

BIRCHBOX INC.

Rutherford Consulting
University of Alberta

THE TEAM

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CHALLENGE

How can Birchbox achieve growth
in an increasingly competitive market?

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RECOMMENDATION

How can Birchbox achieve growth
in an increasingly competitive market?

*Utilize a less tapped customer to grow resources (build capacity,
increase profits) so you can continue stay competitive*

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ANALYSIS

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REVENUE STREAMS

Revenue Streams \$125 million

Subscription

Re-Orders

Physical
stores

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SWOT

Strengths

- First mover advantage
- Lean
- Innovative
- Research/customer insights

Weaknesses

- Full size products can be bought elsewhere
- Difficulty with shipping logistics
- Decreasing subscriptions

Opportunities

- Physical store
- Love of Color brand
- High margin men's market
- Expand product offerings

Threats

- Competitive market
- Quickly changing market
- Unhappy customer reviews

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VRIO

Current Position

Valuable

- Yes

Rare

- No – although men's might be unique

Imitable

- Yes

Organization

- Lack capacity to meet large customer base

Future Position

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VRIO

Ever changing market



Current Position

Valuable

- Yes

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Short Term Future Position

Valuable

- Yes

Rare

- Yes

Imitable

- Yes

Organization

- Create proper capacity



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CU

Issue with Laura:

- She is not going back to Birchbox to make large purchases
- 1 time chance to win her
- Overwhelmed with options
- Subscription driven, less commitment

ucts

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Advantages of Jonathon

- Spends more money – research
- More likely to buy full product
- Higher margins
- Lower churn rate
- Blue Ocean Market
- Less controlled by male bloggers

ALTERNATIVES

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ALTERNATIVES

Focus on using data to grow internal product line – Love of Color

Sell data to bigger brands – revenue source

Sell your business

Focus on Men's products

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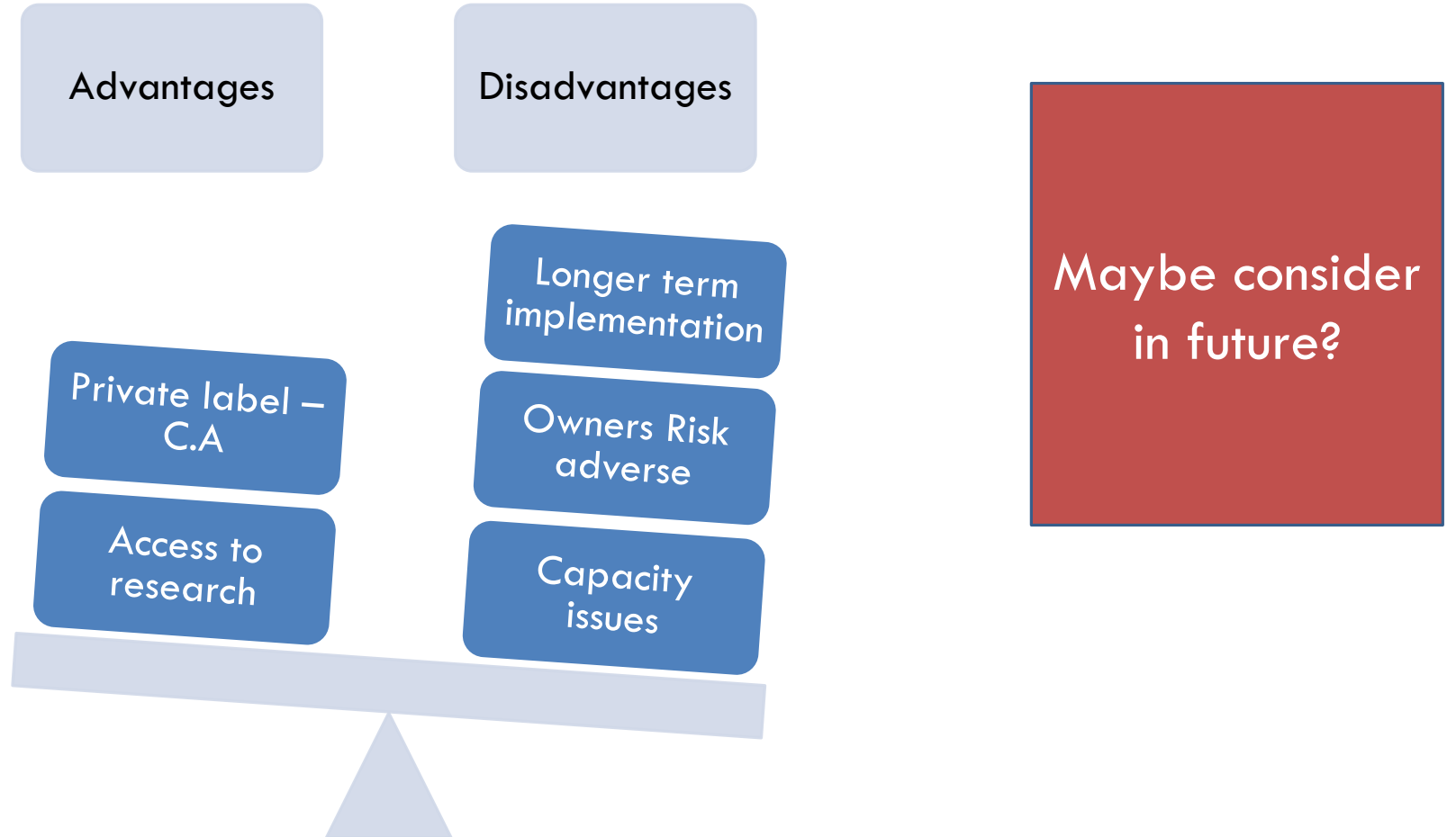
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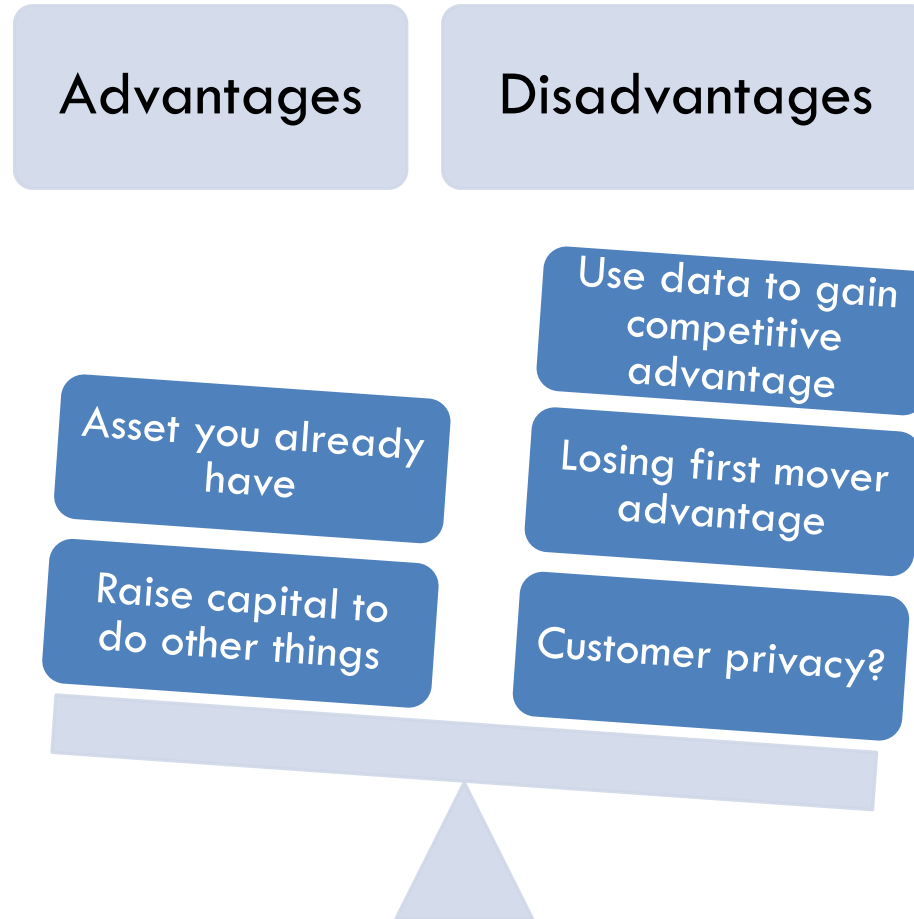
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INTERNAL PRODUCT LINE – LOVE OF COLOR

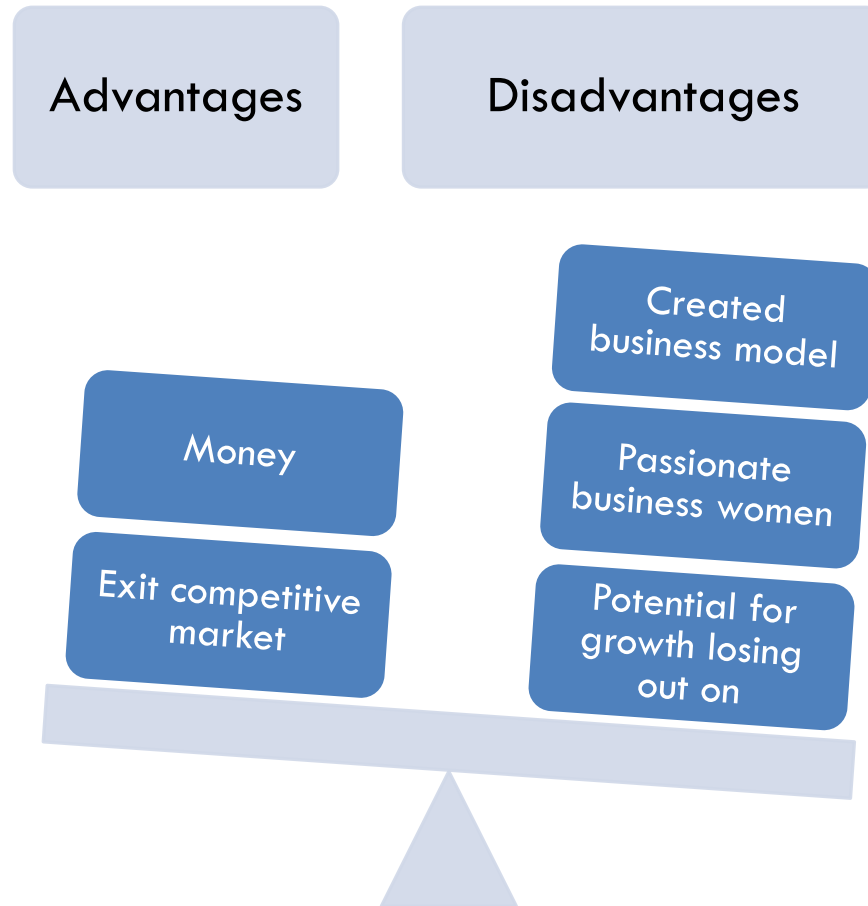


SELL DATA TO BIGGER BRANDS



Maybe part of an exit strategy?

SELL YOUR BUSINESS



Does it feel right?

FOCUS ON MEN'S PRODUCTS

Advantages

Disadvantages

Allows to grow at sustainable rate

Lots of growth potential

Less competitive

Strong market

Lose brick and mortar

No Long term sustainable advantage

Short term success! To allow for long term growth

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ALTERNATIVE EVALUATION

	Cost	Ease of Implementation	Potential for Growth	Customer retention and upscaling	Differentiation
Internal product line – Love of Color	Orange	Red	Green	Green	Red
Sell data to bigger brands	Green	Green	Red	Red	Orange
Sell your business	Green	Green	Red	Red	Orange
Focus on Men's products	Green	Orange	Green	Green	Green

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RECOMMENDATION

Focus efforts on men's market

- Priority that will help create sustainable growth to support future activity
- Less crowded market to capitalize on
- DO not pull way from women's

IMPLEMENTATION

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IMPLEMENTATION

Promote the men's subscription service

Sustain women's subscription service for the time being

Streamline operations long term

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CURRENT PURCHASING TRENDS - MEN

- Tend to buy products in the most convenient way from a knowledgeable person
- Buy larger quantities to reduce frequency of purchases
- Tend to experiment less
- Want good value but less likely to price compare on beauty items

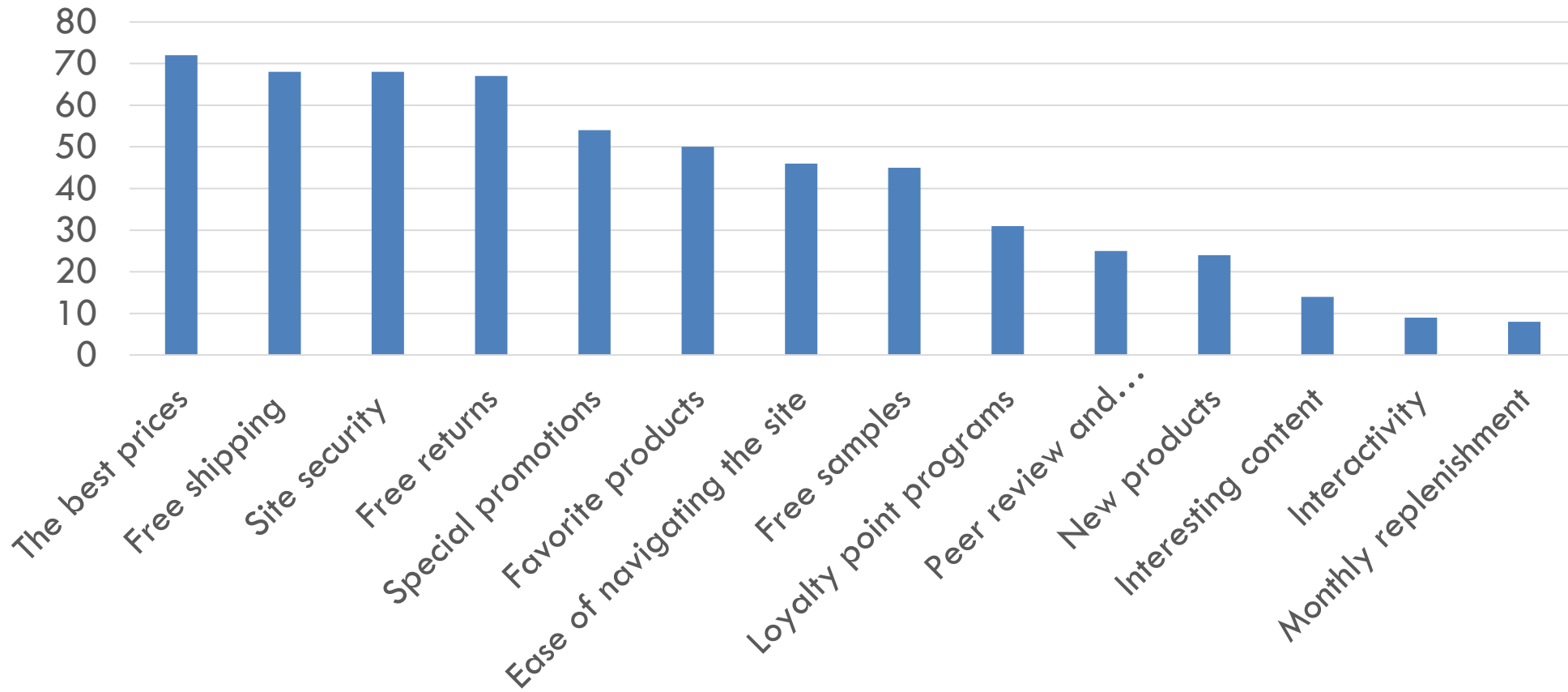
CURRENT PURCHASING TRENDS - MEN

- Tend to buy products in the most convenient way from a knowledgeable person
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How do we capitalize on these purchasing trends in our solution?

WHAT ARE CONSUMERS LOOKING FOR?

% of Customers that consider these elements to be "Very Important"



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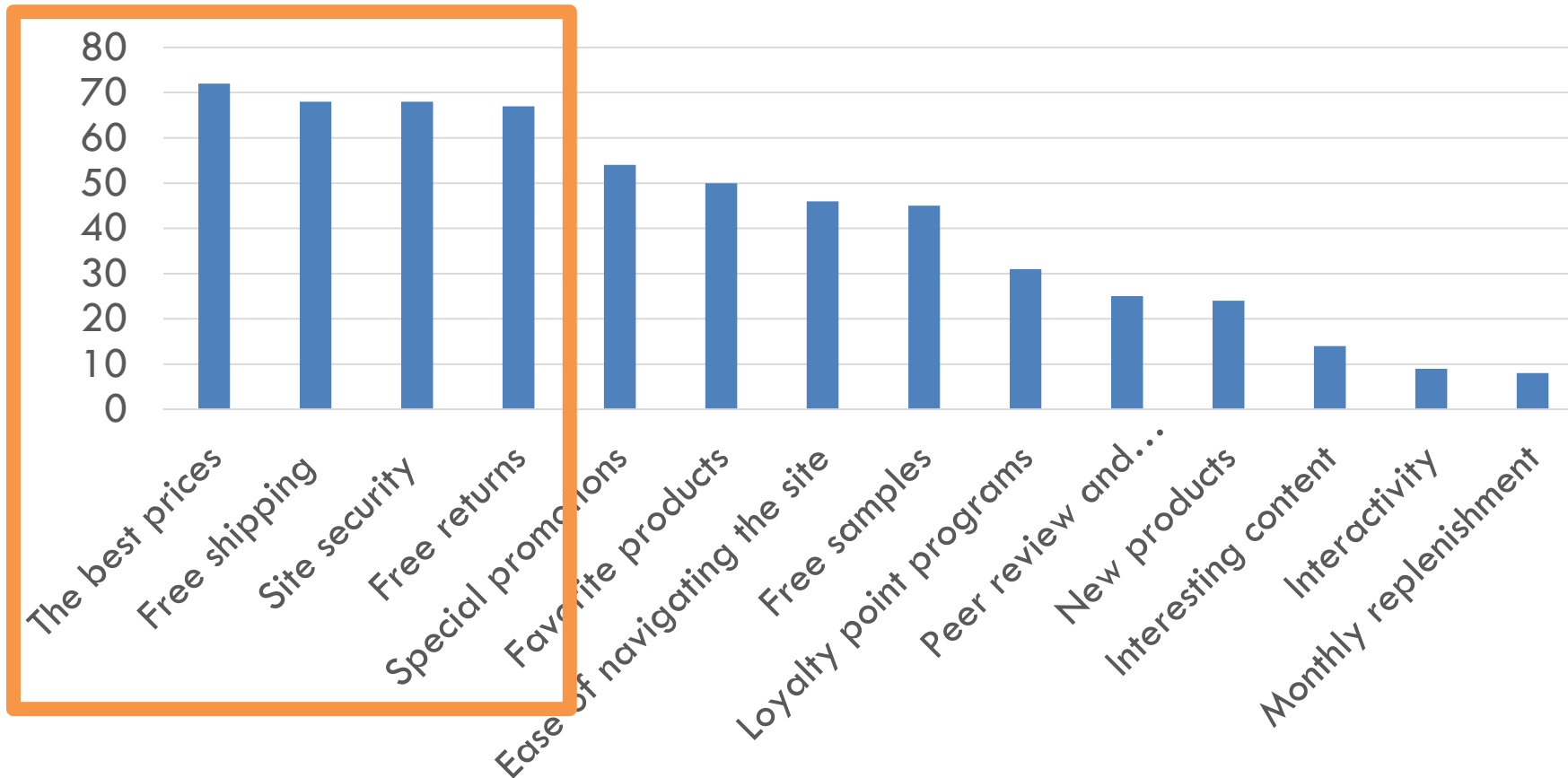
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WHAT ARE CONSUMERS LOOKING FOR?

% of Customers that consider these elements to be "Very Important"



These considerations need to be included in recommendation

TEND TO BUY PRODUCTS IN MOST CONVENIENT WAY FROM A KNOWLEDGEABLE PERSON

Eliminate need to initially complete a profile

Provide three expertly curated boxes each month for men to select

One tap full size ordering from mobile interface

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BUY LARGER QUANTITIES TO REDUCE FREQUENCY OF PURCHASES TEND TO EXPERIMENT LESS

After selecting items to order full size, option to increase volume

Options for 1 month, 3 month, full-year supply

THE BEST PRICES FREE SHIPPING

Must offer free shipping on full size items

Discounted product prices on higher volume orders – 3 month and 1 year supply

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CUSTOMER ORDERING EXPERIENCE

Customer wishes to purchase a box

Open Birchbox mobile

3 promoted boxes available this month: eg. “The Tom Brady”, “The George Clooney”, “The Barack Obama”

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CUSTOMER ORDERING EXPERIENCE

Box is selected and sent to customer

In one week notification sent asking the customer thumbs up or thumbs down?

Customer is prompted to order full size of 'thumbs up' items in 1-month, 3-month, full year supply

Customer is asked if they wish to try another box the following month

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REFERRALS

Customer referrals

- Men can gain Birchbox credit with customer referral
- Men are more willing to learn through word of mouth than a blogger

TIMELINE

By May 2017

Utilize current data to select high selling products



By June 2017

Adapt mobile interface for male customers



By end of 2017

Identify cash flow stream to support free shipping initiative

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FINANCIALS

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ESTIMATED MARKET SIZE AND GROWTH RATE

Estimated Total Market for Men's Grooming

- \$8.5 billion
- Doesn't include things like deodorant, hair care

Current revenue from Male Customers

- \$43.75 million, 15x growth 2017, anticipated sales will increase rapidly but growth will slow

Men spend 10% more than women and box price is \$20 compared to \$10

- Estimated that of men that subscribe to box, 20% will buy a full size product once per year

STREAMLINING OPERATIONS

Reduce cash tied up in brick-and-mortar location

- Estimated that this can free up \$810,000 in annual cost
- \$45/sq ft. estimated retail space

COST ASSUMPTIONS

Cost	Amount	Cost incurred
Mobile interface adaption	\$20,000 USD	May 2017
Consolidation of collected data and selection of products	\$60,000 USD	May-June 2017
Free shipping costs	\$5/full size product order	Duration of plan
Continued data collection on men's products	\$12,000 USD/month	Duration of plan
Customer referral discounts	10% discount, 10% of men take advantage	Duration of plan

Other cost considerations:

- Potential for increased inventory costs to ensure reliability of supply of popular products
- Potential for cost savings as shipping volumes increase

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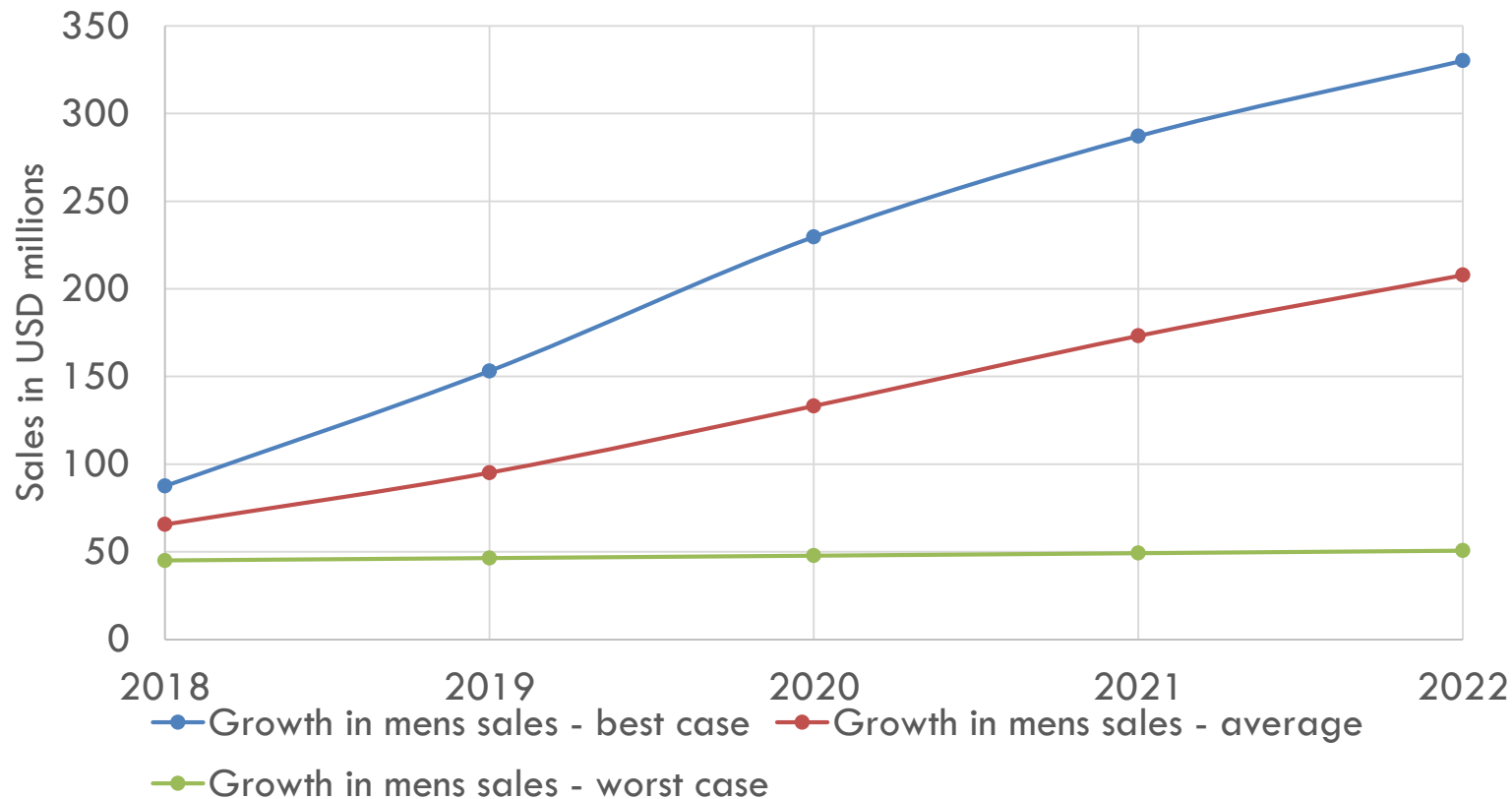
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MEN'S SALES PROJECTIONS

Growth in Men's Sales



Year over year growth in best case scenario: 1.5x with growth slowing over time

Average year over year growth: 1.7x year over year

Worst case: Men's sales grow at market rate 4.5%

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KEY PERFORMANCE INDICATORS

Best case: hit total sales growth of 330 million by Year 2020

Average: hit total sales of 207 million by Year 2020

Worst Case: Men's sales add 5 additional million by year 2020

Increase Men's subscriptions to 1 million by 2020

2020 FUTURE PLANS — LONG TERM CONSIDERATIONS

Similar to Glossier utilizing consumer research to create products

-You can produce/expand your beauty line!

Creating a private label (using research)

- Expand Love of Color
- Create a men's private label

= create a more sustainable competitive advantage (less imitable)

VRIO

Ever changing market

Private Label
-love of color
-men's line

Current Position

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Short Term Future Position

Valuable

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Rare

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Imitable

- Yes

Organization

- Create proper capacity

Long Term Future Position

Valuable ★

- Yes

Rare ★

- Yes

Imitable ★

- No

Organization ★

- Will have Increased capacity

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RISKS AND MITIGATION

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RISKS AND MITIGATIONS

May loose out on the women's market

- Not ignoring the women's side
- Using this approach to fuel overall growth and better customization

RISKS AND MITIGATIONS

New Entrant in Men's Market

- Creating brand loyalty
- Gain first mover's advantage
- Move into Private label eventually

RISKS AND MITIGATIONS

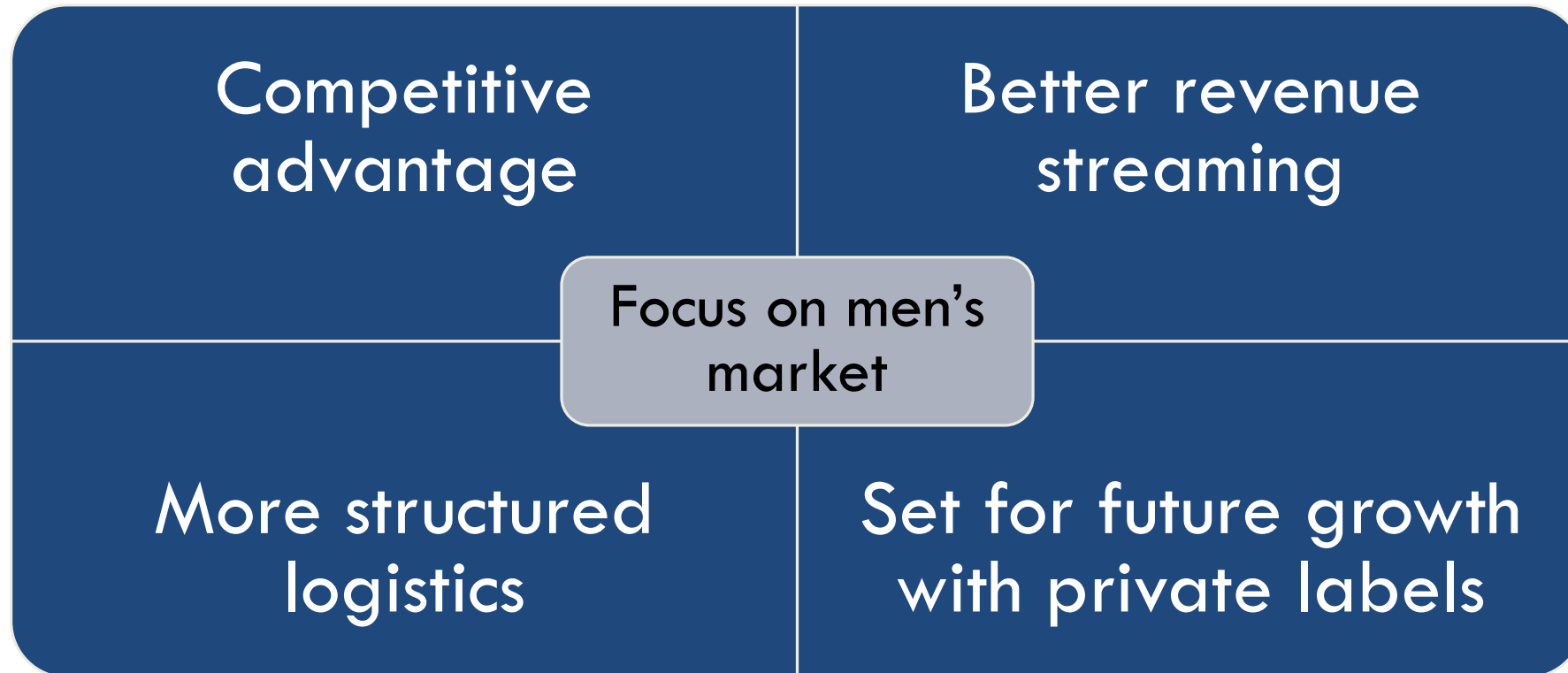
Might be additional stress on logistics

- Less variety of samples for men
- Easier to sort and assemble than before

CONCLUSION

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CONCLUSION



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APPENDIX

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OVERALL REVENUE

	Overall Revenue projections - best case	Growth in Revenue Average	Over all revenue - worst case
2018	160	140.3125	121.8063
2019	219.0625	166.8906	123.0229
2020	287.96875	201.1469	124.2761
2021	339.6484375	237.1159	125.5669
2022	378.4082031	268.2891	126.8964