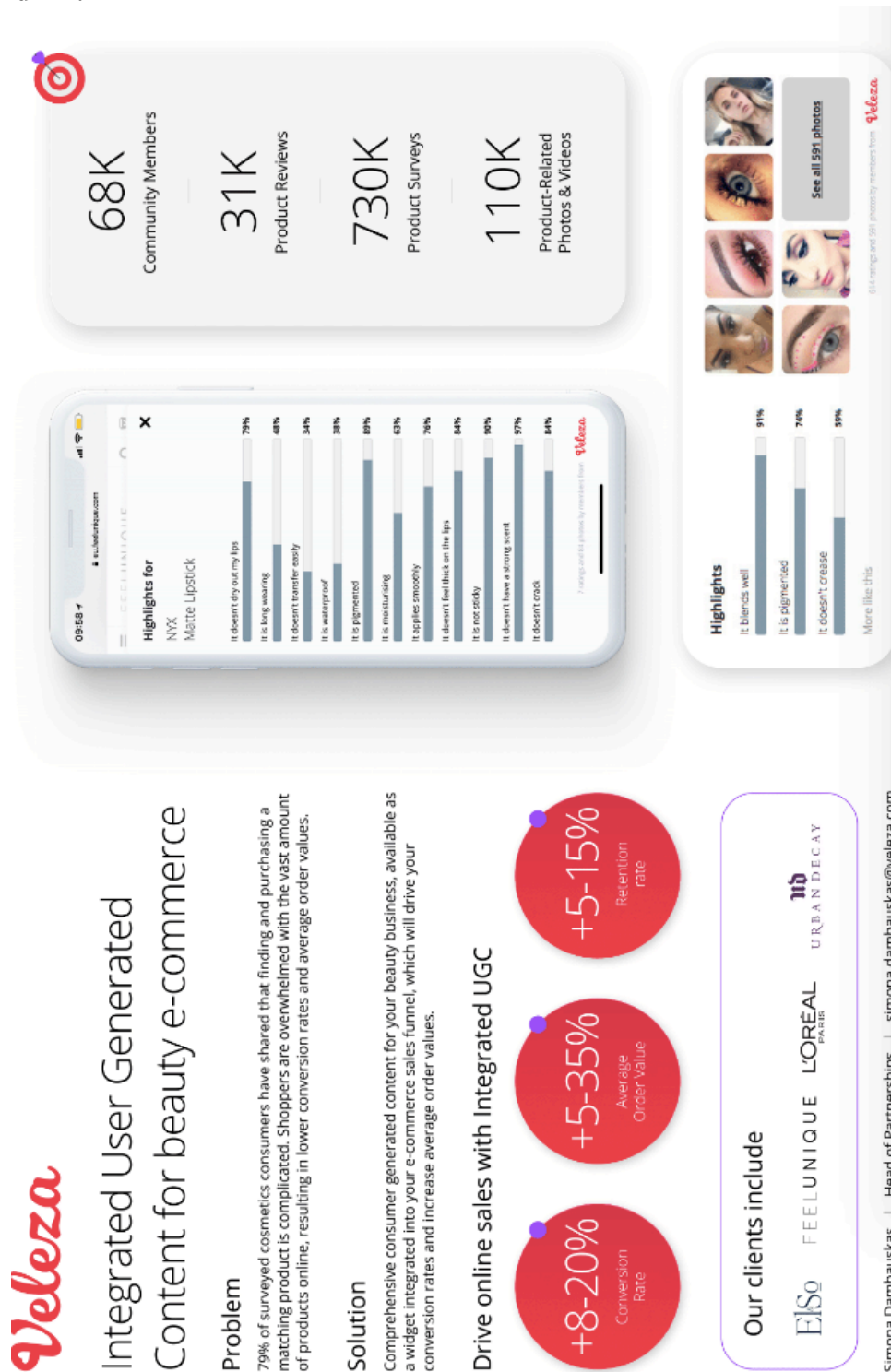
Appendix 2. The picture presents Veleza's media kit, available online on
www.veleza.com. This media kit presets company's focus and what they offer to beauty
brands and retailers. More details provided in Enterprise section, SWOT analysis
chapter '2.3.4 Threats'.

Appendix 3.

The Value Proposition Canvas

Value Proposition

Customer Segment — **Female millennials and Generation Z**

Gain Creators

- Efficient and quick price comparison tool
- Source of information about the beauty products offers and discounts
- Source of information about the beauty product news, best-sellers
- Real consumer generated reviews and ratings
- Great UX experience
- Appealing branding

Products & Services

- Reviews and ratings section to find best suited products, discuss and engage with beauty community
- Price comparison platform

Pain Relievers

- One platform connecting beauty shoppers
- One platform to compare prices, promotions and find best solutions
- Exposure to variety of different beauty products
- Great source of information in terms of user generated content
- Makes shopping experience easier in a very saturated and promotion driven beauty market in the UK

Gains

- Easily find best price for a beauty product
- Read honest customer reviews and ratings
- Find new products, save favourite brands to receive alerts when on promotion
- Browse best promotions
- Connect with likeminded people (beauty community)

Customer Job(s)

- Sign up for newsletters
- Visit the website regularly to keep up to date with latest promotions and product news
- Engage with the community, leave reviews about the products tried/purchased
- Save personal information such as age, shopping preferences, favourite brands

Pains

- Difficult to start up a technology driven company
- Possible problems with trademarks
- Complex mechanism of extracting information and maintaining the database
- Might take quite a long time until there is a reasonable amount of product reviews and active community members

Appendix 3. Author presents Value Proposition canvas for the Beautyfind. Canvas

available from www.strategyzer.com

Appendix 4.

| NAME OF AN AGENCY	PROS	CONS	CONCLUSION
EKM www.ekm.com	• Biggest cloud based eCommerce platform in the UK. • Free 14 day trial • Monthly plans	• Provide only the data – extract the information (prices) that the company needs • Does not provide custom development and maintenance for price comparison websites	Offers web data extraction but not the full required service. Therefore, cannot facilitate all the requirements
DATAHUT www.datahut.co	• Offers web data extraction platform for all customer's data needs • Builds price comparison websites and affiliate sites using web data from popular E-commerce sites • Offer 100% money-back guarantee policy • Delivers clean and ready to use data according to the requirements that can be used right away	• Provide only the data – extract the information (prices) that the company needs • Does not provide custom development and maintenance for price comparison websites	Offers web data extraction but not the full required service. Therefore, cannot facilitate all the requirements
SOZO DESIGN www.sozodesign.co.uk/	• An award-winning digital agency based in the UK • Has extensive experience when it comes to price comparison website development • Specializes in web design, branding, and digital marketing • Certified Google partner agency	• N/A	The agency matches all the necessary requirements for cooperation
PROMPTCLOUD www.promptcloud.com	• Can help extract structured data from eCommerce sites	• Provide only the data – extract the information (prices) that the company needs • Does not provide custom development and maintenance for price comparison websites	Offers web data extraction but not the full required service. Therefore, cannot facilitate all the requirements

Appendix 4. The figure presents a comparison of potential agencies' comparison (pros, cons and conclusion) to work for the website development.

Appendix 5.

Key Partners

1. Web design and development agency
2. Pure online beauty retailers operating in the UK market
3. Brick and mortar beauty retailers with existing e-commerce platform operating in the UK
4. Beauty brands available and sold in the UK
5. Social media influencers based in the UK

Key Activities

1. Driving online sales to key partners platforms: Partnerships (campaigns) with beauty retailers (B2B2C)
2. Minimising purchase path: optimising processes within the app
3. Advertising sales
4. Generating customer reviews and feedback
5. Building online awareness and credibility of the brand
6. Collaborations with local influencers

Key Resources

1. The whole IT infrastructure
2. Web platform
3. Social networks
4. Human resources
5. Physical office (rent)
5. Financial resources (potential investments)

Value Propositions

1. Efficient and quick price comparison online platform
2. Source of information about the beauty products, offers and discounts
3. Real consumer generated reviews and ratings
4. Great UX experience and appealing branding
5. Exposure to variety of different beauty products
6. Great source of information in terms of user generated content

Customer Relationships

1. CRM strategy and ongoing automated newsletters
2. Efficient & helpful customer service
3. Strong social media presence

Channels

1. Direct to consumer: The website and owned media
2. Second tier channels via partnerships with influencers

Customer Segments

1. Generation Z (born between 1995-2010)
2. Millennials (born between 1980-2000)

Digitally savvy, early adopter;
Interested in beauty, fashion, lifestyle, innovation and technologies;
Social media friendly;
Looks up to media influencers;
Shops online or at least browses on e-commerce platforms;
Perceives one self as a smart consumer/user;
Medium spending power

Cost Structure

1. Web development and maintenance fees
2. Initial online advertising to enter the market
3. Salaries for teams: marketing, sales, IT, customer service, PR
4. Paid influencer partnerships

Revenue Streams

1. Advertising (beauty retailers & beauty brands)
2. Commission per purchase for the leads
3. Partnerships

Appendix 5. The picture presents Business Model Canvas applied for Beautyfind. The framework works as an effective tool to analyse key elements of the business. Source: Strategyzer, 2018.

Appendix 6.
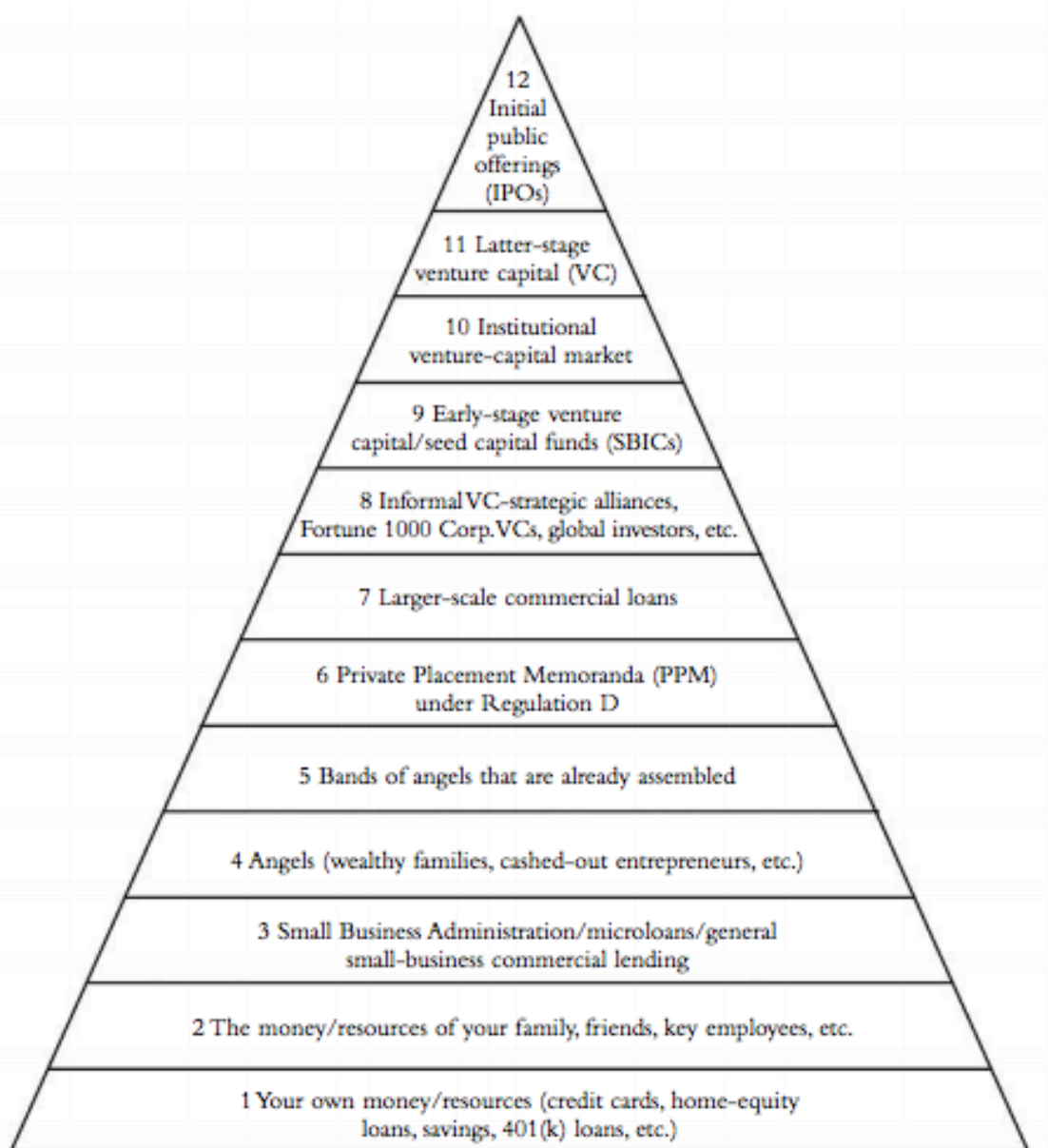
Appendix 6. 'Reality check' - capital formation strategic pyramid. The pyramid explores the sources of capital available for businesses depending on capabilities and needs. Source: Sherman, 2005.