

BIRCHBOX

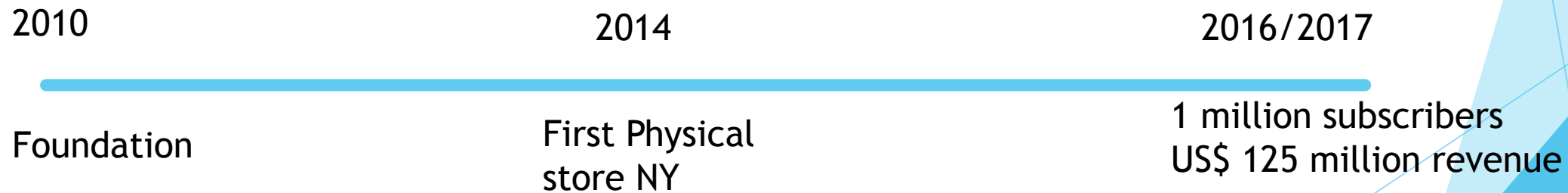
ORT Consulting Group

Agenda

- ▶ Situation
- ▶ Complication
- ▶ Key Question
- ▶ Analysis
- ▶ Alternatives
- ▶ Suggested solution
- ▶ Implementation
- ▶ Financial
- ▶ Conclusions

Situation

- ▶ Beauty startup founded in 2010
- ▶ Offers personalized subscription boxes
- ▶ Point based for subscribers
- ▶ Niche oriented market
- ▶ Revenues:
 - ▶ Fixed by subscriptions
 - ▶ Variable by Full sized products
 - ▶ Physical stores



Situation

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Complication

- ▶ Crowding of competition
- ▶ Subscribers dropped
- ▶ Lack of customer interest
- ▶ High logistic costs
- ▶ Reduced the company staff
- ▶ Brick and mortar vs. E-commerce

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Client Reviews

- ▶ Average shopper (Personae), 31 years old with US\$ 80.000 house hold income
- ▶ Some products get repeated month after month
- ▶ No product variety
- ▶ Products don't match profile

- ▶ Main insights
 - ▶ “I must have written it in hieroglyphics”
 - ▶ “Birchbox gives you more of a variety in terms of skin and hair.....”

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Key Question

- ▶ Is it possible to be an e-commerce company and grow in a profitable way?

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- ▶ Very hard for E-commerce to become profitable
- ▶ Success measured by number of users
- ▶ Still, there is a high bet on e-commerce success
 - ▶ Example: Twitter loses US\$ 2 million per day but grows in investments due to number of users increase.

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- ▶ Product Differentiation
- ▶ Customized
- ▶ Plays with customers surprise and excitement
- ▶ Popular growing concept (discovering retailing)
- ▶ Customers willing to pay for samples
- ▶ Offers new retail channel to brand partners with deep analytical insights
- ▶ New marketing channel for partners
- ▶ Launched own make up brand (LOC) with knowledge of what customers want, offering a higher margin for the company.
- ▶ Has already become a global company and entered new markets

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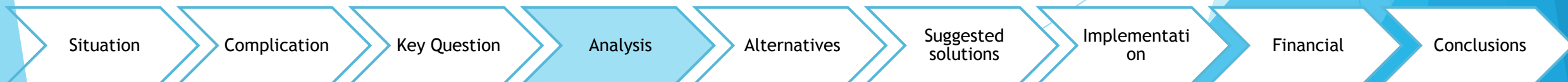
- ▶ High costs in logistics
- ▶ Shipping in short window time
- ▶ Intensive labour in customization
- ▶ Not being able to automatize

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- ▶ After box sample, client buys product in another store
- ▶ Lack of aggressive marketing
- ▶ Mistakes in products mix lead to customer dissatisfaction

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- ▶ Huge passive market share underserved (80%)
- ▶ Look for new ways to capture these customers
- ▶ New ways to make sales other than online (8%)
- ▶ Customers are vocal and active

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- ▶ Associate with trend setters, influencers
- ▶ Develop growing markets (colour make up, men's grooming)
- ▶ Offer other services to try make up (Virtual reality, Pop up stores)

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- ▶ Growth of digital natives
- ▶ E-commerce market is growing, today only 15% of total market (USA).
- ▶ New business model, delivery know how (be logistic fulfilment)
- ▶ Being a multi brand, lack idealization is good for us.

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- ▶ Low barrier entries
- ▶ New competitors entering
- ▶ Rise of clones
- ▶ Customers are vocal and active, low error margin
- ▶ Customers can buy product they liked in another store
- ▶ Lack of brand loyalty amongst younger generations

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Alternatives	PROS	CONS
Develop current product	<ul style="list-style-type: none">• Know how.• Established clientele.• Loyalty points.• Quality	<ul style="list-style-type: none">• Mismatch between client profile and product.• Redirecting traffic to competition.• Fidelity.• 80% of passive customers
External alliances (supermarkets, makeup stores, etc)	<ul style="list-style-type: none">• Lower costs	<ul style="list-style-type: none">• Less control of product quality.
Omnichannel	<ul style="list-style-type: none">• Wider market range• More accessibility to products.	<ul style="list-style-type: none">• High fixed costs• Low margins

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Suggested solution

- ▶ Develop Current product
 - ▶ Keep e-commerce store / Shut down Brick and mortar operation
 - ▶ Improve profile match
 - ▶ Improve buying system
 - ▶ Develop promising markets (men's and colour cosmetics)
 - ▶ Keep the loyalty points system

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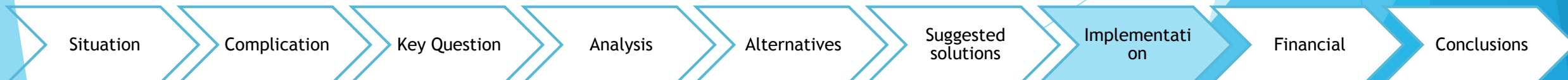
Implementation

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Implementation

- ▶ How do we do It?
 - ▶ We need to generate investment for 50: USD
- ▶ For what?
 - ▶ LOGISTICS
 - ▶ IT INTEGRATION & DEVELOPMENT
 - ▶ MARKETING



Implementation - GANTT

	2018				2019				2020			
Logistics	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Develop an automitedec logistic center												
Optimize PICK PACK SHIP												

* Reduce Box combinations to paretto, increase variability within month

	2018				2019			
IT integration & development	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Find a partner								
Integration website								
Improve in Stock sistem integration								
Improve magic learning algorithm (pesonalization)								
Improve the website								

	2018				2019				2020			
Marketing	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Online Marketing: Facebook, Google Ads, Richmedia												
OOH Marketing (billboards in main streets, BTL)												
Influencers (Woman, Gay community)												

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Implementation - Assumptions

CPA - 40 USD

Average ticket - 10 USD

Cross Sales - 20%

Average Ticket Cross Sales 20%

Implementations times as schedule

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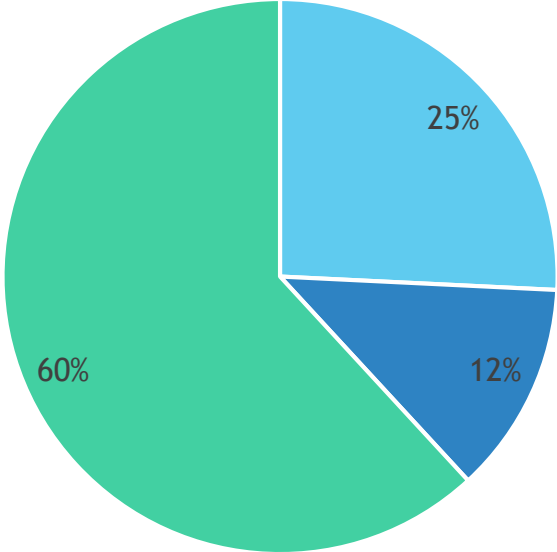
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Implementation - %of Investment

Share of investment



Investments: 50:

Logistics: 12.5:

IT: 7.5:

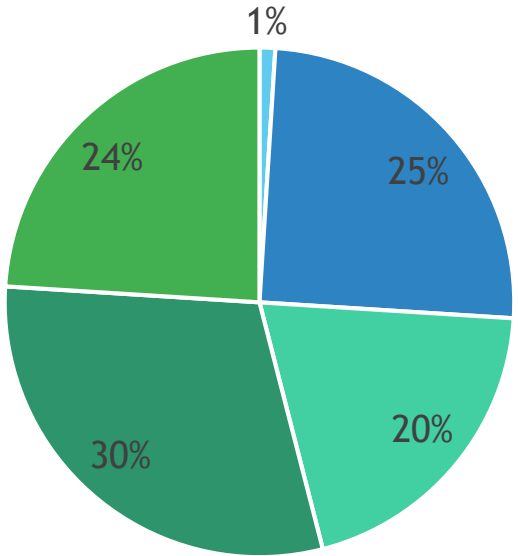
Marketing: 30:

- Logistics
- IT integration & development
- Marketing

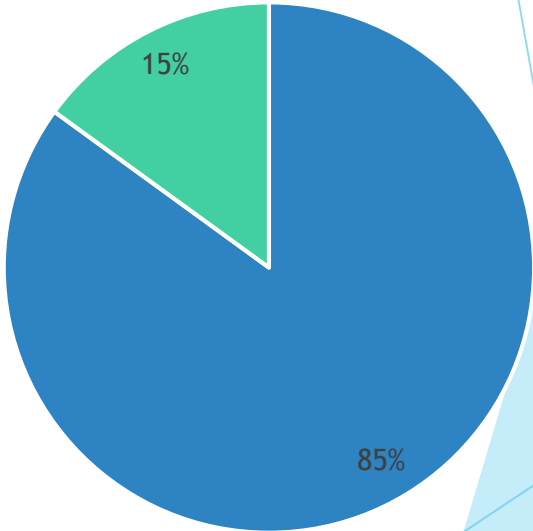


Implementation - %of Investment

IT integration & development



Logistic

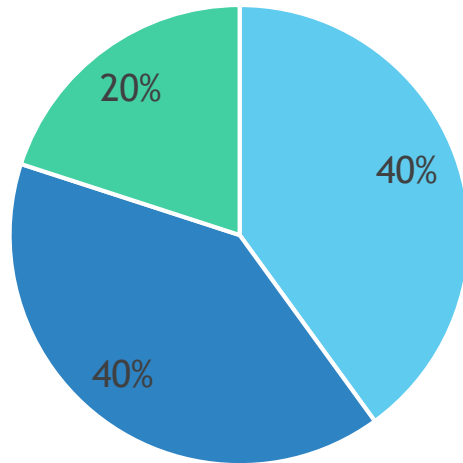


- Find a partner
- Integration website
- Logistics
- Develop an automitedced logistic center
- Improve in Stock sistem integration
- Improve magic learning algorithm (pesonalization)
- Optimize PICK PACK SHIP
- Improve the website



Implementation - %of Investment

Marketing



- Online Marketing: Facebook, Google Ads, Richmedia
- OOH Marketing (billboards in main streets, BTL)
- Influencers (Woman, Gay community)

Target Audiences

- Actual Market
- Passive Customers (develop market)
- Men / Gay Men

Campaign claim

BIRCHBOX “Just for you”

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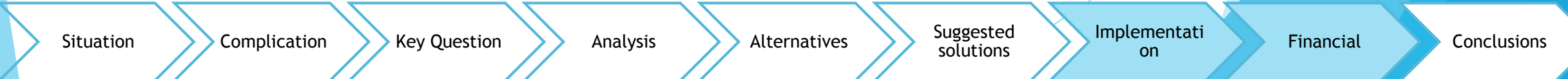
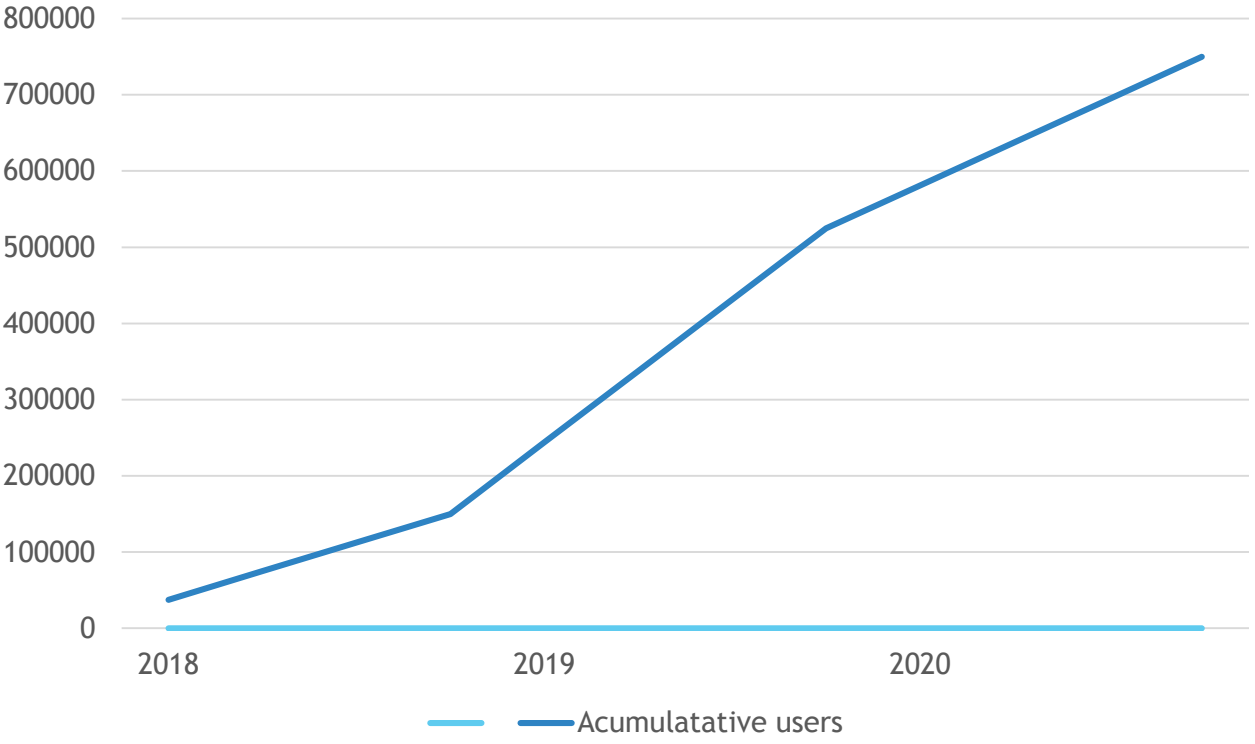
Suggested solutions

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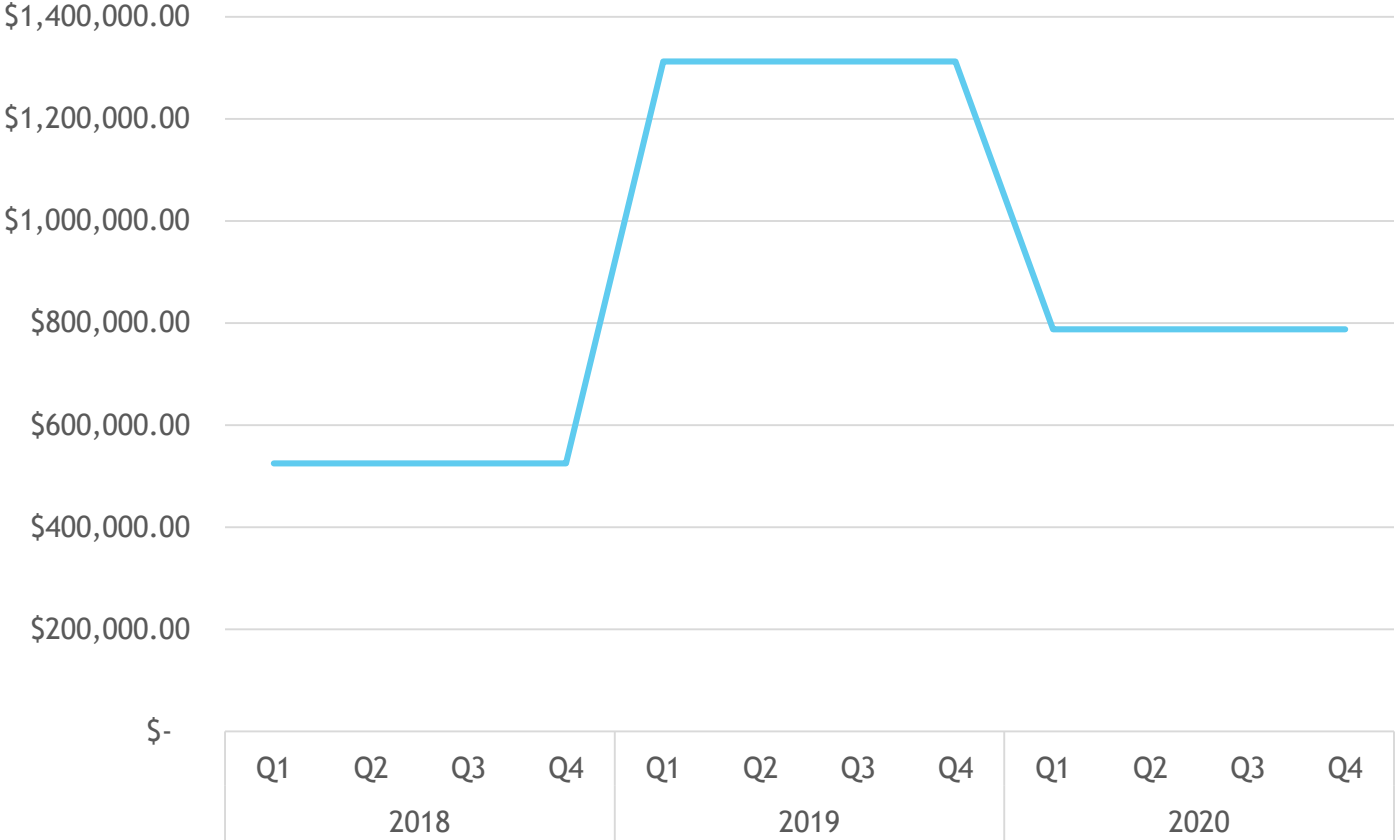
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Conclusions

Implementation - Acumulative New Users



Implementation - Total Sales new users



Conclusion

▶ Tackle 4 key issues

IMPROVE PRODUCT

- New features (virtual reality) better mix
- Better match with customer's needs with machine learning

EFFICIENT LOGISTICS

- Automatization of processes
- Reduce box combinations

MARKETING

- Increase investment:
 - Out of home
 - Influencers
 - Social media

FOCUS ON E-COMMERCE

- Capture potential growing clientele
- Pop-up stores
- Avoid brick and mortar fixed expenses

Emerging opportunities

Enables you to sell fulfilment and to scale up

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Finance

Logistics	\$ 12,500,000									
Develop an automiteced logistic center	\$ 10,625,000	\$ 2,656,250	\$ 2,656,250	\$ 2,656,250	\$ 2,125,000	\$ 531,250	\$ -	\$ -	\$ -	\$ -
Optimize PICK PACK SHIP	\$ 1,875,000	\$ -	\$ -	\$ 468,750	\$ 468,750	\$ 468,750	\$ 468,750	\$ -	\$ -	\$ -

		2018				2019			
	Investment	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
IT integration & development	\$ 7,500,000								
Find a partner	\$ 75,000	\$ 37,500	\$ 37,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Integation website	\$ 1,875,000	\$ -	\$ -	\$ 937,500	\$ 375,000	\$ 375,000	\$ 93,750	\$ 93,750	\$ -
Improve in Stock sistem integration	\$ 1,500,000	\$ -	\$ 750,000	\$ 300,000	\$ 300,000	\$ 75,000	\$ 75,000	\$ -	\$ -
Improve magic learning algorithm (pesonalizatio	\$ 2,250,000	\$ 1,125,000	\$ 450,000	\$ 450,000	\$ 112,500	\$ 112,500	\$ -	\$ -	\$ -
Improve the website	\$ 1,800,000	\$ -	\$ 900,000	\$ 360,000	\$ 360,000	\$ 90,000	\$ 90,000	\$ -	\$ -

		2018				2019				2020			
	Investment	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Marketing	\$ 30,000,000												
Online Marketing: Facebook, Google Ads, Richmed	\$ 12,000,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000
OOH Marketing (billboards in main streets, BTL)	\$ 12,000,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000
Influencers (Woman, Gay community)	\$ 6,000,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 450,000	\$ 450,000	\$ 450,000	\$ 450,000
		\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 3,750,000	\$ 3,750,000	\$ 3,750,000	\$ 3,750,000	\$ 2,250,000	\$ 2,250,000	\$ 2,250,000	\$ 2,250,000

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Finance

	Investment	
Logistics	\$ 12,500,000.00	
Develop an automated logistic center	\$ 10,625,000.00	85%
Optimize PICK PACK SHIP	\$ 1,875,000.00	15%
	Investment	
IT integration & development	\$ 7,500,000.00	
Find a partner	\$ 75,000.00	1%
Integration website	\$ 1,875,000.00	25%
Improve in Stock system integration	\$ 1,500,000.00	20%
Improve magic learning algorithm (personalization)	\$ 2,250,000.00	30%
Improve the website	\$ 1,800,000.00	24%
	Investment	
Marketing	\$ 30,000,000.00	
Online Marketing: Facebook, Google Ads, Richmed	\$ 12,000,000.00	40%
OOH Marketing (billboards in main streets, BTL)	\$ 12,000,000.00	40%
Influencers (Woman, Gay community)	\$ 6,000,000.00	20%

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