PROMOTION IMPACT ANALYSIS

Kim Daehwan

Business planning intern

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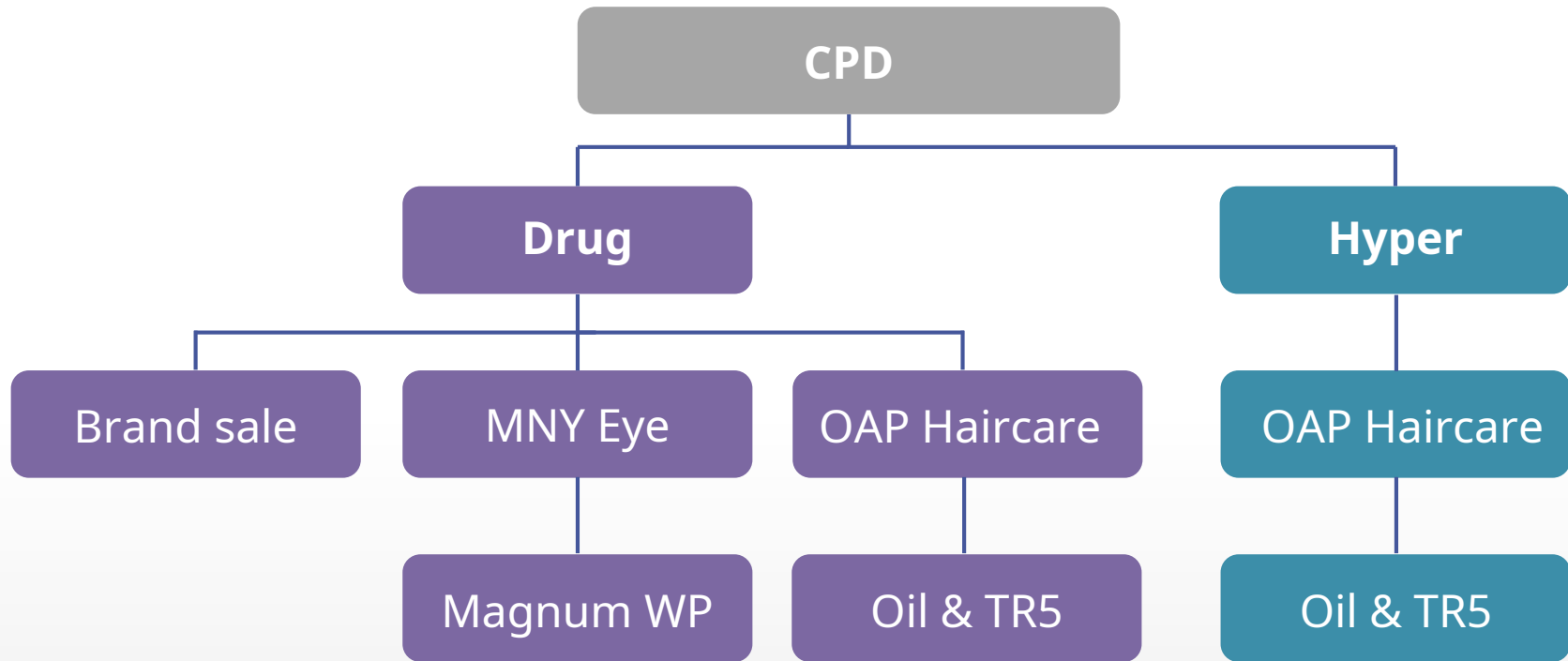
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01

Objective & Overview

Objective & Overview

Objective and flow overview

Objective: Analyze promotion impact and suggest brief strategic solutions to key problems if possible.

Flow overview

```
                          CPD
                           |
            ┌──────────────┴──────────────────────────┐
          Drug                                       Hyper
     ┌──────┼──────────────┐                           │
Brand sale  MNY Eye    OAP Haircare               OAP Haircare
              │            │                           │
          Magnum WP     Oil & TR5                  Oil & TR5
```
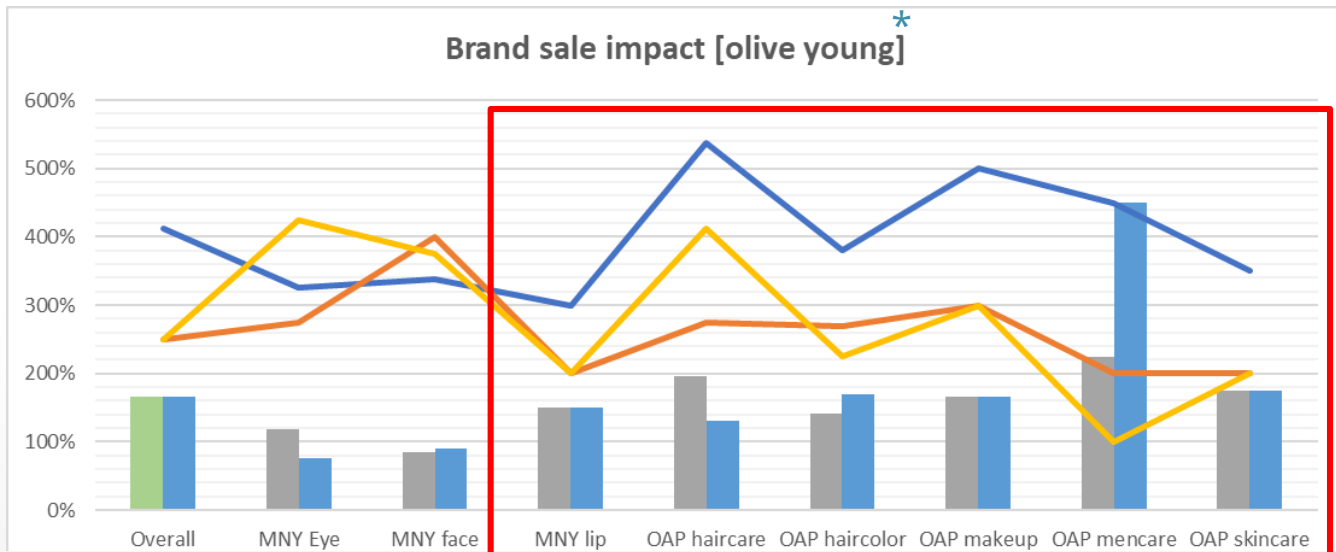
02

Brandsale
[Drug]

Brandsale – Key question & answer

"Which categories' brandsale impact are higher?"

Some categories show higher brandsale impact than 30% discount rate impact, which can be said that not 30-35% discount rate but 'brand sale' lifted sales.

Brand sale impact by categories at olive young

Legend:
- Brand sale impact compare to total discount impact
- Brand sale impact compare to 30% discount impact
- Brand sale impact
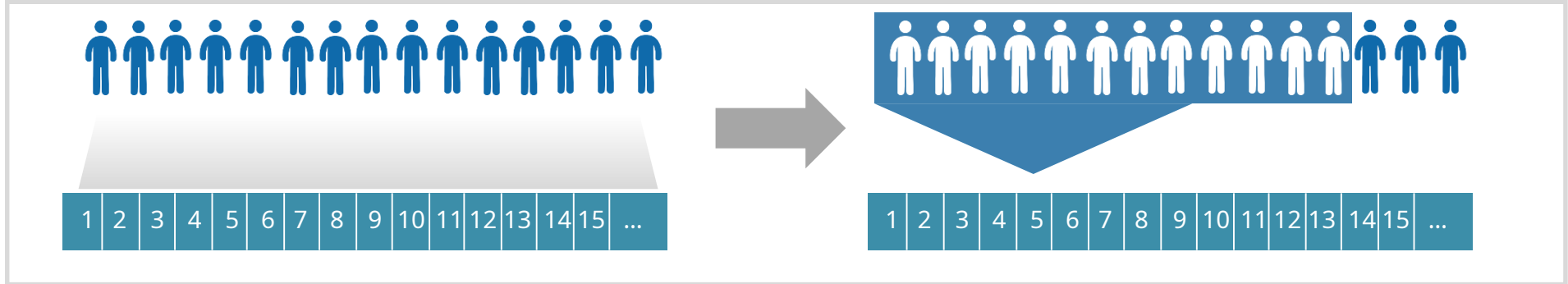- 30% discount impact
- Total discount impact

Brand sale impact [olive young] *

Y-axis: 600%, 500%, 400%, 300%, 200%, 100%, 0%

X-axis categories: Overall, MNY Eye, MNY face, MNY lip, OAP haircare, OAP haircolor, OAP makeup, OAP mencare, OAP skincare

*other stores' data is in appendix

BS impact: 6 categories

much higher brand sale impact than 30% discount rate impact

*source: 1) internal analysis

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Brandsale – Why so & answer

"Why those categories' sales were lifted by brandsale unlike others?"

During brand sale period, in-store traffic sharply increase. Therefore, categories leveraging traffic by inducing stocking up or impulsive purchase are more sensitive to brand sale.

Brand sale = "TRAFFIC"

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | ... |

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | ... |

Traffic : "'stock up' purchase"(사재기)

Traffic → 'Stock up' Purchase

Buying more than 2 daily-use or unfashionable products

(OAP haircare, hair color, skincare, mencare)

Traffic : "Impulsive purchase"

Traffic → Impulsive Purchase

Experiencing and impulsively buy color cosmetic products or viral products

(MNY Lip, OAP Lip / MNY mascara, OAP face)

03

MNY Eye
[Drug]

MNY Eye – Key question & answer

"How do 4 factors affect promotion impact and which is the top subcategory of MNY Eye?"

As seeing in the tables describing how 4 factors influencing promotion impact, mascara is top subcategory in terms of promotion impact and sell-out productivity both.

* relative size of impact within 4 categories

High
Middle high
Middle low
Low

	Discount	Discount rate	Place	GWP
Mascara	High	High	High	High
Shadow	Middle high	Middle low	Middle low	Middle low
Liner	Low	Middle high	Middle high	
Brow	Middle low	Low	Low	Low

*source: 1) internal analysis

MNY Magnum WP – Key question & answer
"Is magnum WP's promotion elasticity lower than Kissme EX?"

Magnum WP's promotion elasticity is lower than Kissme EX's.

Promotion elasticity

Revenue increase rate by discount rate in Olive young

Average Revenue increase rate

+580%

+122%

+45%

- ■ Magnum WP
- ■ Kissme EX

Discount Rate

| 20% (11,200원) | 35% (9,100원) | 44% (10,000원) |

*Data does not include brandsale period
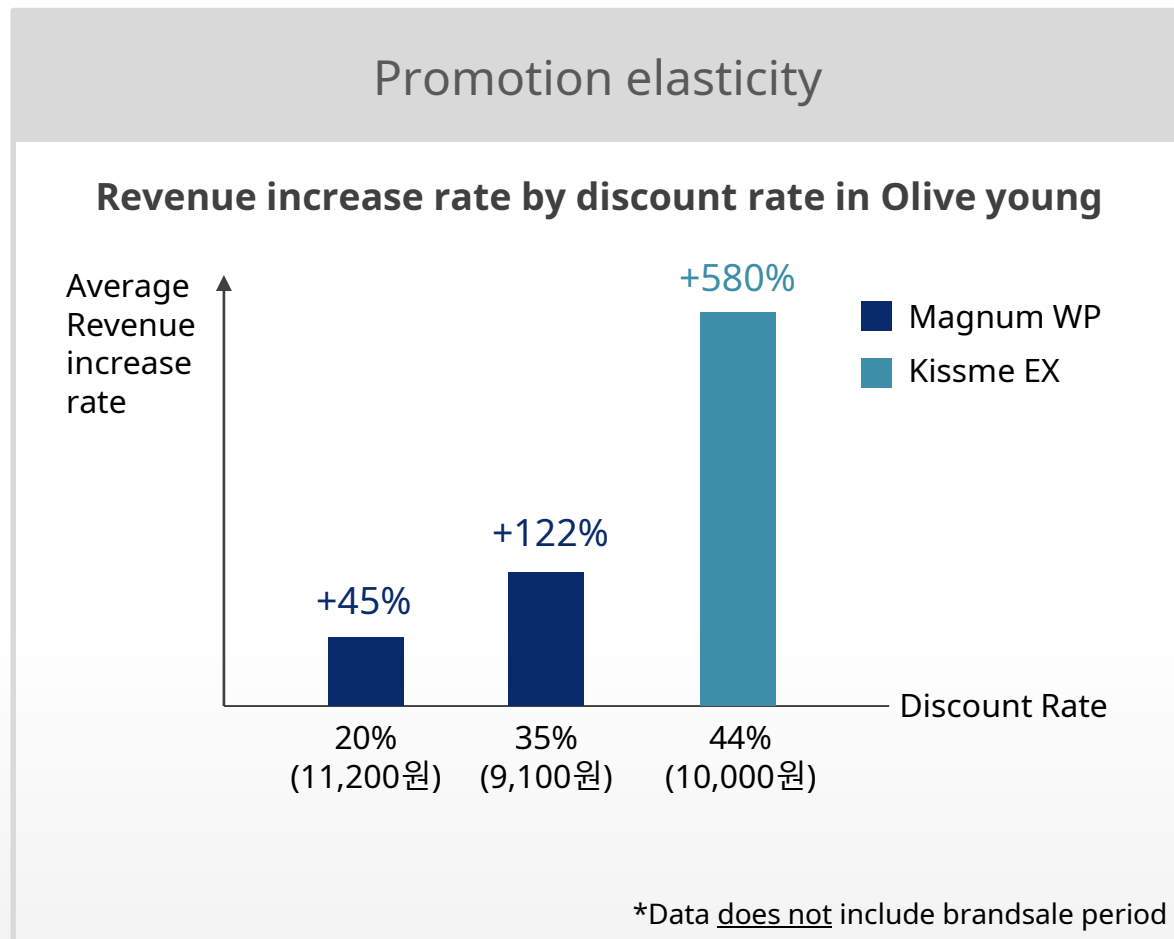
Promotion elasticity:
3 ~ 4 times LOWER

MAYBELLINE

KISS ME by ISEHAN

MAYBELLINE

MNY Magnum WP – Why so & answer

"Why magnum WP's promotion elasticity is lower than Kissme EX?"

One reason is a trick between discount rate and price. Despite its higher discounted price, higher discount rate makes the kissme EX's promotion seem shocking deals to customers.

Kissme EX's END promotion

"만원 할인"

Higher discounted price

Kissme EX: 10,000
Magnum WP: 9,100

Higher Discount rate

Kissme EX : 44%
Magnum WP: 35%

← What matters to customer

MNY Magnum WP – Why so & answer

"Why mangnum WP's promotion elasticity is lower than Kissme EX?"

The other reason is the failure to persuade 'mascara nomad', potential customer group. Therefore it automatically missed 'mascara settler', the other group as well.

'Mascara nomad'

"I don't know which mascara perfectly FIT my eye"

Most of 15-21 middle ~ highschool students & university freshman or so

Has no loyalty

Potential Customer Group

'Mascara settler'

"I always use THIS mascara Because it perfectly FIT my eye"

A few of under 21, some of over 22

Has loyalty

Hard to persuade

Promotion elasticity

Mascara nomad's try-purchase

Try different mascaras UNTIL they find exact mascara they want

Mascara Settlers' re-purchase

Re-purchase when mascara has clumps or running out

*source: 1) IDI (n=12, 20s, female)

MNY Magnum WP – Why so & answer

"Why magnum WP's promotion elasticity is lower than Kissme EX?"

Because of that, Kissme promotion affect magnum WP sales negatively. Because Kissme EX and Magnum WP are substitutional goods for mascara nomad and they choose former.

Promotion and Unit sales

MNY Magnum WP vs Kissme [olive young, W/O brand sale period]

Olive young END + 10,000 won

colour
- kissme
- kissme price
- Magnum WP
- Magnum WP discount.rate
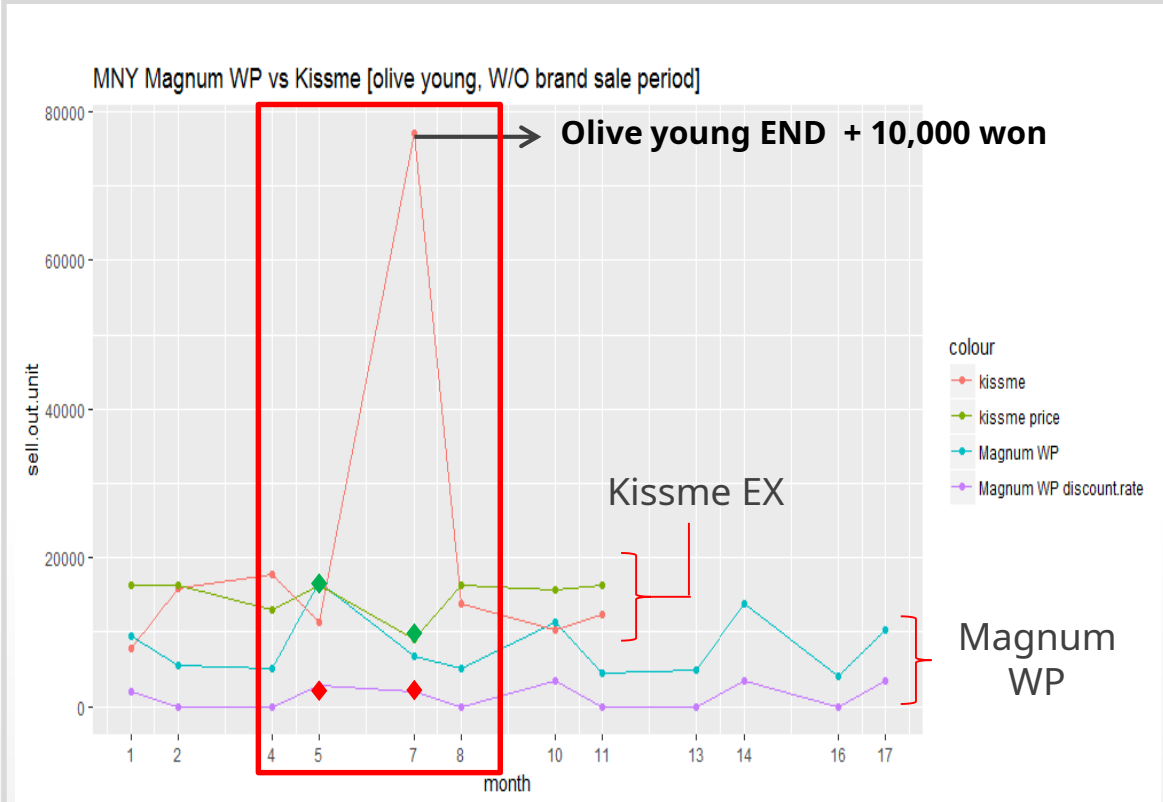
Kissme EX

Magnum WP

Kissme Promotion affect Kissme unit sales
: **+580%**

Magnum WP unit sales move apposite direction from Kissme's
: **-59%**

Kissme Promotion affect Magnum WP unit sales

*source: 1) Internal analysis

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MNY Magnum WP – Why so & answer

"Why Magnum WP has failed to persuade 'mascara nomad' customer group?"

'Mascara nomad' depends on 3 factors most before making purchase decision to find out which product have enough quality to reduce trial and error.

Mascara customer purchase funnel

Mascara Nomad → Try-out product → Settler-Loyal product

Consider product quality most!

Purchase Decision Factors →

- Friends' recommendation (Viral in social media)
- Real users' review
- Brand / product awareness

*source: 1) beauty trend report 2017, open survey. 2) IDI (n=12, 20s, female)

MNY Magnum WP – Why so & answer

"Why Magnum WP has failed to persuade 'mascara nomad' customer group?"

Despite the MNY and Magnum WP's middle-high brand/product awareness, lack of viral in social media and negative users' reviews make mascara nomad hesitate to try it.

Lack of viral in social media

Viral in Social media → **Purchase Decision**

Target focused digital communication needed

Negative review

Lots of outdated top negative reviews

Most of recent reviews are also negative

Review managent in major reviewing community would be necessary

*source: 1) glowpick

04

OAP Haircare
[Drug]

OAP Haircare – Key question & answer

"How do 4 factors affect promotion impact, and Which is the top subcategory of OAP haircare?"

As seeing in the tables describing how 4 factors influencing promotion impact, despite TR5 hairpack is top productivity product, oil's promotion impact is much higher.

* relative size of impact within 4 categories

- High
- Middle high
- Middle low
- Low

	Discount	Discount rate	Place	GWP
Oil	High	High	High	Middle low
TR5 hairpack	Middle high	Middle low	Middle low	
Others	Low	Middle high	Middle high	High

OAP hair oil – Key question & answer
"Have oil's unit sales been fell over since early '17?"

Oil's unit sales haven't fallen over. However its unit sales volatility was sharply increased.

Volatility increased since Oct 16

Oil's total unit sales and sales volatility

Oil[Drug sum, nbs]
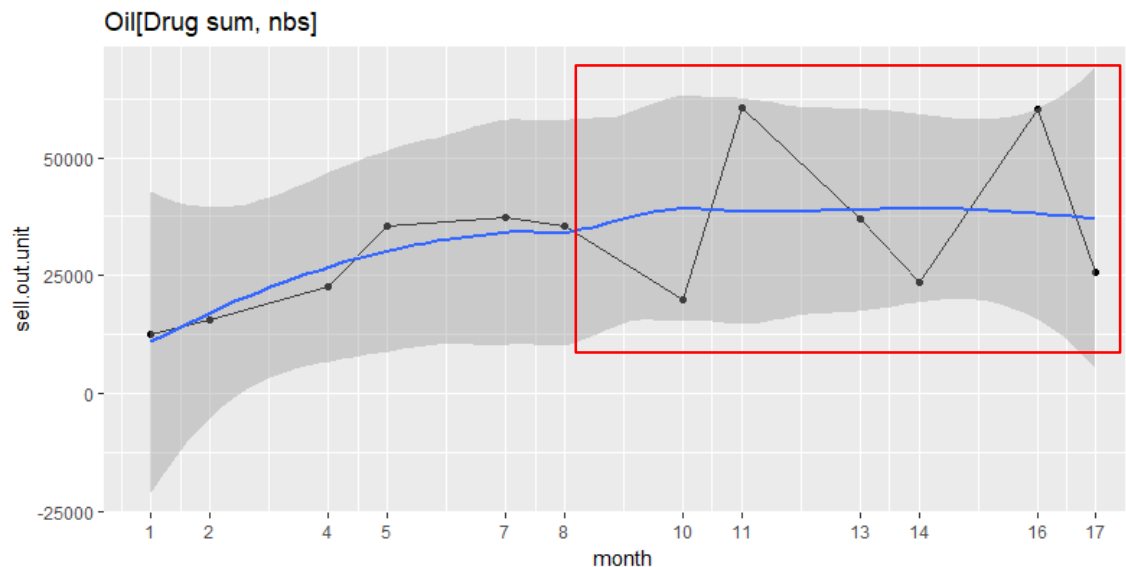
*Data does not include brandsale period

*Volatility: **328% increased**

Jan 16 – Aug 16 : 27%
Oct 16 – May 17 : 90%

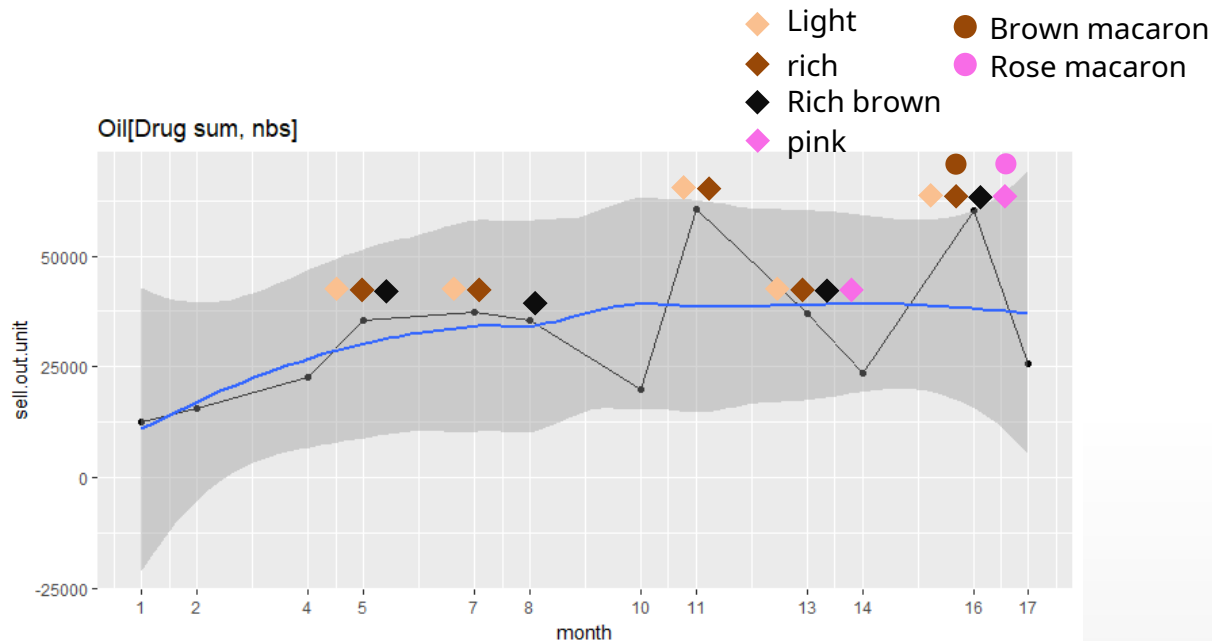*Volatility index: average change rate of sales during given period

*source: 1) internal analysis

OAP hair oil – Why so & answer
"Why oil's unit sales volatility was increased?"

Oil is oliveyoung-promotion-driven-product line. Therefore, despite the increased number of discounted SKUs in each promotion, increased 'discount cycle' lead increased volatility.

Oil's unit sales and volatility

Oil's total unit sales and oliveyoung discount promotion

◆ Light   ● Brown macaron
◆ rich   ● Rose macaron
◆ Rich brown
◆ pink

Oil[Drug sum, nbs]

sell.out.unit

50000

25000

0

-25000

month
1 2 4 5 7 8 10 11 13 14 16 17

*Data does not include brandsale period

Number of discounted SKUs

Number of discounted SKU in each promotion increased

Promotion cycle

Only 3 month out of 6 in olive young

*source: 1) internal analysis

OAP hair oil – Why so & answer

"Why perfect serum's volatility is low?"

While competing product 'perfect serum' shows lower volatility. It's because they focused on promotion cycle not number of discounted SKU, by rotating SKU discounted.

Perfect serum's unit sales and volatility

◆ Perpect Serum light
◆ Perpect serum
◆ Perpect serum rich

perfect serum[Drug sum, nbs]

colour
— price*10
— unit sale
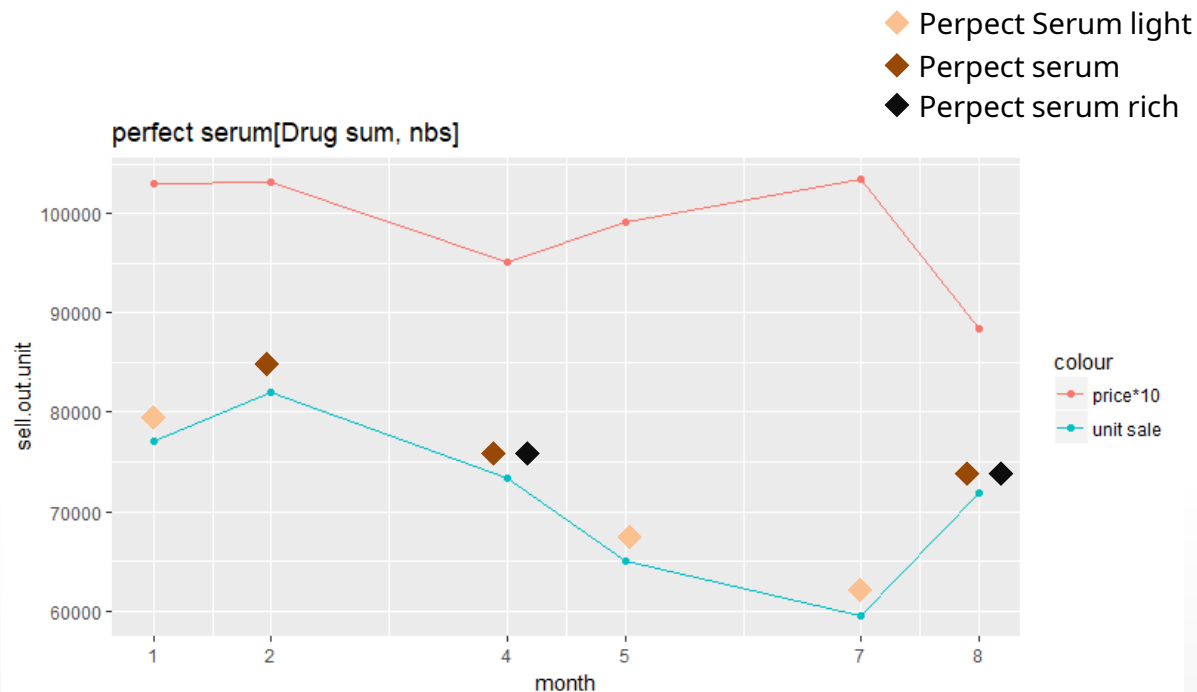
*Data does not include brandsale period

Number of discounted SKU

1-2 SKU, in rotation

Promotion cycle

6 month out of 6

Volatility

11% (average), 13% (highest)

OAP hair oil – Solution
"How can we reduce volatility?"

By Grouping oils into two group and offering discount for 1-2 SKU of each group(total 2-3 SKU) in rotation at olive young every month, oil sales volatility could be reduced.

Grouping oil into two different groups by features

| Extra rich (rich brown) | Orange macaron (brown macaron) | | Rose macaron | Rich (gold) | Pink (rose) | light | botanical |

1 SKU

3 – 5 possible combination

1-2 SKU

A B C ...

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Example	A	B	C	A	B	C	A	B	C	A	B	C

OAP TR5 Hairpack – Key question & answer

"Is TR5 hairpack's unit sale trend improving?"

TR5 hairpack's overall trend is improving, however trend shows reverse U curve. Unit sales short-term trend down since October 16.

Hairpack unit sale trend: reverse U curve

TR5 unit sales and discount rate trend in each stores

TR5[Drug sum, nbs]

colour
— productivity*10000
— unit sale
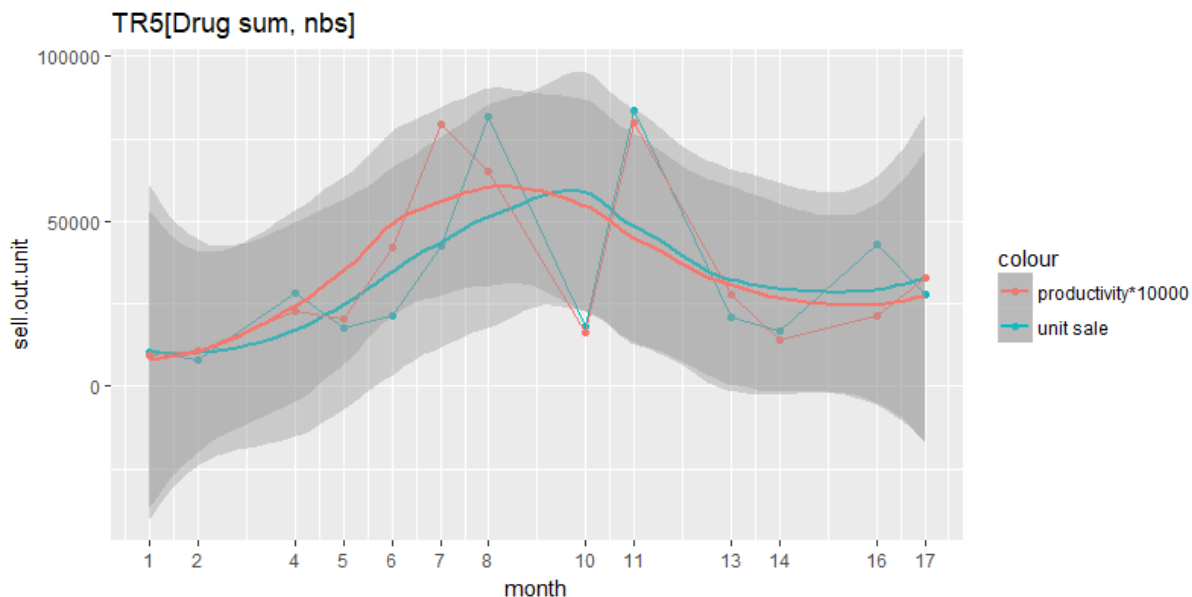
*Data does not include brandsale period

Average unit sales: -21%

Jan 16 – Nov 16 : 34,703
Jan 17– May 17 : 27,072

OAP TR5 Hairpack – Why so & answer

"Why TR5 hairpack unit sale trend shows reverse U curve?"

One reason is degree of dependence on olive young. Performance in OY decide total performance. Early '16 and '17's olive young performance were far below 3, 4Q '16's, which led to reverse U curve.

Olive young-promotion-driven-product

TR5 hairpack unit sales and promotion at each stores
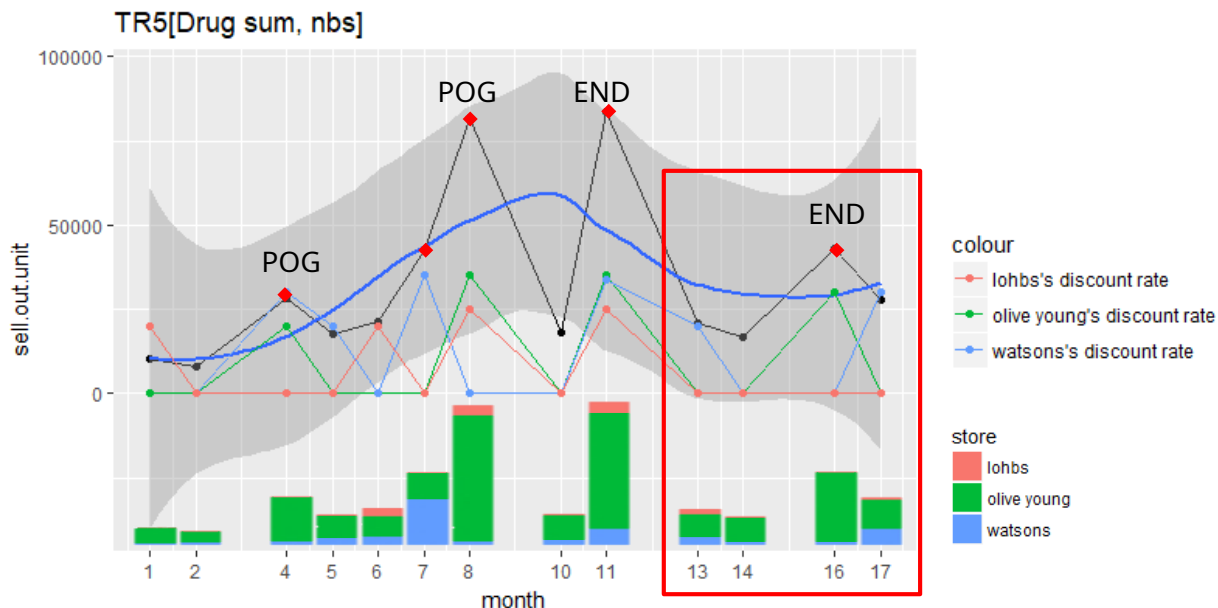
*Data does not include brandsale period

High degree of dependence on Olive young

4 high-sales month out of 5 had olive young promotion and 8-90% of sales are from olive young.

Low performance at olive young in early '16 and '17

There was only POG promotion in early '16,

but why in early '17?

*source: 1) internal analysis

OAP TR5 Hairpack – Why so & answer

"Why does TR5 hairpack unit sale trend down in early '17?"

The other reason is advent of competing products. Despite the growth trend of hairpack category, competing products with appealing digital marketing became a considerable threat to TR5 hairpack.

Hairpack category is rising

Olive young hairpack revenue

+60%

1Q + 2Q, '16   3Q + 4Q, '16
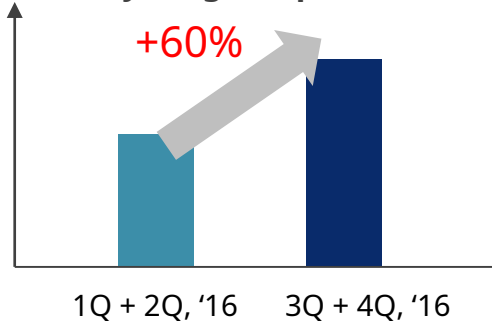
In olive young, Hairpack revenue increased 60%

Korea H&B channel revenue

	H&B					
	FY15	FY16	vs. YA	2H15	2H16	vs. YA
Total Treatment	10,075	10,619	5.4	4,929	5,296	7.4
ROT	3,416	4,083	19.5	1,758	2,091	19.0
OIL	4,122	4,017	-2.6	1,908	1,975	3.5
LOT Essence	1,692	1,646	-2.7	853	837	-1.8
LOT Mist	501	442	-11.7	255	236	-7.6
Others	343	431	25.5	156	158	0.7

In total H&B, ROT(hairpack + mask) increased 19.5%

*Value : million won

Advent of dominant competing product

Jan - Jun 2017, revenue top 10, Olive young

미용	
상품명	구분
센카 퍼펙트휩 기획세트	클렌징
미장센 퍼펙트세럼 기획세트	헤어케어
코스알엑스 원스텝 클리어 패드	클렌징
키스미 히로인 롱앤컬 마스카라	메이크업
메디힐 티트리 케어솔루션 에센셜 마스크	마스크팩
닥터자르트 시카페어 크림 회복세트	스킨케어
착한팩토리 90% 밀크단백질 트리트먼트	헤어케어
바이오더마 센시비오 H2O 기획세트	클렌징
23 years old 바데카실P	스킨케어
미팩토리 3단 돼지코팩	마스크팩

'Protein treatment' made by small company 'chakkan factory' is a dominant product in hairpack category with outperforming TR5 hairpack

*source: 1) CJ olive networks, 2016. 2) Nielsen "hair care market trend" report, 2017.

OAP TR5 Hairpack – How so & answer

"How did 'protein treatment' from a small company become a dominant product?"

Success factors of protein treatment are 1) appealing to 20s female customers' needs and 2) leverage on-line viral to increase sales in off-line stores.

Appeal to target customers' needs

Customer needs

- I want to see 'naked facts'
- I want 'really work' product

Put users' review in front

Emphasize specific effectiveness with frank(sometimes shocking) photo or thumbnail, NOT fancy or pretty images

Leverage online viral to increase offline sale

Online Viral → Offline sale

Implement discount promotion

Put Viral messages and photos in front

OAP TR5 Hairpack – Solution

"How can TR5 hairpack improve short and long term trend both?"

In the short term, stabilizing olive young promotion cycle is need. But, in the long term, planning and developing target optimized contents would be necessary.

Short term: promotion cycle management

As-Is → To-Be

Unstable promotion cycle   Stablize

3 month – 4 month – 5 month

*Olive young

Jan	Feb	Mar	Apr	May	Jun
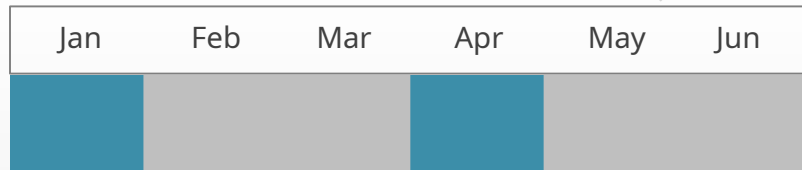
*Example

Long term: target optimized contents

Digital contents → Offline promotion

직원이 직접 신제품 리뷰하는 영상.avi

"막내직원의 패기를 보여드리죠. 사장님 긴장하세요"

#인증은덤 #더말할거임 #해시태그가짱많아!
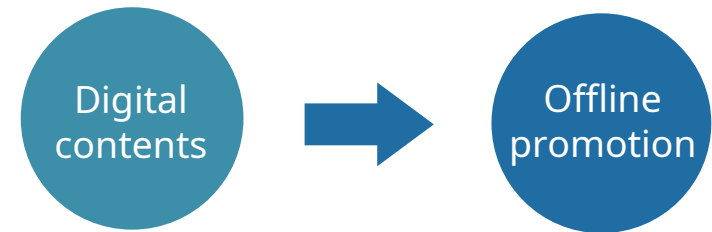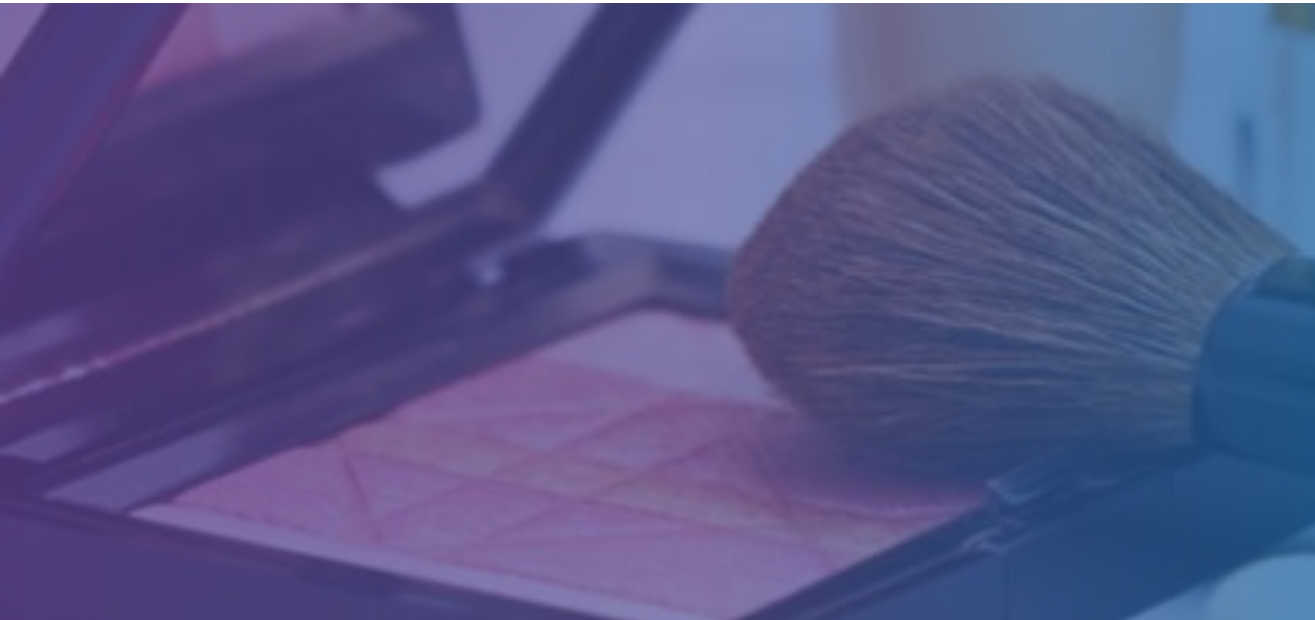
05

OAP Haircare
[Hyper]

OAP hair oil – Key question & answer

"How did hair oil's performance change since launching sets?"

Each oil line's productivity increased by an average of 34% after set launching.

Oil products' absolute performance and productivity sum

E-mart Oil

product.name
- Brown Oil Set
- Brown Oil Special Set `17
- Gold Oil Set
- Oil Rich 100ml
- Oil Rich Brown 100ml
- Rose Oil Set
- Rose Oil Special Set `16

colour
— productivity sum
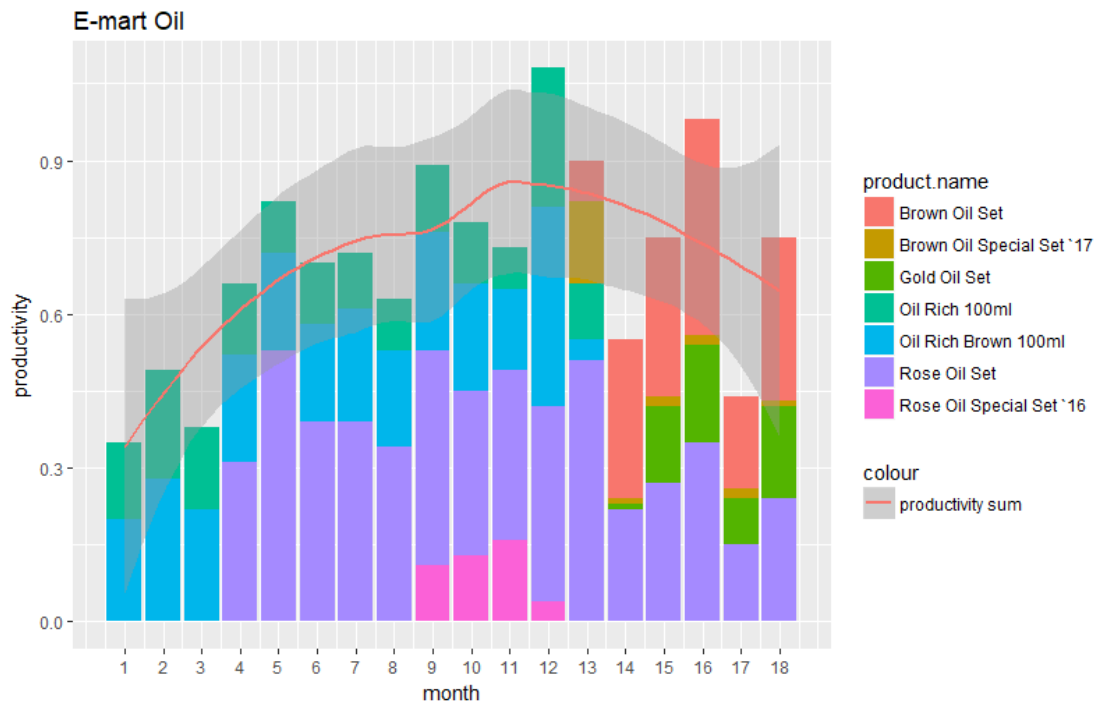
*other stores' data is in appendix

E-mart Oil set impact

Rich oil -> Goil oil set : **-14%**
Rich brown oil -> brown oil set : **+29%**

Total store average impact

Oil single -> Oil set : **+34%**

*source: 1) internal analysis

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OAP hair oil – Key question & answer

"How did hair oil's performance change since launching sets?"

However in E-mart, rose oil set shows low performance since December, which led total productivity's falling unlike Tesco and Lotte.

Oil products' relative performance and productivity sum

E-mart Oil

product.name
- Brown Oil Set
- Brown Oil Special Set `17
- Gold Oil Set
- Oil Rich 100ml
- Oil Rich Brown 100ml
- Rose Oil Set
- Rose Oil Special Set `16

colour
- productivity sum
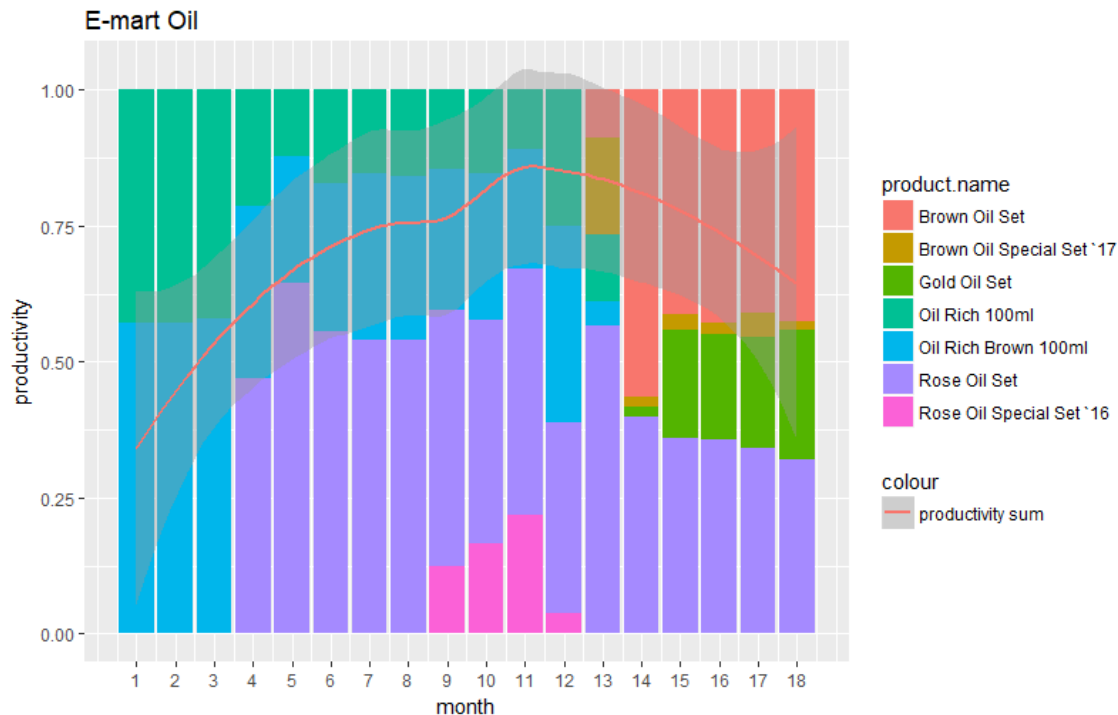
*other stores' data is in appendix

Rose oil set's low performance: -37%

Average productivity during the period

Apr 16 – Jan 17 : 0.393
Feb 17 – Jun 17 : 0.246

*source: 1) internal analysis

OAP TR5 hairpack– Key question & answer

"How did E-mart's EDLP(Every Day Low Price) for TR5 hairpack affect its performance?"

E-mart's EDLP is an unfavorable factor for TR5 hairpack. Because of EDLP, the customer sensitivity to TR5's discount promotion has been getting low, which led to the down trend of its performance.

TR5 hairpack's productivity by price change

E-mart TR5 hairpack

productivity * 10000

colour
— price
— productivity*10000

*other stores' data is in appendix
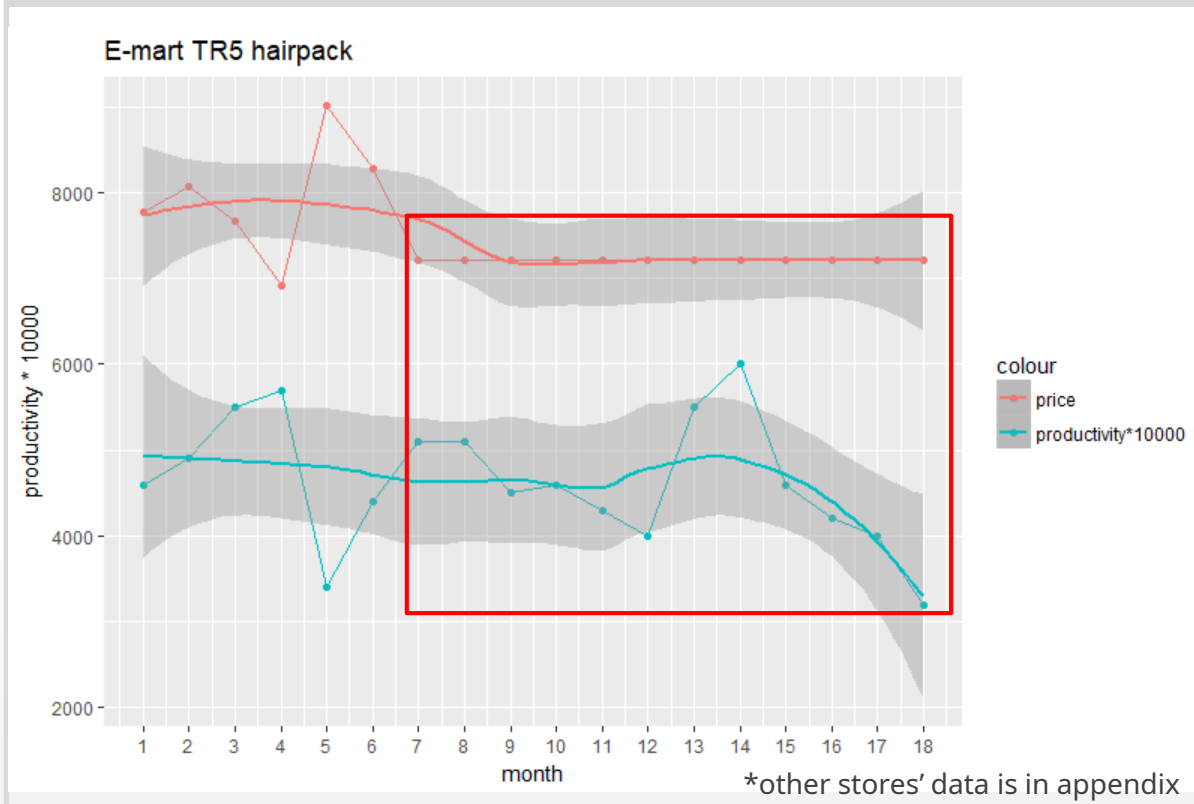
How decreased after EDLP

How Average productivity decreased by from MAR 16(had higher price than EDLP) during the given period

Jul 16 – Jun 17 : **-16.5%**
(after EDLP)

Mar 17 – Jun 17 : **-27%**
(after high mark)

*source: 1) internal analysis

Summary

Brand sale	[Drug] MNY Mascara - Magnum WP

Brand sale

Higher brand sale impact than 30% sale impact

├── 사재기
└── impulsive →

POG exposure strategy for color cosmetic

[Drug] MNY Mascara - Magnum WP

Can't win against Kissme's promotion (weak competitiveness)

├── Avoid Kissme →
└── Strengthen competitiveness →

Find out Kissme's promotion month in advance and avoid that month

Review management Marketing communication

[Drug] hair oil

Promotion cycle is important to reduce volatility

↓

Number of SKU in promotion doesn't affect impact much

↓

'rotating' promotion with 2-3 SKU is a good option

[Drug] TR5 hairpack

Losing competitiveness

↓

Sales, promotion impact will decrease if we do nothing

↓

Re-positioning Marketing communication Digital contents appealing to 20s female target

[Hyper] hair oil & TR5

Set impact is 34%

↓

Maintain selling sets

Losing promotion sensitivity

↓

Restore price & promotion sensitivity with large capacity TR5

THANK YOU
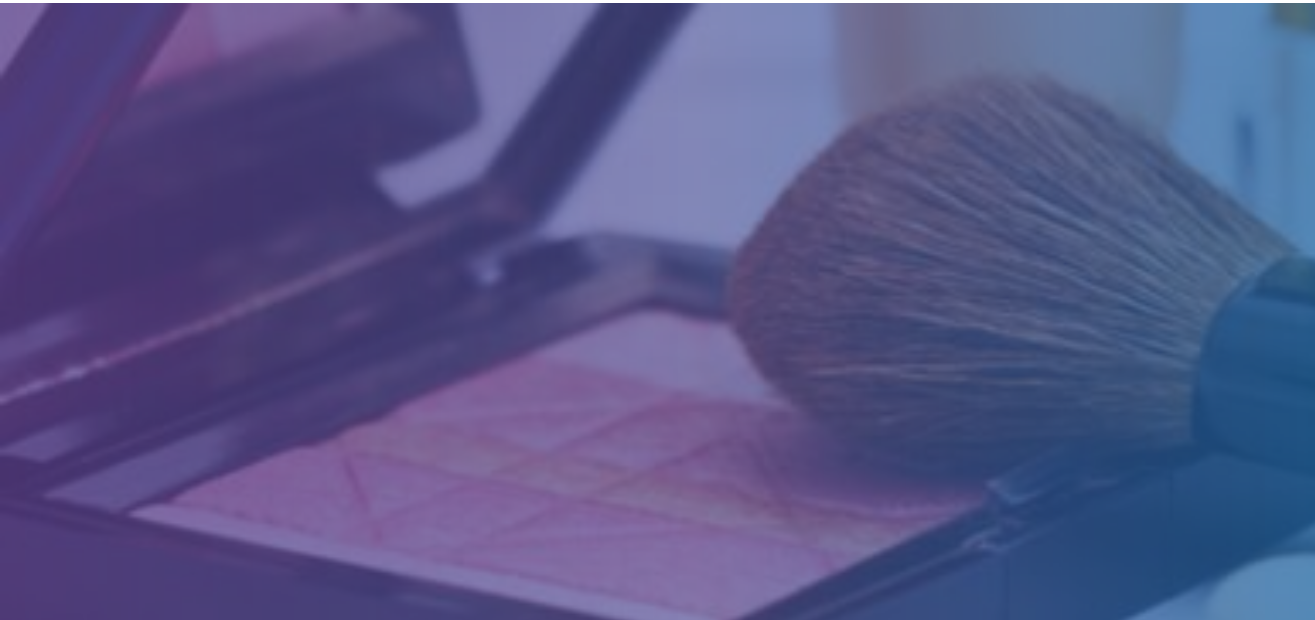
06

Appendix

Appendix – Brandsale: data
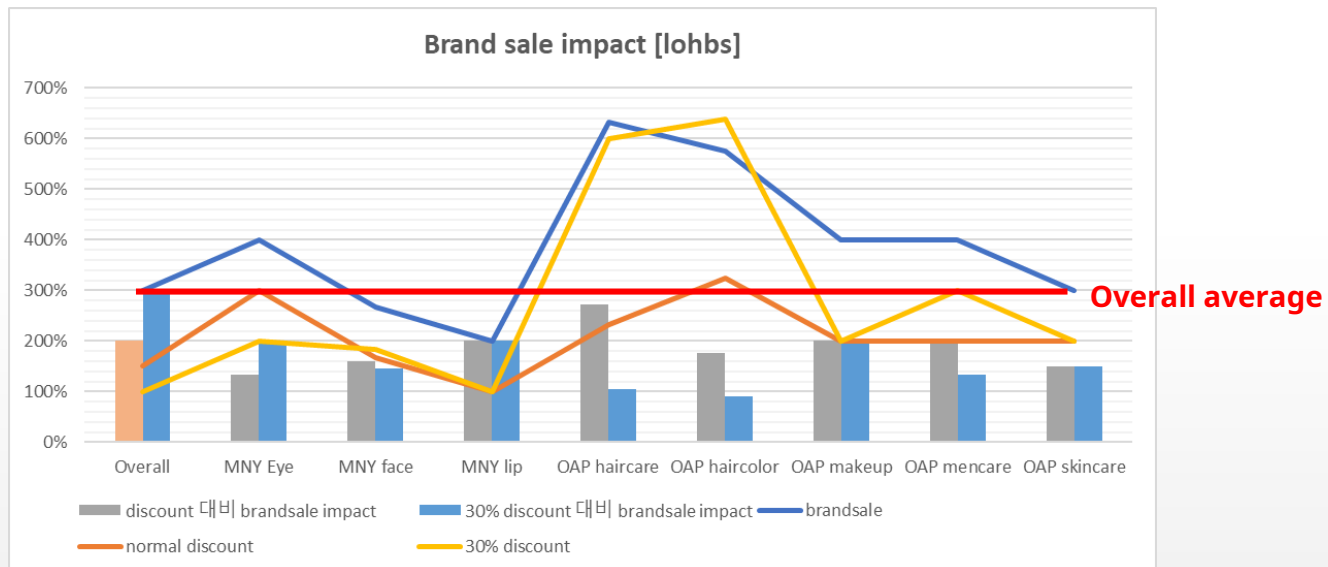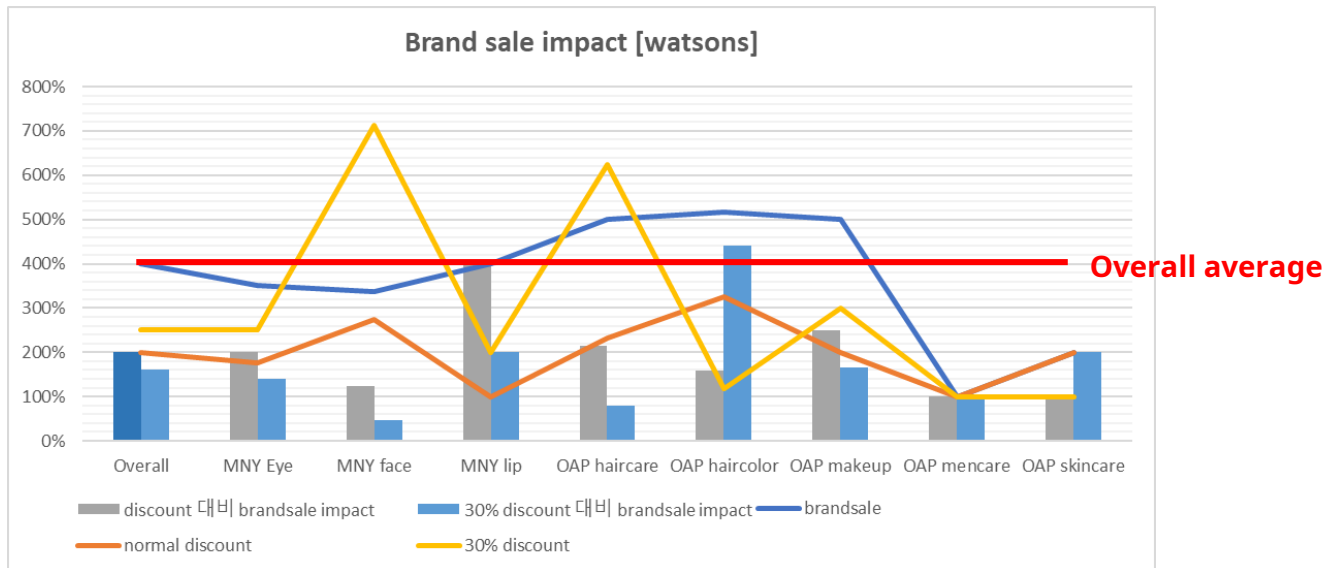
"Which categories' brandsale impact are higher?"

Appendix – Brandsale: data
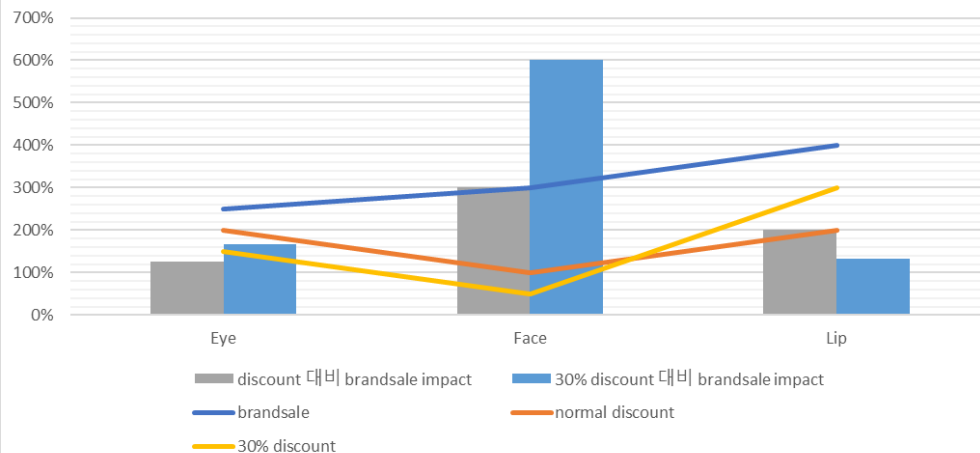
"Which categories' brandsale impact are higher?"
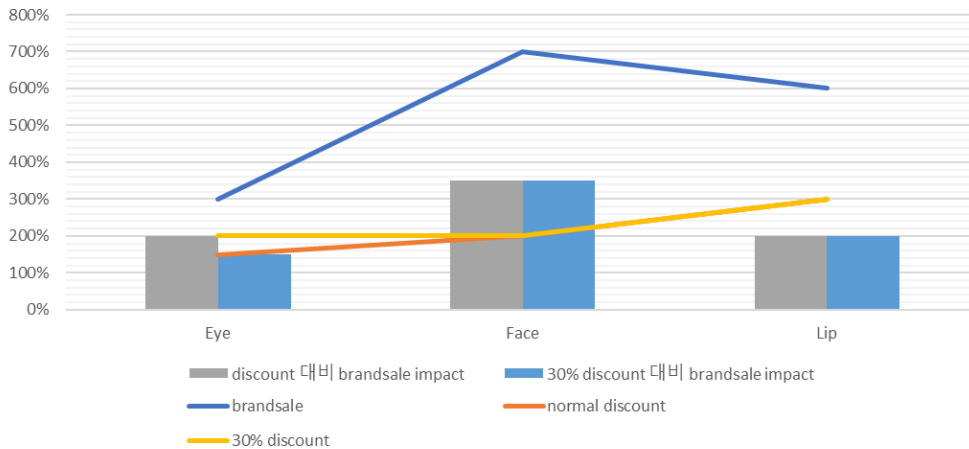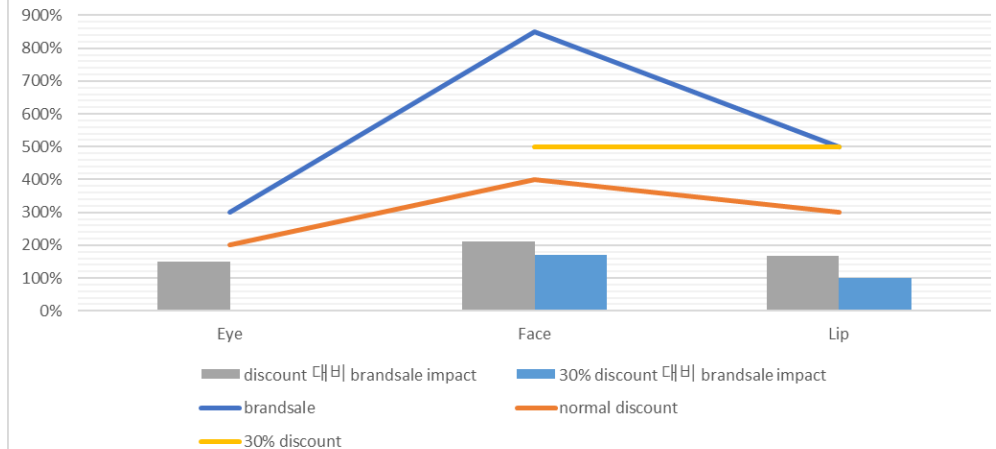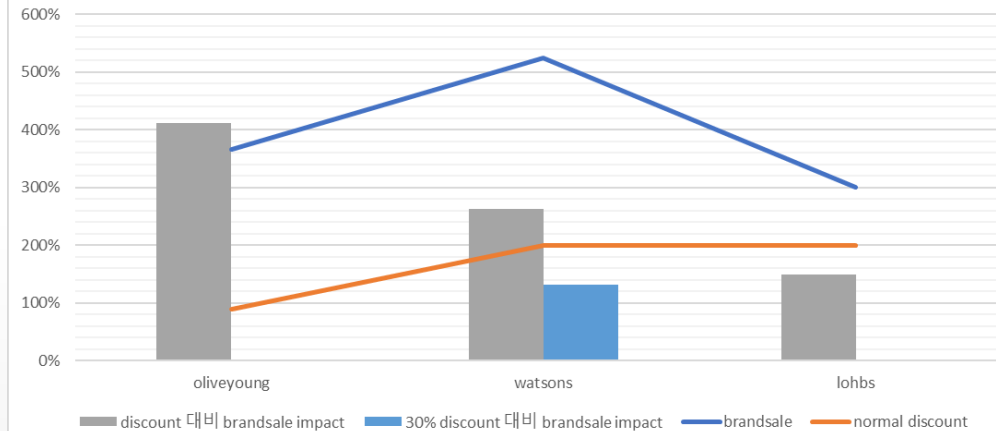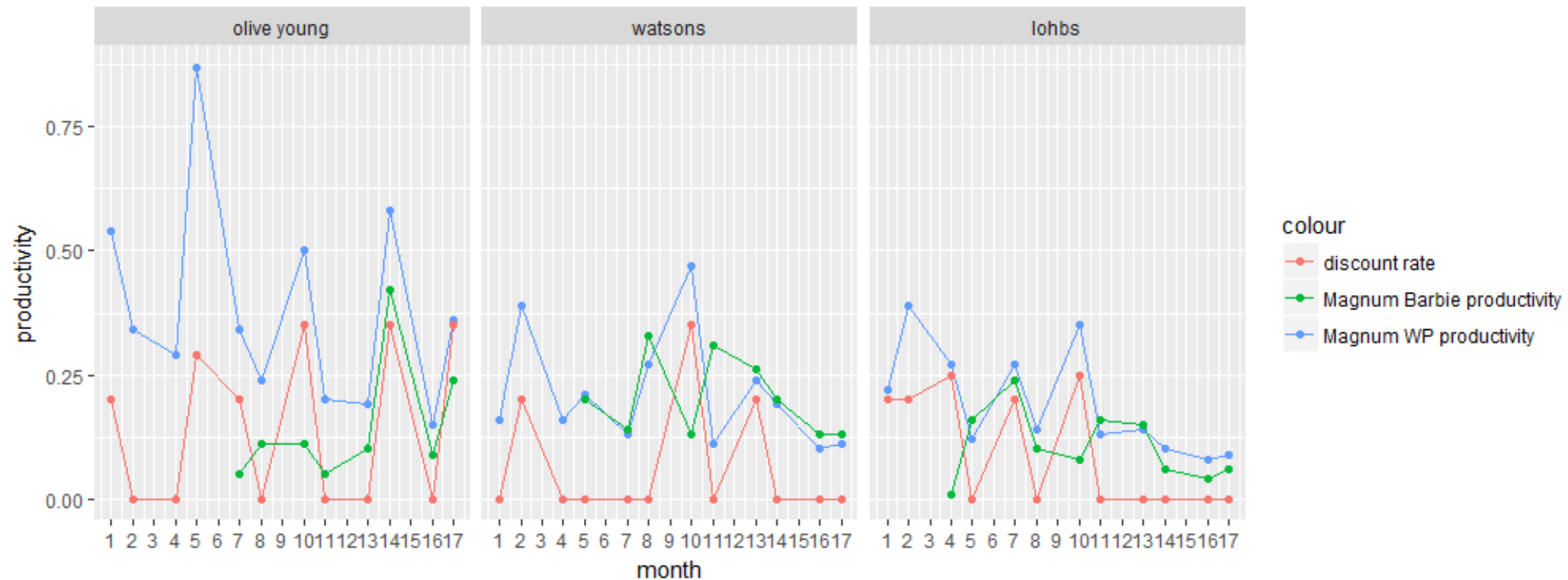
Appendix – Magnum WP: compare to Magnum barbie

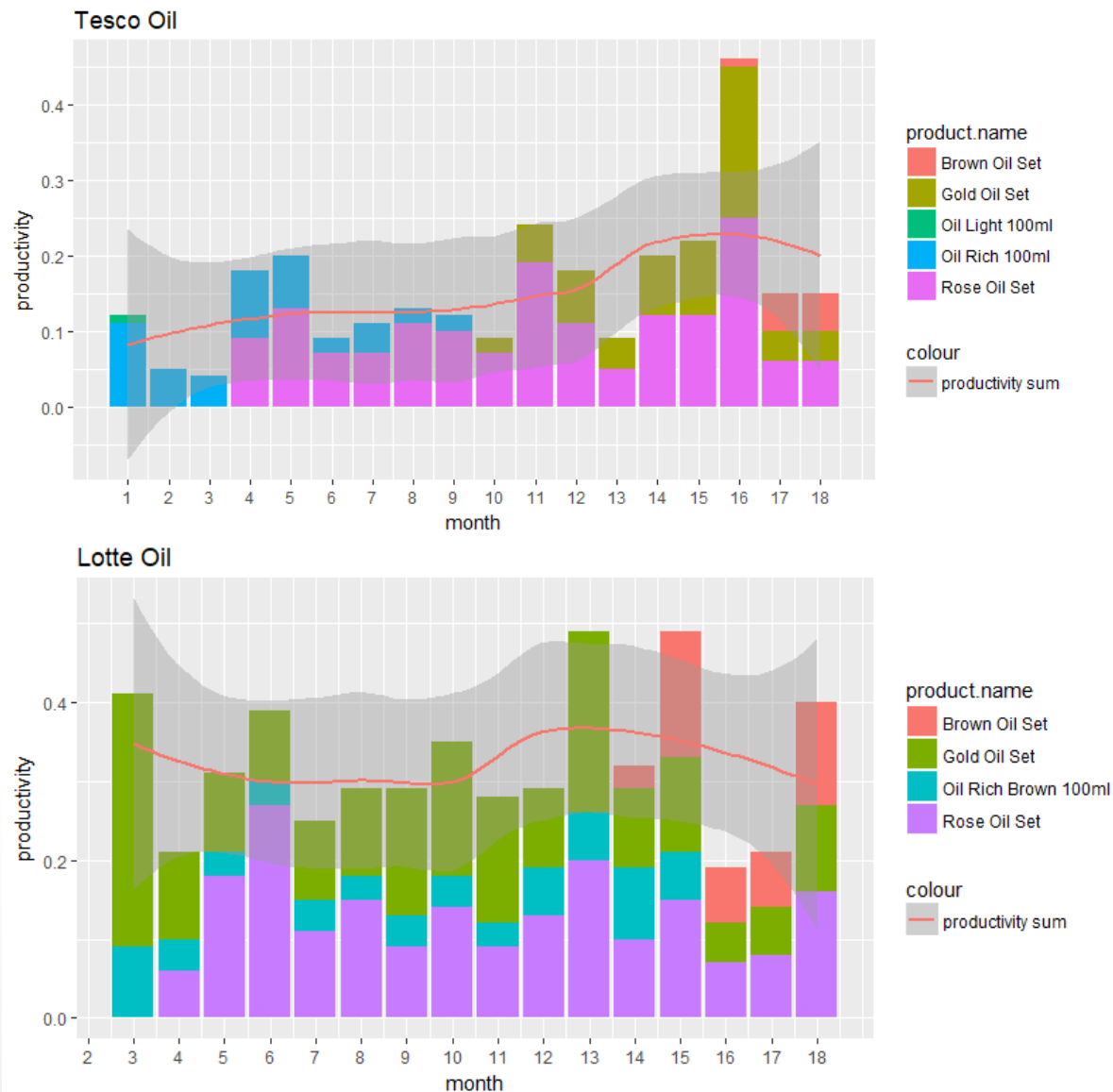

MNY Magnum WP vs. Barbie[except brandsale period]

Appendix – Drug TR5 : case study

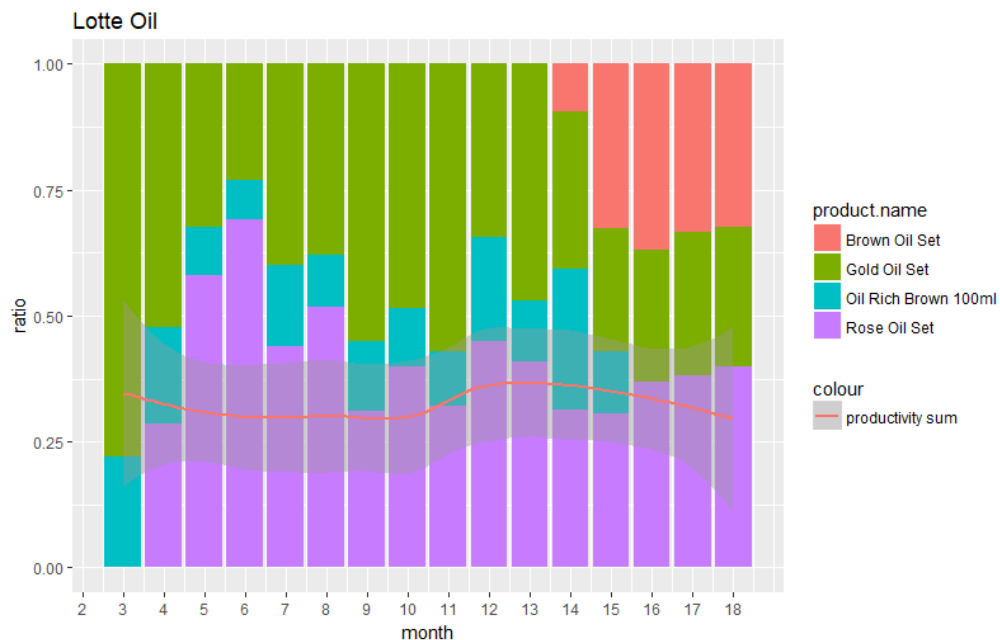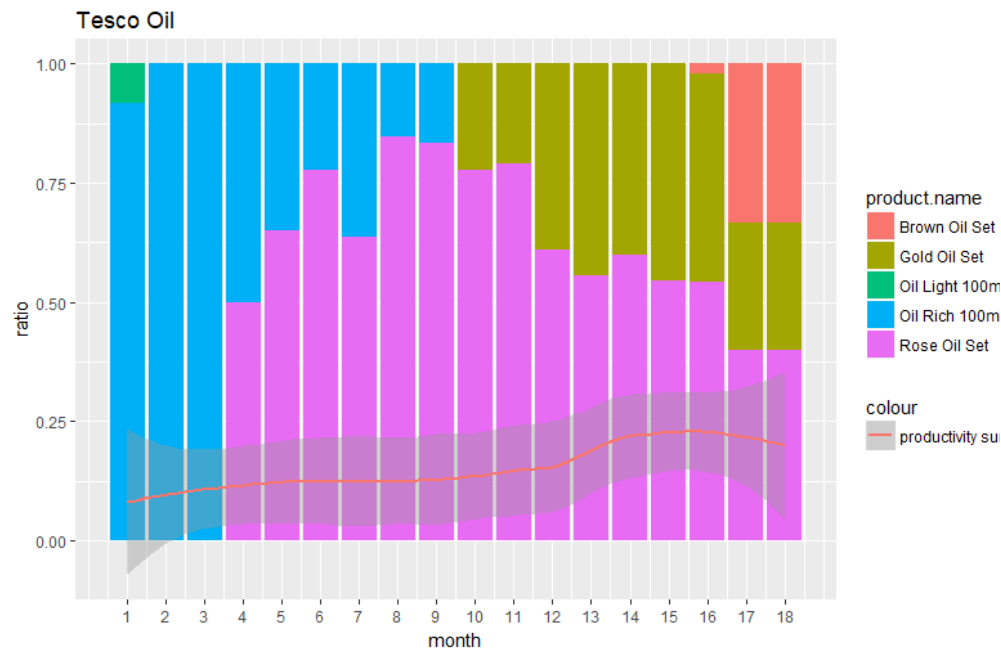"How can TR5 hairpack improve short and long term trend both?"

Appendix – Hyper Hair oil: data

"How did hair oil's performance change since launching sets?"
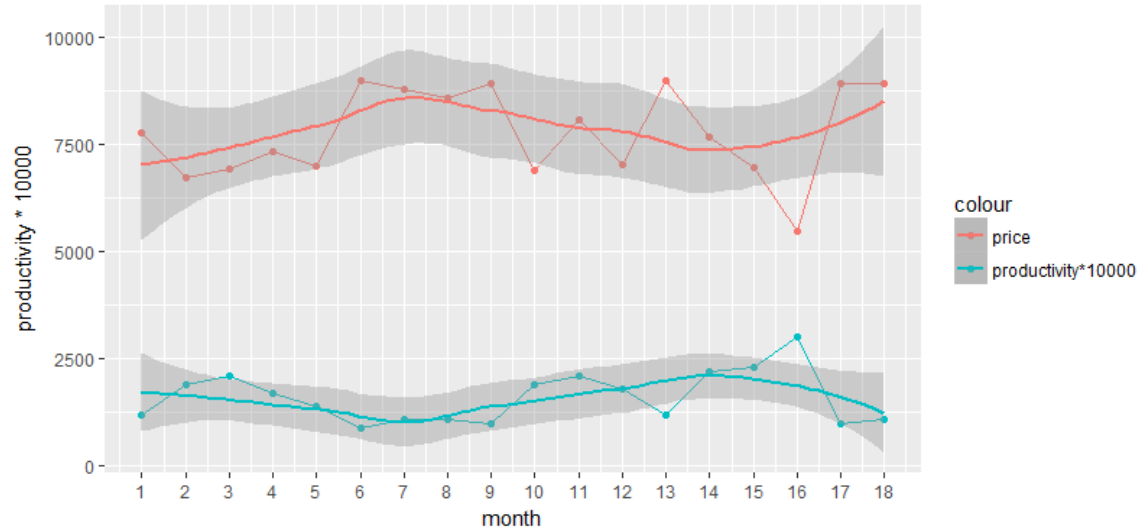
Appendix – Hyper Hair oil: data

"How did hair oil's performance change since launching sets?"

Appendix – Hyper TR5 hairpack: data

"How did E-mart's EDLP(Every Day Low Price) for TR5 hairpack affect it's performance?"

Tesco TR5 hairpack

Lotte TR5 hairpack