Our client is American Beauty

Basic question to be resolved

▪ What should American Beauty do to reclaim its dominant position in the US at-home hair color market?

Perspective/context

▪ American Beauty (AB) is one of leading providers of at-home hair color products in the US and around the world

▪ In the US, AB has been steadily losing significant share, previously 50%, to its primary competitor

▪ Retailers are threatening to reduce shelf space for AB’s hair color products in favor of the competition

Criteria for success

▪ Clear articulation of the strategy

▪ Client support for the decided approach
Structuring an approach

What key areas would you want to explore in order to help American Beauty achieve its market share objectives for its US hair color business?
Structuring tips

1. Just because McK cases are structured as questions, you can still ask for time to structure your thoughts.

2. Recognize and be ready for some of the more frequent case types (e.g., investment, new market, growth, etc.).

3. Don’t rely solely on generic frameworks – link back to case facts that you know.
Example structuring

Reclaim market share

Existing revenue streams
- More products sold (volume)
  - Product mix
    - Segments (Women, men)
    - Consumer needs
  - Channels
    - Internet, instore, salon
    - Geography
  - Advertising/promotion
    - Coupons, displays
    - $ spent in line with comp?
- Better price
  - Negotiation with distributors?
- Elasticity

New revenue streams
- New products
  - New colors
    - Complements (Shampoos, coloring accessories)
- M&A
  - Acquire a competitor?
Analyzing information using data

If AB’s market share within the men and teens segments does not change, what share of the women’s market would AB need to achieve in 2 years to get back to 50% overall total market share?

<table>
<thead>
<tr>
<th>Segment</th>
<th>Segment Size ($M)</th>
<th>Annual segment growth</th>
<th>AB Sales ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td>800</td>
<td>5%</td>
<td>400</td>
</tr>
<tr>
<td>Men</td>
<td>200</td>
<td>20%</td>
<td>20</td>
</tr>
<tr>
<td>Teens</td>
<td>100</td>
<td>10%</td>
<td>30</td>
</tr>
<tr>
<td>Total</td>
<td>1,100</td>
<td></td>
<td>450</td>
</tr>
</tbody>
</table>
My tips for calculations

1. Understand upfront where you are heading with the calculation
2. Walk your interviewer through an approach prior to jumping to calculations
3. If you get stuck, you can try making a smart estimation
4. Consider the implications of your analysis...are the numbers reasonable?
## Calculation

### Market size in 2 years

<table>
<thead>
<tr>
<th></th>
<th>Year 1 ($M)</th>
<th>Year 2 ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td>800 x 1.05  = 840</td>
<td>840 x 1.05 = 882</td>
</tr>
<tr>
<td>Men</td>
<td>200 x 1.2   = 240</td>
<td>240 x 1.2 = 288</td>
</tr>
<tr>
<td>Men</td>
<td>100 x 1.1   = 110</td>
<td>110 x 1.1 = 121</td>
</tr>
</tbody>
</table>

### Men and teens for AB in 2 years

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>20/200 x 288 ≈ $29M</td>
</tr>
<tr>
<td>Teens</td>
<td>30/100 x 121 ≈ $36M</td>
</tr>
</tbody>
</table>

### Men and teens for AB in 2 years

|          | $65M |

### Women’s share needed

\[ \frac{645M - 65m}{882} \approx \frac{580}{882} \approx 66\% \text{ of women’s share} \]
Analyzing information using data

Your team has been able to gather the following current information about AB and its primary competitor Belle International. What can you conclude about AB’s declining market share from this data?

### Brand awareness (women ages 18-55)

<table>
<thead>
<tr>
<th></th>
<th>Aware of Am. Beauty</th>
<th>Aware of Belle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Am. Beauty users</td>
<td>NA</td>
<td>95%</td>
</tr>
<tr>
<td>Belle users</td>
<td>80%</td>
<td>NA</td>
</tr>
<tr>
<td>Non-users</td>
<td>40%</td>
<td>60%</td>
</tr>
</tbody>
</table>

### Perception of quality (women ages 18-55)

<table>
<thead>
<tr>
<th></th>
<th>Am. Beauty is high quality</th>
<th>Belle is high quality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Am. Beauty users</td>
<td>95%</td>
<td>85%</td>
</tr>
<tr>
<td>Belle users</td>
<td>70%</td>
<td>95%</td>
</tr>
<tr>
<td>Non-users</td>
<td>55%</td>
<td>85%</td>
</tr>
</tbody>
</table>
Potential hypotheses

▪ Competition is spending more and/or doing a more effective job of creating awareness

▪ Product may be superior and/or competition’s marketing efforts doing a better job of communicating quality

▪ Among users, determining if quality perception is driven by actual experience with the brand vs. communication of quality it would require more information about whether most users have tried the competition’s products

▪ Low awareness and quality perception among non-users more likely to be driven by advertising than by experience
Within the women’s segment, what are some potential ideas to explore that might provide an opportunity for AB to capture share?
Tips

1. Breadth and depth … show your creativity and have fun with it

2. Don’t forget what you have learned and tie the pieces of the case together

3. Make assumptions explicit and drive implications through to ultimate question (answer the HOW and SO WHAT?)
Potential recommendations

Target women who are not customers

- Women who color their hair in salons only (no mess, limited time, high quality)
- Women who are not gray and don’t currently use products… (for fun, scents?, am I being too creative??)
- Women who don’t color their hair because they don’t mind being gray – less attractive but can we convert them to wanting to color? (advertising, spokesperson)

Target current users that are unsatisfied

- Steal share by better meeting needs
- Unmet needs may include (price, colors, time, ease of use, mess, how long it lasts, damage to hair, type of hair… etc…)
Let’s say at this point in the study, you run into the President of AB. He has a couple of minutes and want a quick summary of your findings to date. What would you tell him?
After extensive research, the team believes there is significant share opportunity associated with the introduction of a super-premium hair color product targeted at baby boomer women who currently use competitive products.

What other considerations and/or analyses concerning the launch would you recommend AB do before moving forward on this opportunity?
BACKUP
Optional questions for deeper discussion

**Slide 3**

*Optional probing question:* If you only had time to look at three things, what would you do first, second and third? Why?

**Slide 4**

*Before answering the question:* Given the information in Exhibit A, do you predict that AB’s overall market share will go up, down or stay the same?

*Optional question:* What are the implications of this for AB?

**Slide 9**

*Optional probing question.* You are very short on time. Given your hypotheses, what 1 or 2 key analyses would you want to conduct/what information would you want to find out (beyond what the candidate mentioned in question 1) to determine what kind of hair color product represents the best opportunity?