# Alpha Beauty Interview Case
## Drop Technologies Inc.

A leading American beauty retailer Alpha Beauty has approached Drop requesting help as they work to achieve their sales goals. Alpha's account manager explains that they need help driving *incremental* sales. Specifically, they want to invest in marketing channels (like Drop) that can prove that for each dollar Alpha Beauty invests, they receive the most incremental sales in return (sales that they would not have received had they not invested).

In response, Drop proposed to run a market test with Alpha Beauty:

## **Market Test Plan**

The goal of the test is to prove that customers in the **exposed groups** spend more at Alpha Beauty, compared to customers in the **control groups**. Specifically, customers were divided into 3 cohorts, each with an exposed and control group (see below).

Cohort #1: **Beta Loyalists** These are customers that make >80% of their beauty purchases at Beta Beauty, Alpha's Beauty's competitor.

Cohort #2: **Beauty Independents** These are customers who spend similar amounts at both Alpha and Beta but are not highly loyal to either brand. Meaning, they spend at both Alpha and Beta but don't spend +80% of their total spend at either.

Cohort #3: **Alpha Loyalists** These are customers that make >80% of their beauty purchases at Alpha Beauty.

In order to drive incremental purchases, the exposed groups received personalized communications (emails + push notifications) and an increased **Alpha Beauty** offer in Drop (higher cashback ie. a higher number of Drop points). The control group remains status-quo with their ongoing 5% Alpha Beauty offer and do not receive communications.

The Alpha Beauty offers were as follows:

| Customer Cohort | | Alpha Beauty Offer (% cashback) |
|---|---|---|
| Beta Loyalists | Exposed | 10% |
| | Control | 5% |
| Beauty Independents | Exposed | 10% |
| | Control | 5% |
| Alpha Loyalists | Exposed | 8% |
| | Control | 5% |

**Notes**
- Length of the test: 4 weeks
- The test contained 20% of Drop's total beauty audience (10% in the exposed groups, 10% in the control groups, the remaining 80% were not involved in the test)
- The cost for Alpha Beauty is the cashback, there are not other additional costs
- Alpha Beauty's goals are 10x ROAS and 5x incremental ROAS

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### Market Test Results

After the test was complete, the results were as follows:

| | | CUSTOMER SPLIT | TRANSACTIONS | | *AOV ($) | | SALES ($) |
|---|---|---|---|---|---|---|---|
| **Beta Loyalists Exposed** | | 50.0% | 13 | $ | 69.25 | $ | 900.30 |
| **Beta Loyalists Control** | | 50.0% | 10 | $ | 63.50 | $ | 635.00 |
| | Delta | 100% | 3 | $ | 5.75 | $ | 265.30 |
| **Beauty Independent Exposed** | | 50.0% | 237 | $ | 65.09 | $ | 15,425.75 |
| **Beauty Independent Control** | | 50.0% | 108 | $ | 51.08 | $ | 5,516.95 |
| | Delta | 100% | 129 | $ | 14.00 | $ | 9,908.80 |
| **Alpha Loyalists Exposed** | | 50.0% | 109 | $ | 64.55 | $ | 7,035.75 |
| **Alpha Loyalists Control** | | 50.0% | 79 | $ | 69.54 | $ | 5,493.95 |
| | Delta | 100% | 30 | $ | (5.00) | $ | 1,541.80 |
| **Exposed All** | | 50.0% | 359 | $ | 65.07 | $ | 23,361.80 |
| **Control All** | | 50.0% | 197 | $ | 59.12 | $ | 11,645.90 |
| | Delta | 100% | 162 | $ | 5.96 | $ | 11,715.90 |

*AOV = average order value

The raw data can be found here in excel.

### Case Deliverables

Please share any assumptions you make. If you are uncertain about your assumptions, please email your questions to the Drop team and we will be happy to help.

#1. Was the test successful? Why?

#2. In your interview, the Drop team will assume the role of Alpha Beauty. Please prepare a 5 minute presentation conveying the results of the test and your recommendation for next steps.