

BIRCHBOX

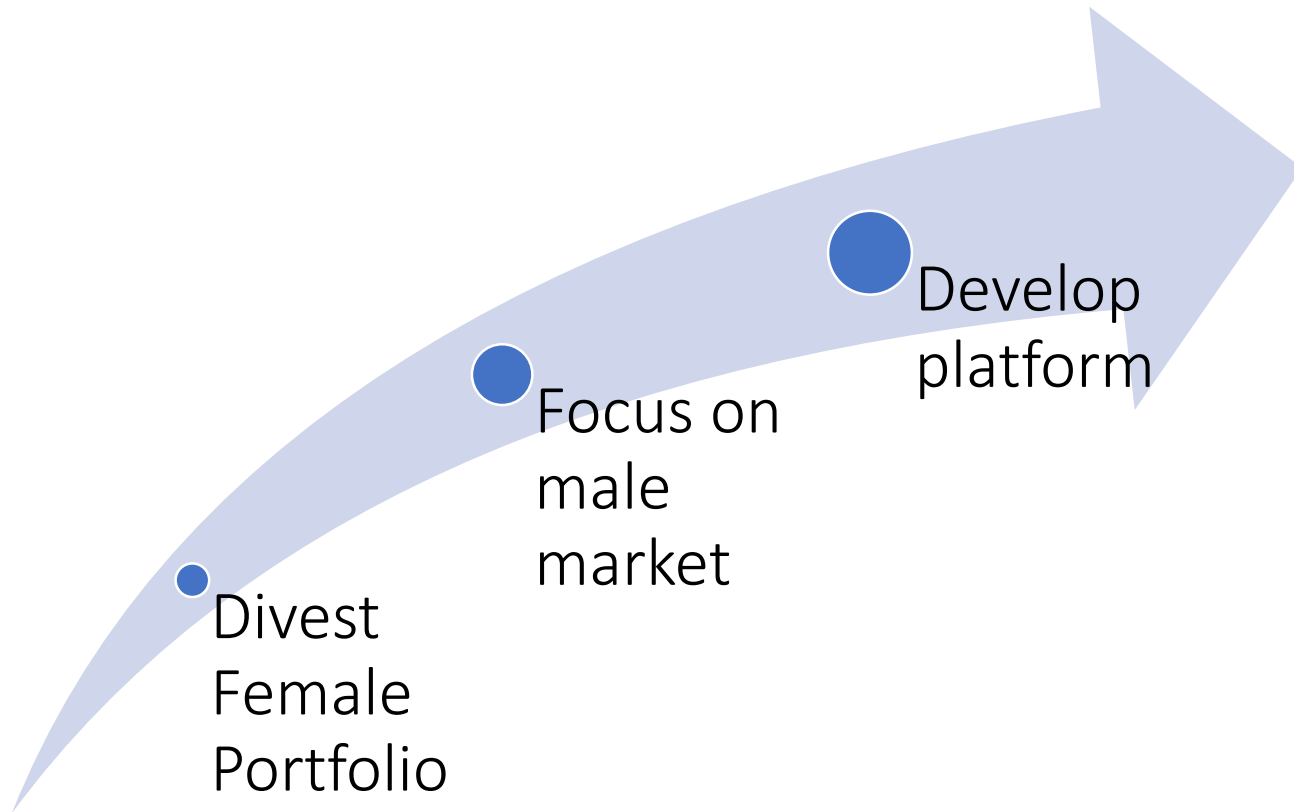
NYENRODE BUSINESS CONSULTANCY

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Mandate

Advise Birchbox on how to grow its business profitably whilst addressing the current issues in an increasingly competitive market.

The Way to Success!



INTRODUCTION

ANALYSIS

ALTERNATIVES

RECOMMENDATION

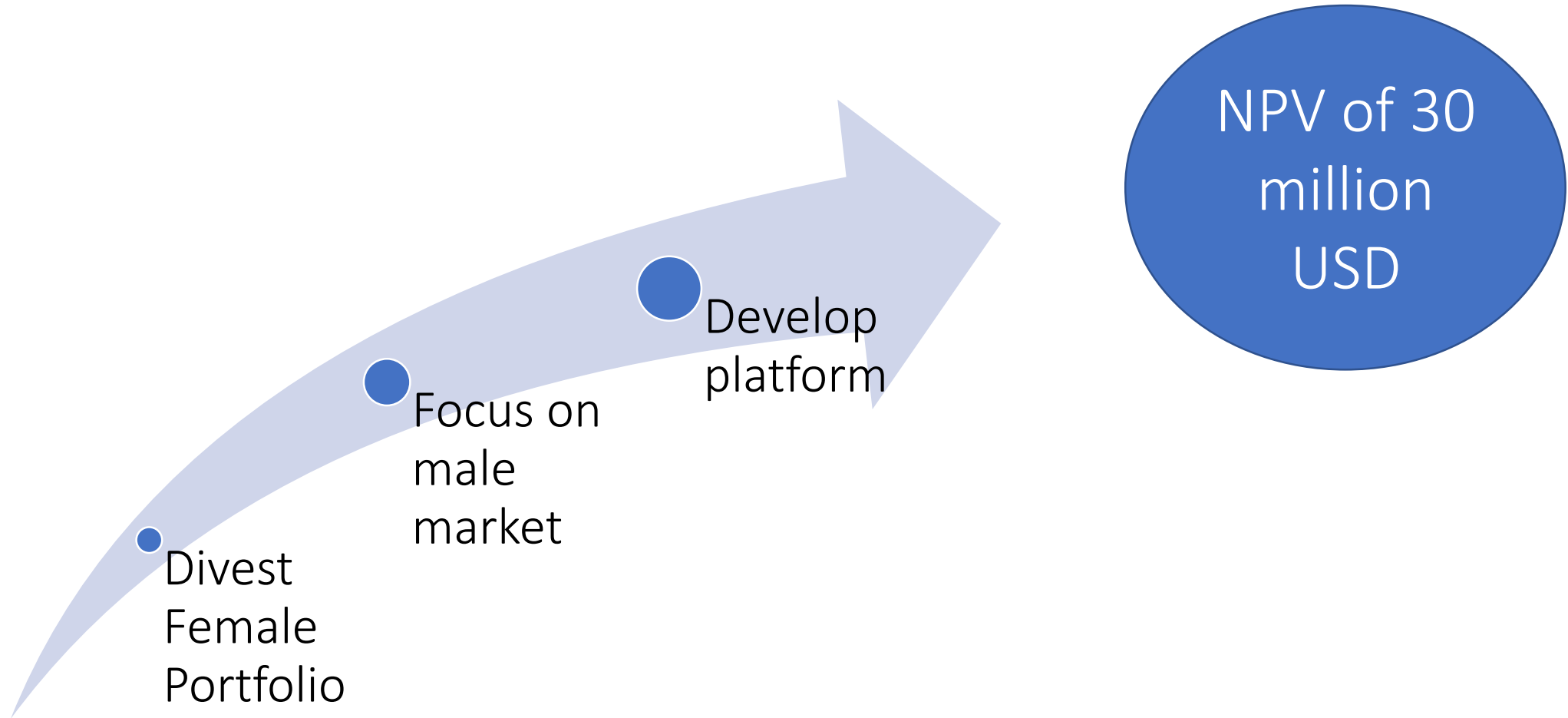
IMPLEMENTATION

FINANCIALS

RISKS

CONCLUSION

The Way to Success!



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Internal Environment

STRENGTHS

- Pioneer in discovery retailing
- Boxes curated in accordance with the profile and customer preferences
- Multiple revenue streams:
 - Sells full-size products through website
 - Subscription model
 - Physical stores
- Only one catering to men
- Access to consumer data
 - Preferences and feedback
 - Insights for brand partners
- Social media presence
- Access to US and Europe

Internal Environment

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WEAKNESSES

- Subscription model makes a loss
 - Mass customised
 - Labor intensive
 - No automation possible
 - Logistical issues due to timing and costs
 - No economies of scale
- Bad customer experience:
 - Boredom
 - Repetition
 - Not adjusted to preferences
- Customer loyalty issues
- Failed entry into Canada and China
- Potential profit loss through points system

External Environment:

GENERAL TRENDS

- Consolidation of supply chains
- Digital commerce
- Quick shopping
- Globalisation

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THE BEAUTY MARKET

- Low entry barriers
- Tough competition from clones
- Pending competition from online giants
- Increasing number of highly niche start-ups

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BEAUTY TRENDS

- Low brand loyalty
- Importance of influencers
- Consumer preferences:
 - Best prices
 - Free shipping
 - Site security
 - Free returns

Key Issues

1st Key Issue

- The market

2nd Key Issue

- Operations

3rd Key Issue

- Customer experience

Key Issues to Key Take-Aways

1st Key Issue

- The market

2nd Key Issue

- Operations

3rd Key Issue

- Customer experience

1st Key Take-Away

- Define target market and adjust competitive strategy.

2nd Key Take-Away

- Address logistical and labour issues.

3rd Key Take-Away

- Enhance the customer experience.

Key Take-Aways to Alternatives

1st Key Take-Away

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1st Alternative

- Define target market and adjust competitive strategy.

2nd Alternative

- Address logistical and labour issues.

3rd Alternative

- Enhance the customer experience.

Alternatives & Criteria

1st Alternative

- Pursue economies of scale

2nd Alternative

- Quality first

3rd Alternative

- Platform 4 Men

CRITERIA

Best Ownership

Growth Potential

Risk

Financial Impact

1st Alternative: Pursue Economies of Scale

Best Ownership	Growth Potential	Risk	Financial Impact
1	3	2	3
Conservative company, would require aggressive expansion.	Allows for business expansion and new competitive advantage.	Relatively high, very competitive environment with established players that have plenty of resources.	Requires a very large investment, yet provides economies of scale.

Where a score of 1 is bad and a score of 5 is excellent.

TOTAL SCORE = 9

2nd Alternative: Quality First

Best Ownership	Growth Potential	Risk	Financial Impact
3	3	2	2
Shifts away from current business.	No new market, competitors already present.	Competing with experiences companies with more financial means.	Luxury brands would require price premium that may not be accepted by consumers.

Where a score of 1 is bad and a score of 5 is excellent.

TOTAL SCORE = 10

3rd Alternative: Platform 4 Men

Best Ownership	Growth Potential	Risk	Financial Impact
3	5	3	4
No experience in platform, yet experienced in online retail.	High, taps into new markets that are not yet pursued.	Does not yet exist	Requires a large upfront investment yet huge revenue potential.

Where a score of 1 is bad and a score of 5 is excellent.

TOTAL SCORE = 15

3rd Alternative: Platform 4 Men

Pursue economies of scale

- Total score of 9

Quality first

- Total score of 10

Platform 4 Men

- Total score of 15

Recommendation: Platform 4 Men

“The MaleBox”

Through the Holy Grail of data, develop a personal care platform that caters specifically to men.

Why?

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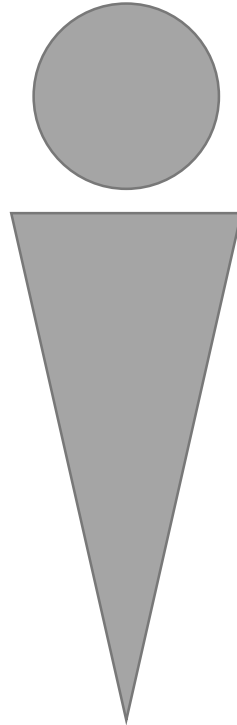
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Persona

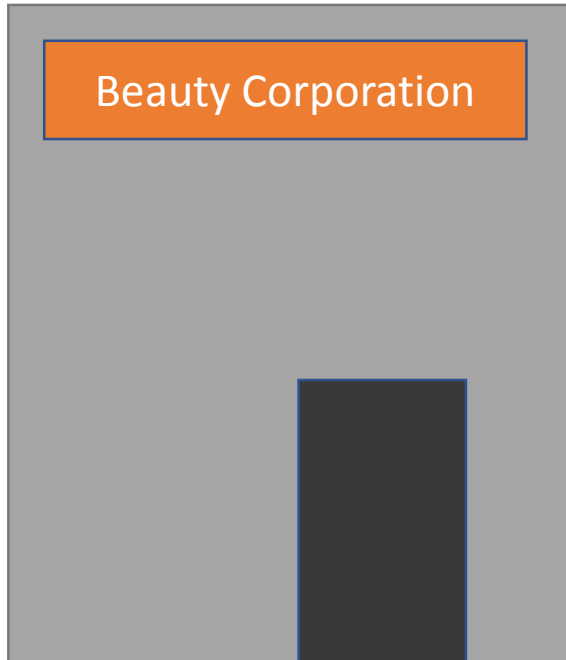


Jake

- 31 years
- USA
- Simplicity
- Hates shopping trips!

Values: best prices, free shipping, free returns, site security

Implementation



Beauty Corporation

- Aim: to sell products, create brand awareness and reach customers.
- But... DATA IS KING!

How?

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“The MaleBox”

Divest
Female
Portfolio

Focus on
Male Market

Develop
Platform

To grow BirchBox as a profitable business in a rapidly increasing competitive market

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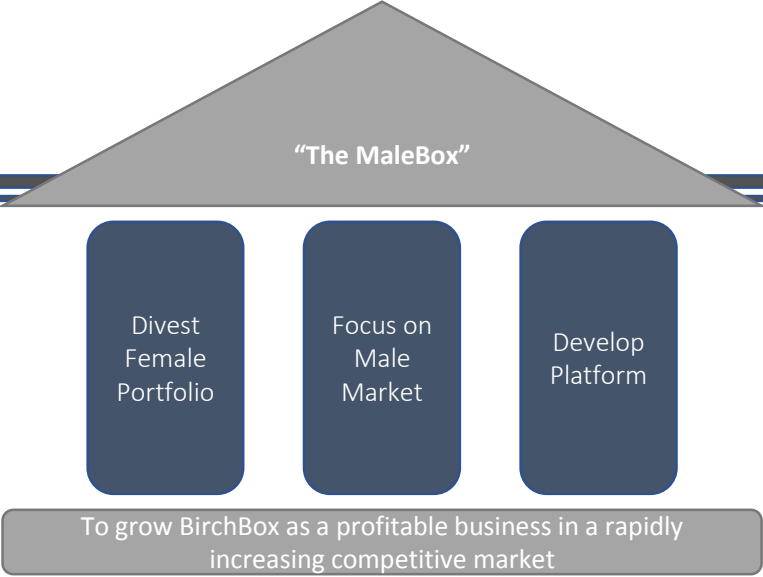
CONCLUSION

Divest Female Portfolio

Absence of Competitive Edge

Subscription Program Failing

Lack of Customer Loyalty

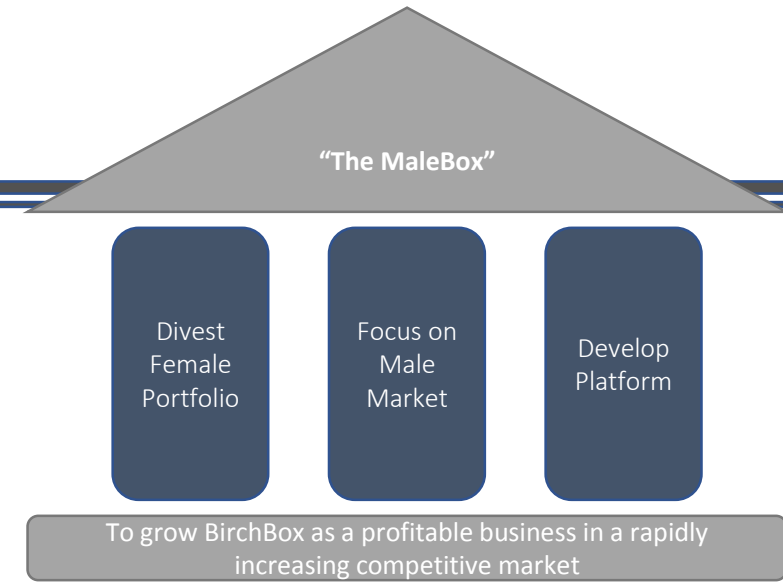


Focus on Male Market

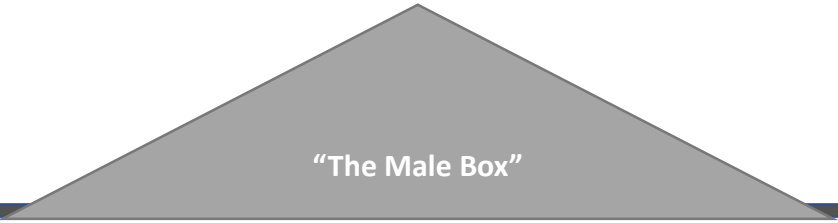
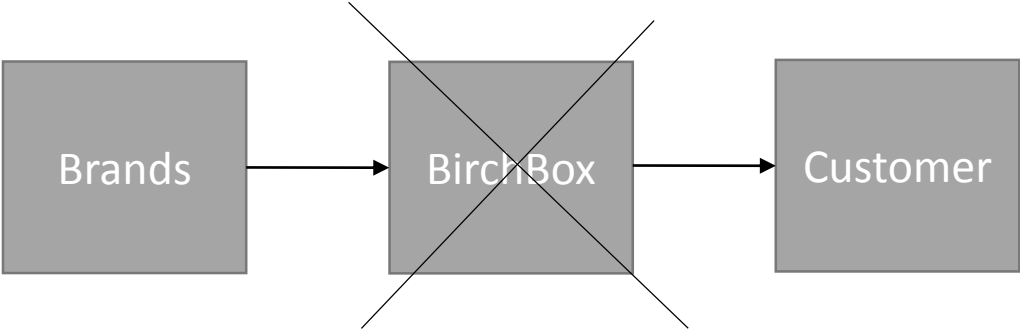
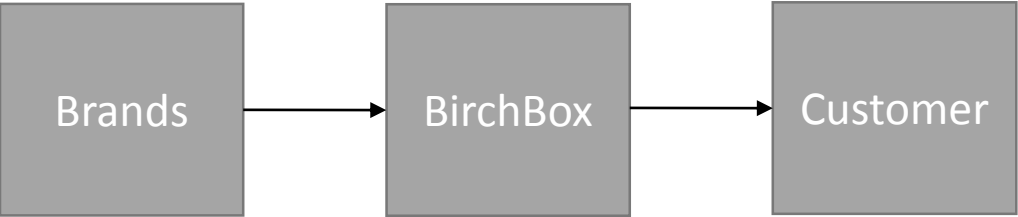
MaleBox

- One large sample box for new subscription, based on preferences
- Once per three months, \$67.5
- Simplicity
- Untapped Niche Markets

To collect data & stay a relevant player in the platform



Platform



Divest
Female
Portfolio

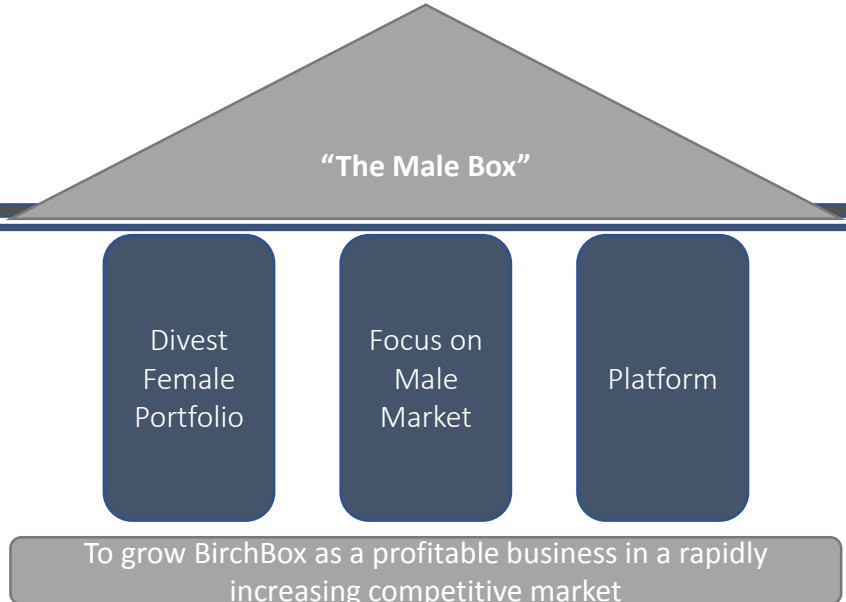
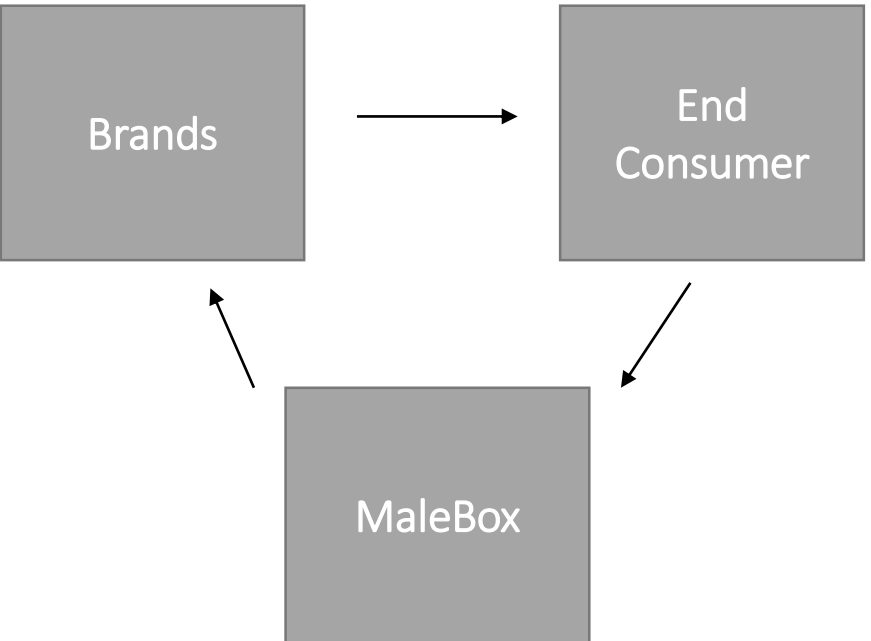
Focus on
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Market

Platform

To grow BirchBox as a profitable business in a rapidly increasing competitive market

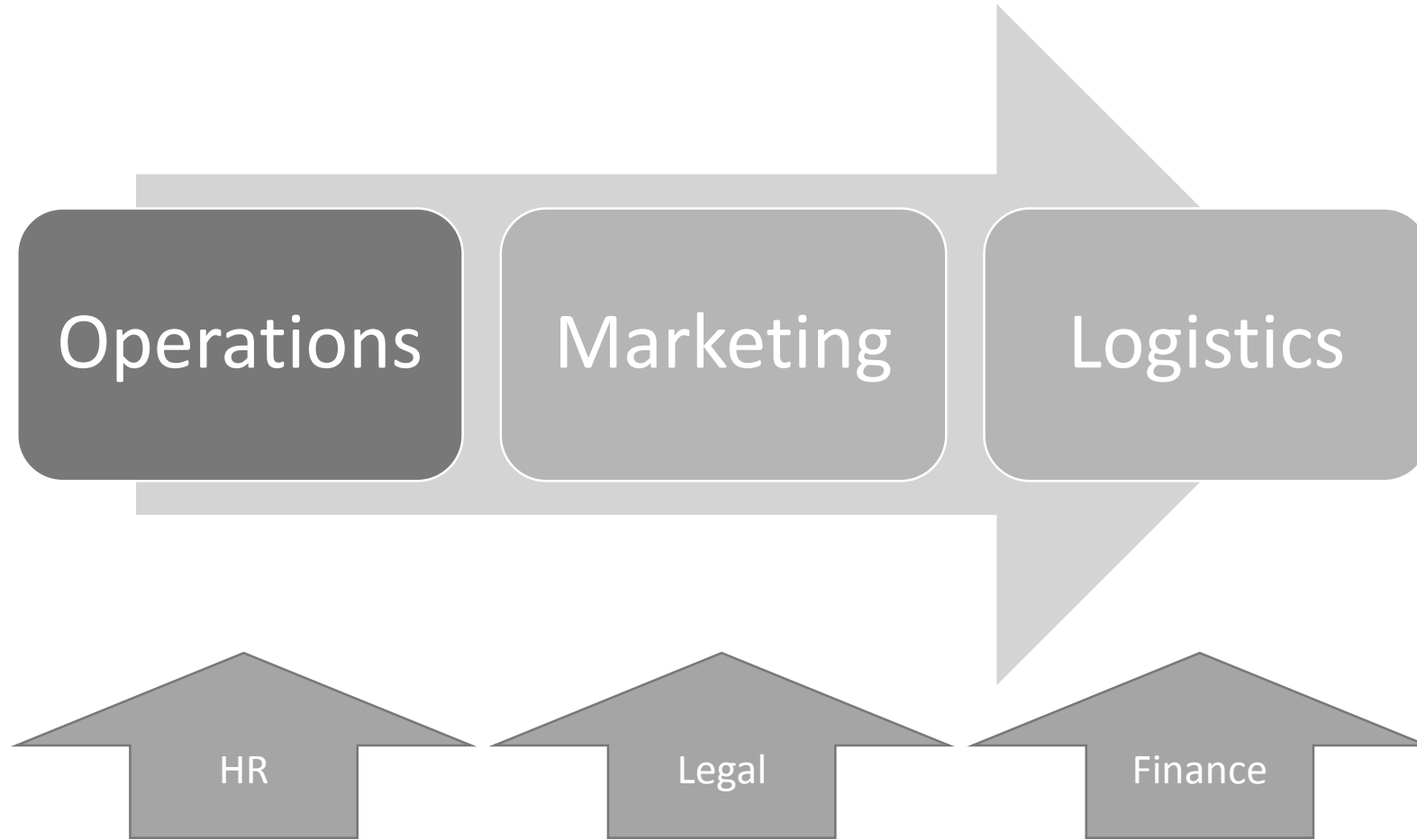
Platform

BirchBox links brands with the end customer, the customer database is the major competitive edge!



BirchBox becomes a data-selling company

Value chain



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Value chain

Operations

- Less labour intensive business due to simplicity

Marketing

- Male influencers
- Use of Social Media
- Based on consumer preferences

Logistics

- Frequency of deliveries decreases

Value chain

Operations

- Less labour intensive business due to simplicity

Marketing

- Male influencers
- Use of Social Media
- Based on consumer preferences

Logistics

- Frequency of deliveries decreases

Value Chain

HR

- IT skills





Legal

- Data is sensitive; disclaimer agreement

Finance

- R&D investments

Timeline

	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Divest female business				
Develop platform				
Implement platform				
Marketing campaign				

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Financial assumptions

Financial assumptions

- Proceeds are enough to pay debt and make investment in platform
- 35% of customers base are men
- 3 monthly box costs \$67.50 (Monthly payments of \$22.50)
- Revenue growth of 10%
- Gross profit 70% men's box
- Net profit 10% (growth to 15% after 2 years)
- Marketing campaign 10% of revenue

Platform

- Investment 5 million dollar
- 0.1% market share
- 25% margin
- 10% growth
- 10% discount rate

Investment

Investment	2017	2018	2019	2020	2021	2022
Development	\$ 500,000.00	\$ -	\$ -	\$ -	\$ -	\$ -
Maintenance	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00
R&D	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00
IT specialists	\$ 300,000.00	\$ 300,000.00	\$ 300,000.00	\$ 300,000.00	\$ 300,000.00	\$ 300,000.00
Marketing campaign	\$ 4,675,000.00	\$ 5,142,500.00	\$ 5,656,750.00	\$ 6,222,425.00	\$ 6,844,667.50	\$ -
Total	\$ 5,575,000.00	\$ 5,542,500.00	\$ 6,056,750.00	\$ 6,622,425.00	\$ 7,244,667.50	\$ 400,000.00

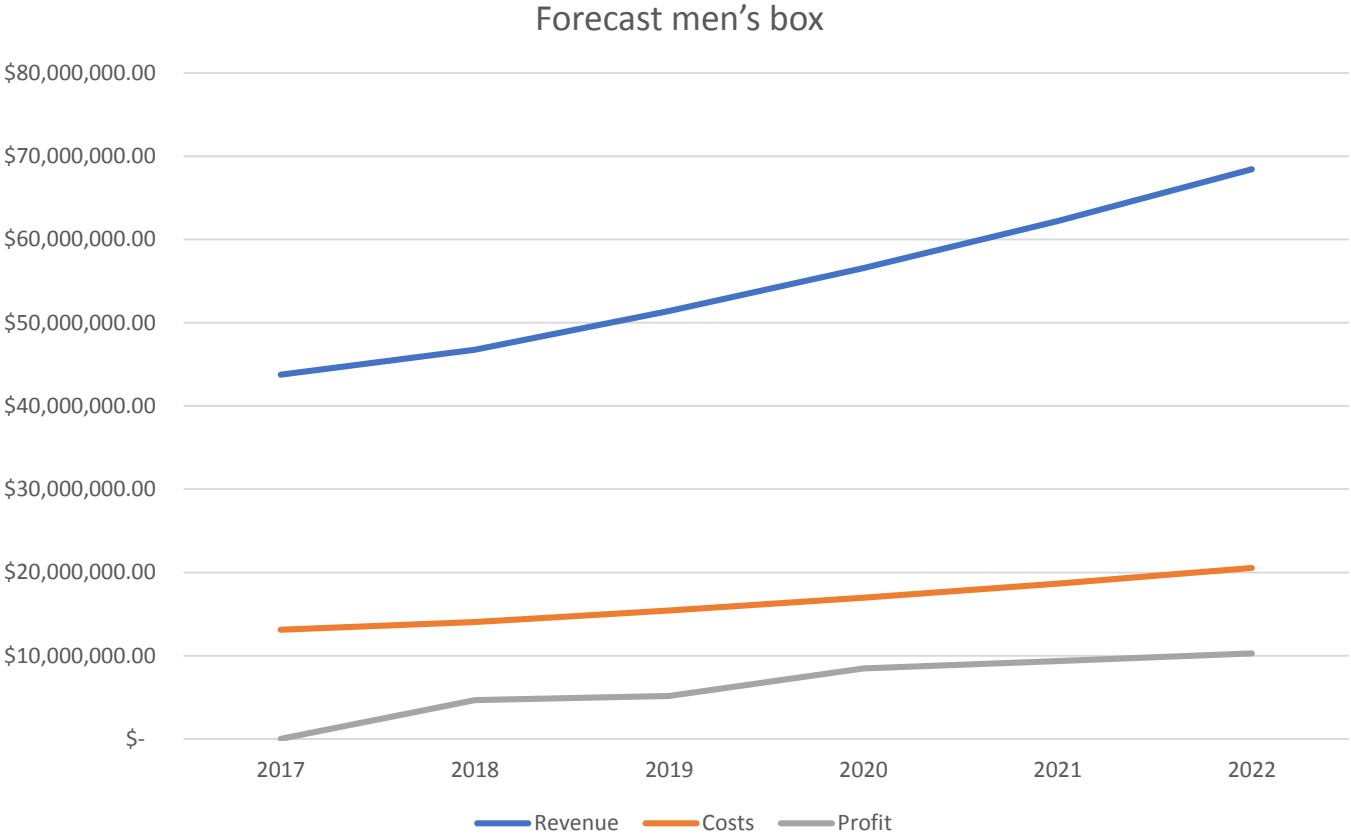
Total investment 2017: 5.5 million in 2017

Financial results

Financial results

- Revenue growth of 10%
- Gross profit 70% men's box
- Net profit 10% (growth to 15% after 2 years)
- Marketing campaign 10% of revenue

- Revenue \$70 million in 2022
- Profit of \$10 million in 2022

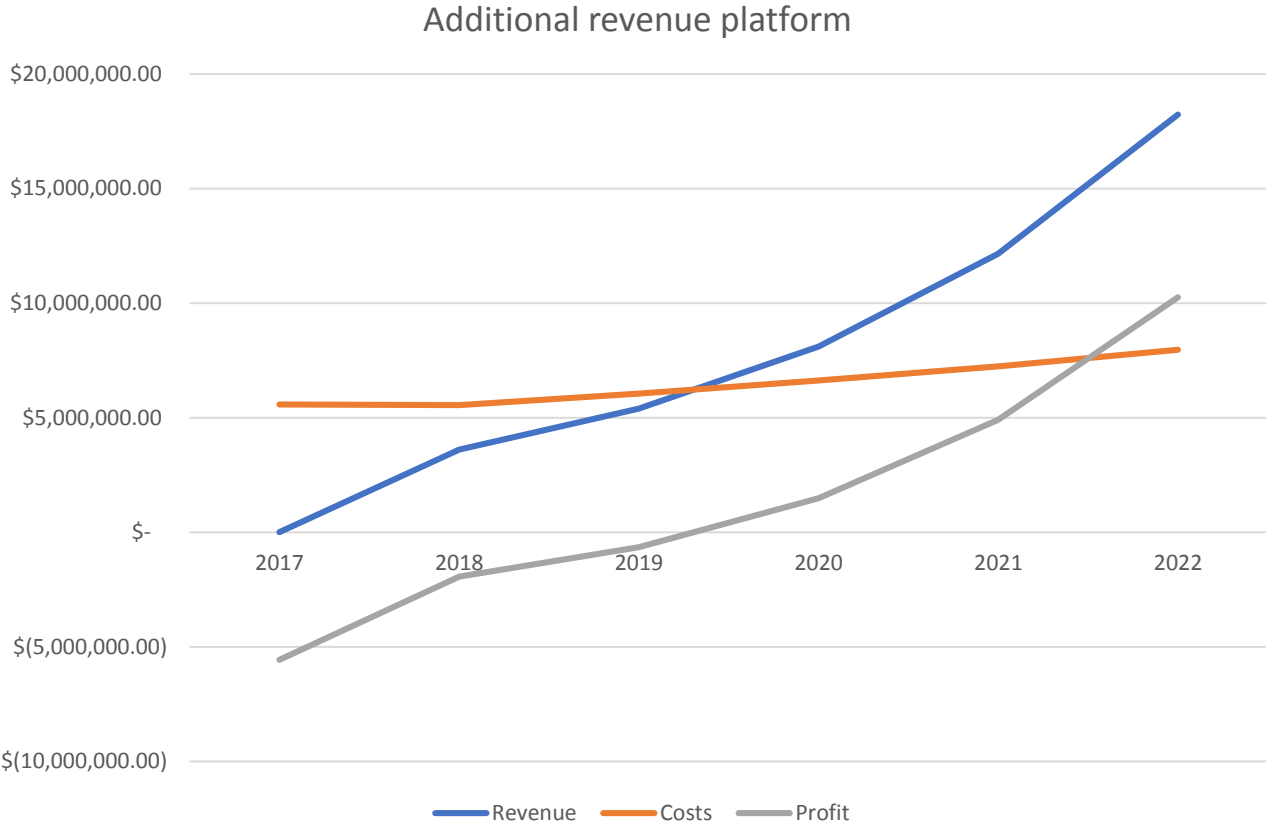


Financial results

Platform

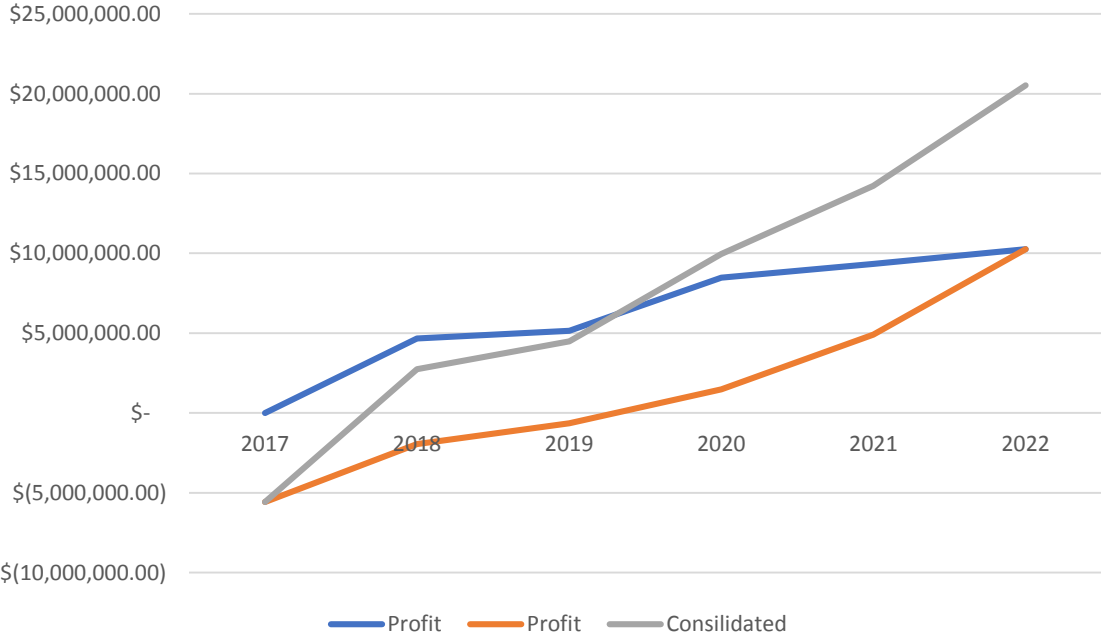
- Investment 5 million dollar
- 0.1% market share
- 25% margin
- 10% growth

- Profitable after 2019
- Profit of \$10 million in 2022

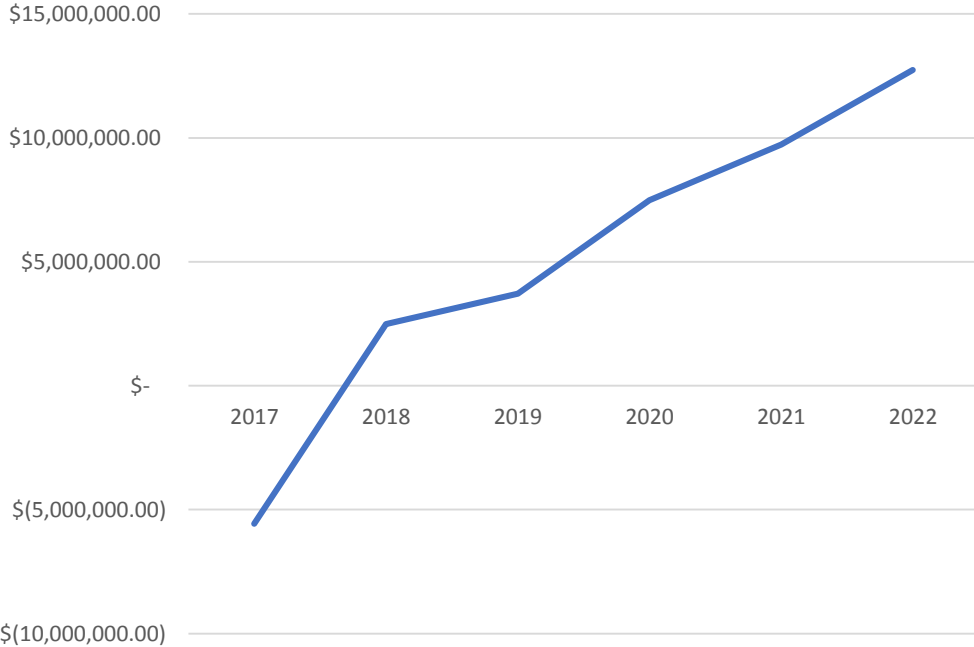


Financial results

Consolidated profit



NPV



Risk

Risk:

- Financial assumptions are not precise:
- Contingency plan: Adjust financial assumptions to fit reality.

Risk:

- Companies do not want to use platform despite the perks.
- Contingency plan: Offer lower margins than other online retailers.

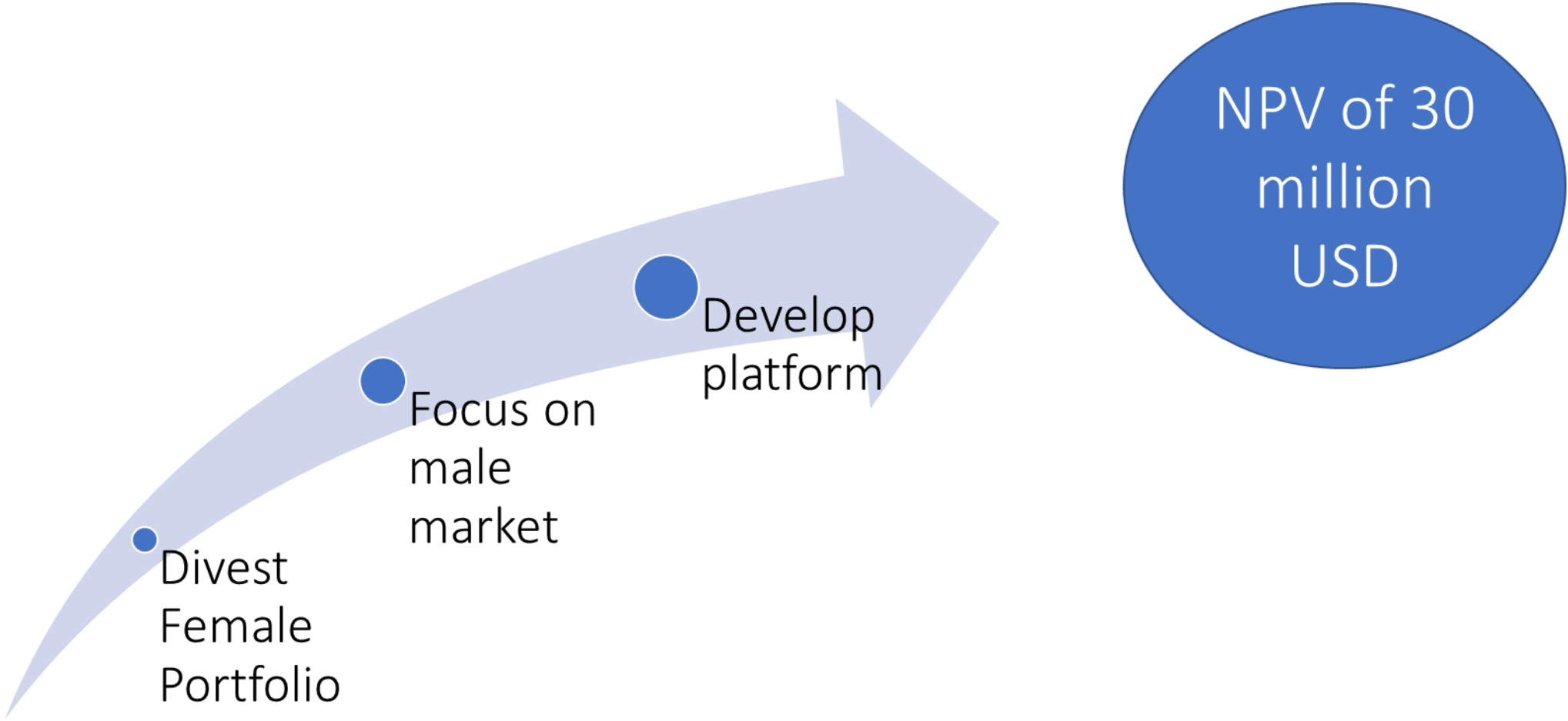
Risk:

- Men do not take to the platform.
- Contingency plan: Seek partnerships with other comparable services, such as Dollar Shave Club, adding value by providing other products than shaving materials.

Risk:

- Male preferences change or not captured by our sign-up questionnaire.
- Contingency plan: Adjust questionnaire, research issues.

BirchBox's Way to Success!



Thank you for your attention.

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Financial results

Forecast box	2017	2018	2019	2020	2021	2022
Revenue	\$ 43,750,000.00	\$ 46,750,000.00	\$ 51,425,000.00	\$ 56,567,500.00	\$ 62,224,250.00	\$ 68,446,675.00
Costs	\$ 13,125,000.00	\$ 14,025,000.00	\$ 15,427,500.00	\$ 16,970,250.00	\$ 18,667,275.00	\$ 20,534,002.50
Gross profit	\$ 56,875,000.00	\$ 60,775,000.00	\$ 66,852,500.00	\$ 73,537,750.00	\$ 80,891,525.00	\$ 88,980,677.50
Profit	\$ -	\$ 4,675,000.00	\$ 5,142,500.00	\$ 8,485,125.00	\$ 9,333,637.50	\$ 10,267,001.25

	2017	2018	2019	2020	2021	2022
Revenue	\$ -	\$ 3,600,000.00	\$ 5,400,000.00	\$ 8,100,000.00	\$ 12,150,000.00	\$ 18,225,000.00
Costs	\$ 5,575,000.00	\$ 5,542,500.00	\$ 6,056,750.00	\$ 6,622,425.00	\$ 7,244,667.50	\$ 7,969,134.25
Profit	-\$ 5,575,000.00	-\$ 1,942,500.00	-\$ 656,750.00	\$ 1,477,575.00	\$ 4,905,332.50	\$ 10,255,865.75