

Birchbox: Be a professional online beauty adviser

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Challenges

By Michael

Challenges

- Birchbox's business strategy stuck in the middle
→ How should Birchbox differentiate itself to gain profit and sustainable growth?
- How does Birchbox increase its re-orders and customer loyalty?

Recommendations

By Michael

Recommendations

- Focus on Customer interface: to be the beauty adviser
 - online retailing only
 - eliminate its own brand
- Promote high-value products and enhance customer loyalty.
 - online promotion
 - change loyalty plan to order-based
 - enhance box contents

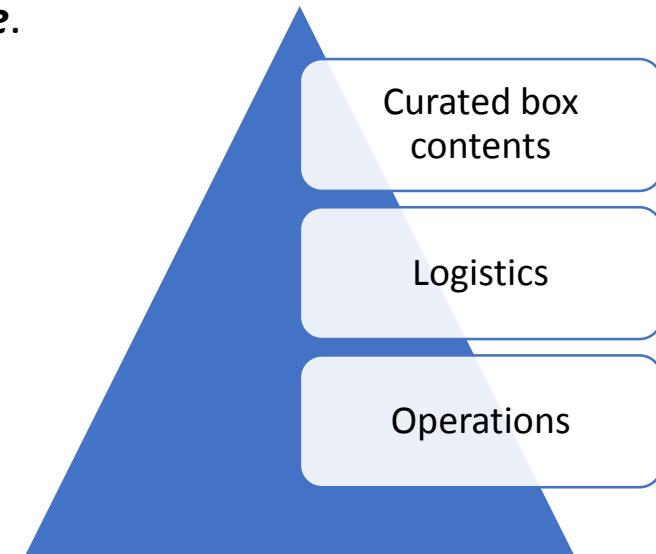
Analysis

By Stefanie

Internal Analysis

Customer Value Proposition

- Enable consumers to discover great products *at their convenience*.
- Discovering retailing: Customization services
- Bring efficiency, surprise and delight consumers.
- Brand platform:
 - A strong brand voice: brand awareness
 - Top brands partnership: paid samples + customers feedbacks



Careful personalization of the products in accordance with the profiles of the customers who registered for the service.

Internal Analysis

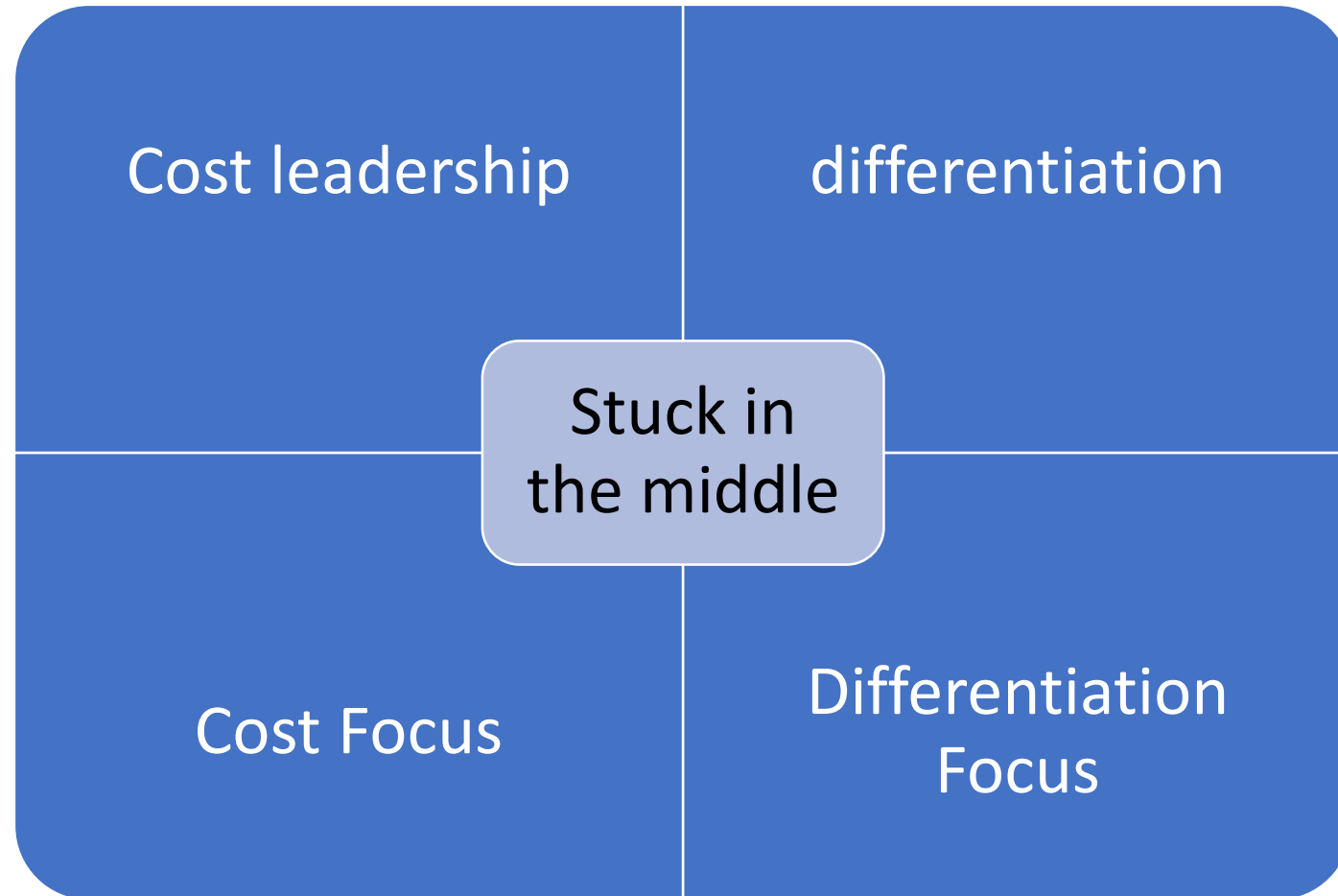
Target Customers

- Passive shoppers
- Complexity

Key Issues

- Inconsistent analysis of Customer Behavior
- Conflicts with Customer Preferences
- Customer Loyalty: point program

Internal Analysis



Internal Analysis

Products

- Birchbox boxes (five beauty samples) through theme base
- Subscription sales: a loss making operation(mass customized, labor intensive and not automated).
- Full-sized products in its website → Re-orders: Profit resources
- Physical stores: in NY

Samples

Reorders

Full sized products

Customization requires costly operation process.

Internal Analysis

Financial

Growth

- 7% fall in its subscriptions

Costs

- High labour/logistic costs
- Cost of losing on growth

Profitability

- Just Break-even

Internal Analysis

Revenue	in 2016	Share
Total Revenue	\$125,000,000	100%
- Women	\$81,250,000	65%
- Men	\$43,750,000	35%

Men: 15times growth in 2016 / Fast conversion / Higher price

Revenue	in 2016	Share
Total Revenue	\$125,000,000	100%
Full products sales	\$43,750,000	35%

Full products sales from e-commerce	\$21,250,000	17%
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Full products sales: higher profit margin

E-commerce: low operating costs

External Analysis

Existing Rivalries

- Big market players
- Variety of brands and products
- Variety of sales channels and price setting
- Online beauty channels captured preferences and effectively captured consumer feedback through reviews.

New Entrants

- Low entry barrier: business model easy to clones
- Huge resources
- Clones: Ipsy- huge funding + influencer marketing
- Global presence

Alternatives

By Michael

Alternatives - Standard

Subscriber
number
growth

Synergy of key
competency



















Cost of
operation

Customer
stratification

Capital
investment

Financial Risk

Alternatives

Standard	Online beauty Adviser	Open more physical stores	International expansion to other countries
Subscriber number growth			
Synergy of key competency			
Cost of operation			
Customer satisfactions			
Capital investment			
Financial Risk			

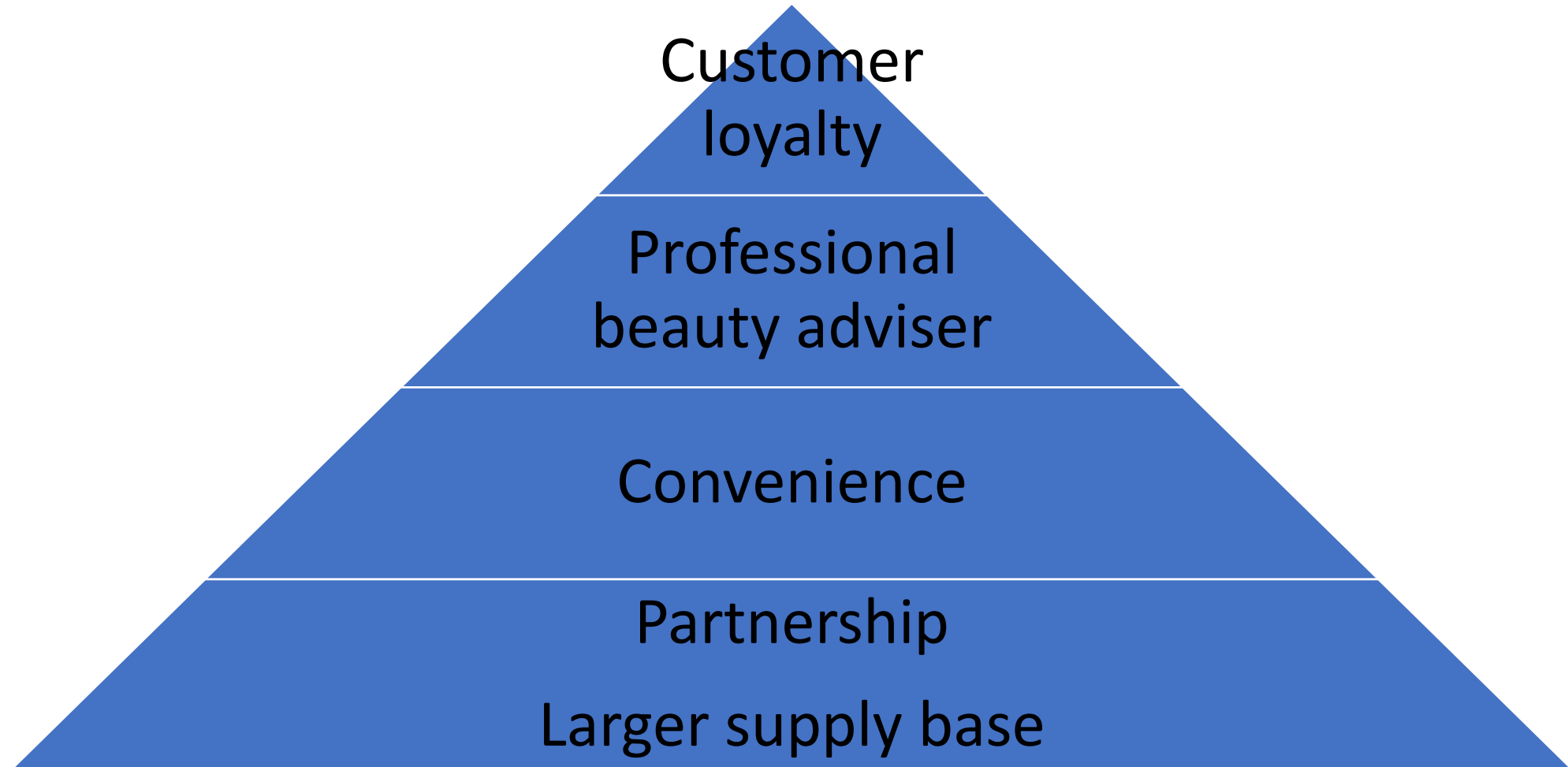
Alternatives

Standard	Online beauty Adviser	Open more physical stores	International expansion to other countries
Subscriber number growth	●	●	●
Synergy of key competency	●	●	●
Cost of operation	●	●	●
Customer satisfactions	●	●	●
Capital investment	●	●	●
Financial Risk	●	●	●

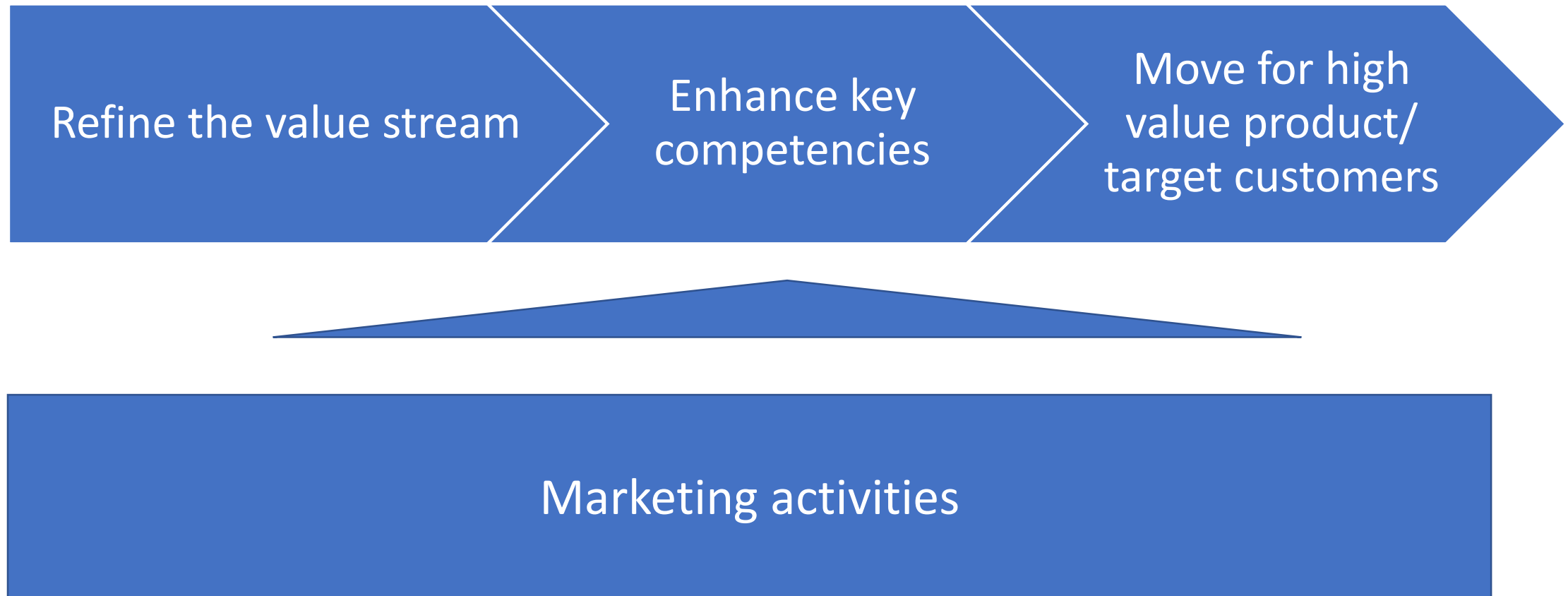
Implementations

By Oliver

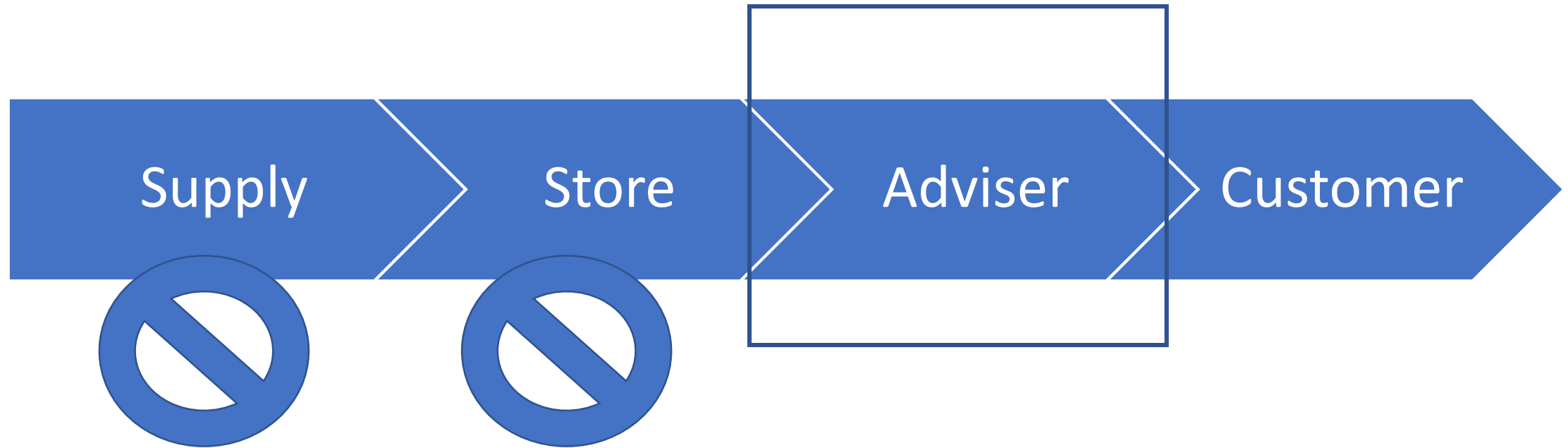
Implementations – clearly positioning



Implementations – Key elements



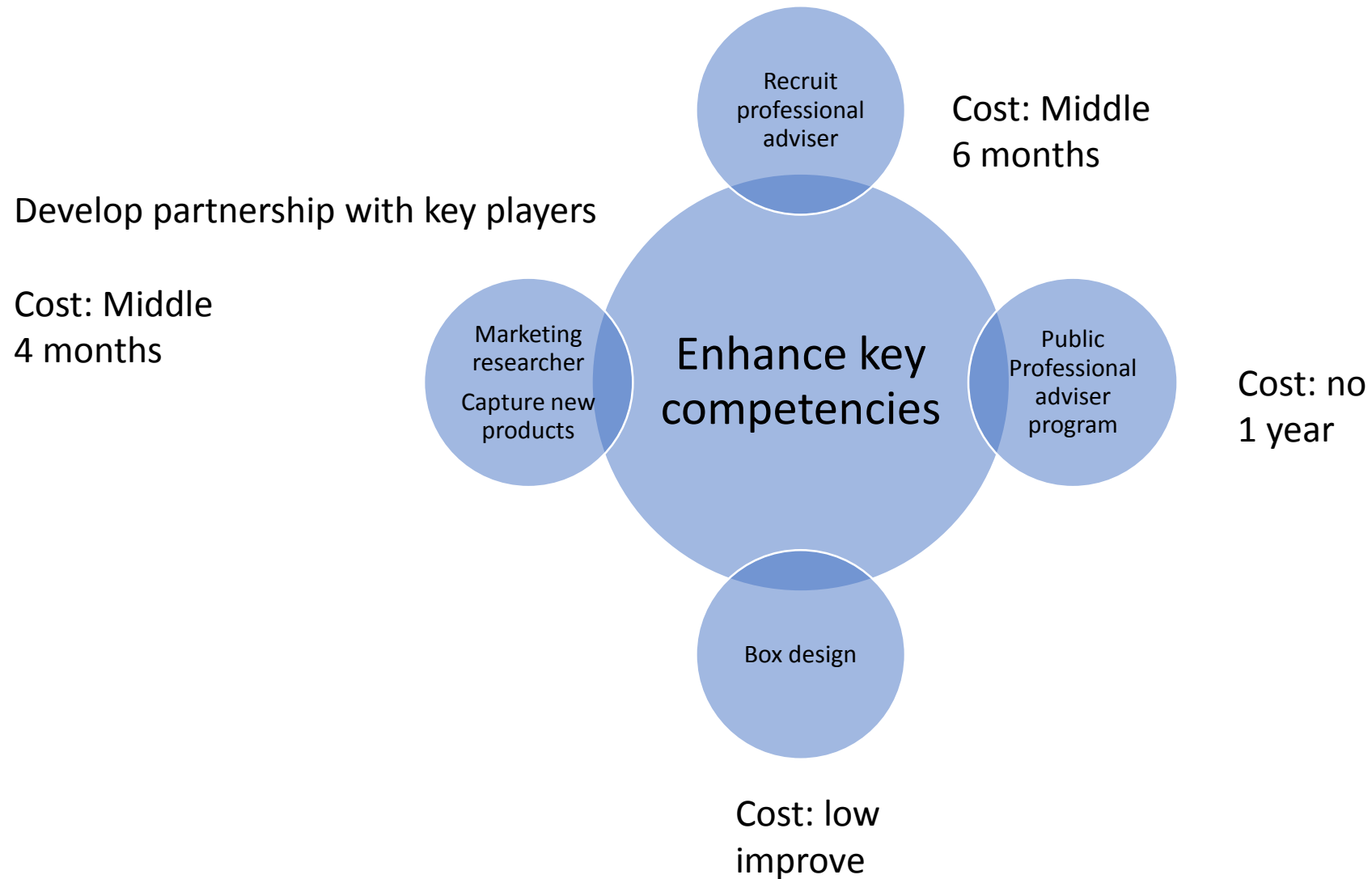
Implementations – refine value stream



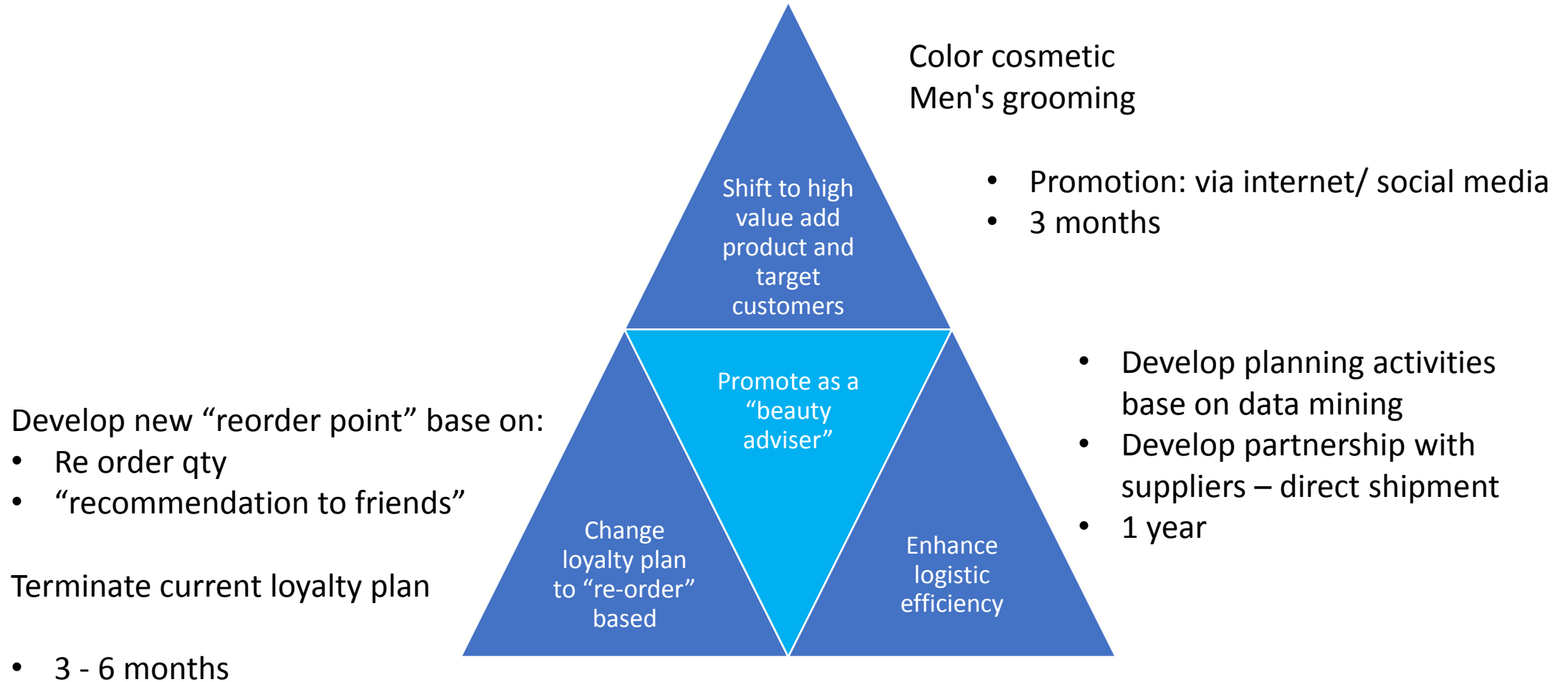
Terminate own brand products

Close own stores

Implementations – Enhance key competencies

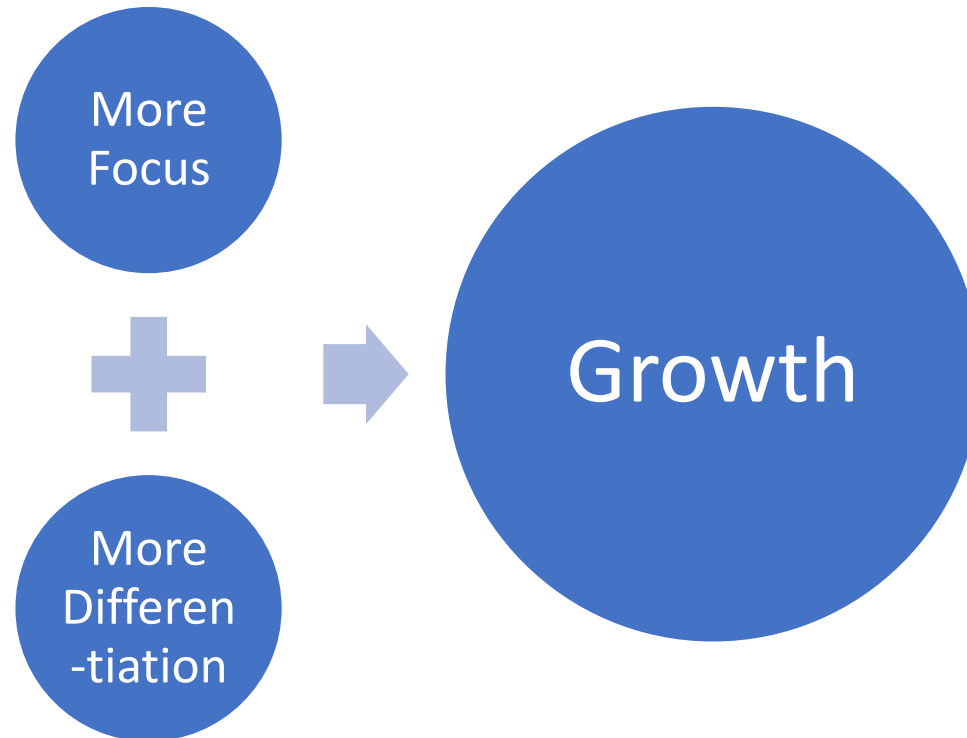


Implementations – Other activities



Implementations

Sell the idea to investor with the plan



Cost and Savings

By Allen

Cost and Savings

Implementation plan	Cost Budget(\$)	Phase 1 (H1 2017)	Phase 2 (H2 2017)
Enhance key competency: box design	\$1,000,000	\$500,000	\$500,000
Promote itself as " beauty advisor"	\$1,000,000	\$500,000	\$500,000
Sub-total	\$2,000,000	\$1,000,000	\$1,000,000

Saving Plan(\$)			
Close the physical shop in NY	-\$1,000,000	-\$1,000,000	
Teminate the own branding products	-\$3,000,000		-\$3,000,000
Revise the points program	-\$6,250,000	-\$3,125,000	-\$3,125,000
Sub-total	-\$10,250,000	-\$4,125,000	-\$6,125,000
Total	-\$8,250,000	-\$3,125,000	-\$5,125,000

Risks and Mitigations

By Allen

Risks and Mitigations

Risks	Mitigations
Lower supplier bargaining power	Develop strong partnership with suppliers
Customers buy Best sell products from other channel	Exclusive agreement with suppliers for certain products
Less attractive of box design	Continuously looking for the talents on box design and follow the fashion trend
Increase of logistic cost	Develop direct shipment model with partners

Conclusion

By Michael

Conclusion

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