



# Beauty Garage

JAPAN'S LEADING B2B E-COMMERCE BEAUTY BUSINESS

**A**ccording to a July 2023 outlook report by the Bank of Japan (BOJ), Japan's economy will "continue growing at a pace above its potential growth rate as a virtuous cycle from income to spending gradually intensifies the overall economy." Alongside a substantial wage increase, the BOJ cited advances in digitalisation and increased investment in human capital as driving forces behind a strong flow of corporate profits and the country's sky-high equity market. Going forward, the BOJ expects businesses to continue investing in research and development (R&D), decarbonisation, and strengthening their supply chains.

Japan is one of the world's biggest beauty and personal care markets. Industry revenue currently amounts to USD 41.88 billion, according to Statista, with 23.7% of total revenue attributed to e-commerce. Japanese consumers value high-quality products and are willing to spend big to keep up with the latest trends. Consequently, beauty salons, which offer hair-related beauty services, and aesthetic salons, which offer cosmetic and anti-ageing treatments, have become embedded in Japanese everyday life. In 2021, the number of beauty salons reached 264,220, whilst in the last fiscal year, the value of beauty salon sales topped JPY 1.48 trillion and JPY 314.1 billion for aesthetic salons.

Founded in 2003, Beauty Garage is the leading B2B e-commerce business in Japan's beauty industry and a game-changer through its unique distribution model and solutions for start-up salons.

Beauty Garage began as a reuse business for used beauty equipment until 2007 when it began plans to develop its own products. Initially faced with unwillingness from Japanese manufacturers to invest in its vision, Beauty Garage forged its own path. "We used the roadblock as an opportunity; we designed products ourselves and manufactured them in Southeast Asia and countries like China and Korea to maximise their price competitiveness," says Beauty Garage's CEO, Hideki Nomura. "We chose not to follow the traditional Japanese distribution model, opting to go directly to salons through online sales."

Despite the criticism it faced, Beauty Garage's rule-breaking synergy of IT and direct sales proved a massive hit with salons and the company soon launched services to help salon start-ups with financing, insurance, salon interior design, real estate, and point-of-sale (POS) technology. Today, the company boasts a membership of more than 600,000 beauty professionals and continues to support aspiring beauty entrepreneurs launch their own salons. "Our biggest asset is the transformation of our e-commerce website into a SaaS marketplace platform to promote the industry's digital transformation," says Nomura.

Beauty Garage's evolution into a tech company marks the beginning of a new era and will be crucial in achieving its goal of being Japan's number-one B2B beauty product distributor by FY 2025. Partnerships will also be key, says Nomura, as the company



Hideki Nomura  
CEO

looks to expand its e-commerce product range - which currently accounts for 80% of wholesale sales - and enhance its human resources through a combination of M&As and joint ventures. "We're already in negotiations with some companies for collaboration and M&As. Whenever the opportunity arises, we'll be open." Beauty Garage is also looking to expand overseas, having proved itself in Singapore, Taiwan, and Malaysia.

Future partners will have access to an extensive range of collaborative opportunities as the

company's horizontal growth strategy favours diversification. "We're venturing into fitness spas, gyms, and hot bath facilities. Our targets are always expanding," says Nomura. Beauty Garage recently added fitness products to its online portfolio. Partners will also benefit from Beauty Garage's progressive leadership philosophy, which blends top-down management with bottom-up 'outside the box' thinking to achieve sustainable, impactful growth.

Ultimately, Beauty Garage's mission is simple: to make beauty fun. In an industry where reputation and customer loyalty mean everything, Beauty Garage's numbers speak for themselves. A staggering 75% of all sales come from just 15% of customers - many VIPs accessing Beauty Garage's VIP programme - whilst customer engagement numbers are soaring. In FY 2019, 29% of Beauty Garage's 95,516 users - separate from its 600,000 beauty members - were return or frequent customers (making six or more purchases in a year); today, that ratio has risen to 40.5% of 162,006 users.

Beauty Garage's market leadership and bullet-proof credibility have resulted in a rarity for the beauty industry - a listing on the Tokyo Stock Exchange (TSE) - representing a lucrative opportunity for global investors to participate in Japan's high-upside equity market. Between August 2022-August 2023, Beauty Garage's stock rose by over 60.8% and 26.0% in just the first six months of this year. "There's considerable scope for further growth, especially with the rise in inbound tourism. Our future is very promising," says Nomura. In FY 2024, sales are forecast to increase year-over-year by 14.1% to reach JPY 30.158 billion - almost double the results posted in FY 2020 - and net profit by 22.0% to reach JPY 865 million.

From cars, clothes, and food to entertainment and beauty, Japanese culture is now a global phenomenon. Japan has positioned itself as a staple for Western investors, assured by its democratic values - Japan ranked 16th on the 2022 Economist Intelligence Unit (EIU) Democracy Index - and business freedoms. For Nomura, Japan now sits at a crossroads: "whilst many believe the economy is shrinking, we believe big change is coming. Japan's economy will flourish by being more open-minded and embracing international partnerships. We see great opportunities ahead."

