

BIRCHBOX

FIA CONSULTING TEAM

Bruno Bezerra
Guilherme Galli
Helena Prado
Henrique Costa

SUMMARY

Key Issues

Recommendation

Analysis

Alternatives

Strategy

Implementation

Finance

Risks

KEY ISSUE

How to achieve sustainable growth and profitability in a crowded market?

CURRENT SITUATION

- Total funding amount: \$87 Million
- 1 million subscribers
- 125 mi revenues in 2016
- Current markets: US, Porto Rico, France, Spain and UK
- Sample subscription box: \$10 per month for 5 products
- Full size product for sale
- Loyalty program – 1 point for each dollar spent or review done

CHALLENGES

Fall in number of subscriptions

Low differentiation

Need to grow reorder conversion rate

Logistics

- Business model does not bring benefits to economies of scale
- Inefficient cost structure

RECOMMENDATION

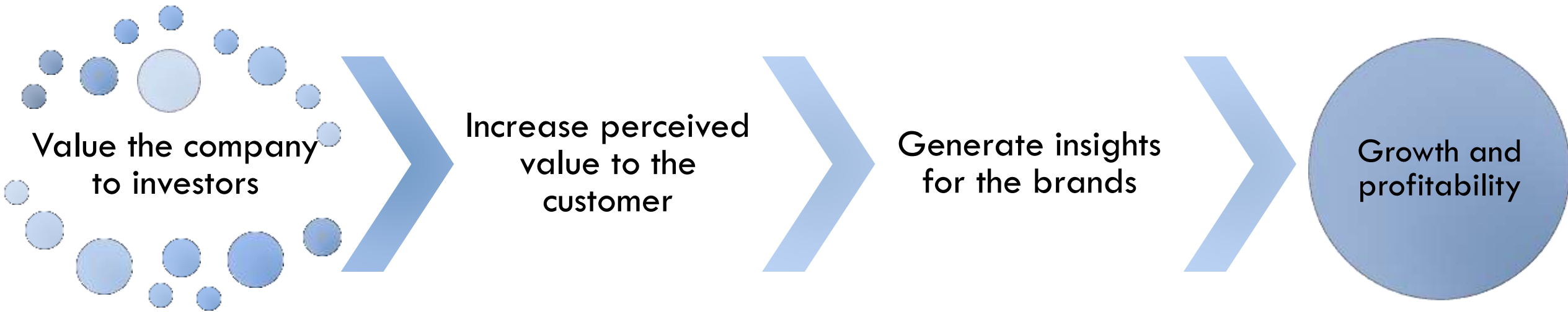
Implement a customer centric strategy

Better shopper understanding

Operational efficiency optimization

Business model improvement

GOALS



INTERNAL ENVIRONMENT

STRENGTHS

Discovery
retailing
pioneer

Passive
shopper
insights

Curated box

Data
generation
ability

WEAKNESSES

Logistics Cost
Structure

- Labor Intensive
- Lack of Automation

Comprehension
on buying
behaviour

Conversion to full
sized

Comprehension
of niches

EXTERNAL ENVIRONMENT

OPPORTUNITIES

Growth of niche markets

Demand for shopper behaviour data

THREATS

Low entry barrier

- Big Corporations
- New discovery platform

Crowded Market

SWOT		Strengths				Weaknesses			
		Discovery retailing pioneers	Passive Shoppers Insights	Curated Box	Data generation ability	Logistics Cost Structure	Conversion to full sized	Comprehension of buying behaviour	Comprehension of niches
Opportunities	Growth of Niche Markets		✓	✓		✗			✗
	Demand for shopper behaviour data	✓			✓			!	
Threats	Low entry barrier	✓		✓		✗	✗		
	Crowded market		✓	✓			!		✗

ALTERNATIVES

		ROI	Capabilities
Growth of Niche Markets	Improve niche customization for subscriptions	✓	✓
	Premium subscription with full sized products	✓	✓
	International expansion	!	!
	Owned Brick & Mortar Stores	!	✗
Demand for shopper behaviour data	Provide consumer behaviour intelligence for B2B	✓	✓
	Strategic Alliance with Beauty Market Research Company	!	!

TARGET CUSTOMER

Passive
shoppers

Convenience
seeker

Willing to
discover

Millennials

Women and
Men

USA, Porto
Rico, France,
Spain and UK

BUSINESS PARTNERS

Mid and high
end brands

Customer
centric

Focused on
product
innovation

Need market
data

BUSINESS MODEL

Brands will pay for market data

- To improve their customer understanding
- Possibility to launch MVPs

Focus on fewer niches

- Reduce operating complexity
- Target relevant and profitable shoppers
- Color cosmetics, men's grooming, fragrances

Create a premium subscription box

- Customizable delivery frequency
- One full size product
- 2 personalized product samples
- Price defined by the full size price

Change loyalty program

- Points can only be used for full sized products / subscription
- 1 point per box review

IMPLEMENTATION

Shopper Behaviour

Understand Path of purchase behaviour

Hire digital content agency

Operational Efficiency

Simplify portfolio to reduce SKUs

Automatization of best sellers boxes

Business Model Improvement

Premium subscription

Customer Service Team

Loyalty Program redesign

IMPLEMENTATION

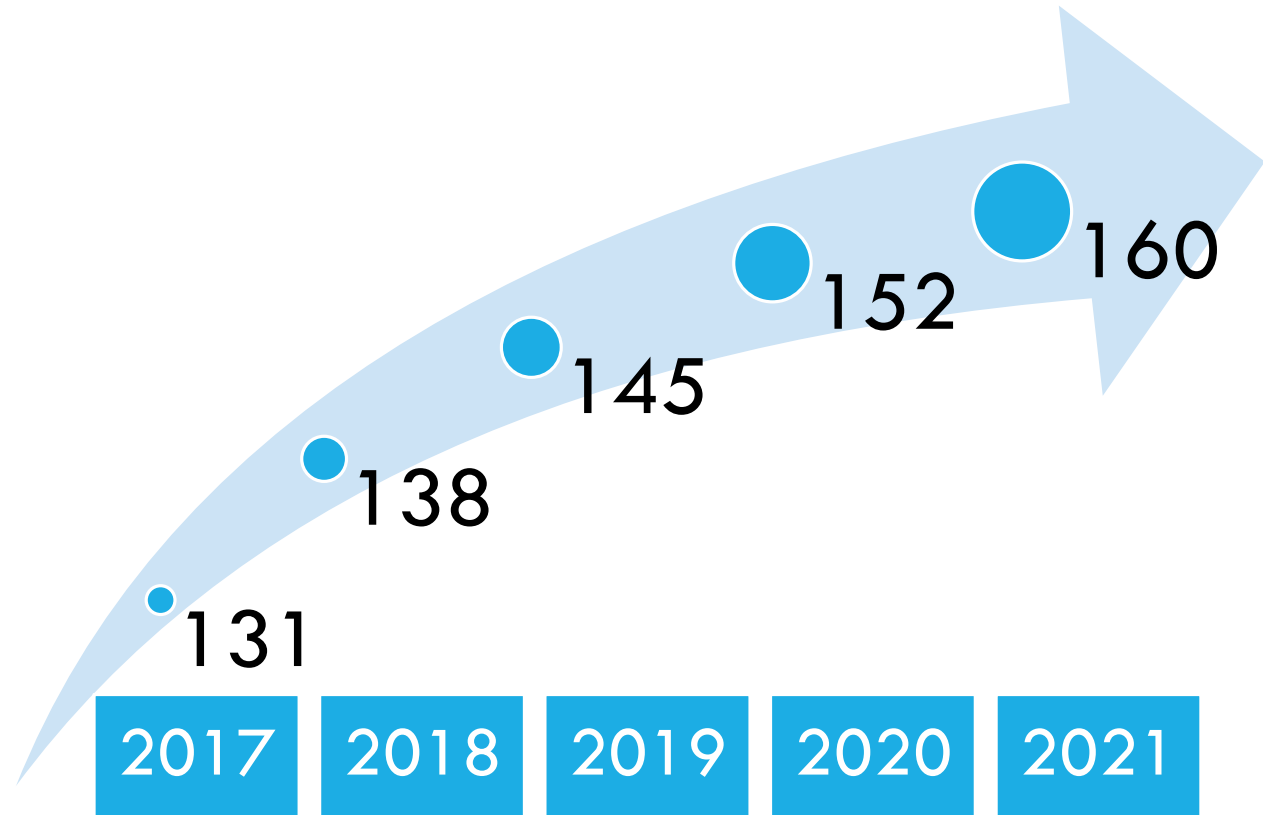
		YEAR 1				YEAR 2					
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Investment	
Shopper Behaviour	Search Engine Optimization									-\$	100
	Social Media									-\$	120
	Hire digital content agency									-\$	200
Operational Efficiency	Reduce # of Combinations SKUs to 10 per niche									-\$	50
	Automatization of best seller boxes									-\$	1,000
Business Model Improvement	Premium subscription with full sized products kick-off										
	Customer service team hiring									-\$	200
	Niches definition										
	Loyalty program redesign									-\$	50
										-\$	1,720
Investment Cash Flow		-\$ 73	-\$ 315	-\$ 115	-\$ 307	-\$ 290	-\$ 290	-\$ 290	-\$ 40		

FINANCIAL

Investment
\$1.72 Mi

Full-Sized
5% growth y.o.y.

Total incremental
Sales
\$35 Mi in 5 Years



RISKS

Big players takes over the market

- Consider selling Birchbox

Customers not willing to pay for premium boxes

- Reevaluate pricing strategy & customize CRM promotions

To run out of funds

- Look for new investors batches

CONCLUSION

Focus on fewer niches

- Reduce operating complexity
- Target relevant and profitable shoppers
- Color cosmetics, men's grooming, fragrances

Increase subscription rate + re-orders

- Premium subscriptions
- Better data and insights

2 year plan

- Invest: \$1.720 mi
- Total revenue 138 mi (+5%)