



glow.com

Online cosmetics-sales players just gained an interesting competitor. Will this new kid on the block change the game?

by Julie Sturgeon

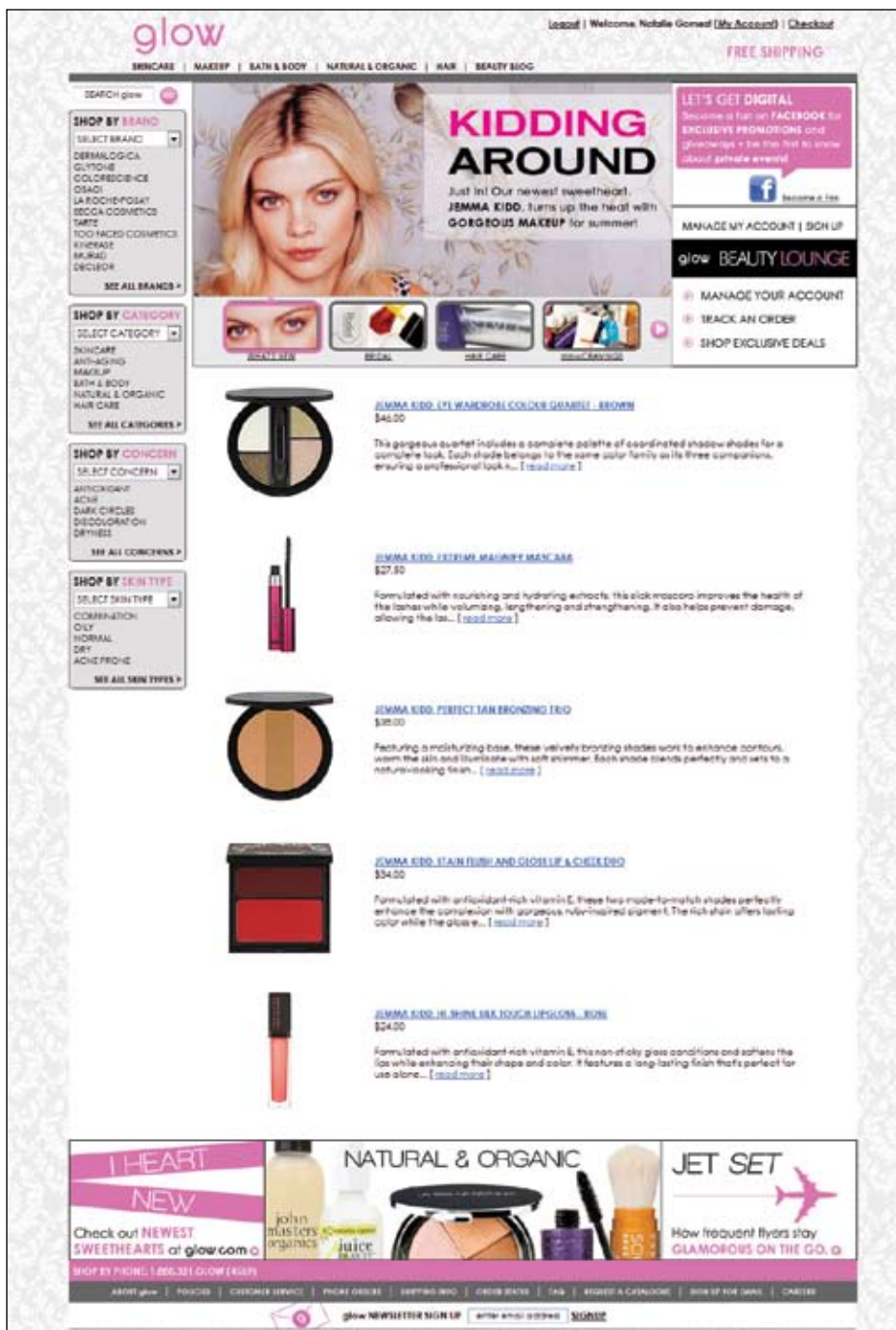
Consumer spending studies in 2009 show a predictable pattern: The Nielsen Co. has seen a 46% increase in the amount of time Americans are spending on videos, a 20% jump in the time we spend reading blogs and a 17% hike in traffic to ecommerce sites. It's all about entertaining ourselves at home.

Which means that recent research from The NPD Group showing that online purchases increased in the beauty-product category despite declines in other retail channels is right on the money. According to The NPD Group, the Internet has a higher ratio of women saying they spent more on beauty this year than women who cut back on their spending. What's more, they've started spending more on expensive brands this year.

DermStore (www.DermStore.com) in El Segundo, California, owned by Intelligent Beauty (www.ibinc.com), has geared its engines to step right into this niche. Its online-only cosmetics store, www.Glow.com, officially launched in August. (DermStore, which launched in 1999, is also a health and beauty ecommerce site created by a board-certified dermatologist that *Beauty Store Business* has profiled. Intelligent Beauty, founded in January 2006, is a beauty-industry company in online marketing and new ecommerce technology.)

Dan Williams

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Glow.com has been designed as the next-generation prestige-beauty destination.

“We planned to launch Glow.com before the downturn last fall, and we weren’t going to change that plan just because the economy was having problems,” says Dan Williams, the executive DermStore named as its president. Formerly a vice president at Intelligent Beauty, Williams has 10 years of experience in ecommerce, specializing in online customer-experience marketing. “A good plan will work no matter what,” he adds. Just before the launch, BSB had a chance to talk with Williams about Glow.com’s plans.

BSB: How would you describe Glow.com?

WILLIAMS: It’s the next-generation prestige-beauty destination. That’s what we’re calling it and what we’re making it to set ourselves apart from everyone else.

It’s cutting-edge in the sense that we really focus on the consumer experience and how consumers want to shop—specifically, find makeup and haircare and skincare products. The department-store business has been declining over the last few years.

Please give us an example of how this works.

If it’s possible to create an online makeup counter, that’s what we’re attempting to do. We’ll have customers fill out profiles so that they can discover what people with similar profiles purchased or thought of a certain product or brand. And that includes pros, makeup artists and people in the industry. Once you find the right products, you purchase them online, always with free shipping. Because we know people love free shipping.

Another thing that really sets us apart from our competitors is our in-house video production company. We’re shooting video almost daily now on how-tos for every type of application and every type of product. We’ll have tons of video content—a visual place for people to shop. We’re really trying to make it a personal shopping experience, to have people feel connected with the site and the brands and the products.

Please tell us, if you can, of any interesting behind-the-scenes mistakes and triumphs.

In my personal experience, I have a long list of things I’ve learned—successes and failures that I’m applying to Glow.com. I think that staying connected as often as possible to the customer and really asking for her advice is one of the things I’ve learned, as opposed to trying to be intuitive about what people might like or what I like. I’d rather ask the customers: What do you want? What do you enjoy about the site? What don’t you like?

How do you achieve this level of connection?

Through every touchpoint possible. For example, our customer-service center is here in our corporate headquarters, not in a foreign country or disconnected from us in anyway. So, people here can communicate to us on a real-time basis what our customers are saying. If there’s an issue with the website or a certain product, we can quickly move to address those issues.

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Also, we use product catalogs, direct mail and customer surveys on a regular basis to explore and maintain a connection with customers. That helps us know not only what they like, but also what they don’t like, what they’re into and what they’re not into, as well as what type of touchpoints are best for each particular customer and how to continue the relationship on an individual basis.

What have you learned about the website’s design and how its layout can boost your sales?

We pored through a lot of data in terms of analytics on user experience, where customers are spending time and where they’re leaving, areas of the website we think they should be going to but aren’t. We do user-ability testing where we actually watch people surf the site and ask them what they think. We spend a lot of time really looking at the data and trying to help people find the stuff they want, and removing content and navigation areas that don’t make sense or are extraneous.

What kind of hits goal are you reaching for?

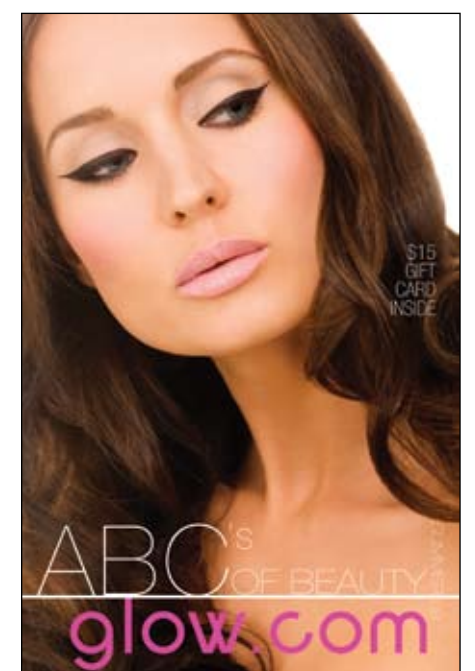
That’s a really good question, and the answer is fairly complex based on how the traffic comes into the site. We have a different conversion-rate goal on each channel. For a blogger doing a review on one of our brands or products and sending traffic to our site, the conversion rate is very high. It could be that up to half the people who click on that link buy a product, [whereas the case may be different] if [the traffic] is coming in from a search engine or banner campaign.

Most people tend to lump everything together and say it’s going to be an aggregate number from all.

Right.

How many hits per day does this site currently get?

We get about 350,000 “uniques” a month—a little over 10,000 unique visitors a day.



Glow.com targets savvy beauty consumers who do their research and recognize obscure brands.

Are you watching other measurements of success?

Sales, obviously, and then we have metrics like basket size, how much people are purchasing during a visit, and return frequency. Those are the key metrics.

Please tell us more about basket size. What is that telling you?

That's also a fairly complex discussion because if you have an average basket size of, let's say, \$100, it can mean various things. If an item is on sale, someone may stock up on that item, which increases the basket size but may decrease frequency of purchase. So, it's a balancing act of all the metrics together.

But basket size is a general way to look at how much people are spending, and you can increase basket size by incentivizing customers to spend more by giving gifts-with-purchases or other incentives that would encourage people to spend more. That's a fairly common online ecommerce practice. Looking at that number on a monthly or daily basis helps us see the trends in the marketplace in general and also on the website with products.

Who do you consider your typical audience?

It's primarily female, ages 18 to 49. That's a fairly wide demographic, but based on the various products, some are obviously skewing toward anti-wrinkle skin care as opposed to color cosmetics. And we have some hip brands that skew younger.

"WE CATEGORIZE PRODUCTS INTO MAINSTREAM MUST-HAVES, INTERNATIONAL OBSESSIONS, POSH BRANDS, CULT FAVORITES AND SPA-ONLY BRANDS."

Are stylists part of the mix you're targeting?

People who shop on Glow.com are savvy beauty consumers. They recognize obscure brands, and they're current on all the trends and do a lot of research. So, we're finding our customers are not just professionals, but very savvy beauty consumers, which is great because when we roll out all our profile abilities, customers who may not be as savvy will have a good database of information from experts.

Then, if I understand you correctly, this is more for an educated consumer as opposed to a makeup artist by profession?



With most cosmetics it sells, Glow.com has a 100% color guarantee and easy return policies.

Exactly right. A lot of professional makeup artists have their own sources where they get discounts.

What's your return frequency at the current time?

I'd rather not discuss return frequency. That's something that our competitors would love to know.

How do consumers know if a product's color on a computer screen is true to what will arrive in the package?

Matching shades is one of the biggest issues with selling cosmetics online. So, with most of our brands, we have a 100% color guarantee, and we have easy return policies. So, if something doesn't match, we'll simply find what does and send that to you.

Please walk me through an order. How many click-throughs does it take to place a typical order?

We're not reinventing the Internet, so you won't find anything on the site that's too different from any other ecommerce website out there. When you put a product in your shopping cart, one thing we like—and we think our customers like too—is the mini cart. When you add a product, a summary of what's in your shopping bag immediately pops up on the right-hand side of the page. That's convenient and not necessarily on all websites you see out there.

Then it's very easy to hit the checkout button and continue the process. We make the shopping funnel pretty quick and painless, for sure.

What's the turnaround time?

If we get an order before 4 p.m. Pacific Daylight Time, we will ship it the same day. That's also unusual. A lot of places give a 1 p.m. or 2 p.m. PDT cutoff. So, we get a lot of products out the same day. The average shipping time is between two and five days depending on the destination.

Let's talk about the product mix. How do you determine what to sell?

We categorize products into a few different groups: mainstream must-haves, international obsessions, posh brands, cult favorites and spa-only brands. An example of a mainstream must-have is Colorescience, well-known mineral SPF products. Hissyfit is an international obsession, and we'll soon carry an Australian brand that is getting a lot of acclaim overseas. Posh brands would be Gemma Kidd and Kevyn Aucoin. You won't find many of our products in drugstores or the like, but some of our cult favorites like La Roche-Posay do span the channels. They're so popular, we'll carry those as well.

Please tell us about any promotions you've found that are working from an Internet standpoint.

We found an increase in our keyword advertising whenever we promote a gift-with-purchase on Google or Yahoo.

Is Google the leading way as far as getting the word out about Glow.com?

I wouldn't say leading because that suggests more than half our traffic comes from Google, which it doesn't. So, it is a very important piece of the marketing, but I wouldn't call it the leading way.

What are some of the stronger avenues you're finding here in the early stages?

We get a lot of organic traffic, word of mouth that we do track—and that is based both on the popularity of Glow.com and the brands we carry. A lot of people are searching the Internet for the brands we carry.

So customers are finding you through educational searches as opposed

to looking to buy something at the beginning?

Yes.

How do you work with your vendors?

That part of the business is very exciting. We do a lot to partner with the brands to increase visibility within our own website and on the Internet in general. We meet with everyone face to face as often as possible, discuss their particular goals in terms of brand positioning or product launches, and offer up our services in terms of catalogs and video production. We're very active with our vendors and really work closely with them to position their products as best as possible.

What does Intelligent Beauty's ownership mean for the website?

Intelligent Beauty brings to the table lots of resources in terms of design, marketing, technology, video production, Internet, public relations and cash. In this business, it can be difficult for people to purchase and hold

inventory; it causes cash-flow issues. So, we're benefiting from all the wonderful things that come from having a large parent company with resources.

Are there any conflicts of interest to steer around?

I think we have already successfully steered around the potential conflicts of interest. Right now it's all [about] the benefits of having a great parent company and then moving as fast as we can to make Glow.com as popular as possible.

Who do you consider your competitors?

Any online retailer of cosmetics and skin care is our competitor. We do carry a lot of brands that are not on www.Sephora.com and other sites. But there are some overlapping products, and we try to compete on a user-experience level.

You mentioned that you've been in online shopping for 10 years. Is there any advice given by online experts

or consultants that you disagree with and thus run your site differently?

That's a great question. I would say, no. My philosophy is to listen to the consumer. If I hear some sort of concept advice or theory from an "online expert," I won't take it as gospel unless I test it in front of my consumers and let them tell me if that theory is accurate. So I don't necessarily agree or disagree with anyone. I soak it in and use it as ammunition to build our shopping experience and website.

Glow.com

Website history with Intelligent

Beauty: Officially launched August 2009 (Beta, January 2009)

Headquarters: El Segundo, California

Number of employees: 57

Total number of lines: 170

Leading lines: Dermalogica, Kinerase, Colorescience, Jan Marini, Sonya Dakar and Phytomer ■

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