



# BIRCHBOX: THE GIFT OF SURPRISE

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# KEY TAKEAWAYS



# TODAYS AGENDA

- 1 Force-Field Analysis
- 2 Key Success Factors
- 3 Possible Alternatives
- 4 Implementation Plan
- 5 Financial Results
- 6 Negotions
- 7 Additional Considerations

ANALYSIS

RECOMENDATION

IMPLEMENTATION

RESULTS

# REALITY CHECK

Inefficient logistics

- High cost
- High rate of failure during customization

Low barriers to entry in the industry

- New imitators arrived almost immediately
- New, different offerings poach potential new and existing customers

We recently reduced our workforce by 30%

**IS THIS THE BEST OPTION??**

ANALYSIS

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# BEAUTY AND BEAUTY BOX INDUSTRY

## Beauty Industry

- \$90 billion sales in the US (2015)
- Proctor and Gamble, Unilever
- Elusive brand loyalty

## Beauty Box Industry

- 8% beauty sales online
- Drop in number of subscribers across entire industry
- Increasing number of “copycat” competitors

ANALYSIS

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# INTERNAL ANALYSIS

## STRENGTHS

BRAND RECOGNITION

DATA ANALYTICS

STRATEGIC PARTENRSHIPS

## WEAKNESSES

COST

LOYALITY

IMITATORS

ANALYSIS

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RESULTS

# EXTERNAL ANALYSIS

## OPPORTUNITIES

PRODUCT  
EXPANSION

NEW MARKETS

## THREATS

COMPETITION

WHITE LABEL

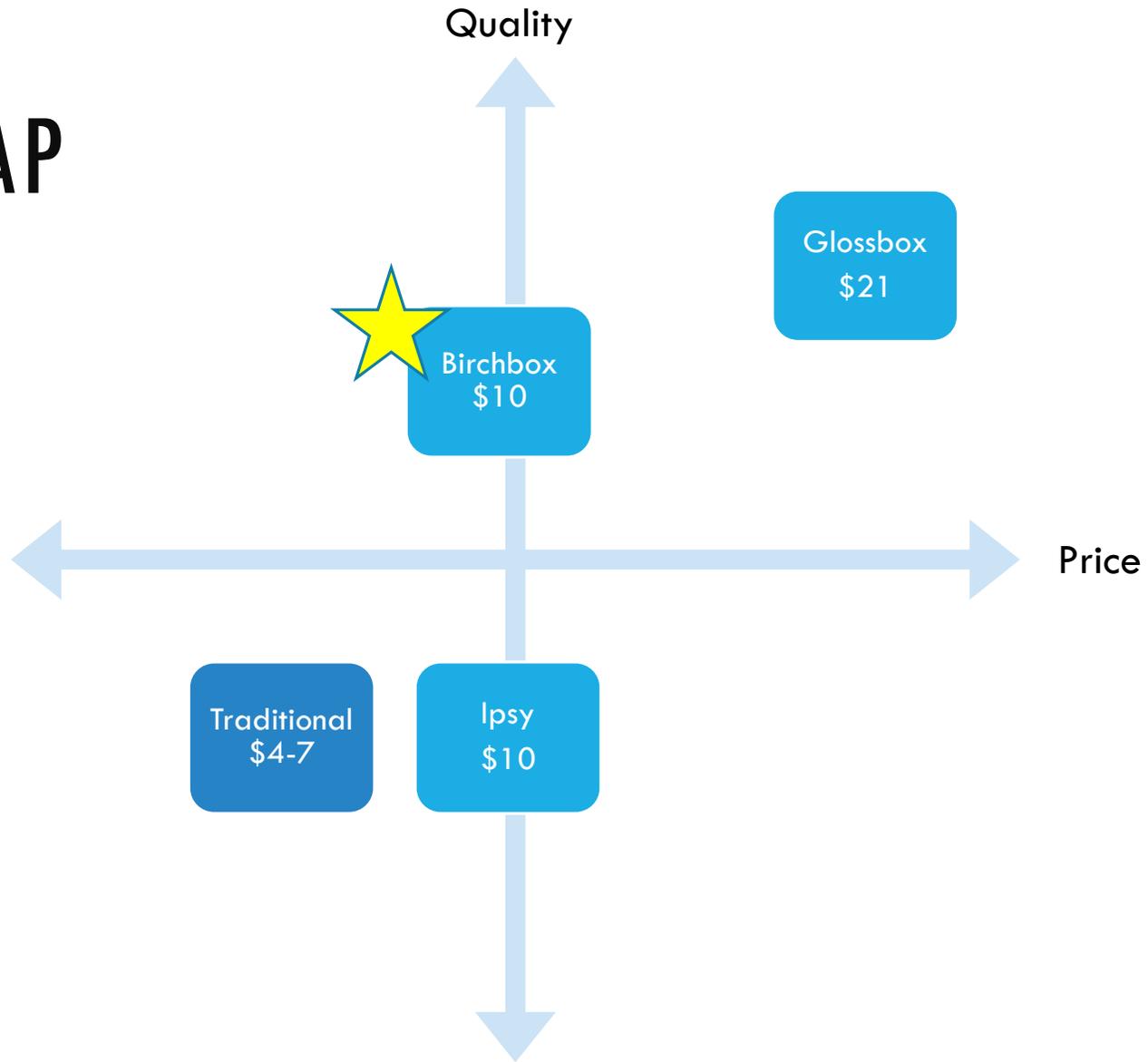
ANALYSIS

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# PERCEPTUAL MAP



# MARKETING

## Influencer Marketing

- YouTube Video Blogger
- Become discovery retailing trend

## 17 Content Marketers

- Products, Advice, How To's
- 4 Channels: BB Blog, YouTube, Newsletter, Emails

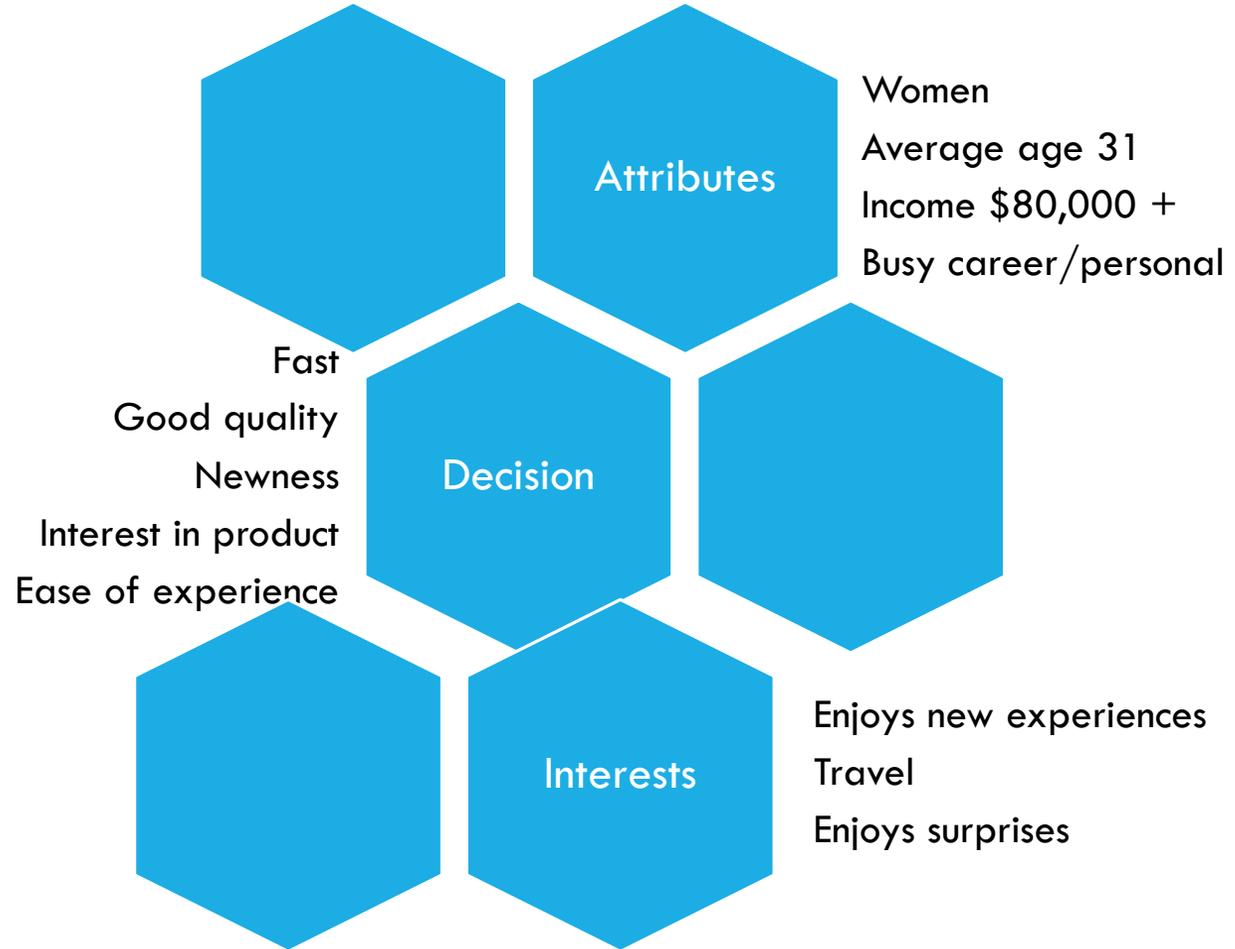
ANALYSIS

RECOMENDATION

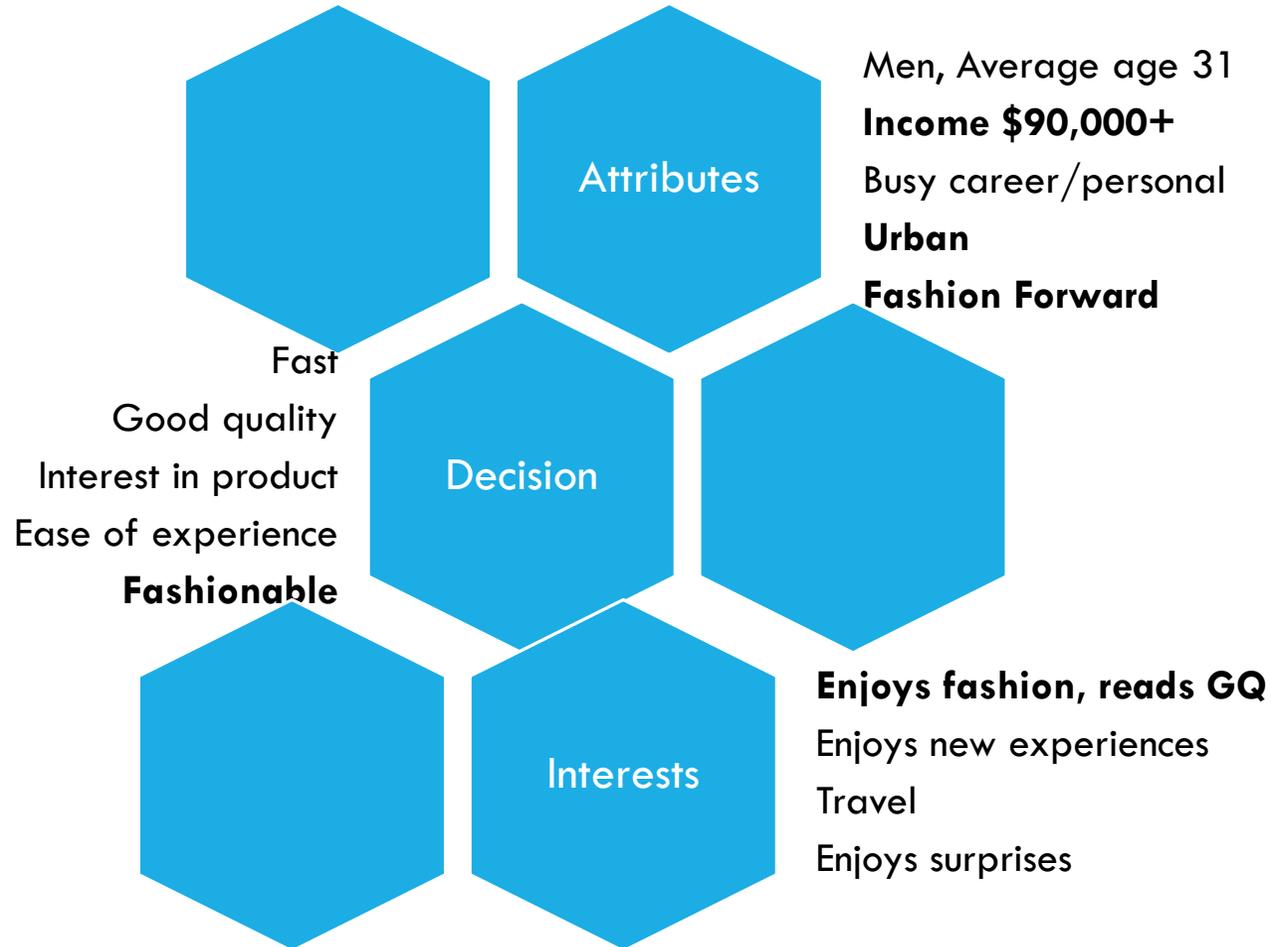
IMPLEMENTATION

RESULTS

# CUSTOMER ANALYSIS - WOMEN



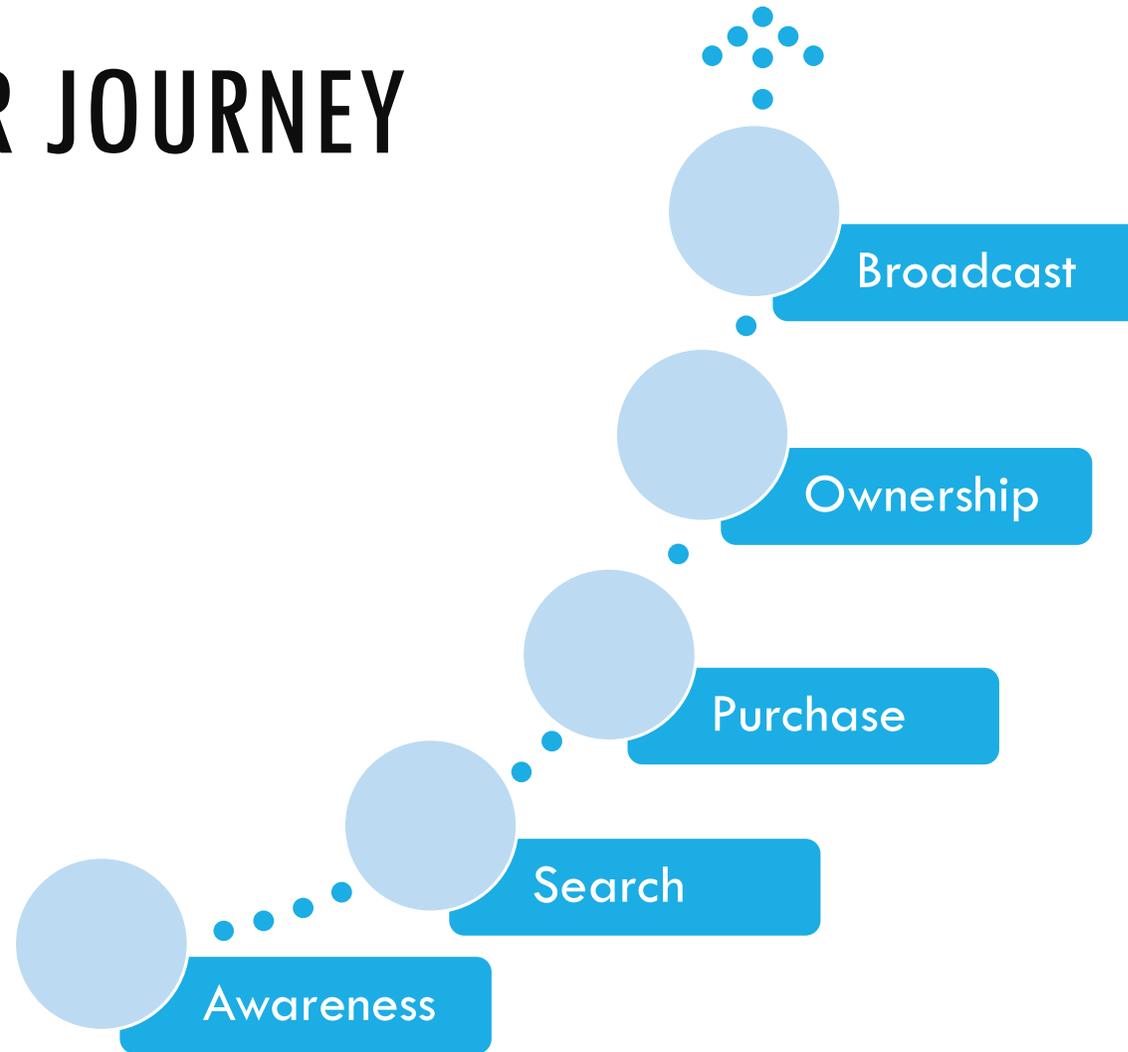
# CUSTOMER ANALYSIS - MEN



**Purchasing Customer:**

- 20% time is female

# CUSTOMER JOURNEY



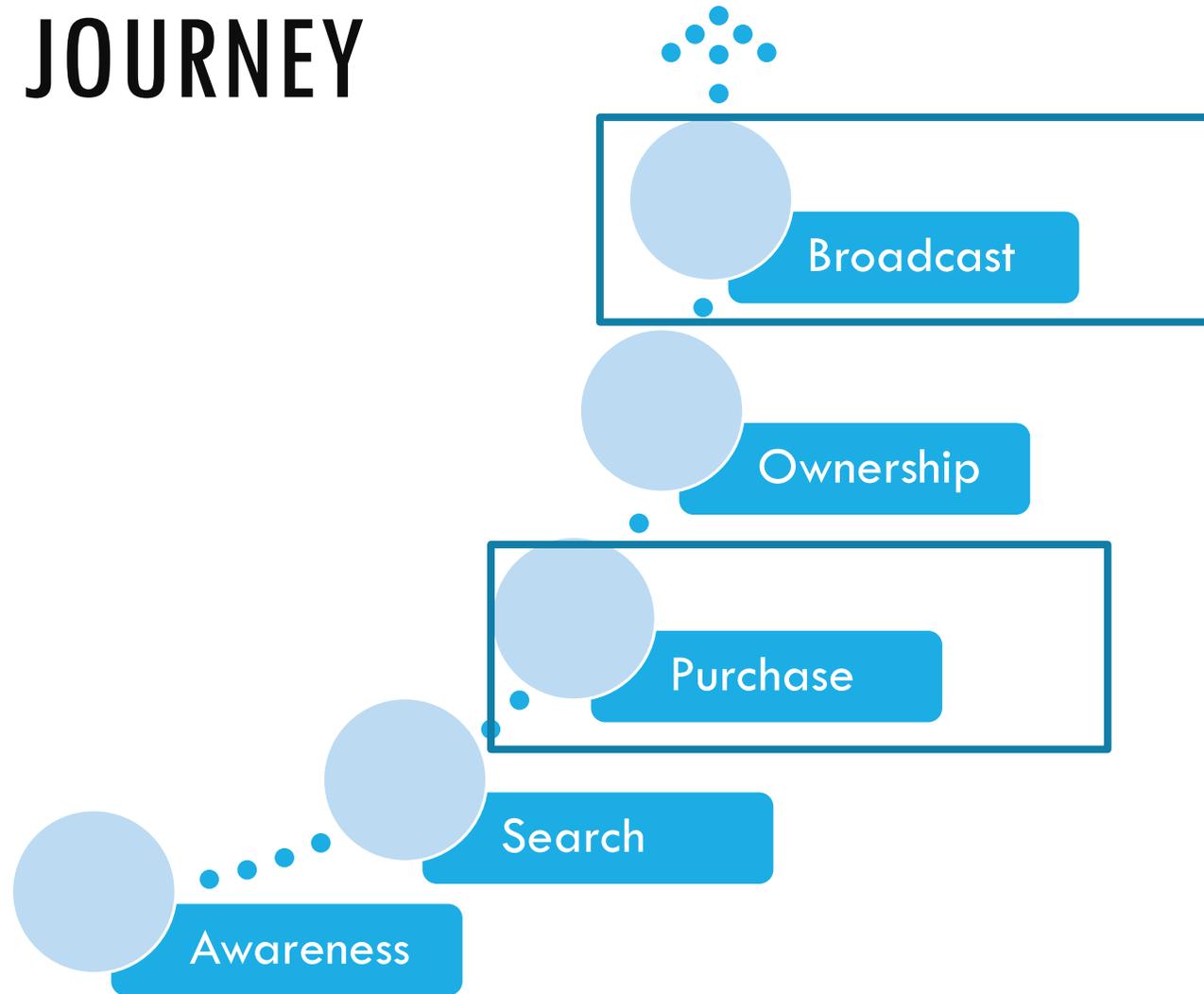
ANALYSIS

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# CUSTOMER JOURNEY



ANALYSIS

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# LOGISTICS: PACKING AND SHIPPING

## Timing

- Ship out to farther locations first

## Presentation

- Every box with products in same format

## Customization

- 100 iterations per box
- Labor Intensive
- Few Economies of Scale

# AMAZON



**“Amazon had plans to experiment with a beauty subscriptions commerce platform.”**

# FORCE-FIELD ANALYSIS

## What do we do well?

- We are the 1<sup>st</sup> mover in cosmetic discovery retail market
- Good brand recognition
- Exceptional inventory management
- High quality data collection and analytics
- Developed strategic partners

ANALYSIS

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# FORCE-FIELD ANALYSIS

Where do we need improvement?

- High logistical costs
- Weak loyalty program
- Many imitators in the market
- Failure to execute on customization
- Non-innovative marketing

ANALYSIS

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# FORCE-FIELD ANALYSIS

Where do we need improvement?

- High logistical costs
- Weak loyalty program
- Many imitators in the market
- Failure to execute on customization
- Non-innovative marketing

These are the areas that need to be focused on!

ANALYSIS

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# CRITICAL SUCCESS FACTORS

**NEW  
CUSTOMERS**

**FULL SIZE  
PRODUCTS**

**LOYALTY**

**PROFIT**

**LOGISTICS**

# PRODUCT

Experience

Consumers enjoy the act of opening the gift, sometimes more than what is inside.

Quality

Mid- range products that consumers find value in

Brand  
Recognition

Consumers recognize the Birchbox as a brand in addition to sample product brands.

ANALYSIS

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# HUMAN RESOURCES CONSIDERATIONS

RECENT REDUCTION IN  
WORKFORCE OF 30%

UNCERTAIN FUTURE

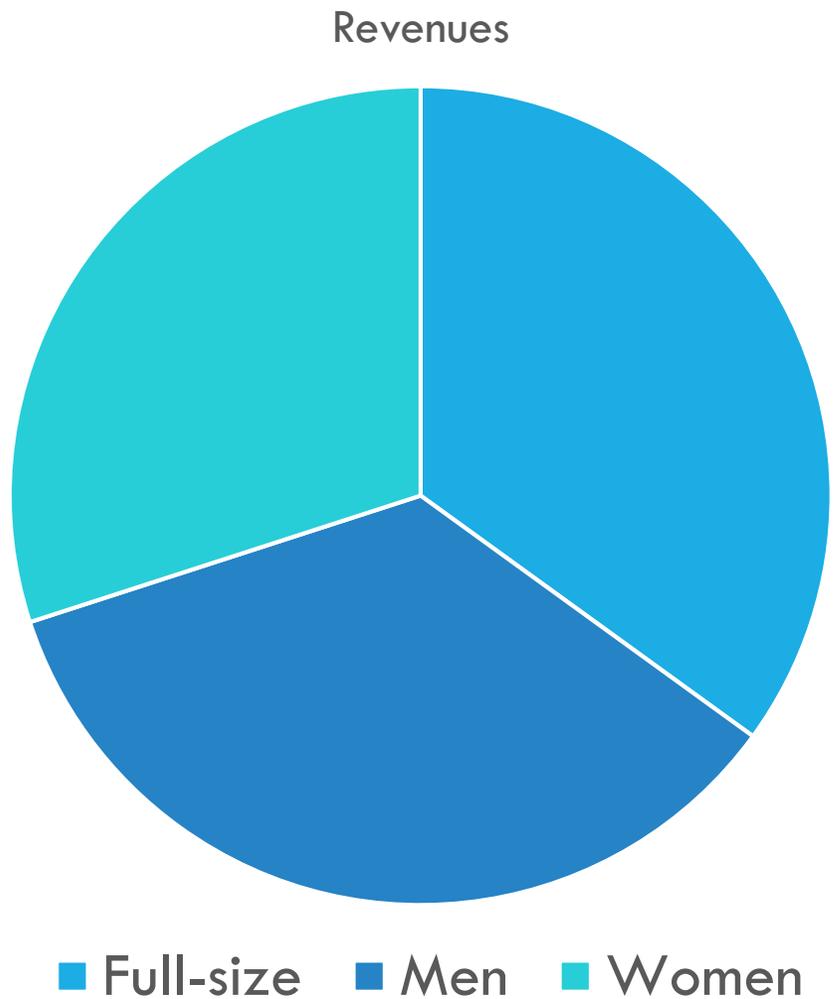
RISK OF LOSING QUALITY  
TALENT

SUCCESSION PLANNING

EMPLOYMENT CYCLE

CORPORATE CULTURE

# REVENUES



# DEFINITION OF SUCCESS

## Capabilities

**Customizable** products; **Variety**; Surveys produce **data**; **Competitive** price point; **International** (JolieBox)

## Success

**Grow** number of **subscribers** and carve out a **strong share** of the beauty box market  
**Boost profits** by increasing full-sized product **reorders**

## Time Frame

**2022: 5 years**

ANALYSIS

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# EVALUATING STRATEGIC ALTERNATIVES

Key Issues	7% fall in subscriptions	Low barriers to entry	Logistics and customization costly	Low reordering of full-sized products
Goal	Become a profitable company and establish a consistent, strong share of the market			
Alternatives	Redesign Marketing and Company Design	Strategic Partnership with Retail Stores	Merger & Acquisition	
Key Performance Indicators	Increase number of subscribers	Become profitable	Build up social media platforms	



# ALTERNATIVE 1

## Redesign of Marketing, Pricing and Logistics

- Add different tiers of subscription quality
- Focus marketing on new and underdeveloped customer segments
  - Men
  - 50+
- Streamline the packing process

### Pros

- Improved efficiency
- Improved effectiveness
- Additional customers

### Cons

- Lack of resources
- Difficult with reduced workforce

ANALYSIS

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# ALTERNATIVE 2

## Additional Focus on Men

- Modeled after the *Dollar Shave Club for Men*
- Focus on our core competency and add variety to each box
  - Discovery Retailing
- Include razors, lotions, hair, cologne etc.

### Pros

- Men have a higher margin
- Men are currently under-aware and under-utilized

### Cons

- Continued logistical complications
- Narrow potential customer segment

ANALYSIS

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# ALTERNATIVE 3

## Merger & Acquisition

- Sign with potential partner or propose acquisition
- Identify potential synergies where we need improvement
- Continue *Discover Retailing* strategy

### Pros

- Well-developed processes combined with our own
- Immediately increase customer base
- Increase barrier to entry

### Cons

- Loss of control
- Possible brand erosion

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# ALTERNATIVE ANALYSIS

	Redesign Marketing and Logistics	Focus on Men	Merger & Acquisition
Sell Full-size Products	3.5	3.0	3.5
New Customers	3.5	4.5	4.5
Retaining Customers	4.0	3.0	4.0
Increase Profit	3.5	4.5	4.5
Improved Logistics	4.0	2.0	4.0
<b>AVERAGE</b>	<b>3.7</b>	<b>3.4</b>	<b>4.1</b>

ANALYSIS

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# M&A TARGET

	Interest	Synergies	Brand Dilution
Amazon	●	●	●
Epsy	●	●	●
Glossbox	●	●	●
Target	●	●	●
Nordstroms	●	●	●

ANALYSIS

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# WHY AMAZON?

## 1. Logistical

- Decrease Costs
- Increase in Execution Ability

## 2. Keep name, leverage brand recognition

- CEO's will stay on for seamless transition

## 3. Synergies: Data Analytics

## 4. Access to Whole Foods as distribution for organic products

# M&A TARGET

	Interest	Synergies	Brand Dilution
Amazon	●	●	●
Epsy	●	●	●
Glossbox	●	●	●
Target	●	●	●
Nordstroms	●	●	●



# THE GIFT OF SURPRISE



ANALYSIS

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## PARTNERSHIP

SOLICIT AN ACQUISITION WITH AMAZON TO IMPROVE SUPPLY CHAIN AND FULFILLMENT ISSUES AND REDUCE COSTS.

# IMPLEMENTATION 1



# MARKETING & HR

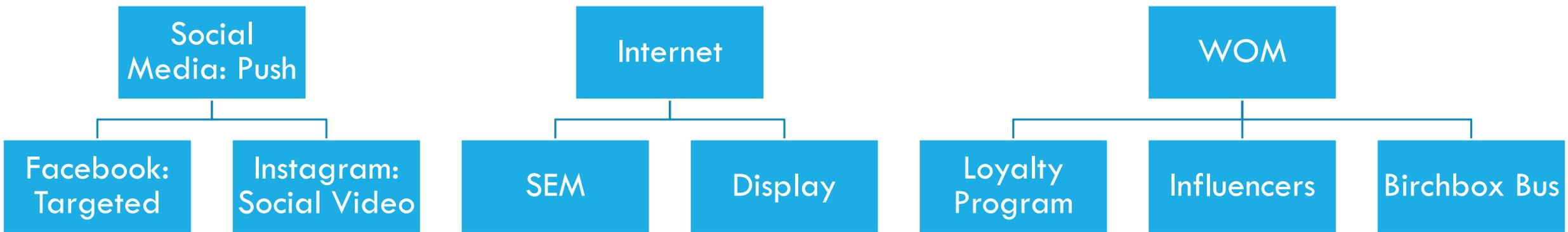
# THE GIFT OF SURPRISE



MARKET TO A BROADER DEMOGRAPHIC AND ADDRESS MERGER AND AQUISITON HUMAN RESOURCES CONCERNS.

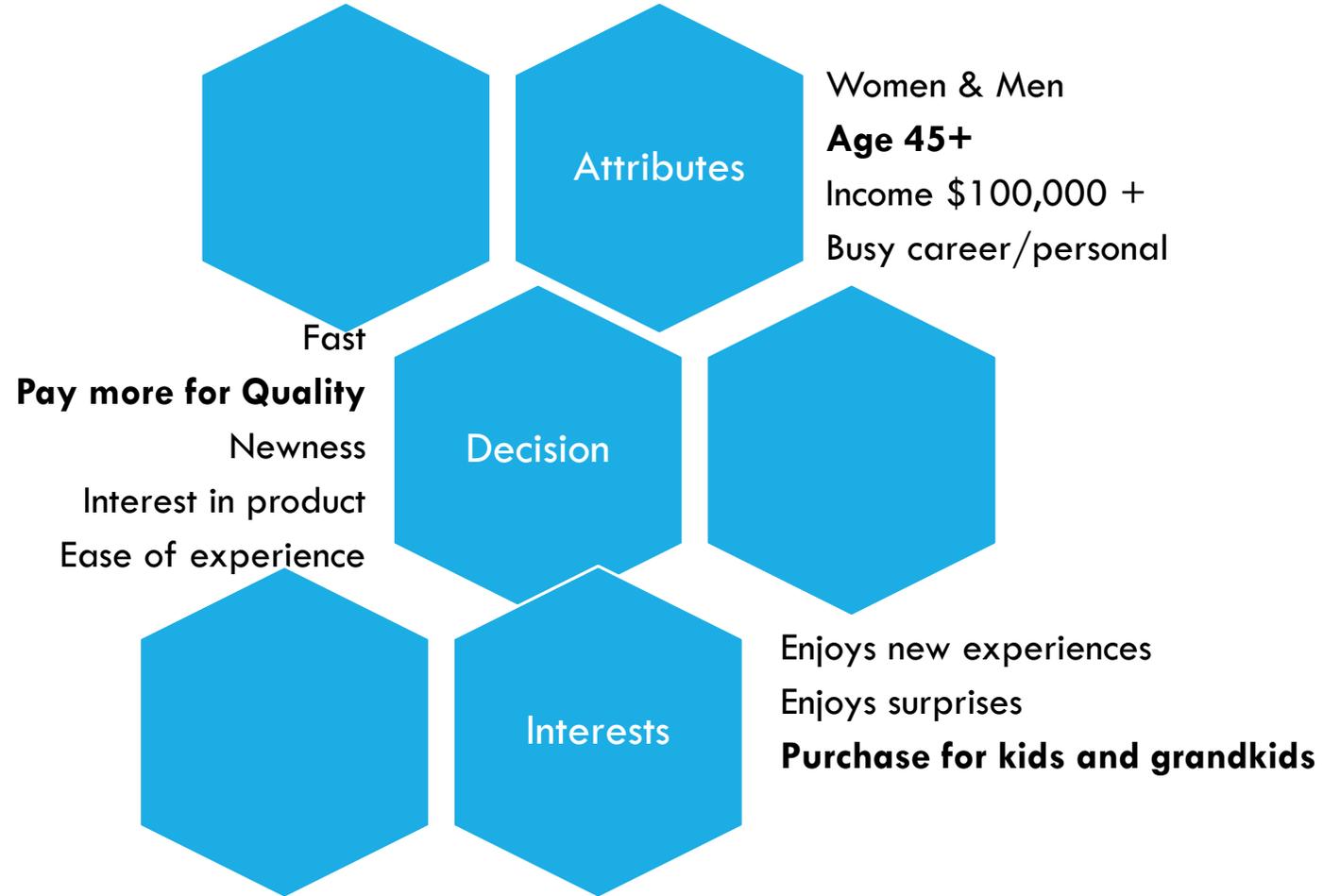


# MARKETING MESSAGE — EXISTING CUSTOMER



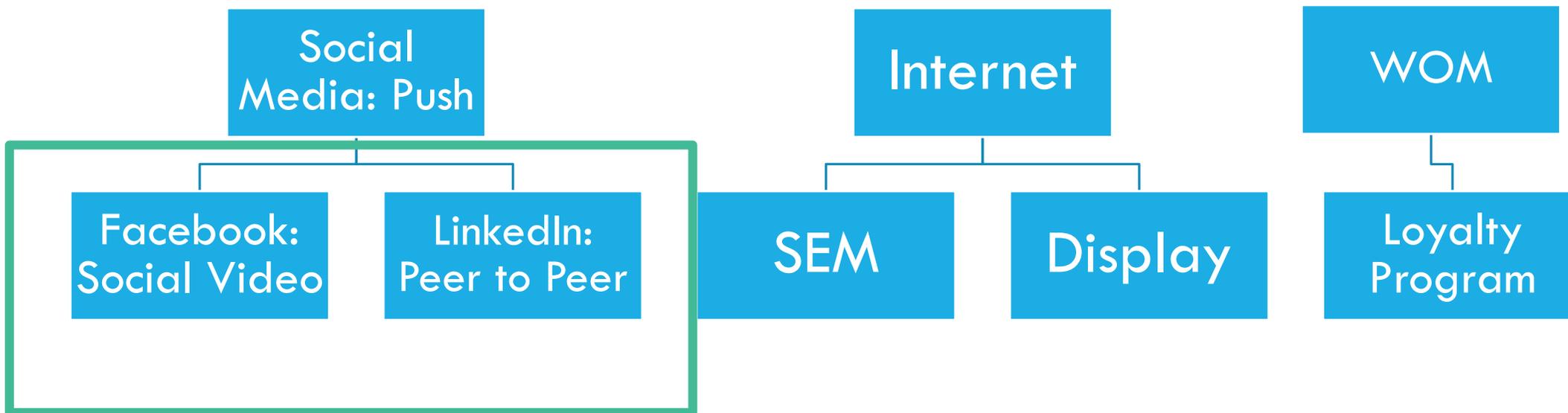
Message: The Gift of Surprise—every month!

# CUSTOMER ANALYSIS – NEW CUSTOMER



ANALYSIS → RECOMENDATION → IMPLEMENTATION → RESULTS

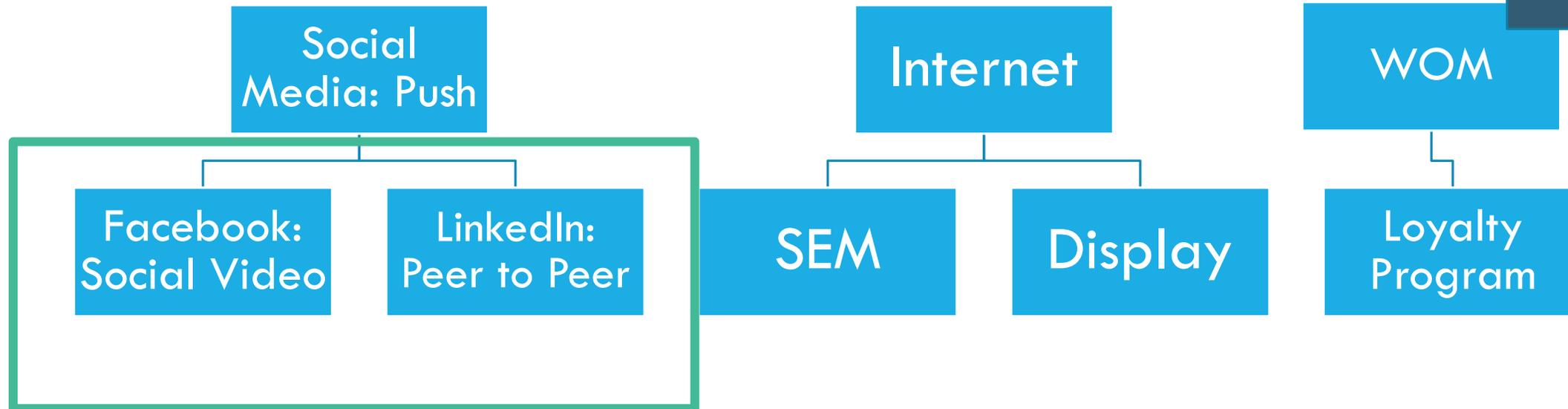
# MARKETING MESSAGE — NEW CUSTOMER



Message: The Gift of Surprise—every month!  
Customers have a reason to celebrate 12 times a year.

# MARKETING MESSAGE — NEW CUSTOMER

Repurpose marketing employees toward social



Message: The Gift of Surprise—every month!  
Customers have a reason to celebrate 12 times a year.

# HR EMPLOYMENT CYCLE



RETENTION

JOB DESIGN

COMPENSATION

RECRUITMENT



# HR EMPLOYMENT CYCLE

## JOB DESIGN

- JOB DUTIES
- FORMALIZATION

## COMPENSATION

- INTRINSIC
- CULTURE

## RECRUITMENT

- PREDICTIVE ANALYTICS
- 2 YEAR CAREER LIFE

## RETENTION

- CULTURE

ANALYSIS

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RESULTS



# OTHER HR CONSIDERATIONS

## TALENT IDENTIFICATION

START WITH HR MANAGERS TO DETERMINE KEY EMPLOYEES

## SUCCESSION PLANNING

KNOWLEDGE CAPTURE AND TRANSFER

## CULTURE

IDENTIFICATION & RETENTION OF MILLENNIALS

ANALYSIS

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# LOYALTY PROGRAM

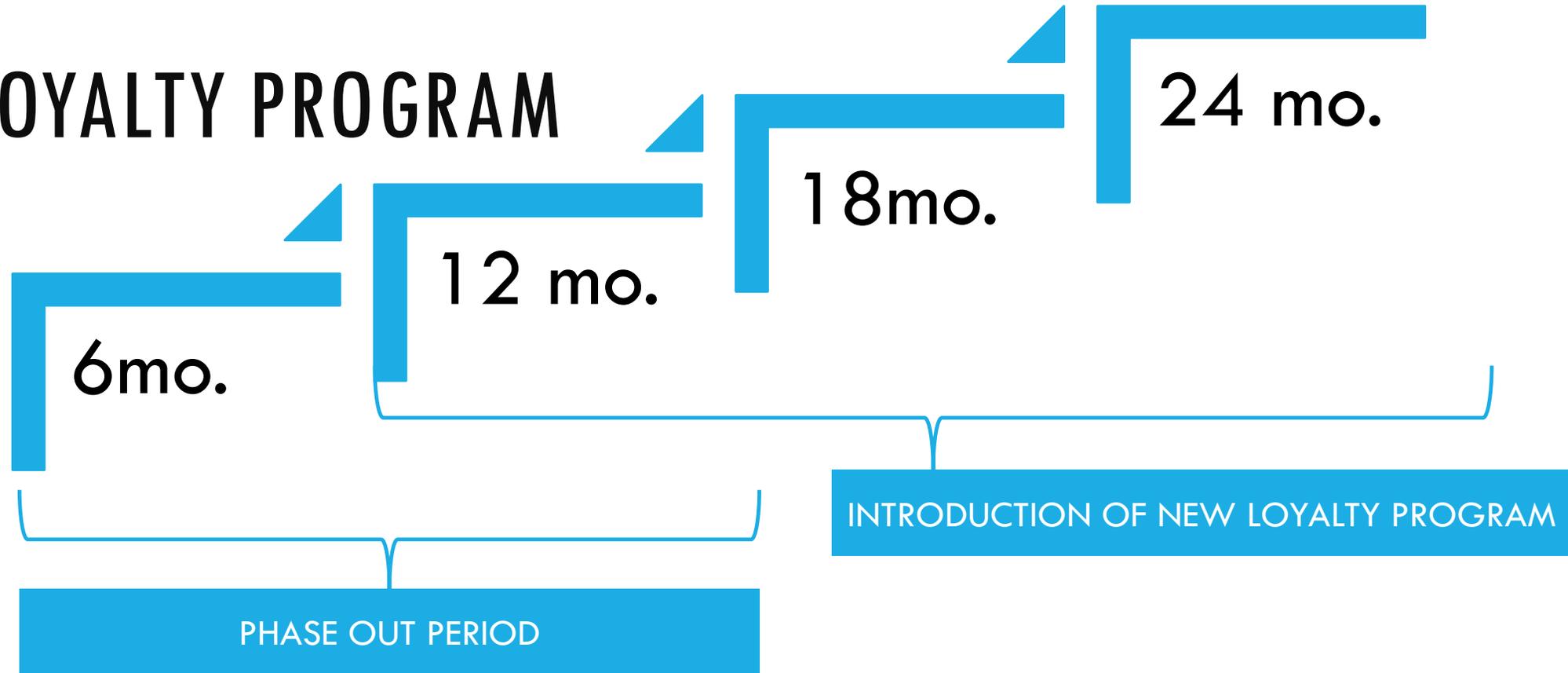
# THE GIFT OF SURPRISE



SOLICIT AN ACQUISITION WITH AMAZON TO IMPROVE SUPPLY CHAIN AND FULFILLMENT ISSUES AND REDUCE COSTS.



# LOYALTY PROGRAM



- 6 MO.: PHASE OUT THE LOYALTY POINTS FOR YEARLY SUBSCRIPTIONS
- 6 MO.: PHASE IN NEW REVIEW PROGRAM: 15 REVIEWS= 1 FREE BOX
- 12 MO.: PHASE IN FULL SIZE PRODUCT INCENTIVES

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# PROJECTED TIMELINE

	Year 1				Year 2				Year 3				Year 4				Year 5			
	Q1	Q2	Q3	Q4																
<b>PREPARATION</b>	Dark Blue	Dark Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue
<b>STEP 1 - Identify Partner</b>	Light Green																			
Identify & Negotiate Contract	Light Green	Light Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green
Sign Contract of Sale	Light Green	Dark Green	Light Green	Light Green	Light Green	Light Green	Dark Blue	Light Green												
<b>STEP 2 - Marketing &amp; HR Redesign</b>	Light Orange																			
Begin Marketing Plan	Light Orange	Light Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange
Redesign Employee Cycle	Light Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Light Orange	Light Orange	Light Orange	Light Orange	Light Orange	Light Orange	Light Orange	Light Orange	Light Orange	Light Orange	Light Orange	Light Orange	Light Orange
Recruitment Campaign	Light Orange	Light Orange	Light Orange	Light Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Light Orange	Light Orange	Light Orange	Light Orange	Light Orange	Light Orange	Light Orange	Light Orange
Succession Planning	Light Orange	Light Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange
Reassess Company Culture	Light Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange	Dark Orange							
<b>EFFICIENCY CHECKPOINT</b>	Light Yellow	Dark Blue	Light Yellow	Dark Blue	Light Yellow	Light Yellow	Light Yellow	Light Yellow												
<b>STEP 3 - Revise Loyalty Program</b>	Light Blue																			
Loyalty Program Phase-Out	Light Blue	Light Blue	Light Blue	Light Blue	Dark Blue	Dark Blue	Dark Blue	Dark Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue
Implementation of New Loyalty Program	Light Blue	Dark Blue	Dark Blue	Dark Blue	Dark Blue	Dark Blue	Dark Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue					
<b>FINAL RESULTS ANALYSIS</b>	Light Yellow	Dark Blue	Dark Blue																	



# FINANCIALS

## M&A

Projected Growth Rate	-7%	1%	2%	3%	3%	3%	3%	3%	3%	3%	3%
Subscribers	1,000,000	1,010,000	1,110,000	1,120,000	1,250,000	1,400,000	1,500,000	1,650,000	1,800,000	2,000,000	2,200,000
						5					
<b>Income Statement</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
<b>REVENUES</b>	<b>\$125</b>	<b>\$179</b>	<b>\$185</b>	<b>\$193</b>	<b>\$202</b>	<b>\$211</b>	<b>\$223</b>	<b>\$235</b>	<b>\$249</b>	<b>\$265</b>	<b>\$283</b>
Subscriptions	\$75	\$126	\$129	\$133	\$137	\$141	\$145	\$149	\$154	\$158	\$163
Reorders	\$50	\$53	\$56	\$60	\$65	\$71	\$78	\$86	\$95	\$106	\$120
<b>EXPENSES</b>	<b>\$126</b>	<b>\$179</b>	<b>\$185</b>	<b>\$192</b>	<b>\$201</b>	<b>\$211</b>	<b>\$222</b>	<b>\$234</b>	<b>\$248</b>	<b>\$263</b>	<b>\$282</b>
Products	\$78	\$111	\$115	\$120	\$125	\$131	\$138	\$146	\$154	\$164	\$176
Packing	\$23	\$32	\$33	\$35	\$36	\$38	\$40	\$42	\$45	\$48	\$51
Shipping	\$15	\$22	\$22	\$23	\$24	\$25	\$27	\$28	\$30	\$32	\$34
Loyalty	\$6	\$9	\$9	\$10	\$10	\$11	\$11	\$12	\$12	\$13	\$14
Marketing	\$5	\$5	\$5	\$5	\$6	\$6	\$6	\$6	\$6	\$7	\$7
<b>Total</b>	<b>-\$1</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1</b>	<b>\$1</b>	<b>\$1</b>	<b>\$1</b>	<b>\$1</b>	<b>\$2</b>

**NPV: \$2 million**

# FINANCIALS: M&A

## M&A

Projected Growth Rate	-7%	5%	6%	6%	7%	8%	10%	10%	10%	10%	10%
Subscribers	1,000,000	1,050,000	1,110,000	1,120,000	1,250,000	1,400,000	1,500,000	1,650,000	1,800,000	2,000,000	2,200,000

Income Statement	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>REVENUES</b>	<b>\$125</b>	<b>\$184</b>	<b>\$195</b>	<b>\$208</b>	<b>\$223</b>	<b>\$241</b>	<b>\$265</b>	<b>\$292</b>	<b>\$322</b>	<b>\$356</b>	<b>\$395</b>
Subscriptions	\$75	\$131	\$139	\$147	\$158	\$170	\$187	\$206	\$227	\$250	\$274
Reorders	\$50	\$53	\$56	\$60	\$65	\$71	\$78	\$86	\$95	\$106	\$120
<b>EXPENSES</b>	<b>\$125</b>	<b>\$171</b>	<b>\$181</b>	<b>\$192</b>	<b>\$206</b>	<b>\$223</b>	<b>\$245</b>	<b>\$269</b>	<b>\$296</b>	<b>\$327</b>	<b>\$362</b>
Products	\$75	\$111	\$117	\$125	\$134	\$145	\$159	\$175	\$193	\$214	\$237
Packing	\$23	\$28	\$29	\$31	\$33	\$36	\$40	\$44	\$48	\$53	\$59
Shipping	\$15	\$18	\$20	\$21	\$22	\$24	\$27	\$29	\$32	\$36	\$39
Loyalty	\$6	\$9	\$10	\$10	\$11	\$12	\$13	\$15	\$16	\$18	\$20
Marketing	\$5	\$5	\$5	\$5	\$6	\$6	\$6	\$6	\$6	\$7	\$7
<b>Total</b>	<b>\$0</b>	<b>\$13</b>	<b>\$14</b>	<b>\$15</b>	<b>\$17</b>	<b>\$18</b>	<b>\$21</b>	<b>\$23</b>	<b>\$26</b>	<b>\$29</b>	<b>\$33</b>

**NPV: \$108 million**

# AMAZON NEGOTIATIONS

**Initial Offer**

**\$150 million**

**Walk Away Price**

**\$100 million**

**Negotiation Range**  
**\$50 million**

# KEY PERFORMANCE INDICATORS AND METRICS

Key Performance Indicators	Increase number of subscribers	Become profitable	Build up social media platforms
Key Performance Indicators	1.5 million subscribers	\$30m profits in 10 years	50% increase in followers
Goal	Become a profitable company and establish a consistent, strong share of the market		



# ADDITIONAL CONSIDERATIONS

## Change our price points

- \$8 Exclusive LOC (Love of Color) products
- \$11 Theme boxes
- \$15 Higher-end/Name brand products

## Virtual Beauty Shopping

- Immediately see results of variety of beauty products

ANALYSIS

RECOMENDATION

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RESULTS

# QUESTIONS??



# APPENDIX