

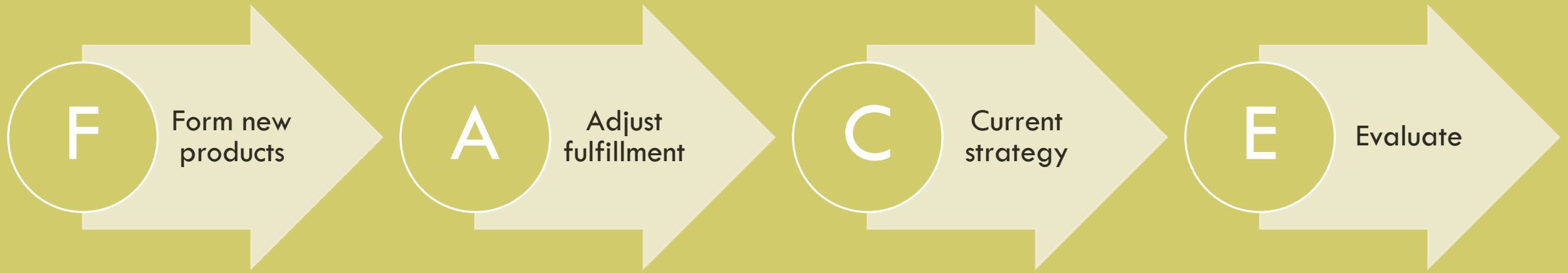
# BIRCHBOX

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Birchbox has the opportunity to expand its presence in high growth and less saturated markets to increase subscription and differentiation

## OPPORTUNITY STATEMENT

Birchbox should expand their product offerings catered to men as a way to differentiate themselves in a hyper competitive market and achieve profitability through our FACE strategy.

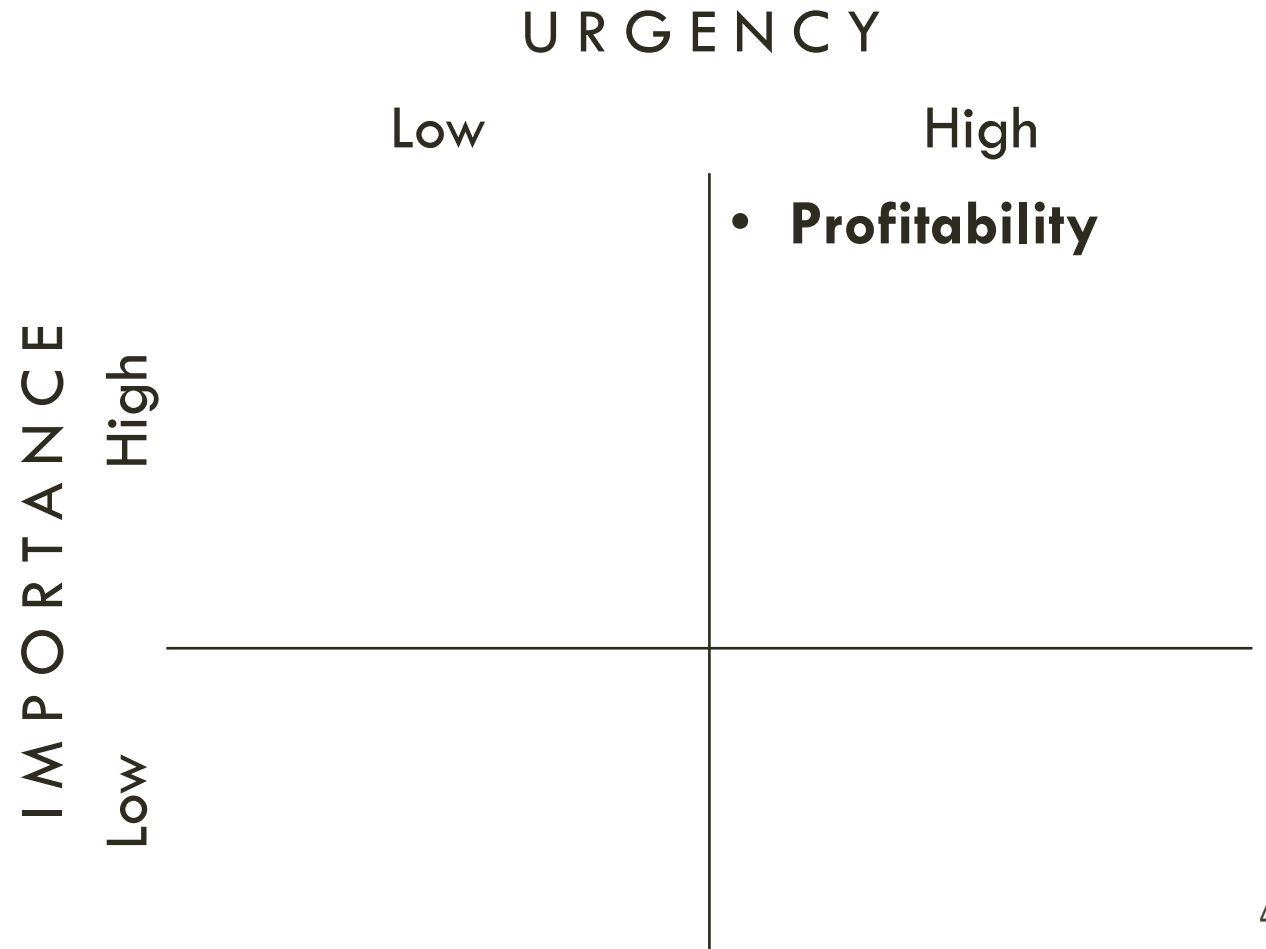


## PREFERRED SOLUTION

# KEY ISSUES

## Profitability

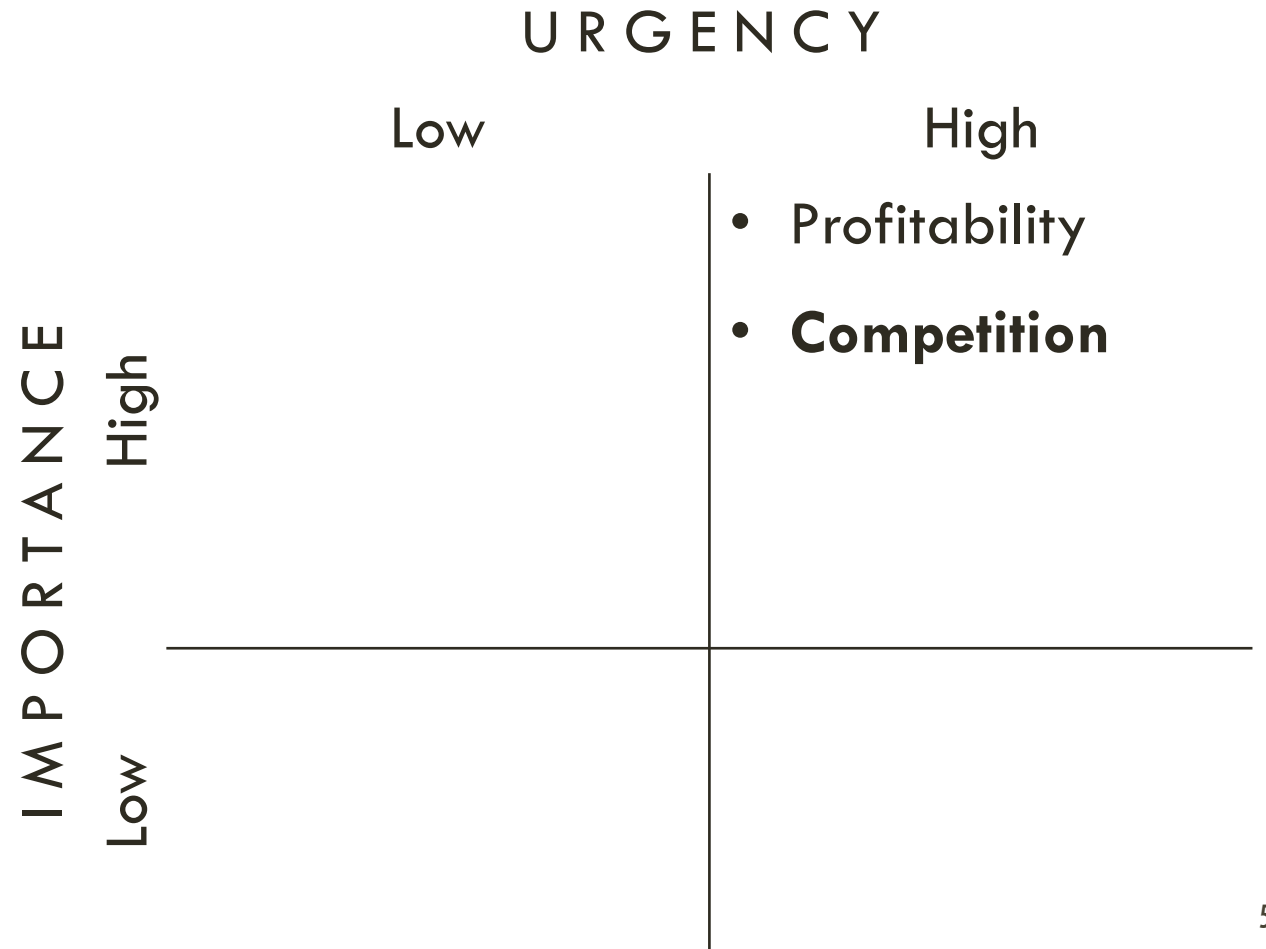
- Birchbox is currently not profitable
- Even after aggressive cost cutting measures, it was nearing an operating level break even
- Investors are demanding profitability



# KEY ISSUES

## Competition

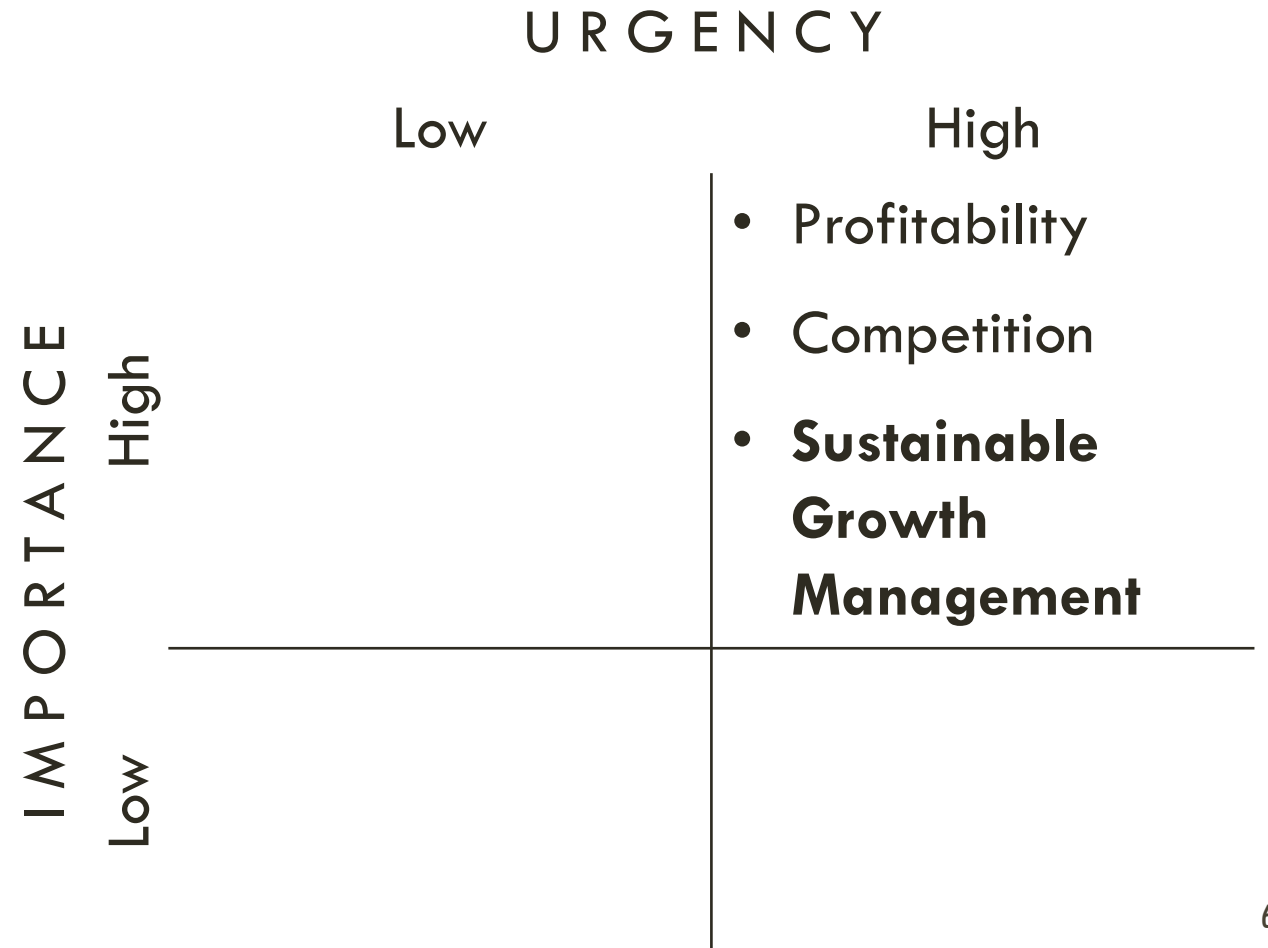
- Birchbox is faced with strong competition from its clones
- Large new competitors have strong unique value propositions



# KEY ISSUES

## Sustainable Growth Management

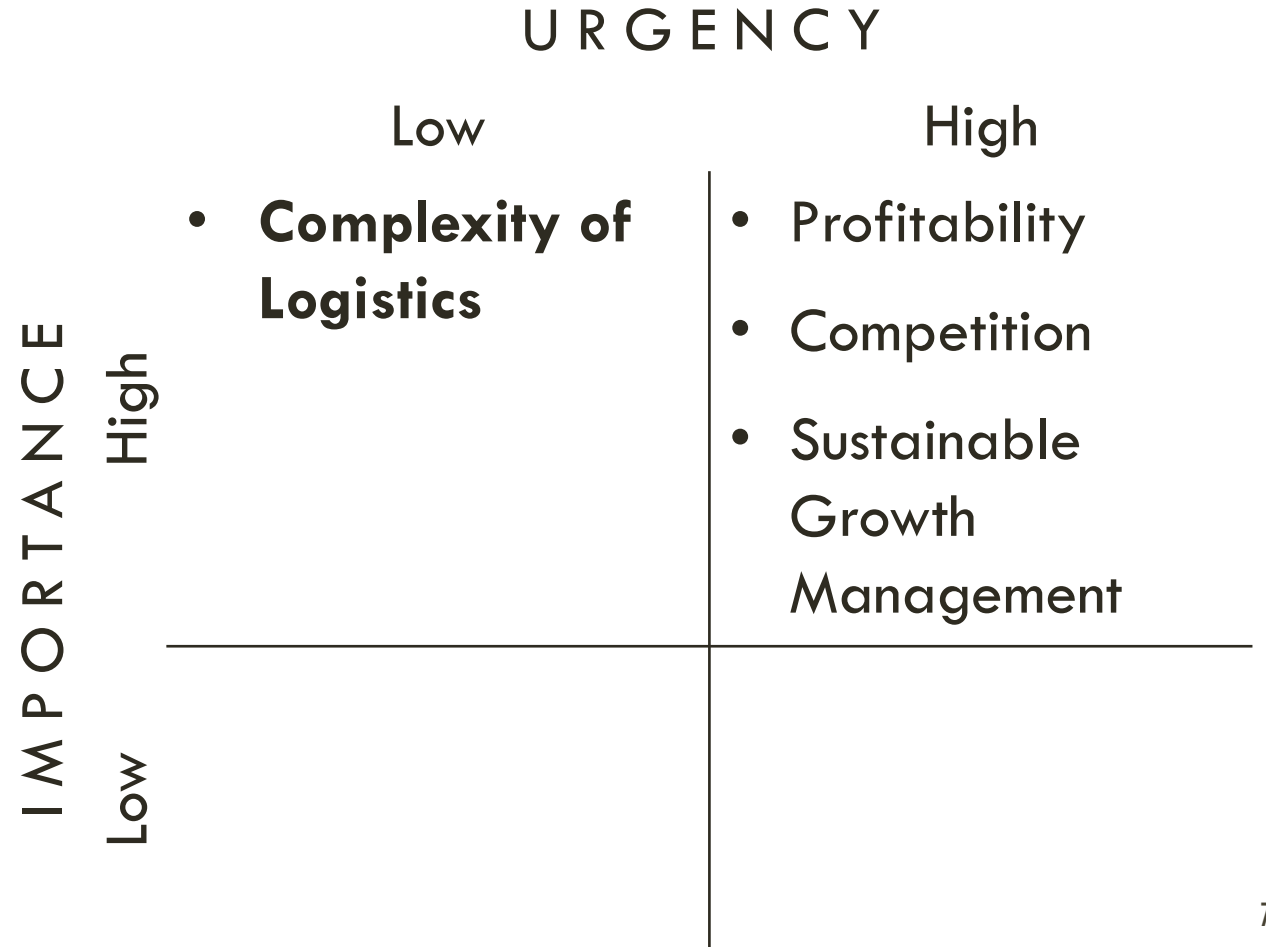
- Aggressive cost cutting measures and two rounds of lay-offs came at the cost of losing on growth
- Birchbox will need to determine a way to achieve sustainable growth moving forward



# KEY ISSUES

## Complexity of Logistics

- Due to the highly customized nature of the subscription boxes, Birchbox's warehousing and packaging operations were largely manual
- Customization adds complexity and costs and does not benefit from economies of scale



**ANALYSIS**



# COMPETITOR ANALYSIS

Competitor Analysis					
	Birchbox	Ipsy	Glossbox	Sephora	Amazon
<b>Price</b>	\$ 10.00	\$ 10.00	\$ 21.00	\$ 10.00	Ranges
<b>Avg Box</b>	5 samples- skin care and hairecare	5 samples: mostly make-up	5-6 samples mix o skincare, make up and perfume	6-7 samples perfume, skincare, makeup	Offer one time purchase boxes
<b>Brands</b>	Mid-range	Mid-range, drugstore	mid-range and high end	mid-range	low to high range
<b>Good for</b>	New Skincare and hair products	New makeup colour	sampling high end products	value and range of products	Undercuts competitors, better shipping terms
<b>Downsides</b>	Less variety, doesn't effectively match all the time	Skews more drugstore products, provides 50% less value than Birchbox	Higher financial commitment	Bonus points have to be redeemed at Sephora retail store	No subscription based box,

# COMPETITOR ANALYSIS

## Competitor Analysis

### KEY TAKEAWAY

Market is hyper-competitive with low barriers to entry, with competitors offering similar products.

	Less variety, doesn't effectively match all the time	Skews more drugstore products, provides 50% less value than Birchbox	Higher financial commitment	Bonus points have to be redeemed at Sephora retail store	No subscription based box,
<b>Downsides</b>					

# US BEAUTY MARKET- GROWTH IN US (% YOY 2015)



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# MARKET SIZING

## US Market Sizing Beauty (Billions)

<b>Total US Market</b>	<b>\$ 90.00</b>
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<b>Online Market</b>	<b>\$ 7.20</b>
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# MARKET SIZING

## US Market Sizing Beauty (Billions)

<b>Total US Market</b>	<b>\$ 90.00</b>
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<b>Online Market</b>	<b>\$ 7.20</b>
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## US Online Market Breakdown (Billions)

<b>Total Market</b>	<b>\$ 7.20</b>
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<b>Women</b>	<b>\$ 5.40</b>
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<b>Men</b>	<b>\$ 1.80</b>
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# MARKET SIZING

## US Market Sizing Beauty (Billions)

### KEY TAKEAWAY

The Men's online beauty segment is much less saturated and has a sizable market within the US alone.

Total Market	\$ 7.20
Women	\$ 5.40
Men	\$ 1.80

# FINANCIAL OVERVIEW

Revenue Breakdown						
	2011	2012	2013	2014	2015	2016
Women	\$ 0.31	\$ 1.25	\$ 5.03	\$ 20.23	\$ 91.02	\$ 81.25
Men		\$ 2.92	\$ 5.74	\$ 11.30	\$ 22.23	\$ 43.75
Total	\$ 0.31	\$ 4.17	\$ 10.77	\$ 31.52	\$ 113.25	\$ 125.00

**ALTERNATIVES**

## ALTERNATIVE 1

# FOCUS ON MEN'S BEAUTY

Capitalize on the momentum gained from the subscription service for men by growing the Men's business.

### Advantages

- Logistically less complex (due to less customization)
- Less competition
- Men spent 10% more than women
- Convert faster than women

### Disadvantages

- Will require a different marketing approach from women
- Does not directly address some of the current shortcomings of the women's offerings

## ALTERNATIVE 2

# FOCUS ON MULTICULTURAL CONSUMERS

Introduce products offered by small and niche start-ups catered to women of colour.

### Advantages

- Fastest growing segment in the US
- Underserved by traditional beauty brand
- Start-ups could benefit from the data collected by Birchbox

### Disadvantages

- Niche market (therefore smaller)
- More labour intensive (will need to find more brands as opposed to finding a few large brands with many products)

## ALTERNATIVE 3

# FOCUS ON EUROPEAN EXPANSION

Leverage existing presence in the region by further penetration of the European market

### Advantages

- Supply chain physically close to many sources of European brands
- Increases sales volume by taking advantage of JolieBox acquisition

### Disadvantages

- Many successful clones in the EU
- Culturally fragmented
- Lower perception of American brands and companies

# DECISION MATRIX

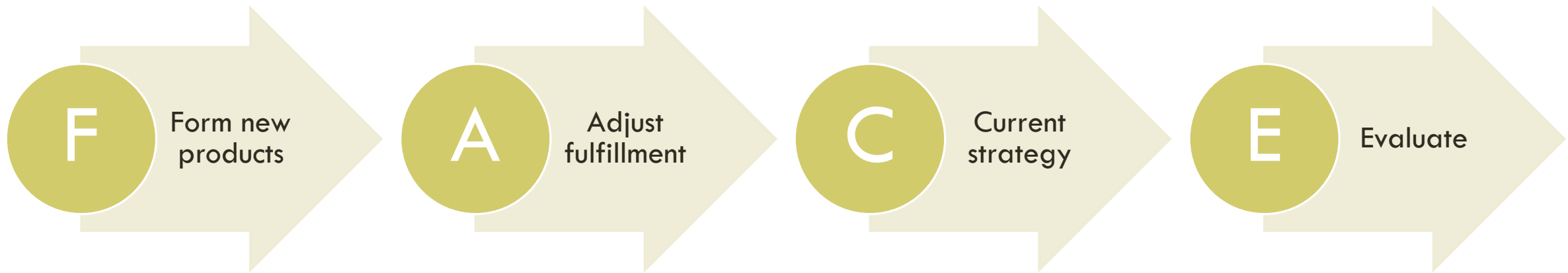
	Weighting	Focus on Men	Multicultural Consumers	Expand in Europe
Profitability	40%	5	4	3
Competition	30%	5	5	3
Management of Growth	20%	4	3	5
Complexity of Logistics	10%	4	2	2
<b>Total</b>	<b>100%</b>	<b>4.7</b>	<b>3.9</b>	<b>3.3</b>

1 – Does not address | 5 – Directly addresses

# IMPLEMENTATION



# STRATEGY



# FORM NEW PRODUCTS — TARGET PERSONA



*Timeline*  
3 months

## **Fred**

- 29 years old
- HH size: 1
- HH income: \$75,000
- Attitudes
  - Enjoys personal grooming, but find shopping for products to be a nuisance
  - Does not need too much variety in products
- Behaviours
  - Dresses professionally for his white-collar career
  - Discusses products and services with colleagues and friends

# FORM NEW PRODUCTS — PRODUCT



*Timeline*  
3 months

## **Current Product Offerings**

- \$20 monthly subscription box
- Contents include shave, lotions, and accessories with occasionally full-sized surprise
- *Assumption: boxes are low margin profitable*

# FORM NEW PRODUCTS – PRODUCT



*Timeline*  
3 months

## **Proposed End Game**

### 1. New “Essentials” Box for Men

- Box composed of products based on profile selections
- No limit on items per box, fixed bi-monthly subscription
- Tiered subscription pricing based on number of product and associated discount

# FORM NEW PRODUCTS – PRODUCT



*Timeline*  
3 months

## **Proposed End Game**

2. Continue to offer full sized products
  - Box composed of products based on profile selections
  - No limit on items per box, fixed bi-monthly subscription
  - Tiered subscription pricing based on number of product and associated discount

# FORM NEW PRODUCTS – PRODUCT



*Timeline*  
3 months

## **Proposed End Game**

### 3. Expand product offerings

- Box composed of products based on profile selections
- No limit on items per box, fixed bi-monthly subscription
- Tiered subscription pricing based on number of product and associated discount

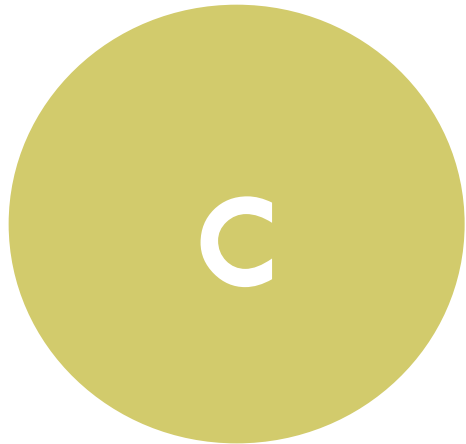
# ADJUST FULFILLMENT



*Timeline*  
6 months

- Packing of “Essentials” boxes to be automated with modular packaging
- Basic and Minimalist design since customers already know what they’re ordering
- Machine or automation to cost \$1 Million USD

# CURRENT STATE



*Timeline*  
3 months

- Shift current product focus to include more “colour makeup” which is a growing trend
- Redo customer survey to include new products and refresh personal profiles
- Maintain focus on operational profitability
- Cost to establish product acquisition partnerships will be \$50,000 USD



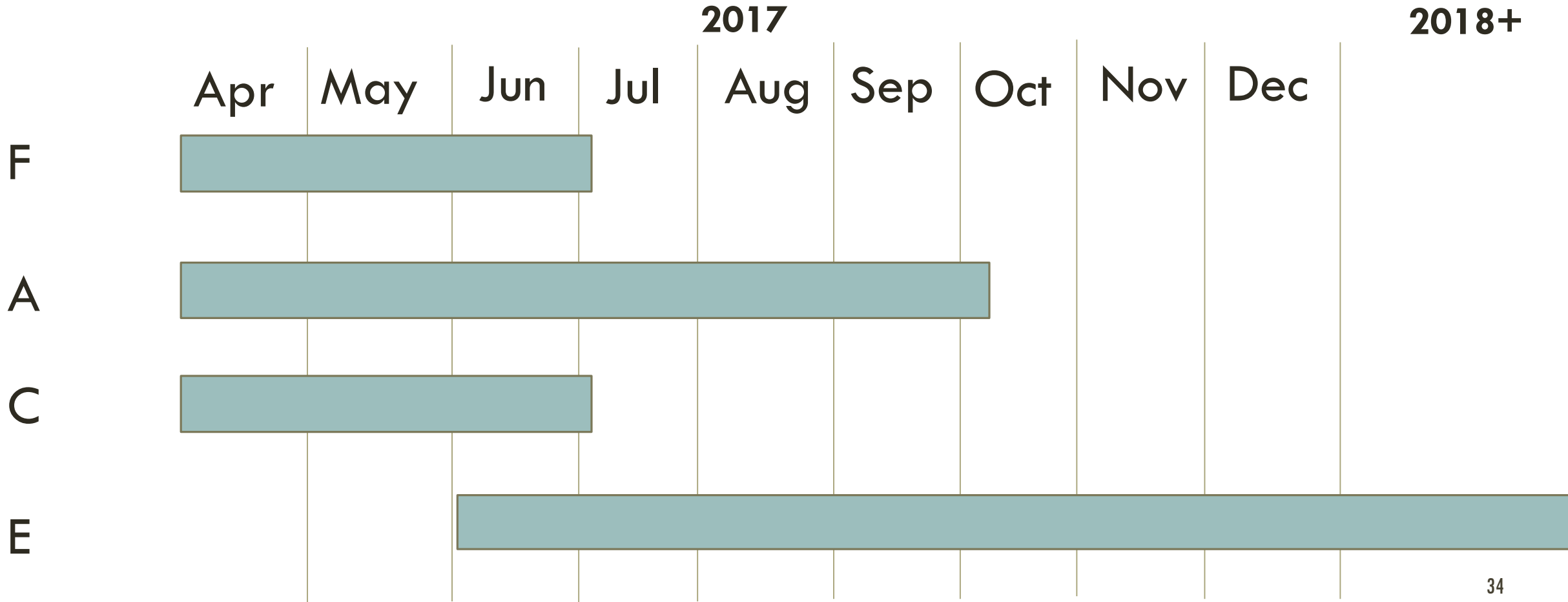
# EVALUATE



*Timeline*  
Ongoing

- 10% subscription growth in Year 1
- 40% Revenue share of “Essentials” boxes within Men’s segment by Year 3
- Ongoing firm profitability
- Product mix to be evaluated consistently and adjusted according to popularity

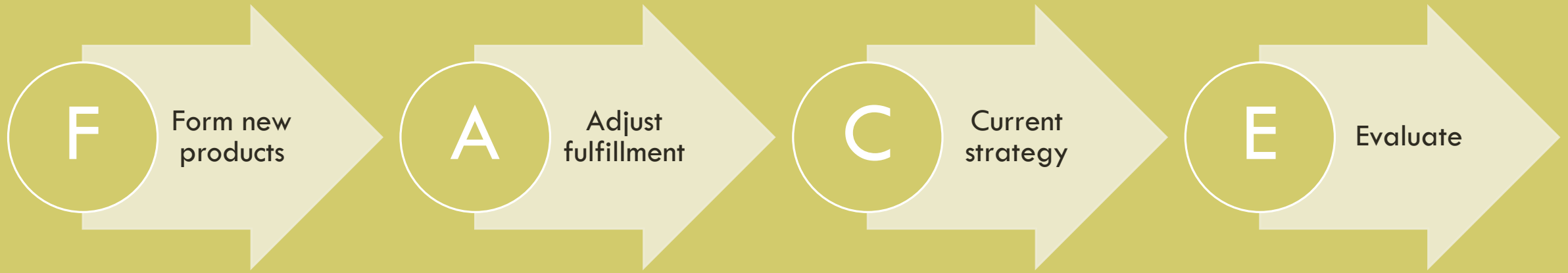
# EXECUTION TIMELINE



# RISKS AND CONTINGENCIES

Risk	Likelihood	Impact	Trigger	Contingency
Inability to raise funds for new development	Low	High	Commercial loan application fails	Go back to series funding partners
Low uptake on “Essentials” box	Low	Medium	Revenue share below target	Increase marketing and advertising spend on new product
Women’s product subscriptions continue to decline	Medium	Medium	Subscription rates decline	Consider selling off segment of business and refocusing entirely on male segment

Birchbox should expand their product offerings catered to men as a way to differentiate themselves in a hyper competitive market and achieve profitability through our FACE strategy.



**PREFERRED SOLUTION**

# APPENDIX: FUNDING BREAKDOWN

<b>Funding Breakdown (Millions)</b>	
<b>2011</b>	<b>\$ 12.00</b>
<b>2014</b>	<b>\$ 60.00</b>
<b>2015</b>	<b>\$ 15.00</b>
<b>Total</b>	<b>\$ 87.00</b>