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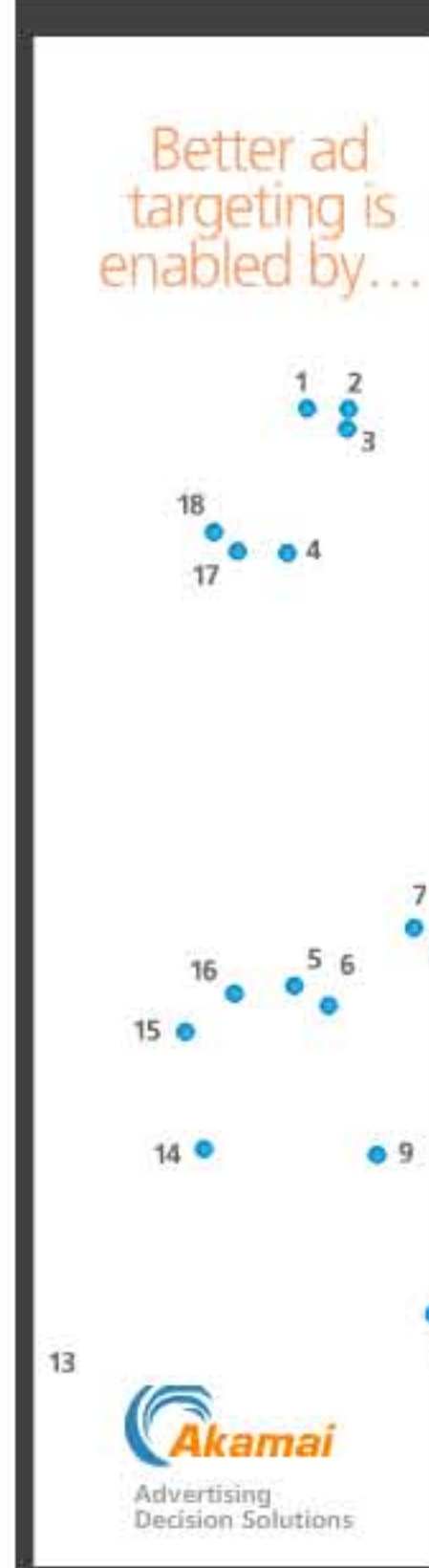
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## Can Alice.com Lure CPG Players Back to E-commerce?

**Site's Direct Sales Proposition Could Give Brands Leverage Against Retailers, Private Labels**

by [Jack Neff](#)

Published: [June 23, 2009](#)

BATAVIA, Ohio (AdAge.com) -- Package-goods marketers tried -- and largely rejected -- e-commerce about a decade ago. But their interest has rekindled lately, and a novel start-up named Alice.com is betting they're ready to party again like it's 1999.



After months in beta, Alice.com was set to go live today as an online marketplace for everything from laundry detergent to body wash to lipstick, but with a more compelling economic proposition for consumers and brand marketers than conventional e-commerce.

For consumers, shipping is free and prices are expected to be comparable to what they would pay at an offline retailer. For manufacturers, the lure is pocketing the retail markup themselves rather than passing it onto a retailer. Alice.com plans to make its money instead by selling advertising, hosting electronic coupon services and running other database marketing programs from the transactions at its online store.

#### CEO Brian Wiegand

Alice.com CEO Brian Wiegand is a serial digital entrepreneur whose last start-up, Jellyfish.com, was sold earlier this year to Microsoft and incorporated in the Bing search engine as Bing Cash Back, in which consumers share in the pay-per-click revenue.

He believes package-goods marketers are more willing to embrace direct sales today in part because retailers are increasingly willing to tread on CPG's branding turf by developing and selling increasingly sophisticated private-label offerings.

"We've created a platform that allows the major CPG manufacturers to actually become the retailer and sell directly to the consumer," Mr. Wiegand said. "Retailers increasingly have become manufacturers. So the next logical step is for manufacturers to become retailers."

He's not projecting a massive shift in that direction, but Mr. Wiegand does believe e-commerce can grow from less than 1% of consumer package-goods sales today to as much as 5%.

Couponing is one of the highlights of Alice, Mr. Wiegand said, because the discounts are applied automatically and can be targeted based on what consumers buy or search for, including competitive products.

But a big part of the interest he has seen in talks with CPG manufacturers to date is simply the ability to have direct contact with consumers and mine the transaction data generated for marketing insights.

#### Moves by P&G, J&J

Industry heavyweight Procter & Gamble Co. late last year cited that as a reason for taking a small stake in U.K. e-commerce site Ocado. The company earlier this month opened an online store on China's Taobao.com. And it's also increased its presence in e-commerce with [this month's purchases](#) of men's high-end specialty brands The Art of Shaving and Zirh as well as by adding more product offerings to an existing site acquired via the 2005 acquisition of Gillette, TheEssentials.com.

Johnson & Johnson made a splash in e-commerce last year with its launch of Neutrogena SkinID, supported by direct-response TV, digital display and search ads, which appears to have taken a substantial bite out of direct-response powerhouse Proactiv's online sales.

Besides P&G and J&J, others selling products and offering coupons with a total of about 6,000 initial product offerings on Alice.com include Unilever, Reckitt Benckiser, Clorox Co. and Alberto-Culver Co.

"The emergence of digital has made CPGs realize they can connect with consumers more directly than they have in the past, and around retail channels," said Lisa Bradner, principal analyst with Forrester. "Certainly the aggressive private-label movement and the impact of the recession, with more people trading down I think also has driven CPGs to say 'We need another answer.'"

#### Consumers trained online

It's hard to know if the new wave of CPG interest in e-commerce will prove more successful than a decade ago, but a whole generation of consumers has emerged since then trained to buy products online, she said. E-commerce may never be more than a niche for the industry, but it could become a much bigger one if, like the business model for sellers of lower-priced direct-response merchandise, it's used more at defraying the cost of advertising than becoming a profit center in itself. But she said trying to make a retail venture go strictly on advertising revenue, as Alice.com is doing, is a big risk.

And the devil in such systems is in the details, as such retailers as Amazon already have struggled to make e-commerce work well in package goods, noted Emrah Kovacoglu, CEO of online beauty review site TotalBeauty.com.

Consumers look to e-commerce for a broader selection, superior convenience and access to products they couldn't otherwise get, and he said it's not clear yet that Alice.com can deliver on those promises.

3 Comments

By obama girl | New York, NY [June 23, 2009 12:28:19 pm](#):

I think Alice has a chance. The site is a little dugey, in my view. I'd also recommend that they put their shopping list on my facebook page in in my igoogle page. I dont want to have to visit the site to purchase, only to register and set up my settings and look at new products when inspired to do so.  
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By Rodney33 | FRISCO, TX [June 23, 2009 12:30:26 pm](#):

Alice.com and retailer's own digital offerings on mobile will change the way consumers shop, as they will have best prices in hand, while they're shopping.

If they want the better price and it's not in the store they're in, they don't have to drive for it, they can have it delivered.

Additionally, Deal Chime which is already in the US market provides geo-based coupons and values specific to shoppers identified needs, adding to the value equation by coupling best price with best coupon offer, and personalizing offers based on consumer experience.

So now, instead of getting competitive coupons based on purchases after paying at checking out, consumers can get best coupon offers before purchase.

Rodney Mason, CMO  
 Moosylvania  
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By tedsilverman | Boston, MA [June 23, 2009 02:39:11 pm](#):

I admire Alice.com for trying to innovate in the CPG space, and I think it might work for a segment of consumers and a segment of products. I don't think most consumers are psychologically prepared to order groceries online and have them shipped -- even if they arrive overnight, which I'm guessing they won't. Peapod and Fresh Direct, for example, still have very low penetration and can deliver items same-day. Alice.com will require a fundamental shift in the way consumers buy, and it's not easy to make those shifts happen.  
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