

Fall 2017

REB Strategic Plan

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REB

ETM 525 – Strategic Planning in Engineering Management

Instructor: Dr. Ron Khormaei

Fall 2017

Mohamed S | Catalina R | Oneshin A | Bhawinee B | Marthed M

Agenda



- Introduction / Company Overview
- Strategic Planning
- Customer Analysis
- General Analysis
- Marketing Plan
- Forecasting & Metrics



ANIMOTO

REA

TRIAL

Company Overview

- Idea
- Founder
- Management Team



Vision



To become a market leader in the prestige skin care industry.

Mission



Giving your skin the most unique and elegant experience



Unique Value Proposition



Preserving the potency of natural skin-care lotions and increasing their effectiveness



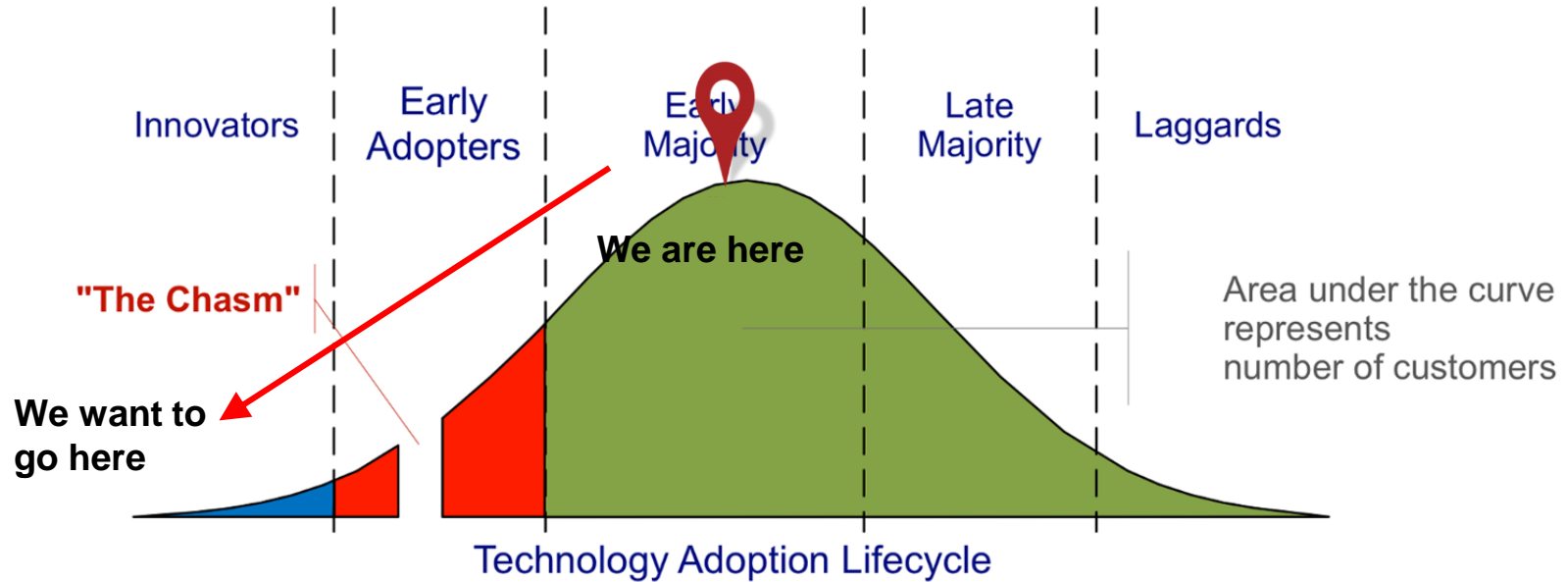
Goals

- TradeMarks and Patents
 - Patent for device and truffle idea/design by Q2 2018
 - Trademark company and product names by Q1 2018
- Successful Target Launch date of February 2019.
- Profitable by the end of 2022 → 1 million+ cash at bank and 15% profit margins





Where are we at?



Strategy Approach

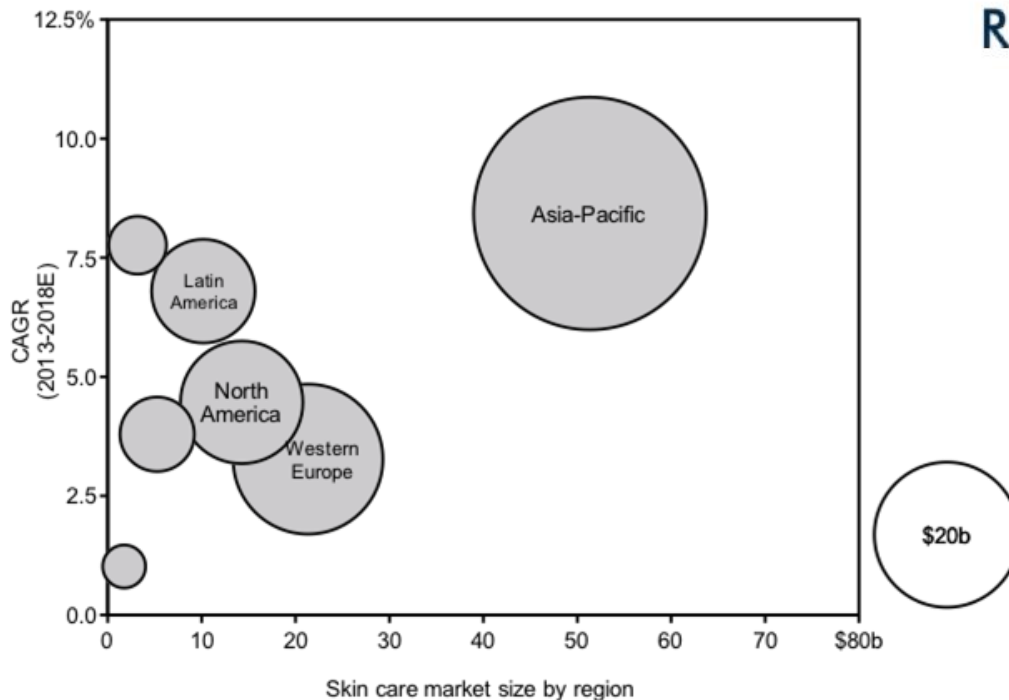
	Five Forces	Core Competencies	Game Theory	Competing on the Edge	REB
Assumptions	Stable or slowly changing industry	Assemble the firm as a bundle of competencies	Industry is viewed as a collection of equal players	Industry is a collection of a chaotic interacting businesses in an unpredictable market	Five Forces Core Competency
Goal	Long term Defensible position	Sustainable competitive advantage	Temporary advantage	Continuous flow of reinvented competitive advantages	Competing on the Edge
Performance Driver	Industry Structure	Unique business capabilities and experiences	Making the winning moves	Ability to change and adapt to the market of technology	Competing on the edge
Strategy	Pick an industry, pick a strategic position, fit the organization	Create a vision, build and exploit competencies to achieve the vision	Identify and execute the right competitive and collaborative moves	Operate on the "edge" of time pacing, reinvention, coadaptation, semi-coherent adaptive planning	Competing on the Edge with aspects of Core Competency
Success	Profit	Long term dominance	Short term win	Continual wins through reinvention	Competing on the Edge

Defining our Market

SKIN CARE MARKET

\$107.3b -->2013

\$111b -->2015

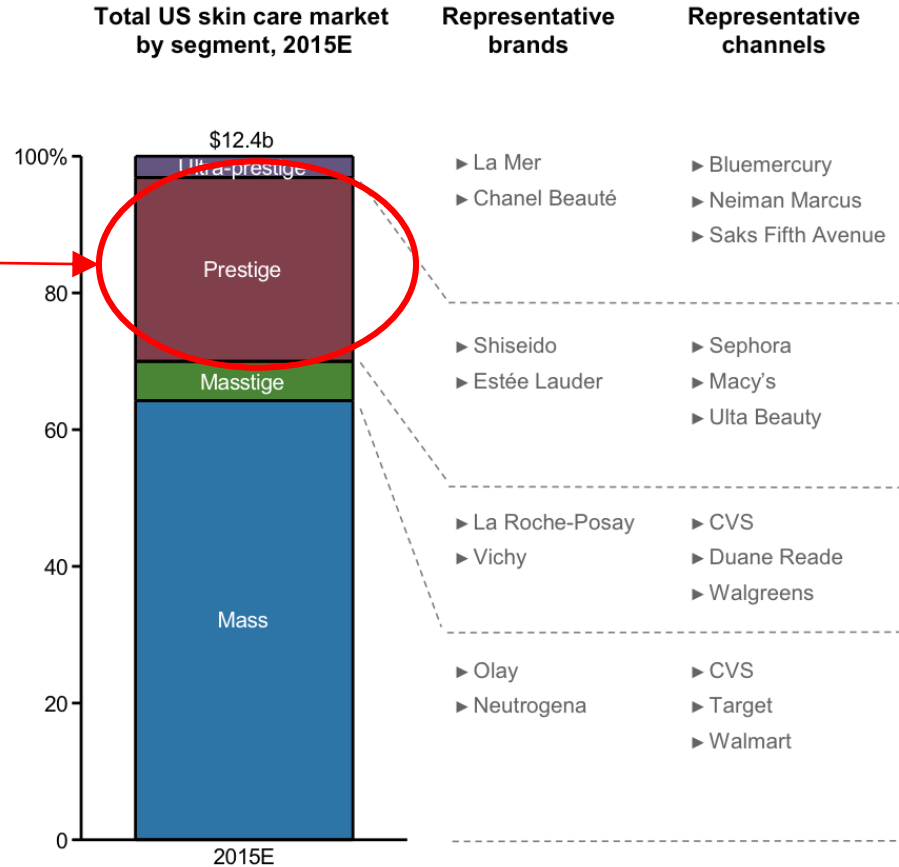


Defining our Market

~23% of the market size = \$2.8b



~80% premium anti-agers and facial moisturizers = \$2.28b

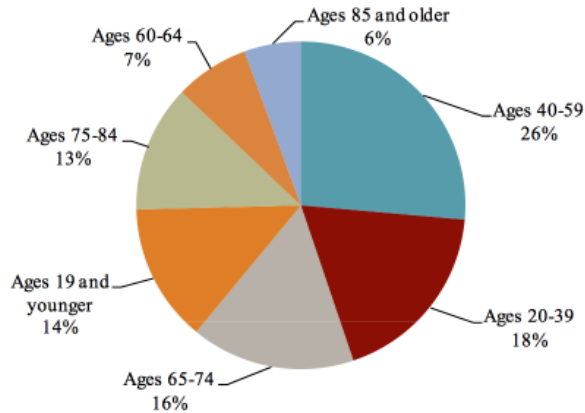


CUSTOMER ANALYSIS - SEGMENTATION (Qualitative interviews)



Consumers of Dermatology Services

For the Year Ended December 31, 2011



Source: IBISWorld.



Source: Euromonitor Survey



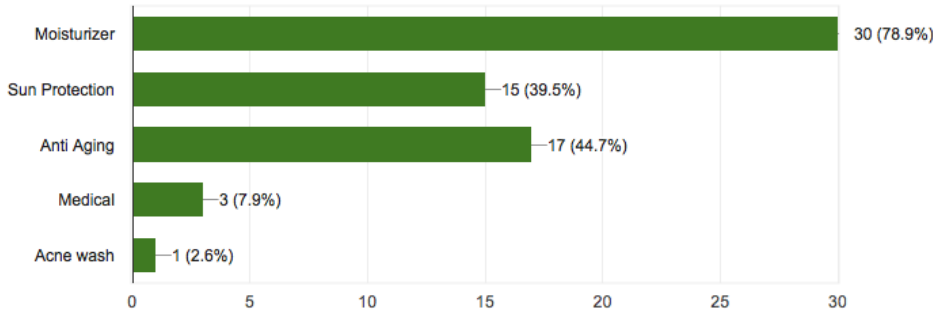
- Women between 30-59 years old
- Household Income over 100K

CUSTOMER ANALYSIS (Survey)



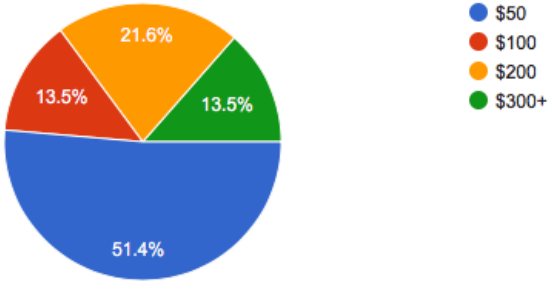
Skin Care Priorities

38 responses



How much do you spend on skincare products, on average per month?

37 responses



CUSTOMER ANALYSIS - BEHAVIOURS & NEEDS

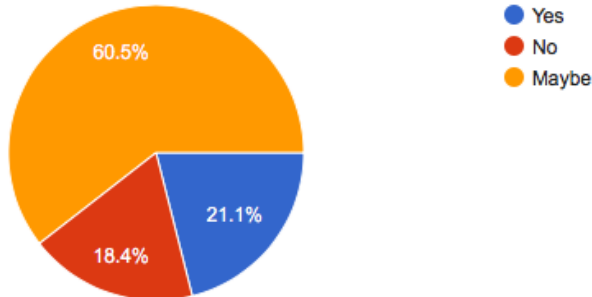


I'm happy with my products right now,
otherwise this would be a good idea

not a priority

Would you consider subscribing to a skincare service that delivers re-fills?

38 responses



I do not like the commitment

I don't use products regularly enough to gauge that
and I can order anything online if I can't make it to a
store

I don't like being on a fixed schedule as
sometimes you use less or more of a product

I don't like subscribing to things.

Takes the thrill out of walking through malls and
discovering new products



CUSTOMER ANALYSIS - BEHAVIOURS & NEEDS

- **Women apply an average of 16 skincare and cosmetic products every day**
- **East Coast women have the most expensive faces**
 - Women in New York, Connecticut and West Virginia spend on average \$3 more per day than the rest of women in the US → with a 'face rate' of \$11
- **Women spend on average 10 minutes on their morning faces...**
 - Californian women under 3 minutes
 - Women in New York more time ~ 21 minutes.
- **...and only 6 minutes at night**

CUSTOMER ANALYSIS - SEGMENTATION



- **New York, Connecticut, West Virginia, New Jersey, Wyoming 34,670,684**

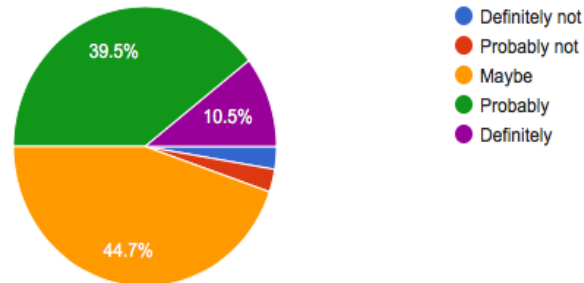
- 51% **female** → 17,682,048
- 26% Women between **40-59 years old** → 4,597,332
- 13.6% Household income Income in the US **over 150K** → 625,237
- 30% **bachelor's degree or higher** → 187,571



~200,000
women

If the product were priced according to your expectations, how likely would you be to purchase it within the next year?

38 responses



Competitor Analysis



Established Representative brands



- ▶ La Mer
- ▶ Chanel Beauté

- ▶ Shiseido
- ▶ Estée Lauder

- ▶ La Roche-Posay
- ▶ Vichy

- ▶ Olay
- ▶ Neutrogena

Competitor Analysis

Innovative Brands in the Prestige Natural Skincare Segment

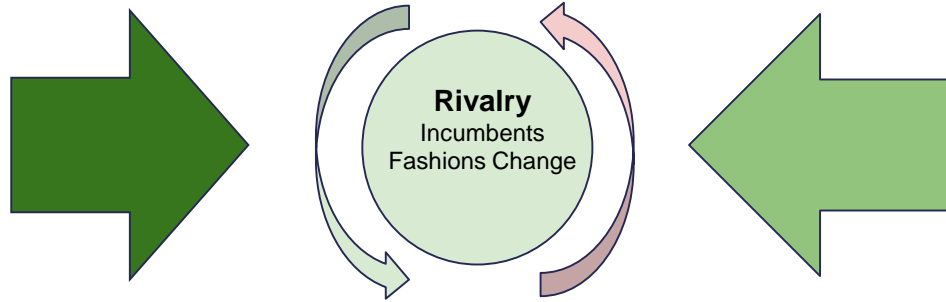
- Tata Harper
- May Lindstrom
- Goop
- Glossier



Porter's Five Forces



Threat of New Entry
New entry easy (high)
Brand loyalty (High)
Economies of scale (low)
Adaptation from incumbents (high)





Supplier Power
Design (Low)
Device (Low)
Truffles (Low)

Buyer Power
Many boutiques & Spas (Low)
Bergdorf Goodman (Medium)
Online direct orders (Low)

Substitution Threat
High
Loyalty to established brands (High)

Cheaper substitutes (High)



 Low Risk
 High Risk



Competitor Analysis

Strengths Dr Robb name and connections. Low fixed cost. Novel product.	S	W	Weaknesses Small market. segment. Uncertain funding.
Opportunities Social media. Growth market and expansion. High consumers goods spending.	O	T	Threats High price can limit potential customers. Intense competition from international brands.



Recommendations from SWOT

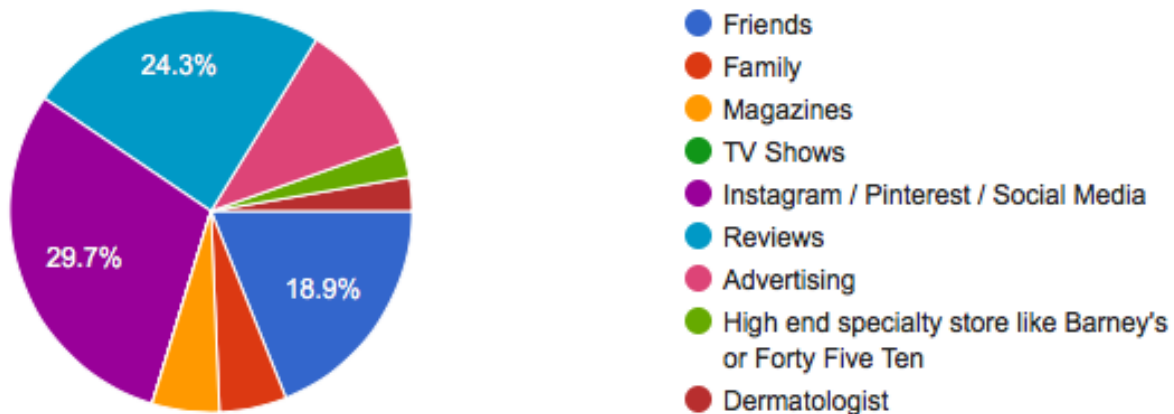
- ❖ Use social media effectively to domain the small market segment.
- ❖ Try to use Dr.Robb's connections and working on his network to strengthen the marketing strategy.
- ❖ Focus in pricing to avoid competitors threat but we have to know other factors especially high consumers spending.
- ❖ We can't keep fixed cost too little because at the some point REA will expand the business.
- ❖ Make sure our product is novel and unique (product, packaging, launching...etc).



Marketing Plan-Influencers

Who influences you the most when buying skin care products?

37 responses

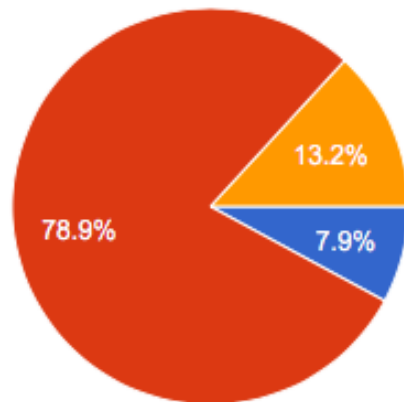




Marketing plan- Channels

Where do you usually buy your skin care products?

38 responses



- Online (Amazon, eBay, ...)
- Retail Stores (Macy's, Walmart, Target, Sephora...)
- Directly in the store (MAC, La Mer, Chanel, Laura Mercier, Avon, ...)

Marketing Plan



- **Hire Agencies**
 - **Instagram / YouTube Influencer Focus**
 - **Motion Graphics / Interactive Design**
 - **Event Planning Agency**
 - **Hire SEO Consultancy**
- **Hire PR and marketing full-time employee**
- **Hire sales team to engage with high end stores and retail stores.**
- **Track Metrics**
- **Attend Trade-shows**
- **Host small private events to showcase the product**

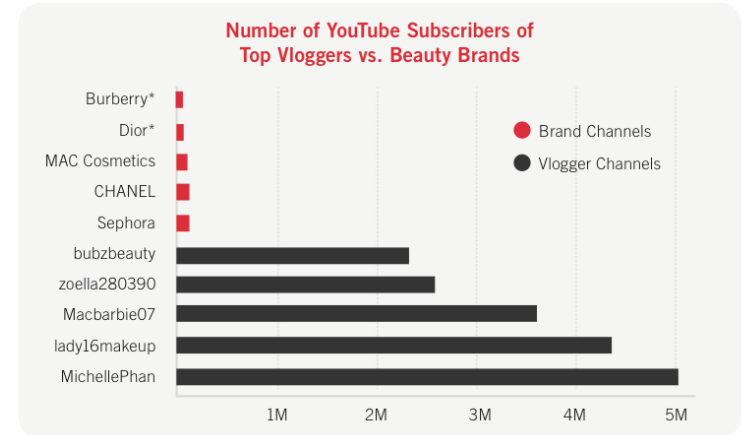


Figure 19.
Total number of YouTube subscribers of top vloggers, versus beauty brands



Marketing Plan - Budget

A = Awareness * Availability (ie. 0.2)

F = Followers

$$V = \frac{E}{A}$$

$C_{instagram}$ = \$1000 for a post with 100,000 viewers

$$B = \left(\frac{V}{100,000} \right) \cdot C_{instagram} \quad \leftarrow \text{Budget}$$

Items	cost
Influencer Agency - Instagram	\$10,000.00
Influencer Agency - YouTube	\$20,000.00
Motion Graphics / Interactive Agency / SEO	\$40,000.00
In-House Public Relations / Marketing	\$71,500.00
Special Event Budget	\$100,000.00
In-House Sales	\$75,000.00
Total	\$316,500.00

Forecasting...Methods

$$Q = N \times A \times P$$

- ▶ Q = sales (annual)
- ▶ N = number of (annual) purchases
- ▶ A = awareness x availability (fractions)
- ▶ P = probability of purchase (surveyed)
 $= C_{\text{def}} \times F_{\text{def}} + C_{\text{prob}} \times F_{\text{prob}}$

↑
"top box"

↑
"second box"



Variables:

- N = Target population (~200k starting)
- A = 0.2 (conservative, given that we're a start up)
- $P = (C_{definitely} * 0.4) + (C_{probably} * 0.2) = 0.4 * 0.1 + 0.2 * 0.39 = \mathbf{0.118}$



First year forecasts

Device	Q	N	A	P	Unit price	Revenue
	4720	200k	0.2	0.118	\$350	1,652,000

Truffles	Device Quantity x 10 truffles per month	Unit price	Revenue
	566,400	\$7.5	4,248,000

Total Annual Revenue
~5.9 M



Year two Forecasts

Device	Q	N	A	P	Unit price	Revenue
	9440	400k	0.2	0.118	\$350	3,304,000

Truffles	[Device Quantity x 10 truffles per month] + [Repeat buyers]	Unit price	Revenue
	1,132,800 +56k	\$7.5	8,916,000

Total Annual Revenue
~12.2 M



5 year forecast

- Increase N to 1M.

Device	Q	N	A	P	Unit price	Revenue
	23600	1M	0.2	0.118	\$350	8,260,000

Truffles	[Device Quantity x 10 truffles per month] + [Repeat buyers]	Unit price	Revenue
	2,832,000 +300k	\$7.5	23,490,000

Total Annual Revenue
~31.75 M



Metrics - Flexible BSC



Financial Perspective

Goals	Initiatives	Measures
Survive Start UP Phase	Secure Enough funding to cover staff and other running costs	Fund raise 2 Million USD investment
Set up Production and optimize productivity	Set up supply chain for materials and develop manufacturing capabilities	Production facility to satisfy demand Year 1: ~5000 units (devices) + # truffles Year 2 : ~10k units Year 5 : ~24k units
Revenue Growth	Set up the manufacturing, marketing, and supply channels for the product.	Year to year sales increase. ~12 M by second year

Customer Perspective



Goals	Initiatives	Measures
Create a sense of upscale lifestyle around the product	<ul style="list-style-type: none">• Set up partnerships with upper end boutiques, SPAs for initial release and give them exclusivity for a period of time.• Invite key influencers (bloggers, online personalities, beauty editors, etc.) to promote the product	<ul style="list-style-type: none">• SEO results (above 16% of organic traffic)• Track beauty editor and blogger coverage (# of views and shares)
Diversify product line available to customers	<ul style="list-style-type: none">• Increase selection varieties of the truffles available• Build on initial prototype and create version 2.0	Sales of new products. 20% of revenue should come from new products introduced within 2 years!
Customer Feedback	<ul style="list-style-type: none">• Set up either an app or an online platform to engage users	Customer satisfaction and aggregated reviews including online reviews, direct customer feedback, and survey (NPS, CES, and CSAT)



Internal Business Process

Goals	Initiatives	Measures
Acquire the technical capabilities to develop the product and bring it to market	Seek or hire a competent team capable of producing and bringing concept idea to market	A working prototype and a product that is ready for market.
Streamline manufacturing	Streamline every aspect of manufacturing from cost considerations, design optimization, to supplier evaluations.	Reduced manufacturing costs. Reduce production costs from 70% of unit value to 50%.

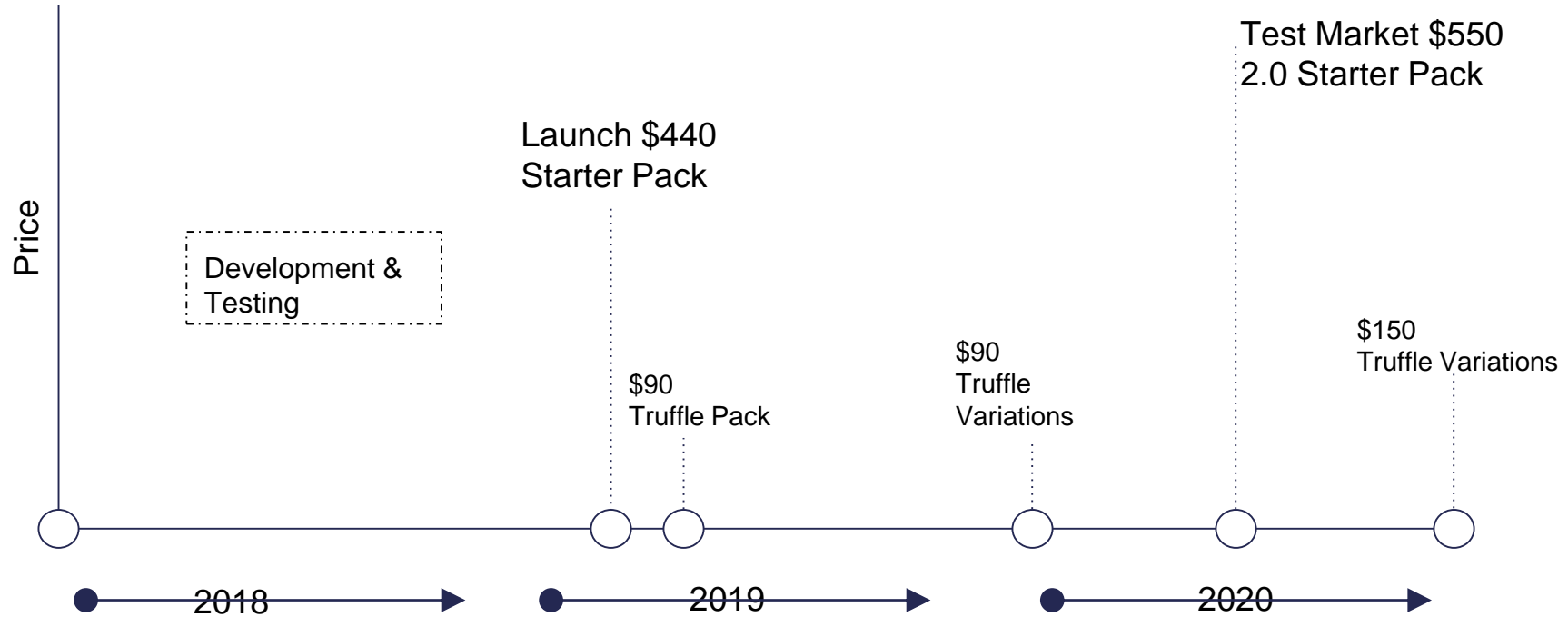


Learning and Growth

Goals	Initiatives	Measures
Secure IP	Finalize product idea and submit trademark/patents where applicable.	<ul style="list-style-type: none">● Granted design / product patent for US & Canada by Q2 2018● Trademarked product / design / name within North America by Q1 2018
Develop an internal system that documents ongoing processes/procedures.	Document procedures on current research and development efforts	<ul style="list-style-type: none">● Relevant ISO Certifications within 3 years of launch● Transferability of previous lessons to future products - verified via external audit



Product Launch Road Map



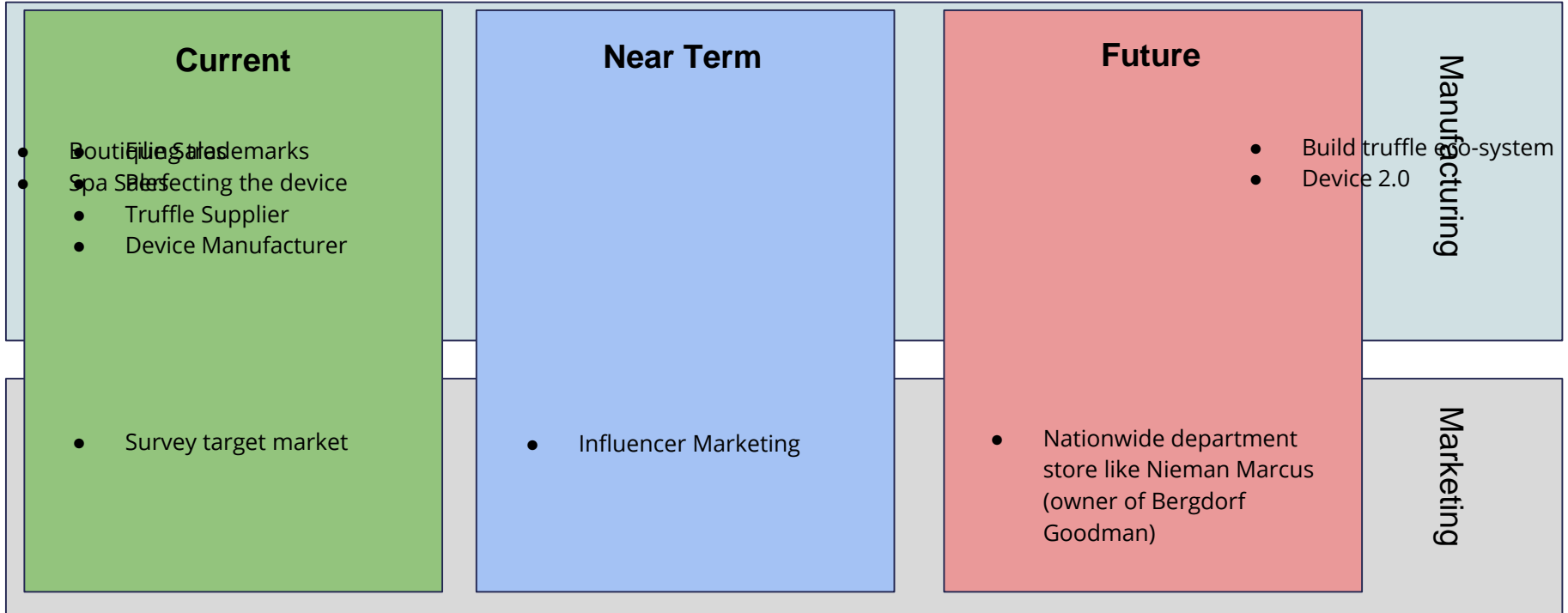
Questions?

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Product Road-Map



Competitor Analysis

New Channels

- SOHO House Cowshed-Spa
- Space NK
- Dover Street Market, Beijing
- Five Story NY
- Max Field LA



THE WEBSTER

SPACE NK
APOTHECARY LONDON

maxfield
LOS ANGELES



REA position and channels



Marketing Metrics

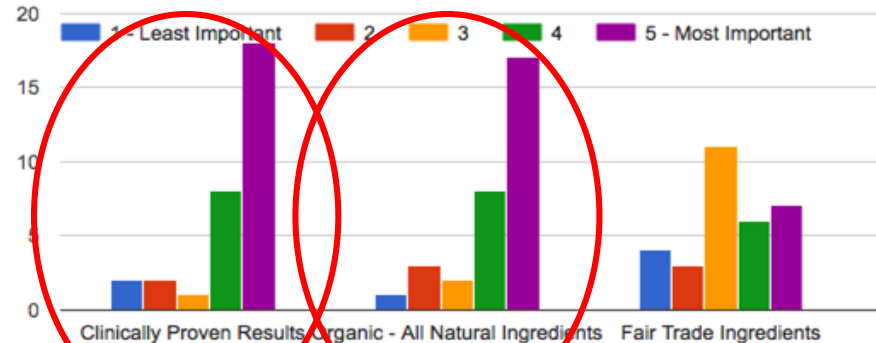
- Sales
- Number of prestige retail distributors
 - Boutiques
 - Spas
- Online Engagement
 - YouTube
 - Instagram
- Favorable Reviews
 - Magazine Beauty Editors
 - Online bloggers and YouTube vloggers



CUSTOMER ANALYSIS

Based on Survey:

Prioritize the factors from the least important [1] to the most important [5] for selecting skin care products



Defining our Market

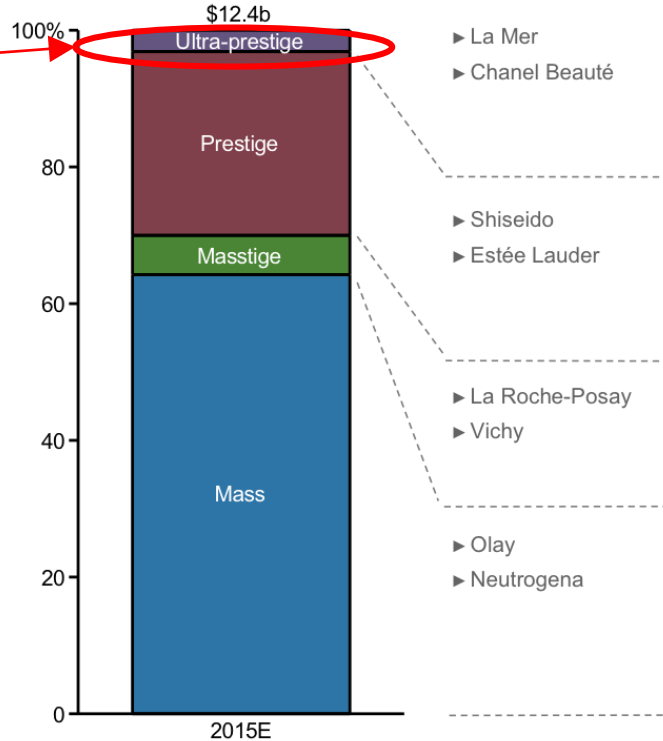
~3% of the market size = \$372m



~80% premium anti-agers and facial moisturizers = \$297m

Total US skin care market by segment, 2015E

Representative brands



Note: Premium skin care relative price ranges are based on analysis of average \$/oz. for eye cream:
Source: Euromonitor, Parthenon-EY interviews, company websites, Parthenon-EY analysis

Start up costs Calculations

- 40% of first year units (944 devices, 226k truffles)
- Value of developing and producing each unit = 70 % of 350 (~246). 70% of 7.5 (~5.25).
- 1.18M truffles + 239K devices = 1.41 M
- + Headroom
- 2M