

BIRCHBOX

Putra Business School

Malaysia

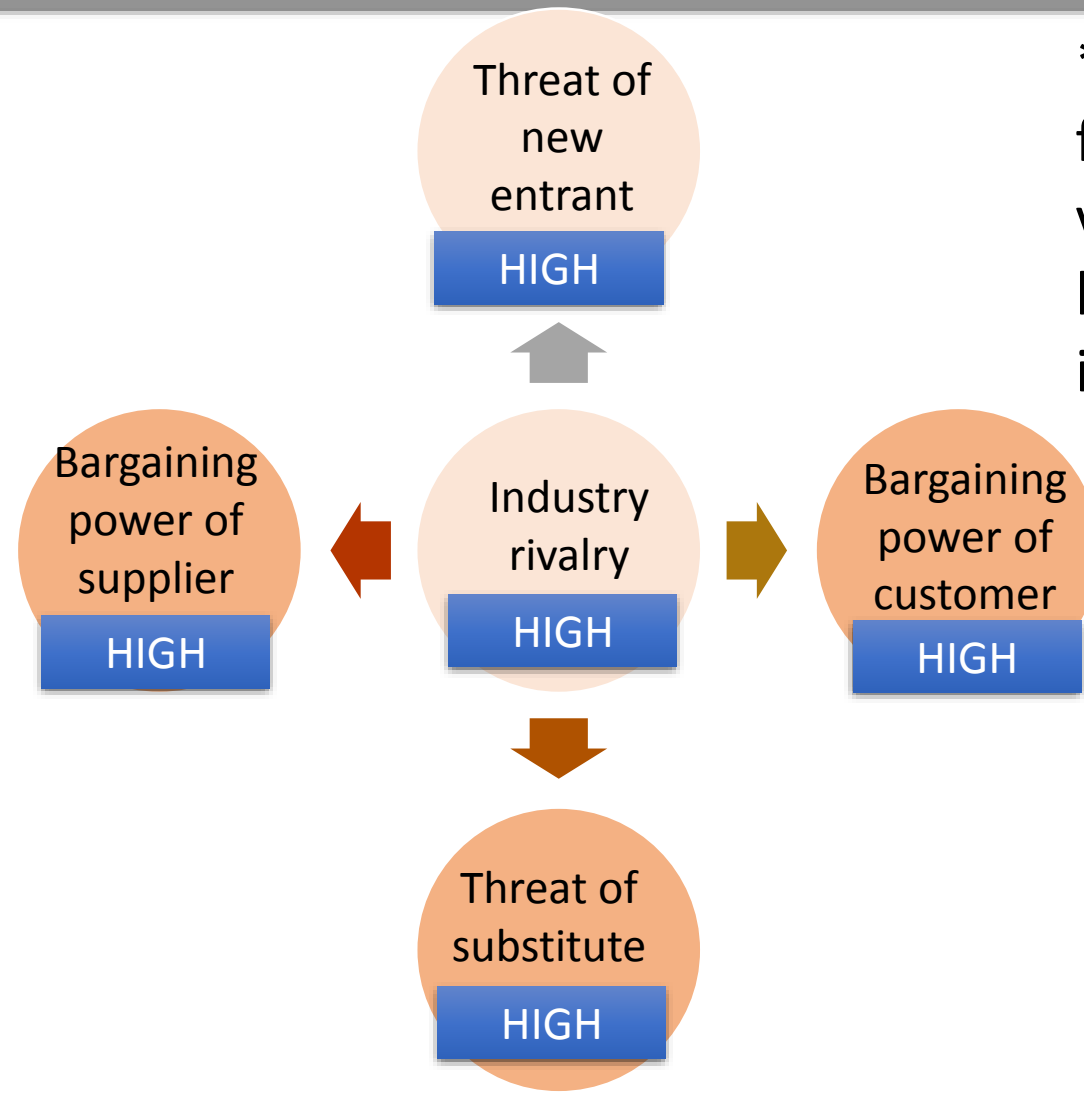
BACKGROUND

- Established 2010 by Barna and Beauchamp
- Sold boxes containing 5 beauty product samples
- \$125m revenue in 2016

KEY POINTS

- 7% reduction in subscription
- Massive copycats/ competitors

ANALYSIS



***following industry forces indicators show very high risk situation in beauty products industry in United States.

ANALYSIS

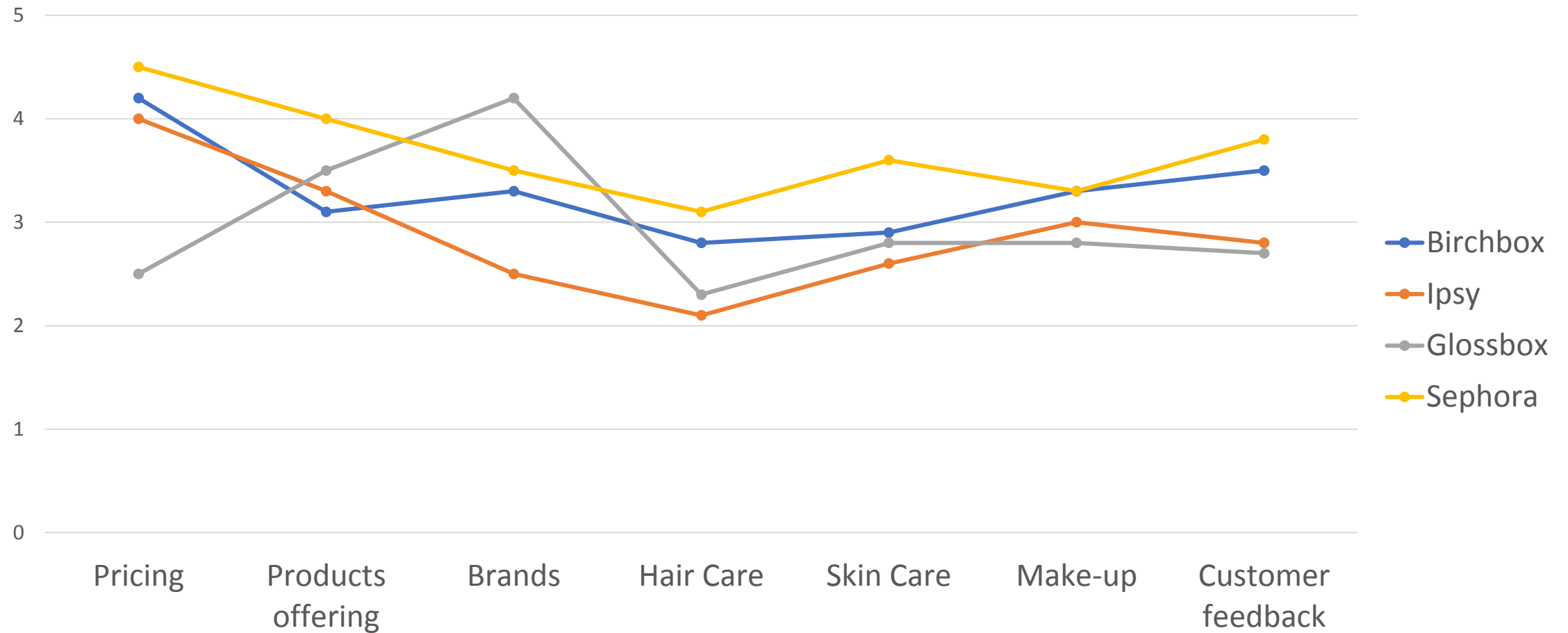
<p style="text-align: center;"><u>STRENGTHS</u></p> <ul style="list-style-type: none">i) Product customizationii) Surprise elementiii) Huge customer database & insightsiv) Customer like surprise element	<p style="text-align: center;"><u>WEAKNESSES</u></p> <ul style="list-style-type: none">i) Low offering of own productii) High cost on packagingiii) Labour intense for customization
<p style="text-align: center;"><u>OPPORTUNITY</u></p> <ul style="list-style-type: none">i) Customer looking for sample before purchasing productii) Increase in men's beauty product demandiii) Increasing demand for doorstep product deliveryiv) Business on e-commerce platform	<p style="text-align: center;"><u>THREAT</u></p> <ul style="list-style-type: none">i) Intense industry competitionii) New competitors from different industry such as Amazoniii) Meeting needed quality and value for money for customers

INTERNAL

EXTERNAL

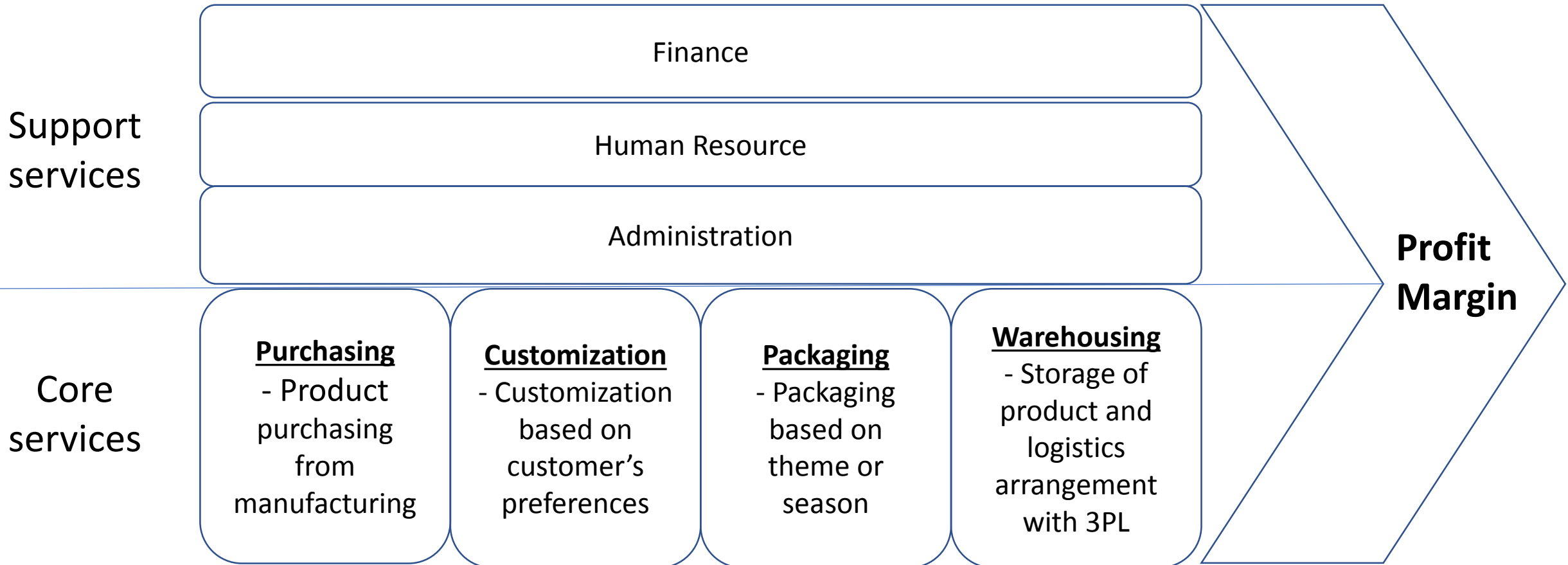
ANALYSIS

Strategy Canvas : Comparison of Birchbox and competitors



ANALYSIS

Value Chain Analysis of Birchbox



ALTERNATIVE 1

(SELF-GROWTH)

Reasoning:

1. **Current Business Model is not sustainable (Too labor intensive)**
2. **Company's own product lines, Love of Colors (LOC) are not preferred brand**
3. **Current logistic services is not efficient**

Strategic Direction:

Streamlining Products and Restructuring Process of the company to increase profitability

PROS	CONS
1. Maintain the lifespan of the business	1. Requires more capital
2. Reduce Operation cost	2. Management Issues
3. Build a stronger brand	

ALTERNATIVE 2 (MERGER)

Reasoning:

To challenge Amazon's presence in the market

Strategic Direction:

Merger with other industry players to achieve economic of scale

PROS	CONS
1. Economic of Scale	1. Hard to find willing partners
2. Bigger Market share	2. Long process
3. Provide more variety to customers	

ALTERNATIVE 3 (SALE OF BIRCHBOX)

Reasoning:

Business Model is not sustainable

Strategic Direction:

Exit Strategy

PROS	CONS
1. Easy way out	1. Hard to find willing buyer
2. Eliminate liabilities	2. Long process

RECOMMENDATION

SELF-
GROWTH



The diagram consists of three blue rectangular boxes. The top-left box contains the text 'SELF-GROWTH' and is enclosed in a red dashed border. The top-right box contains the text 'MERGER'. The bottom-center box contains the text 'SALE OF BIRCHBOX' and is enclosed in an orange dashed border. A yellow arrow originates from the left side of the 'SELF-GROWTH' box and points towards the 'SALE OF BIRCHBOX' box.

MERGER

SALE OF
BIRCHBOX

IMPLEMENTATION (LOC AS A STRONGER BRAND)

ACTIVITIES/ PROGRAMS	OBJECTIVES	RISK	MITIGATION
Appoint Brand Ambassador among Vloggers	To increase customers' awareness and likeability Attract young professionals	Expenditure increase	Get upcoming Vloggers rather than established Vloggers
Promote using TV commercials	To establish validity	Might not reach target group	Identify slots that have most hits by target group
Develop more varieties in LOC products (R&D)	Meet diversify customers' needs	Consumer acceptance	Focus group

IMPLEMENTATION (REDUCE OF CUSTOMIZED BOXES)

ACTIVITIES/ PROGRAMS	OBJECTIVES	RISK	MITIGATION
Reduce variance of customized boxes from 100 to 20	Reduce the need for labor in production	Drop in number of subscribers	Maintain the top sellers
Use more durable boxes	Ensure the application of automation	Increase production cost	Look for cheaper supplier
Deploy automation in production	To reduce cost	Reduce employees leads to negative image	Reskilling or develop good severance package

IMPLEMENTATION (REDUCE DELIVER COST)

ACTIVITIES/ PROGRAMS	OBJECTIVES	RISK	MITIGATION
New warehouse in the east coast	Reduce delivery cost and delivery time	Increase expenditure	Get the best alternative and best strategic location

IMPLEMENTATION (LONG-TERM: EXIT STRATEGY)

ACTIVITIES/ PROGRAMS	OBJECTIVES	RISK	MITIGATION
Sale of Birch box	To ensure owners and shareholders maximize profit	No buyers	Target multinational company that fits that could leverage on the business model and convert to users (i.e. P&G, Walmart etc)

IMPLEMENTATION (TIMELINE)

	Jan – Mac	Apr – Jun	Jul – Sept	Oct - Dec
Appoint Brand Ambassador among Vloggers <ul style="list-style-type: none"> - Identify Upcoming Vloggers - Appoint as ambassadors - TOR and Legal process streamlining - Training on products - Execution - Monitoring 				
Promote using TV commercials <ul style="list-style-type: none"> - Identify strategy and target - Shot commercial - Identify slots - Execution - Monitoring 				

IMPLEMENTATION (TIMELINE)

	Jan – Mac	Apr – Jun	Jul – Sept	Oct - Dec
R&D <ul style="list-style-type: none">- Get input from focus group and customer feedbacks- Identify strategy- Execution				
Automation <ul style="list-style-type: none">- Do job analysis- Procure machine- Training Staff- Execution				
Warehouse <ul style="list-style-type: none">- Identify location/ partners- Negotiate terms- Contractual matters- Execution				

FINANCIAL IMPLICATION

Resources Needed for Recommendation (in \$ million)
Series C Financing of \$23 million



- Streamlining Exercise
- Automation & New Warehouse
- Corporate Restructuring (Severance Package, etc.)
- Product Development of LOC
- TV Ads and Sponsorship for Youtube Sensation

Activities/Programmes	Implication on Business Drivers	Implication on Numbers (in 2018)	\$ million (gained or saved)
Streamlining Exercise	Increase in subscribers by 10%	Increase of revenue by 6%	7.5
Automation & New Warehouse	Achieving economies of scale	Reduction of costs by 20%	25
Corporate Restructuring	Leaner company with less manpower needed	Reduction of costs by 20%	25
Product Development of LOC	Increased sales of LOC	Increase of revenue by 10%	12.5
TV Ads and Sponsorship for Youtube Sensation	Increase in subscribers by 10%	Increase of revenue by 6%	7.5
TOTAL			\$77.5 million

CONCLUSION

- Gradual process of product tweaking from sampling to monthly supplies of Love of Color
- Focus on branding Love of Color as the preferred choice of customers
- Strength of strong subscriber base and consumer insights as a focus group to develop products that customers really want
- Sale of Birchbox as a last option if cashflow is insufficient
- **We believe our recommendation will be able to turnaround Birchbox into a sustainable business**