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## **Introduction**

TONIC15 is an organisation founded in 2018 in London, United Kingdom. It curates and imports Korean beauty and skincare products which are sold primarily in the UK and EU market. These products are sold directly to customers and wholesale partners to retail partners which include luxury departmental stores and online beauty stores. This company is managed by a team of three, namely the Founder, the Content Manager and Operations Manager. Third party services have been engaged for the storage, packing and picking of products to dispatch them. There are also freelancers for the work which require specific skill sets that are not required on a long term basis. The organisation strongly believes the importance of skincare which improves the quality of life as the condition of the skin is closely related to the lifestyle.

## **Industry Analysis**

The purpose of this report is to analyse the Korean beauty industry in the UK and thereafter identify the strategic positions and potential problems of TONIC15. In order to do so, PESTLE and VUCA framework are adopted to analyse the external organisation, whereas the Value Chain analysis and VRIO model are employed to analyse the internal environment. The above analyses are then used to further identify the stated problem.

## **External Organisational Analysis**

### **PESTLE**

The PESTLE analysis is in reference to the acronym formed by the initial of the six macroeconomic variables included namely Political, Economic, Socio-cultural, Technological, Legal and Environmental (Alanzi, 2018). This mode allows macroeconomic factors to be taken into consideration of the development of the business which provide ideas of the threats and opportunities which the organisation is facing (Rastogi & Trivedi, 2016).

- Political

The UK government places high importance on the safety of products. It has been discussed more openly in the cosmetic segment of the beauty industry since these products are designed for skin-to-skin contact. The organisations in the beauty industry have to strictly adhere to the European Cosmetics Regulations. This was made available in the official journal of the European Union which was signed on 30 November 2009 by the President and the council ministers of the European parliament. The regulations include the safety assessment, product information, responsibility of the organisations (UKEssays, 2018).

- Economic

According to a study published on 04 August 2020, London would face a second wave of COVID-19 twice as widespread as the initial outbreak if the schools are reopening without a more effective test-and-trace system in place. According to the researchers from the University College London and the London School of Hygiene and Tropical Medicine, who have studied the impact of the potential spread of virus with schools reopening and allowing parents to return to work. It would only be possible to avoid the second epidemic wave if the people with infections are traced and effectively isolated (Smith, 2020).

Thus, the government might continue to ensure that people are spending most of their time at home and this would result in an increase of online spending. Amazon has seen a 40% increase in net sales year-on-year in Q2 (Hillier, 2020). Research has also shown that 65% of the shoppers had made more online purchases than usual during the outbreak and some suggested that they could even see a larger shift to e-commerce during the festive seasons in the upcoming months. This indicates an opportunity for organisations to engage in more marketing efforts to introduce their products to customers.

- Socio-cultural

For the skin care industry, the target audience are usually the young and middle-aged people. Different generations have different taste and preference for products as well as marketing channels used. Consumers are increasingly more concerned of the characteristics and condition of their skins and try to find the products that best suit their skin type. The products made with natural ingredients with little or no preservatives or chemicals such as aloe vera, are preferred by consumers and have gained widespread popularity. In addition, some consumers also avoid companies related to animal testing. Even though most organisations do not test on animals, they

are unable to market themselves as 'cruelty free' as they are unable to confirm that none of the ingredients have been tested on animals (Benefitcosmetics.co.uk, 2014)

- Technological

With the advancement of technology, the role of advertising is crucial in discovery of products. Among the several key trends globally, it was found that quality of the content matters when the consumers are looking into new products. The video advertisements are the key drivers in action where the majority of customers are inclined to technology like AR/VR in helping their journey of purchase. Some key findings include 33% of the UK beauty users are influenced by online articles while 64% of them take action after seeing a skincare video advertising such as searching more or visiting the website. In addition, 56% of them see value in organisations adopting modern technology such as AR. Marketers are often looking into insights from search or social media but customers are not always in the mind when it comes to discovering new products. There should be a focus on empowering the advertisers in reaching out to consumers with meaningful experience and optimise creatives with the audience to drive higher purchases (Stagia, 2020).

- Legal

The UK Cosmetic product regulations set the standards in the beauty industry to ensure that the products are safe for usage and no harm is caused. These safety standards are legally in place to protect the consumers. The products also have to be properly labelled with the list of ingredients, expiration and precautionary information provided. The Consumer Contracts Regulations are also in force starting from 13 June 2014 to protect the consumers from their purchases and ensure that they are entitled to their rights and prevent any form of illegal production of counterfeit products.

- Environmental

The beauty industry focuses on going 'green' by changing their packaging to become increasingly eco-friendly which causes less stress to the environment. However, in skincare, there is an ingredient called 'microbeads' which exfoliate dead skin cells from the face. They are made of plastic which is harmful to the environment (Frue, 2018). Companies who are perceived as environmentally friendly and eco-friendly usually receive better feedback and responses from customers and maintain a positive public image.

## VUCA

VUCA is used in leadership theories and stands for Volatility, Uncertainty, Complexity and Ambiguity. Any increase in the above factors imply that businesses have to seek new orientations and take a fresh approach (Bennett & Lemoine, 2014).

	<b>Volatility</b>	<b>Uncertainty</b>	<b>Complexity</b>	<b>Ambiguity</b>	<b>Total Score</b>
<b>Economic</b>	5	3	4	2	14
<b>Technological</b>	2	1	5	4	12

**1 = lowest risk, 5 = highest risk**

- Economical

The Economical factor has a total score of 14 out of 20. Due to the COVID-19 situation in the UK, the volatility factor has been rated the highest. Everyone has to take precautionary measures such as keeping a safe distance from one another and wearing a mask as the virus is highly infectious and contagious (Ryan, 2020). The Commons Public Accounts Committee in the UK mentioned that the impact caused to the economy due to COVID-19 could be long-term. The UK economy has shrunk more than 2.2% which is the largest fall since 1979 (Razzall, 2020).

The ambiguity of the economical factor was rated the lowest. There have been constant updates on the number of cases in the world and the updated measures which the individual countries put in place to contain the situation. The World Health Organisation (WHO, 2020) is also constantly updating on the new verifiable information with the collaboration from all the scientists around the world. With the official sources of information made available, the ambiguity factor is low.

- Technological

The complexity factor has been rated the highest as the beauty companies are not well-equipped with the technology to be adopted for Augmented Reality (AR). The technological environment is highly dependent on data to supplement its use, which makes it challenging for some companies to interpret due to the complexity and the large volume of data (Lloret & Ota, 2019). On the other hand, uncertainty is rated the lowest as it is an option for the beauty industry to adopt technology when marketing their products. It would benefit the company when reaching out to the technology-savvy generation.

## **Industry Competitive Analysis**

### **Porter's Five Forces**

The Porter's 5 Forces is used for an organisation to have a clearer understanding of the industry with other direct and indirect competitors. It helps to identify the competitive position and ways to tackle the threats and increase profitability.

- Threat of New Entrants - HIGH

The beauty industry is actively expanding and is expected to reach \$27 billion revenue by 2022. This would mean that the consumers have many beauty brands to choose from. New beauty companies need to ensure high level of safety and health when opening a beauty business as some hazardous components would result in respiratory and skin problems to people. The Control of Substances Hazardous to Health (COSHH) Essentials or a COSHH safety course in the UK help to ensure that these laws are followed by followed by the companies. However, despite that, the threat of new entrants is high (OECD, 2012).

- Threat of Substitutes - LOW

Products sold by TONIC15 are not easily substituted as those are imported from Korea. These k-beauty products are not easily accessible by people in UK unless they are able to find ways to import them. However, due to the high logistics cost, companies would prefer to sell products which they can easily reach out to (Daisyme, 2018).. Thus, this results in low threat of substitutes.

- Bargaining Power of Buyers - HIGH

The bargaining power of the buyer is high as the products have to be catered to their needs. For instance, customers are looking into supporting companies with sustainability and social responsibility (Amberg & Fogarassy, 2019). This would give the buyers a greater push towards the products. Thus, TONIC15 would need to adopt and look into ways of meeting the needs of buyers.

- Power of Suppliers - LOW

The power of supplier is low as the founder of TONIC 15 has a wide access to suppliers in Korea due to the background. The supplier would need to rely on the publicity of TONIC15 to reach out to more customers and increase their sales. In addition, in all beauty industry around the world, the amount of substances available are limited for a large pool of clients (Teh, 2018).



- Competitive Rivalry - HIGH

TONIC15 has a unique selling point whereby it is able to bring in products which its competitors are unable to bring it. Thus, they have exclusivities over the other brands in targeting the wholesale and B2C markets. However, with the increase in brands from the Asia Pacific market, there could be more consumers looking into new products to cater to their needs. This would result in high level of competitive rivalry.

## Internal Organisational Analysis

### Strategic Capabilities

The strategic capabilities refer to the set of capacities, resources and skills which create a long-term competitive advantage for the organisation (Lenz, 2019).

<b>Resources (tangible &amp; intangible)</b>	<b>Competences</b>	<b>Strategic Capabilities</b>
Overseas education and work experience	Global knowledge	Strong Leadership Team
Horizontal management leadership style	Open to opinions and proposals which help the organisation to improve	
The only korean running a K-Beauty business in UK	Access to product exclusivity	Positive Market Reputation
Engaged micro influencers	Co-creation of content Providing real-life examples on the skincare routine	
Access to large number of distributors	Lower Product Purchase Price Secure exclusivity of brand Acquire customer through co-marketing Allows customer to test the products offline	Increased Brand Awareness
Recognised by leading beauty magazine	Wider outreach to customers	

(Yang, 2020)

## VRIO

<u>Strategic Capabilities</u>	<u>Is the resource or capability...</u>				<u>Competitive implications</u>
	<u>Valuable?</u>	<u>Rare?</u>	<u>Inimitable?</u>	<u>Organization-supported?</u>	
<b>1) Leadership Team</b>	Yes	Yes	Yes	Yes	<b>Sustained Competitive Advantage</b>
<b>2) Market Reputation</b>	Yes	Yes	Yes	Yes	<b>Sustained Competitive Advantage</b>
<b>3) Awareness of Brand</b>	Yes	No			<b>Comparative Parity</b>

## 1) Leadership Team

The team of leaders is a very valuable resource to the organisation. The founder of TONIC15, Jin, was born and raised in Korea. She has travelled worldwide for her academic and professional career. She has worked in marketing and PR agencies and had a start-up in the United States. She also has working experience in building ecommerce and retail strategy. She truly understands the value of self-care and the importance of having time for herself which in turn helped her to lower her stress level. As she is commonly recommending her friends on skincare and providing beauty recommendations, she decided to set up TONIC15 to spread the power of self-care regime to the world.

Because it is a team made up of three leaders, there is no hierarchy. Opinions and proposals are always welcomed, and this is rarely seen in many companies. Feedback is given and mistakes made are not fault but learned thus making it a safe place to make mistakes and try new approaches. This would be hard to imitate as it is an organisational culture which has been set from the start of the establishment.

## 2) Market Reputation

TONIC15 has a reputation of being authentic as they are the only kbeauty business in the UK established by a Korean. With the network in Korea, they are able to bring in brands which their competitors are not able to. This allows them to have the reputation of being able to offer unique products and exclusivity. This makes it a rare resource. This has helped the organisation to achieve a positive market reputation and foresee an increase in market share of 1% which yields \$21.8b in 2026. This was an increase from the accessible market of \$19.3b in 2018. This is difficult for the competitors to imitate as they would need to grow their network in Korea. The company has the capability to monitor, assemble and coordinate resources effectively (Barney, 1991).

### 3) Awareness of Brand

TONIC15 has been recognised by leading beauty and lifestyle magazines. This is a valuable resource in reaching out to its target market of working professionals and working mums aged between 25 to 45 years old living in metropolitan areas with a certain level of financial ability. They also form partnerships with exclusive k-beauty pop-up and k-beauty 2.0 kit by TONIC15. Micro influencers are empowered to bundle the products into their skin care routine and advertise it on social media. Co-creation of content by the influencers is a mutually beneficial relationship and would help to add reach, substance and trustworthiness to the marketing campaigns. This keeps messages fresh and shows real-life examples of people using the product (Comcowich, 2016). These are not rare resources as these marketing tools are commonly adopted by other beauty companies in the industries.

## **Dynamic Capabilities**

### **Sensing**

Tonic15 imports K-beauty products from Korea, which allow it to have its own proprietary product. The company managed to explore niches of needs into the market which its competitors are unable to. This is an unexplored need for consumers to explore the specific product for their needs. TONIC15 sees the importance in attending to the changing needs of the customers.

### **Seizing**

Tonic15 has maintained the stabilised networking required to sought for curated products which is crucial in striving its business. With the extensive background experience and expertise from founder Jin Kwon, this allows Tonic15 to leverage on this opportunity. The only limitation faced by the company which is the lack of manpower could be supplemented with a marketing manager to have a further outreach.

### **Transforming**

The company has plans to increase its reputation, credibility and trust which the customers have in the brand as they look into making collaborations with other brands, to continue reaching out to more potential customers, bringing its business to greater height. This is a transformation which the company is aiming for, as instead of expanding its product range, this enables Tonic15 to reduce efforts in sourcing while having a greater outreach to advertise.

## Internal & External Organisational Analysis

### SWOT Analysis

The SWOT Analysis evaluates the internal strength and weakness as well as the external opportunities and threats in the environment. The internal analysis identifies the sources of competitive advantage while the external environment takes into consideration the competitor's environment to identify the market opportunity and threats (Bonnici, 2015).

Strength	Weakness
<ul style="list-style-type: none"><li>- The only Korean K-beauty business in the UK.</li><li>- Done their part for the environment by being cautious of the ingredients they use.</li></ul>	<ul style="list-style-type: none"><li>- Have difficulty securing working capital.</li><li>- Short of manpower</li></ul>
Opportunities	Threats
<ul style="list-style-type: none"><li>- Industry slowly occupied with new startups who are slowly changing the landscape.</li><li>- Increased the demand for natural ingredients in cosmetics products.</li></ul>	<ul style="list-style-type: none"><li>- The COVID19 situation has caused a great negative impact on the economy, reducing spending power of the consumers.</li></ul>

## **Organisational Problem Identification**

With the business rapidly growing in size and being able to get a wider outreach, there is a need to have a strong support team. Without it, it would be very difficult for the organisation to progress and achieve greater milestones.

Thus, the problem statement is how to build a strong support team in TONIC15 in order to become a leading beauty company in the UK.

## **Conclusion**

TONIC15 has been successful in growing and gaining more market share in the beauty industry. With a bigger and stronger team, they would be able to launch new products targeting the new demand of the consumer. Technology could also be adopted to enhance consumer's purchasing journeys and have a higher sales conversion rate. However, TONIC15 needs to ensure a constant interaction would also need to take note of the COVID19 situation which inevitably affects the buying power of consumers and would result in a reduction in sales volume.

(2943 words)



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