

BIRCHBOX [®]

Brick & Mortar and Online Integration

We are  **PERSPECTIVE**



Background

- E-commerce has left the beauty industry in the dust;
- Growing number of high-end beauty stores;
- E-commerce - a tiny % of the \$8 billion beauty product market.

Birchbox's sampling program brings the in-store experience into women's homes.

About the Company:

- A New New York City-based e-commerce monthly subscription service;
- Delivers samples of cosmetics and beauty supplies;
- On a monthly basis;

Incentive: the consumer will purchase the full-sized product from the Birchbox website afterward.



History

- Established in September 2010 by Katia Beauchamp and Hayley Barna;
- A way to help women discover new cosmetic products.
- A way to easily and efficiently try, learn about, and purchase beauty products online;
- Monthly deliveries of personalized samples + original editorial + an exciting ecommerce shop;
- A monthly delivery of surprise and delight;
- Expansion into men's products.
- A rapidly growing company;
- 800,000 subscribers;
- \$96 million in annual sales;
- 250 employees 800 brands;
- Just \$12 million in venture funding;
- Headquartered in New York City, with operations in the United Kingdom, France, Spain, Canada, Belgium;
- July, 2014 - first brick-and-mortar retail store in Lower Manhattan;
- October 2014 – launched first Instagram shop;
- Consideration to develop its own products.



How the Birchbox Business Works:

- Each month – a selection of 4-5 samples from both well-known and emerging brands.
- Women's subscription: everything from skincare to makeup + fun non-beauty extras.
- Men's subscription: grooming products + lifestyle accessories.
- Purchase full-size versions directly from the Birchbox Shop.
- A loyalty program: rewards with points.
- Full-size e-commerce orders that come from non-subscribers (15%).



Your Custom Profile

Additional Tools:

- Advice guidance on the Guide;
- Special offers on full-size products in the Shop;
- Earn points.

Filling out your custom profile = make most of the subscription.

How to fill out your profile:

1. Log in to your account.
2. Under the "Subscription" header, choose "Edit Profile."
3. Once you've made your profile selections, click "Save Profile."

The key factor used to tailor the future shipments.



Target Customer Base

Birchbox Clients:

- Brands;
- Subscribers.

Target Customer Base

- Educated females;
- Between the ages of 16 and 35;
- With enough discretionary income.

Blogosphere - a free marketing channel for Birchbox.

The company has a very organic customer acquisition strategy.



Top Three Birchbox Competitors:

Ipsy

- Online
- 10\$/month
- 4 to 5 deluxe samples and full-sized beauty products
- Was co-founded in 2011 by Michelle Phan
- Shipping to US and Canada
- Future plans: Expanding to other regions

Glossybox

- Online
- 21\$/month
- 5 deluxe-sized beauty products
- Was founded in 2011 by Charles Von Abercron
- Shipping to 48 states and Canada
- Located in 10 countries
- Future plans: Expanding

e.l.f.

- Online and three brick and mortar stores
- \$19.99/2 months
- At least 9 full-sized beauty products
- Was founded in 2004 by Joey Shamah and Scott-Vincent Borba
- Shipping to 50 states and Canada
- Located in 14 countries
- Future plans: International shipping



Competitors: Advantages over Birchbox

Ipsy

- Samples **and** full-sized products
- Better choice of makeup products

Glossybox

- Warehouses in 10 countries
- Each monthly box is valued at over \$60

e.l.f.

- Three brick and mortar stores
- Only full-sized products
- At least 9 beauty products
- Warehouses in 14 countries



Recommendations

Improvements to even out the advantage:

- Enter into contracts with other cosmetic companies
- Deliver more than 5 beauty products, including full-sized products
- More connections with other countries
- Open more brick and mortar stores



“Open for Beautiful”



<https://www.youtube.com/watch?v=k0fKimKu3kU>



“Open for Beautiful”

- Simple, clean and trendy
- Different genders and styles
- Personalities and happy experience portrayed

- Lacks a personal connection and storytelling
 - *I see the type of people you cater to, but what do you do?*
 - *Why should I be interested in your service/store?*



New York City

- This day and age
 - *Internet for netflix, shopping and social media*
 - *Swoop in and begin integrating!*
- New York City
 - *One of the most cultured and diverse cities in the world!*
 - *A strong location*





Advertising Recommendations

1. **Celebrity endorsements**-- *create their own buzz!*
2. **Print advertising**
3. **Video advertising**-- *visual storytelling*
4. **Human interaction**-- *Flyers, events*



Celebrity Endorsements

**MEET OUR
NEWEST FACE**

**KATIE HOLMES.
GET HER LOOK.**

BIRCHBOX◆





Print Advertising

“Sold at Birchbox”
*show up on product ads
sold by Birchbox*

**MAKEUP ALWAYS
LOOKS BETTER
WITH PRIMER**

SO, WHY ARE YOU HOLDING OUT?
Prime for the very first time now!

SHOP NOW

**ALSO SOLD AT
BIRCHBOX**



Print Advertising

Celebrity endorsements advertise for both the brand AND for Birchbox!





Print Advertising



Magazines that target the same market

- *Example: GLAMOUR*
- *Feature Birchbox exclusive ads*
- *Trigger a flow of new consumers*





Video Advertising

- Evaluate the tech focused generations their targeted market is from
 - *Where can our potential customers sit and be able to see our commercial, without skipping past it?*
- Pandora, hulu, youtube, etc.
 - Commercial break
 - Perfect way for Birchbox to slip in with a brilliant 30 second story!

PANDORA®

hulu

You Tube



Human Interaction

- Demographics can help target people through mail
 - Bring Birchbox recognition to homes!
 - Postcards with samples
- Flyers
 - Birchbox representative stand on Broadway at the intersection of Prince Street
 - Handing out flyers
 - Without the necessity of offering a promotion
 - Lure customers into the store
 - Introduce customers to their monthly subscriptions and salon service
 - Familiarize consumers with their brand name





Online vs In-Store

- The store layout itself suggests a website.
- Unlike in Sephora or a department store, products are organized by type, not company. Instead of having an Essie kiosk, all the pink nail polishes from all the different brands are in a bin together.
- Both the iPads and the Product Matchmaker track what shoppers, in aggregate, click and how that influences purchasing behavior.

How are they already similar?

- iPads featuring recommended products and a large interactive screen called the Product Matchmaker
- Like browsing online, the iPads in the Soho store nudge shoppers to popular items in a given category.



Store Image

Website Image:

- User friendly; memorable and easy to navigate.
- Very interactive; blog.
- For women and men.
- Section “Profile” (customization)
- Brands and beauty products.
- “Ideas and Inspiration”
- Online Magazine and Guide
- Reference to the brick and mortar presence;
- Company’s app

Store Image:

- Entire Birchbox experience;
- Shop by category;
- Test out trends at the Try Bar;
- Build Your Own Birchbox (BYOB);
- Instagrams from the customers;
- Book hair, makeup, and nail services;
- Birchbox Man products;
- Video screens feature tutorials.



Existing Integration

What strategy did they have in-store that resembles their goal online?

- "We wanted the retail in person experience to reflect these three important touch points of our business model: try, learn, and buy," Barna said. "Birchbox is all about discovery."

Colors, uniforms, organization of products, scent, first impression, shopping experience, purchase experience, customer service, etc.

- The store is split into levels
- The bottom floor carried the hair products and nail polish.
- Another added benefit of shopping in store versus online
- Downstairs is a salon providing blowouts and manicures.
- There is about 2,000 products for sale in the store (representing some 150 to 250 brands)



YouTube

- Birchbox has a strong presence on YouTube with tutorials on beauty applications, tips and tricks
- Continue to feature their streams along with some live or recorded streams of their in store events
- YouTube beauty guru channels such as:
 - Carli Bybel, average of 500,000- 1,000,000 views per video with 2.6 million subscribers
 - Meghan Rienks, average of 100,000-500,000 views per video with 1.4 million subscribers
 - Marissa Lace average of 20,000-250,000 views per video with 160,000 subscribers



Pop-Up Stores

- Men's Pop-Up Store on Bowery Street, Summer of 2014
- This is one of the strongest advantages that Birchbox has thus far
- Again, Birchbox's strongest advantage is that they have already chosen the best of the best of beauty care products for both men and women
- Opening up either another pop-up shop this summer or a permanent location
- After capturing the attention of the male market for beauty care products, introduce monthly subscriptions



Lifestyle Accessories

- Current lifestyle accessories Birchbox sells:
 - Birchbox own line of products
 - Jonathan Adler
 - La Mer Collections
 - Gorjana jewelry
 - FREENDS headphones

- Majority are sold online, and a few are chosen each month to be featured in store

Two Options For Integration

1. Start a brand extension with the lifestyle products
2. Devote a section to their "must-haves" chosen from a small selection that they have online



Beauty Best Friend Chat Box

- Sales associates = **“Beauty Best Friends”**
- Pop-up chat box online with **“Ask your Beauty Best Friend”**
- Give comfort to customers shopping online
- Unifying their online and in-store



Brand Loyalty

- Current Membership Rewards
 - Every \$1 spent on full sized products = 1 point
 - 100 points = \$10 reward
- Continuing will help retain customers, insure a higher turnover
- Competitors offer samples versus monetary value
- “Refer A Friend”
 - Bonus points for every friend that they refer and makes a purchase