Research on the Business Model Innovation Based on Shenzhen Jenyf Cosmetics Co. Ltd

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Keywords: Business model, Wei-Zhu’s six elements theory, Cosmetic industry.

Abstract. Due to the old business model, Jenyf can no longer guarantee the survival and development of the company. Thus, by studying its own company's many years of entrepreneurial experience, comparing with many domestic e-commerce enterprises, we have summed up and optimized the "1+C +S" entrepreneurial model with Jenyf's characteristics, and smoothly realize transition, taking it as the core value resource of Jenyf company, enabling entrepreneurs to become partners while benefiting manufacturers, entrepreneurs' customers, consumers and other stakeholders. Therefore, it is necessary to conduct in-depth research and analysis on this brand-new business model, which can play a certain role in the operation of the model, but also has certain reference significance for companies in the same industry.

Theoretical Basis

Chinese and foreign researchers basically agree on the definition of business model. Business model is based on value identification, followed by the whole process of value creation, value transmission and ultimate value realization. As for the components of the business model, although there are differences in the content of various viewpoints, the main difference lies in the different classification methods[1].

The Definition of Business Model

Business model is a "young" concept, but it is not a brand-new one in today's theoretical system. Nowadays, if any company is established, it will definitely adopt which business model to gain value in the market. Therefore, it can be concluded that the business model has existed for a long time in history, and the original scholars regarded the business model as a computer model or a mathematical model, but later scholars defined the business model as an enterprise operation model or a business logic that creates value for customers[2].

At present, business model theory has been widely used in the economic activities of enterprises, but most scholars still cannot reach a consensus on the definition of business model and its components. Most researchers define business models at the level of "concept and model".

Theory of Business Model Innovation from the Perspective of Elements

Gu Yuanxun emphasized in the hands which can be reached—the logic of the design of the business model that the business model can be defined as two forms, one is based on the form, that is, the perspective of elements, emphasizing the constituent elements of the business model. The other is based on structure, emphasizing the principle based on business model, giving the structured definition of business model[3]. The following is a summary of the theory of business model innovation from the perspective of form, that is, elements.

To sum up, Chinese and foreign research scholars of this kind of perspective define business model as a set or combination of a series of elements, and believe that an innovative business model can be formed by continuously improving the elements in the business model or continuously
exploring the combination of these elements. And the enterprises can achieve the perfect design of its business model by adding or subtracting these elements or trying to combine them.

**Wei-Zhu’s Six Elements Theory**

In this paper, the six-factor model of business model of Wei Wei and Zhu Wuxiang is mainly used as the theoretical basis for research. The six elements in Wei-Zhu's theory are interrelated and interact with each other. First of all, the business system, key resource capability and growth space of an enterprise are determined by the positioning of the enterprise, and the growth speed and effect of the enterprise are also affected by the positioning of the enterprise. Secondly, the profit model of an enterprise directly affects its free cash flow structure. Thirdly, the operating expenditure and profit growth rate in the free cash flow structure of the enterprise determine the investment value and the efficiency of value profit. Finally, the enterprise value, asset scale and net asset scale can calculate the ultimate realization efficiency of enterprise investment value.

Wei Wei and Zhu Wuxiang, the authors of Wei Zhu's six elements business model theory, found business model, innovation of reconstructed business model and economic explanation of business model respectively in the study of this theory, and wrote "Dialysis Profit Model" and other monographs[4,5,6,7,8].

**Case Introduction**

**Current Situation of Jenyf Company**

Shenzhen Jenyf Cosmetics Co., Ltd. was established in April 2014 to solve facial skin problems for female users. Responding positively to the government's call for "Internet +" to start a business, while doing its own cosmetics business, the company responded actively to the call of the era of mass entrepreneurship and innovation, actively explored and set up a service platform for incubating business, and supported entrepreneurial talents with entrepreneurial determination and ability, and provides an entrepreneurial platform for entrepreneurs based on the "1+C+S" entrepreneurial model. At the same time, we will dig out high-quality partners and jointly create a Jenny skin ecological circle.

Since its establishment, the company has adhered to the principle of talent-oriented and honest business operation, and the creed of "success is no different from success, and everything must be expected to be successful". It has summed up and optimized the unique "1+C+S" business model. Based on this, the company can establish itself in the market competition and achieve sustainable development. Jeanette's talent composition system is reasonable, with many outstanding innovative and entrepreneurial talents who are good at different fields. Besides, we are escorted by major skincare industry players and marketing players. So far, Jeanette Skin Cosmetics Company has successfully developed 6 partner companies with a good momentum and more than 500 employees.

**Transformation and Development of the Company**

After the transformation of Jenyf Company become stable, the development model with core competitiveness is determined by summarizing the past practical experience. In order to seek the further expansion of the company, let the knowledge system of social network service distribute greater value on more platforms, we have summed up and optimized the unique "1+C+S "entrepreneurship model. Based on the "1+C+S "entrepreneurship model, 6 partner companies have been developed at present, with a total of more than 500 employees and a target turnover of over 400 million in 2019."1+C+S" the business model, 1=wechat C =connect S =special, that is, a business model based on the large number of users on WeChat platform, supported by the advantages of social e-commerce and centered on the development of Jenyf's characteristic e-commerce business model.

"1" means wechat. WeChat is a big player in the social software field. We chose WeChat as 1, improve the efficiency and reduce the cost of obtaining customers, which includes C1. Flow-based customer acquisition-social media drainage, core network community determination, C2
brand-based operation—personalized content sharing, in-depth interaction, C3 one-stop service—creating an experience community, solving user problems, C4 cooperation-based win-win situation—meeting user needs, achieving win-win value, and establishing strong relationship information with users; "S" is special. The core "S" support system of the entrepreneurship model consists of entrepreneurial talent excavation, intensive capital investment and professional knowledge training, which has contributed to the expansion of Jeannie Skin's featured e-commerce entrepreneurship 1-N.

Analysis of Business Models before and after Transformation based on Wei-Zhu's Six Elements Theory

The transformation process of Jenyf company is essentially an innovation process of business model. The six elements theory of Wei and Zhu is used to make a comparative analysis of the new model "1+C+S" before and after the transformation of jennifer.

**Positioning.** The first thing an enterprise should consider is how to choose a location for survival and development, which is the core of enterprise strategy and the beginning of an excellent business model. And this position of survival and development is positioning. Positioning is a bridge between the business model "past lives" and the future, and plays a guiding, enlightening and decisive role in the business model.

**Business Systems.** Before the transformation, the operation mode of its business basically revolved around customer groups, similar to the traditional online shopping, which integrates pre-sales drainage, in-sales service, and after-sales guaranteed return of goods.

Before sale: Internet channel drainage—through the beauty industry related WeChat public number, Baidu Tieba, Weibo and other network platforms as "drainage" media, implicitly recommend and publicize the company's brand and screen out the company's accurate customers. Digging up customer's needs to improve skin problems, such as removing acne freckle, and failing to improve after customers use many other brand products, helping customers analyze the problems. By adding the company's service micro-signals, the company's professional skin care teachers will help customers to properly protect their skin and solve their skin troubles.

In and after sale: WeChat customer service, social e-commerce—compared with customers' purchase of big-name cosmetic products, after-sale service for customers who have already completed the transaction will be relatively more passive, resulting in low efficiency due to delay, and the service effect will be greatly reduced. And the company will use one-to-one customer service to provide personalized, customized and unique services to enhance the customer's experience of the product.

After transformation. Jenyf company summarizes and optimizes how itself can achieve a breakthrough of "two billion" sales in a short time and develop rapidly. For people who have the desire to start a business, a low-cost and low-risk e-commerce business model—"1+C+S" business model is provided.

**Critical Resource Capacity.** In order to further support the development model of partners, the company's potential partners in the early stage mainly came from investment promotion network, alumni circle, peer circle and industrial chain circle, providing a steady stream of talent resources for the development of the company.

**Profit Model.** Before transmation: Jenyf's main profit model is to sell skin care products online, while the profit of offline channels is limited. The main product categories of Jenyf are distributed in skin care products, but with the huge growth trend of the younger generation market, there are few other cosmetics, instruments and medical beauty drugs in cosmetics, so the current profit model is single and has certain risks.

After transmation. Jenyf company's income mainly comes from two aspects: the first is the main business cosmetics e-commerce sales revenue; the second is the share partner company, which obtained profits and dividends in the later period.

**Free Cash Flow Structure and Enterprise Value.** Before transfortion: As a cosmetics social e-commerce company, the main cash inflow is the sales income of products, and the cash outflow
includes the human cost of sales personnel, management personnel, product cost, financial cost, etc. If the market price is fluctuated, there will be certain restrictions on the cash inflow, which will eventually lead to problems in the free cash flow structure. Before the transformation, Jeanette’s value was more embodied in providing a demonstration role for young entrepreneurs. The three main founders of Jeanette started to work in Shenzhen in the second year after graduating from university, and even before the transformation, they had been able to sell tens of millions of products. Therefore, this is the biggest enterprise value before the transformation in my opinion.

**Post-transition.** He cash flow structure of cosmetics social e-commerce companies consists of cash flow inflow mainly based on the sales cash income of products and the dividend income of partner companies, as well as cash flow outflow mainly based on the labor cost, the early product research and development cost and the early partner investment cost. Therefore, once partner companies are established and more partner companies are rapidly developed according to the same pattern, the cash flow inflow can be guaranteed to greatly exceed the cash flow outflow, thus realizing the advantage of gradual enlargement of free cash flow. Jeanette's "1+C+S" model can do this. It can focus on core brand value, and realize the cash flow inflow of cosmetic products by rapidly increasing the number of partner companies. Retail revenue is all cash, while there will be no excessive accounts receivable.

**Conclusion**

The success of Jenyf's business model after its transformation lies in the following two key aspects. I hope it can be used as a reference for enterprises in the same industry in the establishment of business model.

**Adapt to the Dynamic Environment and Increase the Customer Base**

Compared to the pre-transformation, China's social e-commerce cosmetics market has been "lifted up ", while international brands have been occupying the domestic high-end market. In 2018, Chinese Internet users rely most on European and American foreign brands in their search and purchase of cosmetics.in 2019, the most commonly used cosmetics will still come from foreign European and American brands. Therefore, for China's small and medium-sized cosmetic companies, how to form a greater brand effect is particularly important, while attracting more consumer groups.

**Satisfy Multiple Interests and Form a Community of Interests**

**Meet Consumer Demand for Quality and Added Value.** The business model of Jenyf company finally satisfied the interests of consumers, partners and Jenyf itself, and finally realized a win-win situation for all three parties.

**Meet Partners’ Capital, Experience, Supply Chain and Other Resource Needs.** Jenyf company integrates the resources of top-name producers in the upstream. And it can provide funds, raining management and other services for those partners who are willing to join Jenyf, thus reducing the difficulty of partners to enter the market.

**Meet the Strategic Development Needs of Jenyf.** Jenyf company has been committed to developing the second-tier cities of social e-commerce cosmetics such as Shenzhen, Dongguan and Ganzhou. But Jenyf have not yet laid out in other regions of the second-third-fourth-tier cities. And now, Jenyf’s new model can quickly expand the service area to more region areas, which is fully in line with Janice's overall strategic development. It is this strategic development that has prompted the opening and implementation of the new model.

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