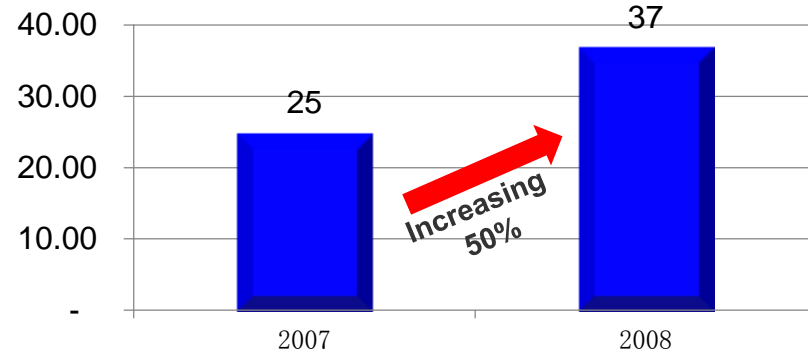


1. Why need to open online retail business?



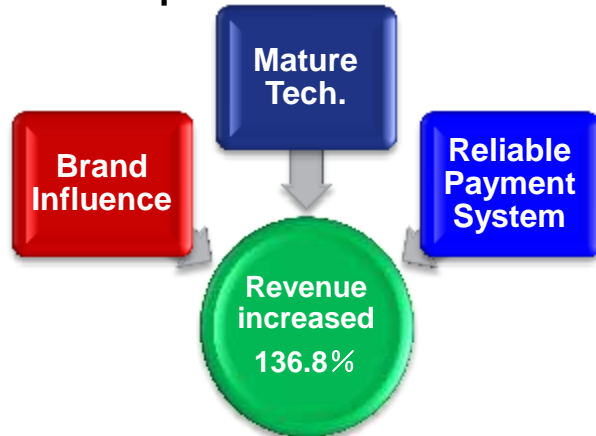
1 Online Shop Vs. 6000 Franchised Store

Annual Revenue (Billion RMB)



Marykay's interactive E-commerce increased its sales revenue 50% in 2008 and reached 3.7 billion RMB.

2. B2C Shop's three features lead B2C market's rapid growth

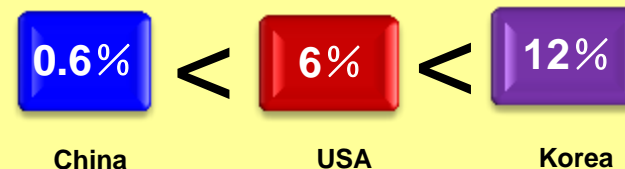


In 2008, China Online shopping of fashion commodities increased 136.8%, reaching 27.46 billion. It will increase 100% in 2009.

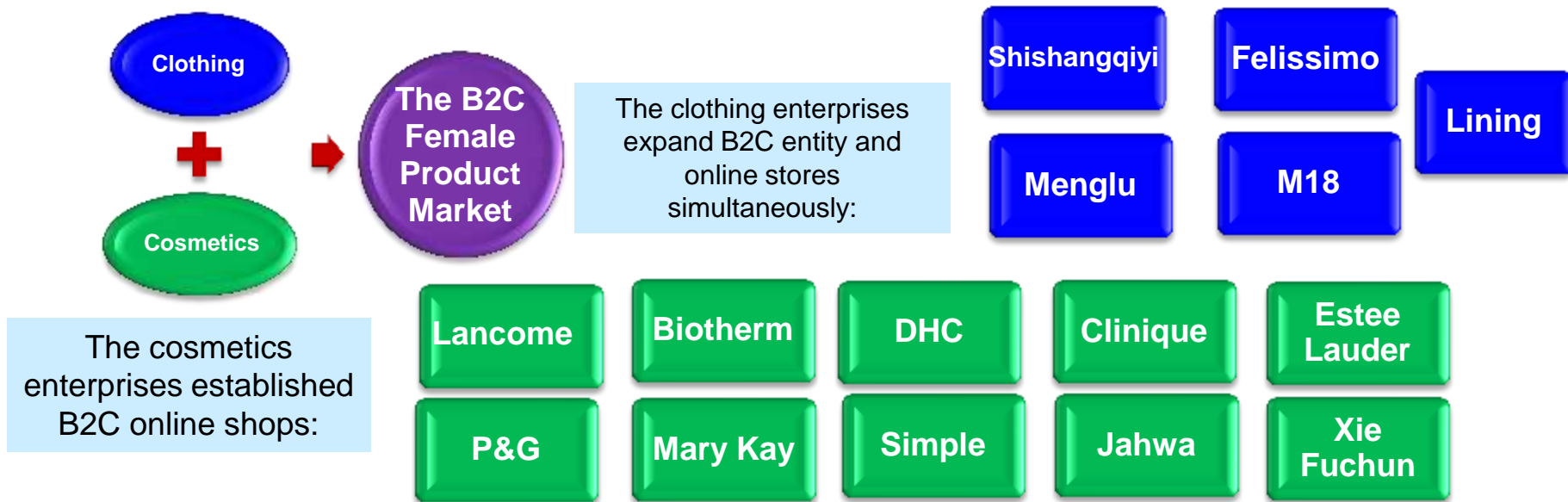
Top Three Online Sales Industry



2009 Online Retail%



3. China's online shopping market products for women - clothing and cosmetics



- **Online trial with same price:** The L'Oreal group tried the e-commerce business of Lancome and Biotherm. The price of Lancome on e-commerce site has the same price as the price at the entity store, but it has more promotional campaign than the entity store.
- **Low profile and low price:** The specialty store of P&G appeared in Taobao with low profile, which nearly covered all the brands of P&G. It played with "the lower price card" than the price in the supermarket.
- **Innovative marketing model:** The big brands of cosmetics want to occupy a larger market through this new innovative model.

4. It is becoming a trend for the combination of B2C website, catalog marketing and the entity store.

More and more B2C websites are building the catalog marketing system to attract the consumers to patronize their websites and attract them to become the loyal users. The mail order DM has become an important form of obtaining the female's favor. The most popular B2C websites to women are all using the catalog marketing, such as Redbaby, Felissimo, DHC and M18, etc.

Compare the Advantages and Disadvantages between Traditional Channel and CRM

Channel	Marketing Vehicles	Advantages	Disadvantages
Digital Marketing	Attract the target consumers to the website and develop the unified advertising campaign, promotion, interactive activities and word-of-mouth marketing at brand club, community or club.	<ol style="list-style-type: none"> 1. Compared with traditional channel, the cost is low, the risk is small, and the profit is high. 2. It covers whole China, and makes up for the low coverage of entity store. 3. It can fully utilize the third-party logistics to optimize the logistics and capital flow. 4. The white-collar can't leave the internet during the work, and they are the main force of the online shopping. 5. The price is lowest at the same quality and the quality is the best at the same price. 6. The e-commerce website can reach more new consumers while providing the service of 7x24 hours. 7. The product line on e-commerce site is complete, while it can provide the full range of brand interactive experience. 8. A lot of streaming media of the dynamic brand advertisement can be presented to attract the target consumer group. 9. Retailer's purchase, sales and inventory data should be grasped in real-time and the production should be depended on the sales. 10. Build the consumer database and develop the new products by distributing the samples and learning about the consumers' preference. 	<p>The modern marketing has a stringent requirement of marketing tools and capabilities to enterprises:</p> <ol style="list-style-type: none"> 1. To have the ability of building e-commerce platforms and do the operations. 2. To have the web analytics tools optimizing capability. 3. To have the community and club marketing capability. 4. To have the word-of-mouth marketing capability.
Digital Marketing + CRM	Ditto, and conduct 1to1 marketing to stimulate the 2 nd purchase.	<p>Besides the above advantages, it has other advantages as follows:</p> <ol style="list-style-type: none"> 1. Membership Points Rewards: To send the campaign message to target consumers and provide them with personalized products and services. The membership system can greatly enhance the consumers' sense of belonging. 2. Multi-channel sales can provide the convenience in purchasing: they are mainly e-commerce, telephone sales and catalog sales. 3. Strong supply chain: the efficient supply chain system can ensure the effective inventory and the timely and accurate delivery. 4. Dimensional marketing: To make full use of the promotional vehicles, such as TV ads, newspaper ads and automobile body ads and so on, to improve the brand awareness rapidly. 	<p>Ditto, and</p> <ol style="list-style-type: none"> 1. Must collect the existing customer's email, home phone, address and other contact information. 2. Have the capability of building customer RFM model, customer segmentation and promotional response model. 3. Have the ability to use the CRM tools and campaign tracking tools.



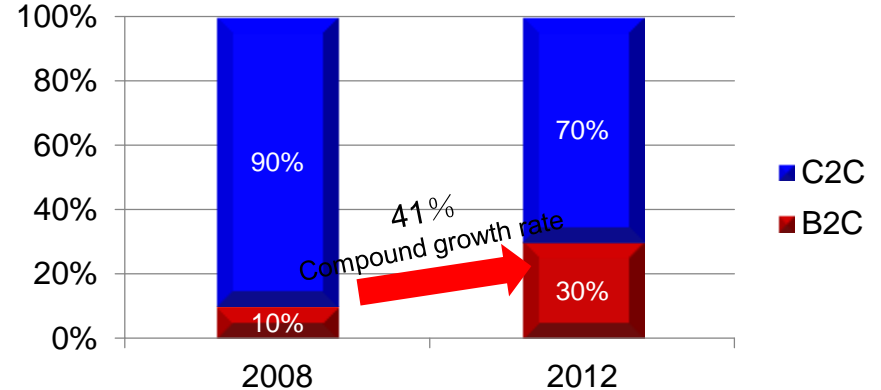
1. In USA, the current market share of B2C and C2C are accounted for 50% and 50% respectively.

E-commerce	Representative Enterprise	Market Share of Revenue	Net Profit	Number of Visitors
B2C	Amazon	1/3	+24%	+20%
C2C	eBay	1/6	-22%	-14.4%

2. In China, the market share of B2C is only accounted for 10% in 2008.

In recent years, the B2C market is growing rapidly in China, and the corporate self-built platforms and third-party built ones appear quickly. The China B2C e-commerce market turnover has reached 177.6 billion RMB in 2008, an increase of 51.4%.

B2C has ushered an unprecedented period of the rapid development and it is expected that the compound growth rate of B2C market in China in the next 3 years will grow 41%. The turnover is expected to reach 498.2 billion dollars in 2011 and the market share of the e-commerce will reach 30% in 2012.



3. Different from the C2C field where only Taobao covers 86%, many enterprises are rising in the new emerging B2C market. The professional features of B2C determines the segmentation of this industry. Besides the big and complete online mall of Amazon, Dangdang and Redbaby, there are many specialized vertical b2c websites, such as Zbird, Vancle, Salala, etc.

4. Baidu CEO, Li Yanhong thinks that the internet infrastructure will change greatly in 3-5 years. B2C channels will be very mature and convenient, from the large stores, such as Su Ning, Carrefour and Shuangyejiaju, to the small ones like any street stores.

B2C Enterprise (Mary Kay and Estee Lauder)

- **Advantage 1:** Optimally solve the problem of the product quality, cross-regional sales, payment and logistics
- **Advantage 2:** The revenue is increased significantly with the multi-channel sales.
- **Advantage 3:** Cost and profit can be controlled, and make full use of existing sales channels to provide distribution service.
- **Advantage 4:** Comprehensive promotional system, including: membership card, points card and coupons, etc.
- **Advantage 5:** Carry out the website interaction, and improve brand image, and customer loyalty.
- **Advantage 6:** Powerful word-of-mouth marketing makes the users promote the website initiatively.
- **Disadvantages:** The product is less abundant compared with the professional B2C website.

B2C Websites (Sephora & DHC)

- **Advantage:** Strong brand appeal, unique in-store service, and one-stop shopping experience, are combined with multi-channel sales model, such as internet marketing, telemarketing, and catalog sales.
- **Disadvantage 1:** They are mainly the middle-high brands.
- **Disadvantage 2:** It can't flexibly integrate the online and offline resources to improve customer loyalty.
- **Disadvantage 3:** It can't solve the channel conflict between the e-commerce and the entity store.

C2C website (Taobao and Eachnet)

- **Advantage 1:** At present the e-commerce is mainly occupied by C2C, such as Taobao and Eachnet, etc.
- **Advantage 2:** It has the price advantages compared with the B2C online stores.
- **Disadvantage 1:** Product quality problems can not be solved.
- **Disadvantage 2:** Single-minded pursuit of commodity with lower prices bring strong impact to traditional channels.

