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Birchbox Mission

- *"Birchbox's prime motive was to address beauty needs of consumers using a strong brand voice to make the customers aware and to tie up with top brands who wanted to use Birchbox's platform to reach those customers." pg 4 and 5*

Agenda

- Industry Analysis
- Key Issues
- Financial Analysis
- Alternatives
- Recommendations
- Implementation
- Implementation Agenda
- Conclusion
- Q&A

SWOT

S
- Well established
- Customer base

W
- Decline in subscription sales
- Current business model
- Mass customization expense
- Lack of innovation
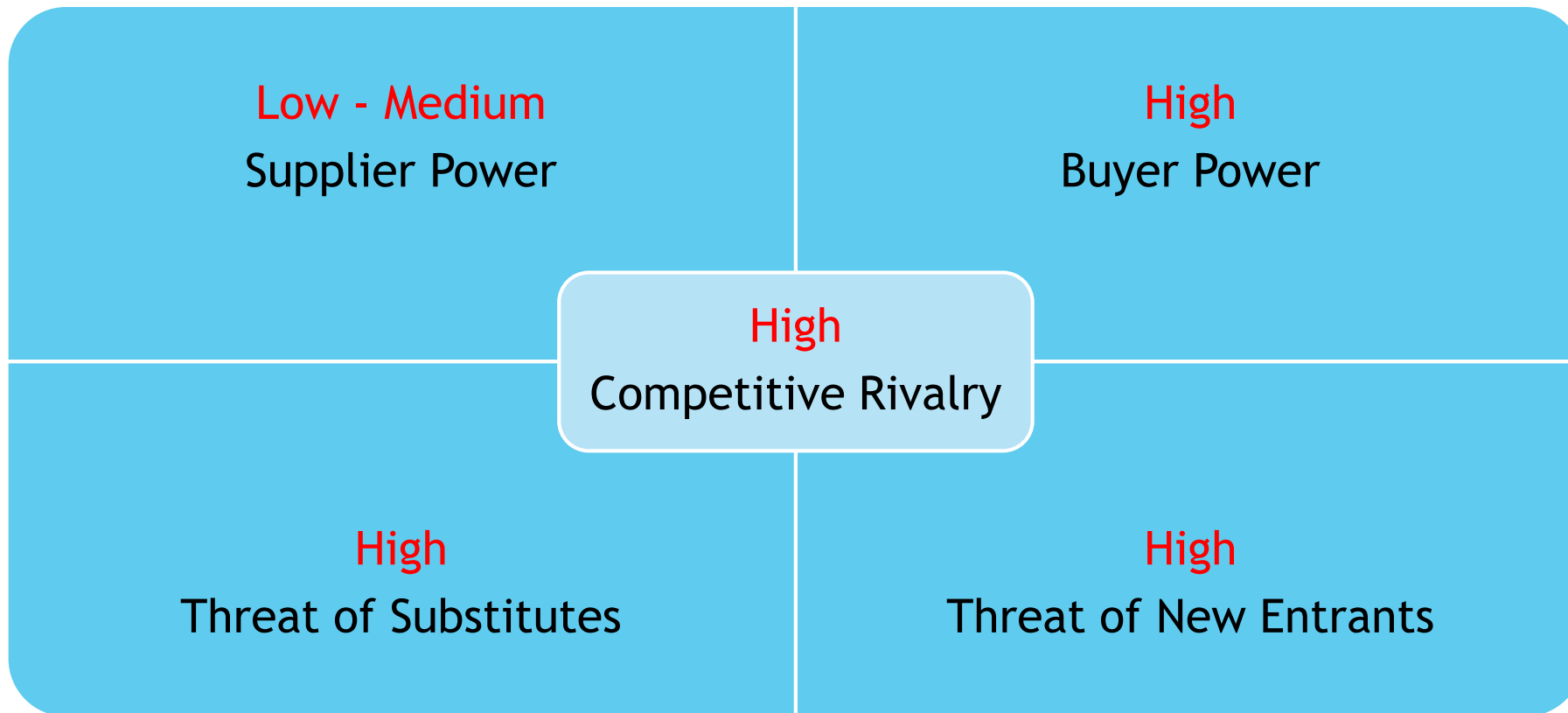- Employee morale and culture

O
- Men's distribution
- Automation
- Big data
- Logistics synergy

T
- Competitors; Amazon Prime, Ipsy
- "Window shopper"
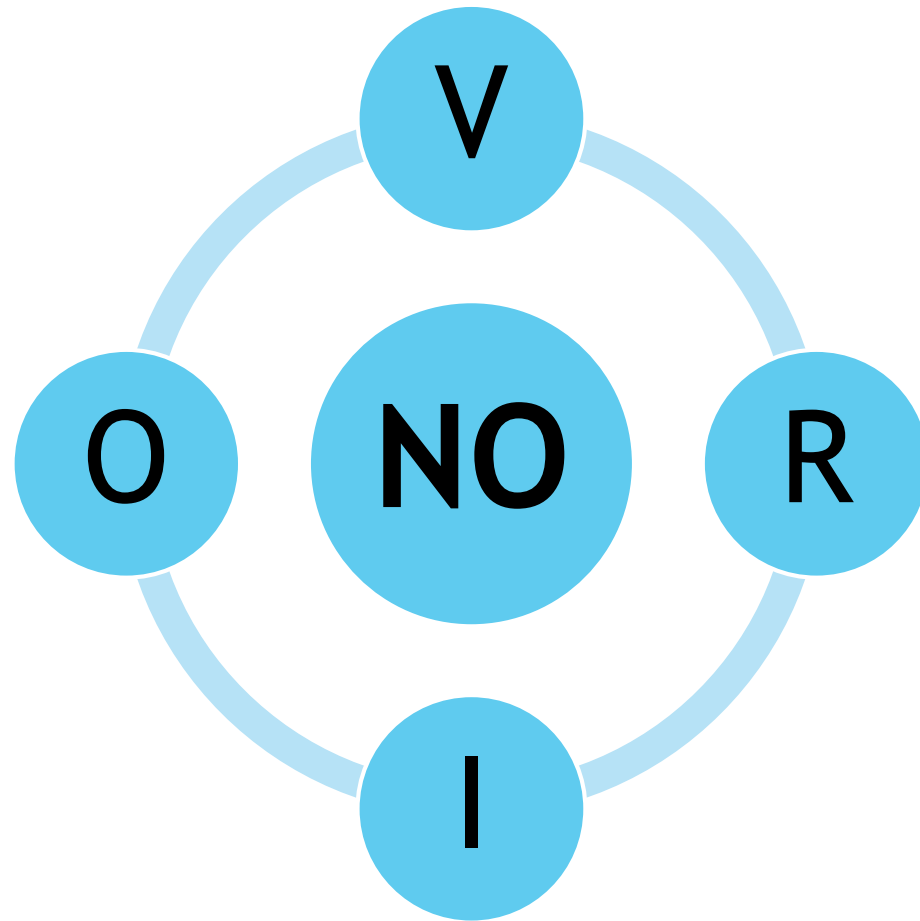- "Sharer" (actual consumer vs. users)

Industry Analysis
Porter's 5 Forces

Low - Medium
Supplier Power

High
Buyer Power

High
Competitive Rivalry

High
Threat of Substitutes

High
Threat of New Entrants

Industry Analysis
VRIO

Key Issues

- Decline in subscriptions
- Loyalty program issues
- Inefficient use of data utilization
- Employees
  - High cost
  - Employee morale and culture
- Logistics and shipping

Financial Overview

- Revenue of 2016 in $ 125 million

→One million subscribers

- Subscriptions are not profitable

→ Lead to sale of full-sized products which are profitable

- Growth of Men's segment

→ Grown 15 times, 35% of total by the end of 2016

Financial Review – Stakeholder Analysis

- 800 brand partners supplying products

- Three rounds of funding amounting to $ 87 million
- Investors now demanding profitability

- Large "unknown" payment due in 2018
- → Would call for possible restructuring

Stakeholder Analysis → Culture Audit

- Investors very unhappy with current situation
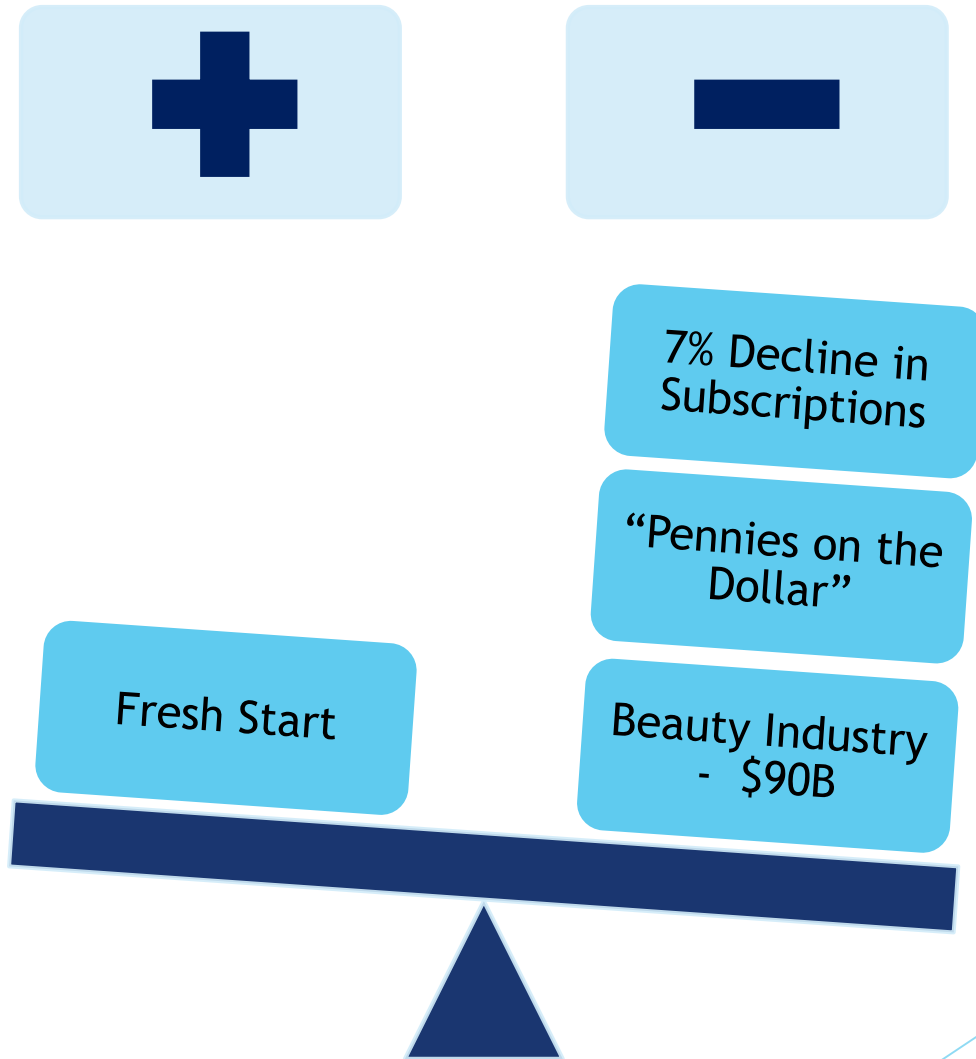- Demanding profitability, bankruptcy risks

Culture Review

- Company very labor intensive
- Two rounds of layoffs, 30% loss in workforce
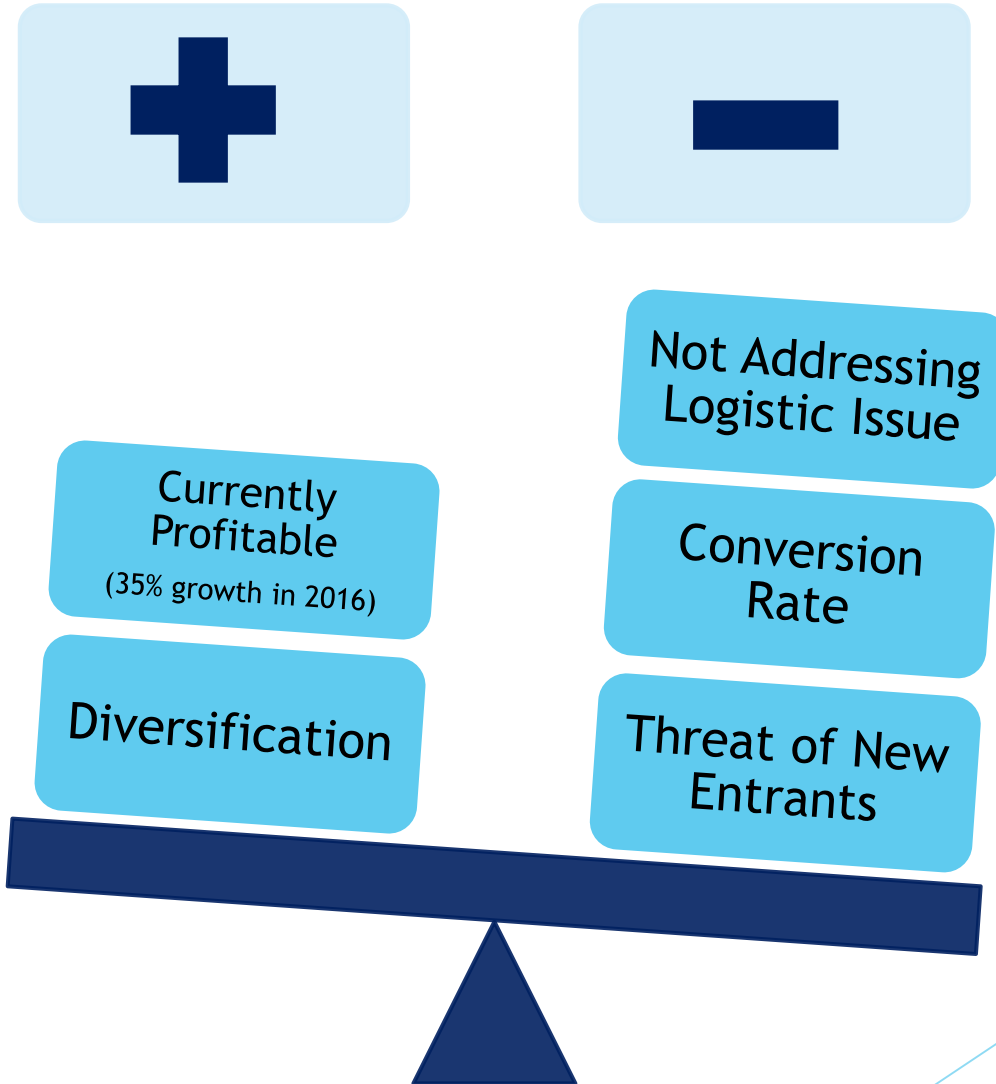- Bankruptcy risk leading to fear of job security

Alternatives

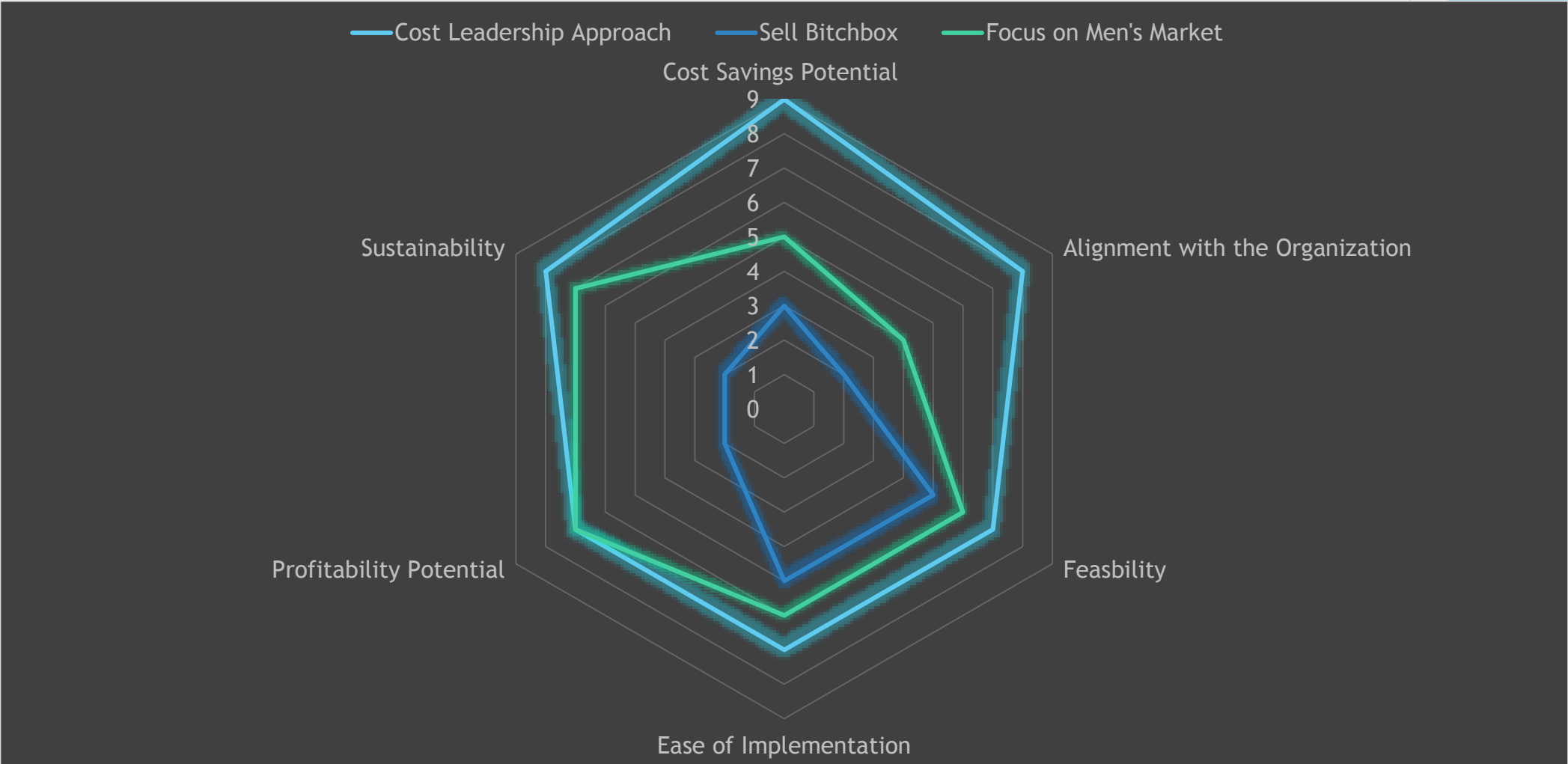Cost Leadership Approach

Sell Birchbox

Focus on Men's Market

Sell Birchbox

Men's Market

+   **−**

Not Addressing Logistic Issue

Currently Profitable
(35% growth in 2016)
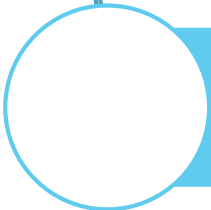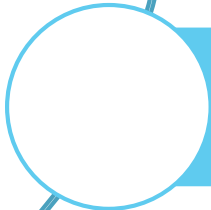
Conversion Rate
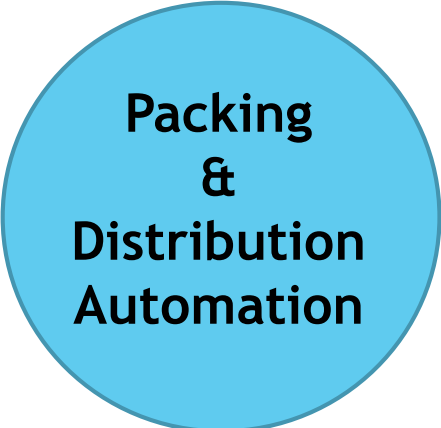
Diversification

Threat of New Entrants

Radar Map

Alternatives

Cost Leadership Approach

Sell Birchbox

Focus on Men's Market

Recommendation

Implementation
Data Mining & Predictive Analytics

- Previous model only collected data upon acquisition

- Implement ongoing data collection program

  - Must be unobtrusive!

  - Simple Like / Don't Like

  - Mine data from Social Media

- Use off the shelf predictive analysis tools to more effectively cater to changing customer needs

Modify Loyalty Program

- Current program is too generous (5 reviews = 50% off)
    - Not effectively utilizing current data.
- Streamlining review process minimizes customers direct interaction
    - Can now justify reduction in rewards for reviews
- Data mining can scrape unsolicited reviews from 3rd party sites with no reward required

Current Program	Proposed change
$10 purchase = 10pts ($1)	Remove (is 10% off of every purchase)
Signing up = 110pts ($11)	Keep unchanged
5 reviews = 50pts ($5)	Decrease to 10pts ($1)
Referral = 50pts ($5)	Increase to 100pts ($10)

Packing and Distribution

- Lack of recent innovation – labour intensive

- Large upfront capital investment in automation (RFID)
- Will accurately pack the box at a faster rate
- Significant reduction of assembly costs over the long term

Logistics Improvement

- Current model is inefficient with high holding costs for timed shipments

- Combining predictive analytics with true customization each box can be shipped as soon as it is assembled

- Shipments can now be optimized and staggered to reduce costs

Recommendation	Short – Term Outcomes	Long – Term Outcomes
1. Data mining	Better meets customer wants and needs	More accurate future product offerings
2. Loyalty program modification	Immediate cost saving	Increased user base from referral-centric rewards
3. Automation	Significant capital outlay and culture shock	Cost savings in perpetuity
4. Logistics	Immediate cost savings once implemented	Faster service, optimized logistic synergy

Recommendation	Upfront Cost ($000)	Long-Term Benefit (5 years)
1. Data mining	Software contract ($ 50) 1 Data Scientist ($ 75)	Increased user base from
2. Loyalty program modification	Small loss of users due to change ($ 50)	Savings from decreased discount, increased referrals (5% - increase in users)
3. Automation	10% of current annual sales ($ 12,500)	Significant reduction in labour costs and logistics (6% return minimum)
4. Logistics	No upfront cost, just change in schedule	Satisfied customers, cost reduction from shipping right away

Implementation Agenda

Conclusion

Thank you

Questions?