

Our client is American Beauty

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Basic question to be resolved

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

- Clear articulation of the strategy
- Client support for the decided approach



Structuring an approach

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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	2
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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

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?

Segment	Segment Size (\$M)	Annual segment growth	AB Sales (\$M)
Women	800	5%	400
Men	200	20%	20
Teens	100	10%	30
Total	1,100		450



My tips for calculations

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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

	Year 1 (\$M)
Women	$800 \times 1.05 = 840$
Men	$200 \times 1.2 = 240$
Men	$100 \times 1.1 = 110$

Year 2 (\$M)

$840 \times 1.05 = 882$
$240 \times 1.2 = 288$
$110 \times 1.1 = 121$

Men and teens for AB in 2 years

Men $20/200 \times 288 \approx \$29M$

Teens $30/100 \times 121 \approx \$36M$

\$65M

\$1,291M

%2

50% share
(AB target)

≈

\$645M

Women's share needed

$\$645M - \$65m =$ **\$580M**

$580/882 \approx$ 66% 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)

	Aware of Am. Beauty	Aware of Belle
Am. Beauty users	NA	95%
Belle users	80%	NA
Non-users	40%	60%

Perception of quality (women ages 18-55)

	Am. Beauty is high quality	Belle is high quality
Am. Beauty users	95%	85%
Belle users	70%	95%
Non-users	55%	85%



Potential hypotheses

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- 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

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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?)

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?

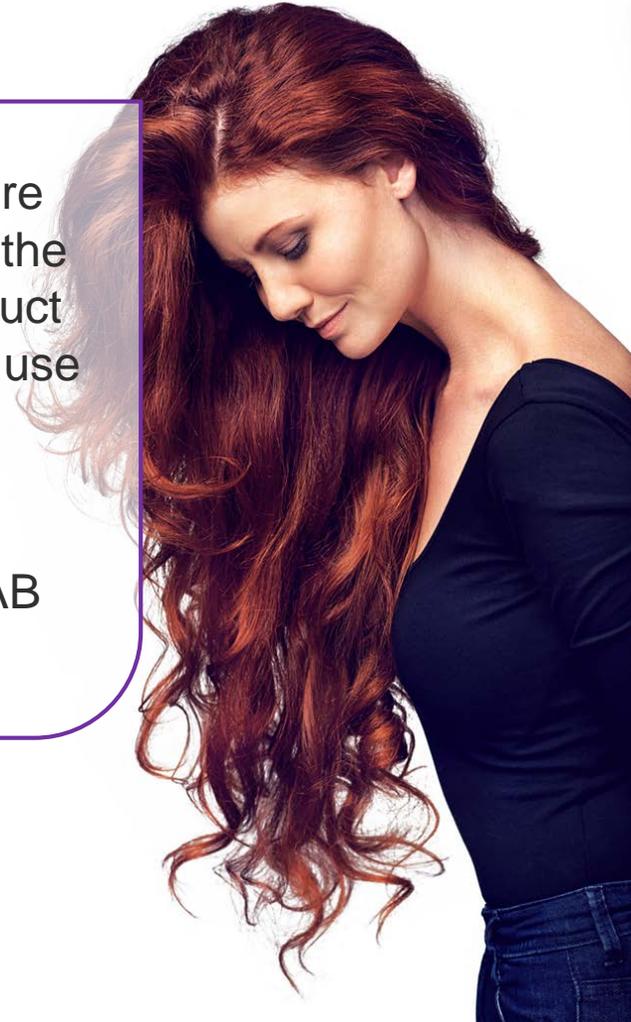


Constraints and risks

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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

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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?

