# **CASE STUDY: The Beauty of Global Logistics**

**October 22, 2015** | By Craig Guillot

– Inbound Logistics (https://www.inboundlogistics.com/cms/article/the-beauty-of-global-logistics/)

A total makeover of EM Cosmetics' global distribution process, and partnership with a consolidator, produces amazing results.

Exporting products and offering low shipping costs to international markets can be a hurdle for any company. But it's even more of a challenge for a startup brand with limited capital to establish a global distribution network.

[EM Cosmetics](http://www.emcosmetics.com/), a new L’Oréal cosmetics brand, quickly discovered its international appeal when it entered the market in 2013. Enlisting the services of international shipping and package consolidator MyUS.com enabled the brand to grow its business by 20 percent. By handling export law compliance for the shipper and reducing the cost and complexity of international shipping for the shopper, MyUS.com has been instrumental in helping EM Cosmetics reach its global market.

As part of L’Oréal’s luxury products division, EM Cosmetics is the company's first digital-only makeup brand. It launched in August 2013 under the name of YouTube makeup artist and beauty blogger Michelle Phan. Phan has cultivated a large audience over the years, with more than 7.6 million subscribers and 1.1 billion views on her YouTube channel. More than 50 percent of Phan's viewers come from outside the United States, so L’Oréal knew global sales would be big.

"When we launched in Phan's name, we anticipated that the brand would attract a lot of attention outside the United States," says Roseanne Fama, vice president of brand development at L’Oréal and co-creator of EM Cosmetics. "We were a small startup but having a big name behind us gave us a way to experiment with a new makeup line."

EM Cosmetics relies heavily on reaching its market through Facebook, YouTube, and Twitter, engaging fans with makeup tutorials and tips. The brand is comprised of 25 products with more than 200 SKUs. But the small product line doesn't make exporting products any less difficult. As an experimental brand, EM Cosmetics didn't have the infrastructure or capital required to establish distribution centers outside the United States. Setting up a distribution system in Asia and Europe would have cost at least $250,000, Fama estimates.

EM Cosmetics started operations with distribution in the United States and Canada, but quickly discovered that 50 percent of its web traffic came from abroad. With an infrastructure that allowed it to ship only to addresses in the United States, the company left business on the table.

"We knew we were missing a big opportunity because we couldn't ship outside the United States," says Fama. "Catering to global customers was critical to our growth."

**GETTING PRODUCT TO MARKET**

When Fama started searching for a distribution solution, she discovered that California-based cosmetics company Urban Decay had been effectively using [MyUS.com](http://myus.com/) for years to enable its international shipments. MyUS's unique business model serves as a middleman between U.S. shippers and global consumers. MyUS currently serves more than 200,000 customers in 220 companies, says CEO Ramesh Bulusu.

[MyUS.com](http://myus.com/) works by allowing members (retail shoppers) to use a U.S.-based address at its distribution center in Sarasota, Fla. From there, shoppers can either immediately ship a package to their international address, or have it held for up to 30 days. The advantage is that consumers can consolidate multiple packages in one place before sending them abroad.

Consumers can also request to confirm the size, color, or make of the items, and to even take photos of products or scans of the merchants' invoices. For shoppers, the consolidation can dramatically reduce shipping costs; for retailers or manufacturers, it cuts through the hassle and red tape associated with exporting.

"All purchases made by international shoppers come to our DC in Florida, where we consolidate the packages and do the necessary export paperwork to transport the product with the appropriate duties and taxes," says Bulusu.

MyUS became the backbone of building and enabling international business. EM Cosmetics has seen its business grow by 20 percent since it opened the door to international sales in late 2013 by partnering with MyUS.

The consolidator walked EM Cosmetics through every step of the process to ensure that it had all the information needed for every item. MyUS employs a staff of 20 full-time associates and one full-time licensed customs broker to investigate and ensure full compliance with all U.S. export laws. Products destined for international locations are packaged both for the consumer's benefit and to provide easy access for inspections. The process was simple, Fama says, and allowed EM Cosmetics to quickly open its products to the international market.

Myriad exporting laws can vary dramatically by country and by product. It can be especially complex for cosmetics, which may contain animal products, and must present information on ingredients, potential contaminants, and testing, as well as comply with labeling requirements, says Bill Brown, director of retail sales at MyUS. And, each SKU must have its own documentation for each country.

"Retailers are not in the business of exporting, but we are," says Brown. "We take compliance seriously and we take the burden off the retailer."

EM Cosmetics set up a web page to guide consumers through the international shipping process. Customers in Brazil, China, Germany, and the United Kingdom can use credit cards for purchases; customers in other locations are directed to PayPal. Video and text instructions show them how to obtain a U.S. mailing address through [MyUS.com](http://myus.com/).

One big benefit of MyUS is being able to reduce shipping costs by consolidating packages from multiple shippers in the United States. MyUS distribution center workers open packages and repackage all items into the smallest and most cost-effective packaging before shipping internationally. Add-on services like this don't directly impact the shipper, but they do help boost sales by making the process easier and saving money for the consumer. EM Cosmetics has also seen evidence of friends "grouping" purchases to minimize per unit shipping costs, Fama notes.

"Consumers can save a significant amount of money because we can help reconfigure the weight, size, and volume of shipments, and ship one package," says Bulusu.

On a typical morning, MyUS receives and logs hundreds or thousands of packages from companies such as EM Cosmetics. Products can range from cellphones or small electronic devices to sofas and pianos, says Bulusu. Trained workers open and inspect packages to ensure the right items are in the box, and that they are undamaged and in visible working condition. If they discover a problem, MyUS notifies both the customer and the U.S. retailer to return or replace the merchandise before shipping overseas. MyUS also ensures that shipments are appropriately packaged for export compliance to expedite the process and minimize Customs delays.

All milestones in the process are updated online so customers have visibility to their packages at every point. They can also choose when and which products they'd like to ship from the DC.

"Flexibility and control of the shipping request is in the consumer's hands," says Bulusu. "Once a request comes in, we ship in 24 hours and customers usually receive the shipment in two to four days."

Shipping costs are a critical part of the equation for shoppers. Domestic customers expect free shipping; for international shoppers, the cost of shipping can make or break a sale. Seventy-one percent of respondents to a 2014 Pitney Bowes global online shopping survey said price was the most important factor in purchasing online. The survey also revealed that international buyers don't like surprises and want to know the "fully landed" cost of goods with upfront information about shipping, taxes, and duties. In regard to obstacles to completing a purchase, the survey found that high shipping costs can deter 67 percent of potential buyers.

To offset increased shipping costs, many international shoppers purchase more items to take advantage of lower per-unit shipping. Where an average order value is $60 for domestic EM Cosmetics customers, it's near $100 for international customers.

"We have cost-conscious customers with the incentive to increase their orders to save on shipping costs," Fama says.

MyUS fills the missing link in the international shopping chain by offering easy export and low shipping costs. It also enables transactions that otherwise might not occur. While EM Cosmetics does offer international payments, MyUS's Personal Shopper service can expedite service for retailers that don't.

"We convert customers who would otherwise not buy a product if shipping wasn't affordable," Bulusu says.

**ASSIGNMENT**

1. Watch the creation of EM at <https://www.youtube.com/watch?time_continue=19&v=gB5-wp_cm_8>
2. Answer the following questions from the case study:
   1. The Challenge
   2. The Solution
   3. The Results