HUBBLE CONTACT LENSES

EXECUTIVE SUMMARY

Business Objective

- Identify optimal advertising & media budgets as the company scales up
- Evaluate Hubble's current customer acquisition and retention

Problem Statement

- How should Hubble allocate its marketing budget?
- What should Hubble do to increase its customer acquisition and retention?

Results

- Redistribute Facebook and TV media budget - allocate 90% to Facebook & 10% to TV
- Allocate 33% on prospecting customers and 67% on retargeting customer


HUBBLE

INTRODUCTION

- The first American company to sell *direct-to-consumer* (DTC) contact lens
- Disposable daily contact lenses
- Subscription service
- Affordable
- Convenient
- High-quality

BUSINESS MODEL

Subscription Service

$33/month including shipping & free first box

Competitive advantage (~$60/month)

Marketing

Direct-to-Consumer (DTC)

Social media and offline platforms

Quality

Prescription verification

Product evaluation for comfort and vision

Educated consumers are healthy contact lens wearer

EARLY CUSTOMERS

~$20 million sales

28 years old (avg)

90% between ages 20-40
70% are females

8-month supply subscription (avg)

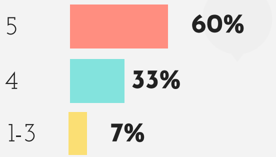
Not everyone wears them everyday

90% of consumers initiate another order

4% monthly churn rate

Customer satisfaction

Rating on a scale of 1-5
(5 being the highest)



DIRECT-TO-CONSUMER MARKETING

Earned

- Coverage in publications and magazines
- Highly shared content
- Social media recognition

Owned

- Fun and engaging website
- Word of mouth

Paid

- Social Media Marketing (Facebook Instagram, Pinterest and Snapchat)
- Traditional media platforms (TV, podcasts, radio and mailers)

PAID MEDIA EVOLUTION

Nov 2016
Hubble was founded

Jun 2017
90% of consumers came from Facebook
(First 6 months)

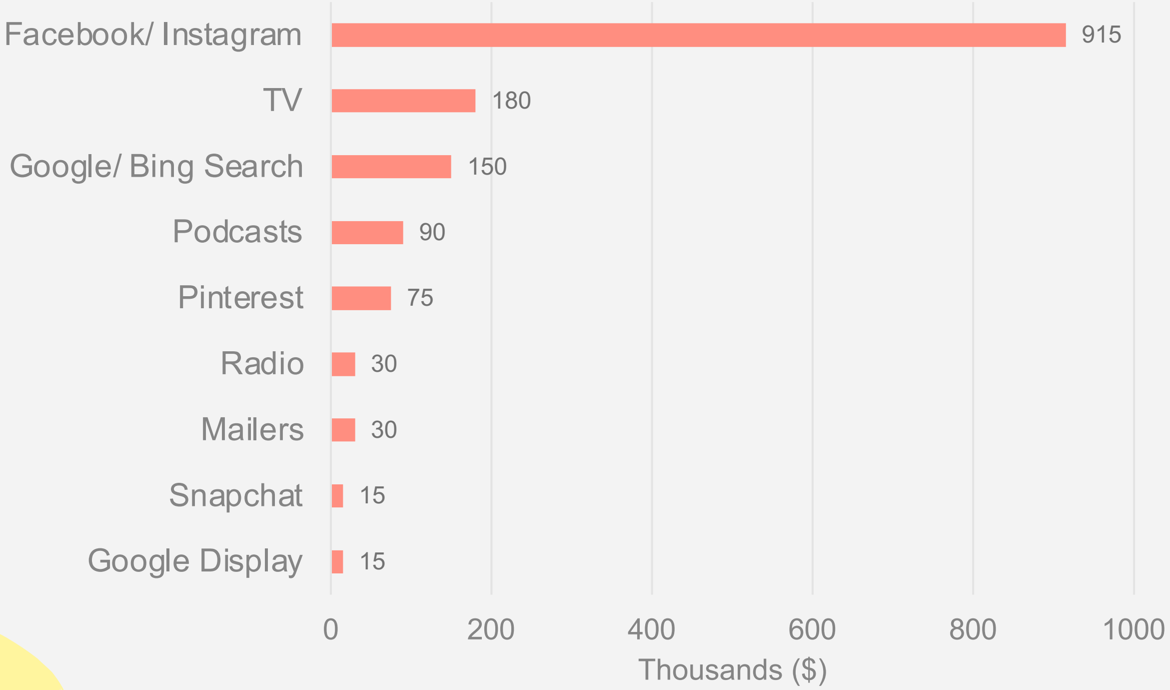
Apr 2018
50% of consumers come from Facebook

1

2

3

MEDIA BUDGET ALLOCATION (Monthly)



**Numbers as of April 2018*

What is Hubble's optimal marketing & media budget allocation?

How can Hubble improve its customer acquisition and retention?

OPTIMAL MEDIA BUDGET

Focus

- TV vs. Facebook

Approach

- Facts Collection
- Elasticity Calculation
- Proportion vs. Exact Value

CHANNEL EFFECTIVENESS

$$\boldsymbol{LTV} = Average\ MRR\ per\ account\ X\ \frac{1}{monthly\ churn}\ X\ gross\ margin\ (\%)$$

$$\boldsymbol{CAC} = \left(\frac{Yearly\ marketing\ budget}{12} \div Monthly\ customers\right) + cost\ of\ free\ box$$

$220

$37

$119

Facebook

TV

*Calculations shown in Appendix

LTV to CAC RATIO

5.92

Facebook

A ratio of 5:1 or higher means company could be growing faster and are likely under-investing in marketing

1.85

TV

A ratio of 1:1 means the more you sell the more you lose. A good benchmark for LTV to CAC ratio is 3:1 or higher

**Calculations shown in Appendix*

ELASTICITY & BUDGET PROPORTION

$$\boldsymbol{Elasticity} = \frac{Change\ in\ sales}{Change\ in\ marketing}\ X\ \frac{Baseline\ marketing}{Baseline\ sales}$$

$$\boldsymbol{Optimal\ budget\ proportion} = ratio\ of\ elasticity$$

Facebook	TV
0.236	0.027

Prospecting	Retargeting
0.155	0.317

**Calculations shown in Appendix*

MEDIA BUDGET ALLOCATION

Goal
To scale the product

Revised media budget allocation

01 TV
10% of the media budget

02 Facebook
90% of the media budget

Revised customer targeting budget

03 Prospecting
33% of the customer acquisition budget

04 Retargeting
67% of the customer acquisition budget

**Calculations shown in Appendix*

ADDITIONAL RECOMMENDATIONS

Variety of subscription offers

To accommodate consumers that do not wear contact lenses everyday

Word of Mouth/ Influencers

Rely on earned media to build business-to-consumer relationships using prominent figures & celebrities

Educate consumers on subscription service

Educate on healthy contact lens habits & benefits of subscription service

Distribution channel expansion

To develop business-to-business relationships with optometrists

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THANK YOU

APPENDIX

GIVEN VALUES FROM CASE STUDY

Financials	Values	Comments
Churn (M)	4%	Hubble Case study pg 8
Churn (Y)	36.18%	Calculated
Unit price	$33	Hubble Case study pg 5
First month free box	$13	Hubble Case study pg5
Number of subscription months (avg)	8	Hubble Case study pg 8
Gross margin	40%	Hubble Case study pg5
New customers (M)	10,000	Hubble Case study pg11

Sales & Marketing	Values	Comments
Sales (Y)	$20,000,000	Hubble Case study pg1
Sales (M)	$1,666,667	Calculated
Marketing spend (M)	$1,500,000	Hubble Case study Exhibit 9
Marketing spend (Y)	$18,000,000	Calculated
Facebook marketing spend (M)	$915,000	Hubble Case study Exhibit 9
TV marketing spend (M)	$180,000	Hubble Case study Exhibit 9
TV investment - one month experiment	$1,000,000	Hubble Case study pg11
Sales lift from experiment	12.5%	Hubble Case study pg11

LTV & CAC ASSUMPTIONS

$$Average\ MRR\ per\ account\ (8\ months\ subs.) = \frac{(Unit\ price\ * no.of\ months)}{12} = \frac{(\$33\ * 8)}{12} = \$22$$

$$Monthly\ Customers = \frac{Monthly\ Sales}{MRR} = \frac{\$1{,}666{,}667}{\$22} = 75{,}758$$

$\boldsymbol{Facebook\ Customers} = 50\%\ of\ monthly\ customers$
$= 75{,}758\ * 0.5 = \mathit{37{,}878}$

$\boldsymbol{TV\ Customers} = monthly\ customers\ * lift\ in\ customers$
$= 75{,}758\ * 0.125 = \mathit{9{,}469}$

LTV CALCULATIONS

$$LTV = Average\ MRR\ per\ account\ * \left(\frac{1}{monthly\ churn}\right) *\ gross\ margin\ (\%) = \$22 * \frac{1}{4\%} * 40\%$$

$$= \$220$$

CAC CALCULATIONS FB vs. TV

CAC - Facebook (monthly)	Values	Comments
Facebook budget	$915,000	61% of monthly budget
Facebook customers	37,878	50% of customers should be attributed to FB (pg 10)
Cost per acquisition	$24	FB budget / Fb customers
Cost of free box	$13	Hubble Case study pg5
CAC (CPA+ freebox)	$37	Calculated

CAC - TV (monthly)	Values	Comments
TV budget	$1,000,000	TV test campaign
TV customers	9,470	12.5% differential sales lift from TV (pg 11)
Cost per acquisition	$106	TV spend / TV customers
Cost of free box	$13	Hubble Case study pg5
CAC (CPA+ free box)	$119	Calculated

OPTIMAL BUDGET CALCULATIONS (FB vs. TV)

FB - optimal budget	Values	Notes
Change in sales (new customers)	3,913	Sum of retargeting and prospecting customers - Exhibit 10
Change in marketing	$200,000	Sum of retargeting and prospecting spend- Exhibit 10
Baseline marketing	$915,000	61% of monthly spend - Exhibit 9
Baseline sales	75,758	Calculated - slide 22
Elasticity	0.236	Calculated

TV - optimal budget	Values	Notes
Change in sales (new customers)	9,470	12.5% differential sales lift from TV
New TV spend	$1,000,000	TV test campaign
Change in marketing	$820,000	New spend - Baseline TV spend
Baseline marketing	$180,000	12% of monthly spend - Exhibit 9
Baseline sales	75,758	Calculated - slide 22
Elasticity	0.027	Calculated

OPTIMAL BUDGET CALCULATIONS (Prospecting Vs. Retargeting) - Exhibit 10

FB - prospecting	Values
Change in sales	1,285
Change in marketing	$100,000
Baseline marketing	$915,000
Baseline sales	75,758
Elasticity	0.155

FB - retargeting	Values
Change in sales	2,628
Change in marketing	$100,000
Baseline marketing	$915,000
Baseline sales	75,758
Elasticity	0.317

OPTIMAL BUDGET PROPORTION (Ratio of elasticity)

Elasticity	
Facebook	0.236
TV	0.027

Elasticity	
Prospecting	0.155
Retargeting	0.317

$$\boldsymbol{Optimal\ budget\ proportion} = ratio\ of\ elasticity$$

$$Facbook\ Budget = \frac{0.236}{(0.236+0.027)} = 90\%$$

$$TV\ Budget = \frac{0.027}{(0.236+0.027)} = 10\%$$

$$Prospecting\ Budget = \frac{0.155}{(0.155+0.317)} = 33\%$$

$$Retargeting\ Budget = \frac{0.317}{(0.155+0.317)} = 67\%$$