

## **The beauty of competition - A case about Matas A/S**

---

### **MANAGEMENT DECISION**

---

---

The authors prepared this case solely as a basis for class discussion and not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. Although based on real events and despite occasional references to actual companies, this case is fictitious and any resemblance to actual persons or entities is coincidental.

## Managerial Decision – Renewing Matas

On 30th of May 2018, Helle Poulsen presented “Renewing Matas”, a strategy to deal with the rising competition and other threats faced by Matas. Renewing Matas is a five-year strategy, lasting between 2018-2023 with the ambition to lift customer engagement, grow revenue and secure earnings. The presented strategy consisted of five key areas.

### Live our purpose

When Helle Poulsen developed the new strategy, she asked herself the following question: “*What is Matas’ purpose and role, in a future of retail changes?*” and the answer to the question ended up being their new purpose “Skønhed & velvære for livet” - “Beauty and Wellbeing for Life”. As a way of putting meaning behind the new purpose, the first new strategic track “Live our Purpose: Renew the Matas experience” was made. “Live our Purpose” consists of six guiding principles (See Exhibit 1.) which helped Poulsen and the management team to develop the remaining strategic tracks. The six principles were: *Make beauty more personal, Make shopping a sensuous experience again, Make natural & responsible beauty more accessible, Make daily beauty & wellbeing easy, Champion Danish beauty & brands and Be relevant to everyone.* These will be reflected in each of the strategic tracks.

### Win online

The second part of the strategy was *Win online* and consisted of three elements. The first was named *Ticket to play* as Matas wanted to create an exceptional customer experience. Finding products online should not be a problem, hence attention was paid to SEO. Secondly the experience of shopping online should be made more personal and the offered product feed needed to be unique to Matas. Lastly, delivery should be more smooth and same day delivery should be available within bigger cities while the rest of Denmark could enjoy deliveries the following day.

Further on, emphasis was placed on what Matas called *Creating differentiation* as well as on *How to compete with the best*. They wanted online shopping experiences to give the same personal feeling as an in-store visit gave their customers. Interactive guides were developed so customers could answer questions regarding their habits, which recommendations across channels later would be based on. For example, Matas also developed an interactive feature in the online channel where customers could receive personalized support through live video conference with store personnel. Club Matas would also be made a more central part of the service encounter, increasing the usage of customer data. Club Matas with its 1.5 million active users, should connect customers and gather product reviews. Connected retail would also be used, to integrate the brick-and-mortar store and online. All customer data was stored at the

same place, making it possible for Matas to personalize their offers. To further differentiate, Matas focus was placed on the brands offered, trendy high-end brands as well as new domestic brands and their own brands should be prioritised. The last part of *Win Online* is *How to compete with the best*, to achieve this, the connection between IT and stores should be enhanced, hence improving their omnichannel operations.

## **Reignite store growth**

Helle Poulsen had more to add on the new strategy, the third part was Reignite store growth. Matas had realised that they had not changed their store layout for a long period of time, with a few exceptions. Meaning that different stores looked differently prior to the strategy. Matas had seen that upgrading stores created approximately a 4 % increase in revenue growth during the first year. But Poulsen and her team felt that it was not enough - Matas could achieve more. With the new strategy they wanted to involve more senses, facilitate the shopping experience and be relevant to everyone. The new stores should include new assortments, new pricing and offerings as well as a new kind of service model. To implement this, Matas planned to first make small tests and if the new concept proved to be successful, then they would try it on a larger scale before implementing it on all stores. In addition to the updated look and feel of the stores, Matas also wanted to open more stores, expand some of the existing ones, consolidate others and lastly close stores that were unprofitable.

## **Open new growth paths**

As a first step out of a handful of new growth opportunities, Matas announced the launch of the new product brand Matas Natur. With the new product brand, Matas wanted to consolidate their position within the green consumption movement - a market with a total worth of 1.6 billion DDK and growing. Matas Natur made a welcome addition to the portfolio both in terms of making natural and responsible beauty more accessible while it also targeted consumers seeking a more natural and healthier lifestyle. In-line with Matas omnichannel model, the launch was initiated within weeks of the announcement and started in the online shop where focus on assortment and fast delivery was combined with heavy marketing in social media and strong offers. In addition, Matas followed up by launching the new products as part of a future concept in the physical stores - a Green Shop-in-shop - where the focus instead was placed on education of the products while also offering an extended range of natural products. In 2018, Matas also opened two new concept stores for Matas Natur in Denmark's two biggest cities Copenhagen and Aarhus. Matas saw the new product brand as a vital step in ensuring future growth and expected a 10% increase annually within the category.

## **Change how we work**

The customers had spoken, and Matas acted accordingly. To address and improve on both customer experience and drive down costs to secure margins, Matas identified and implemented new work habits within four key areas where they would strive to

achieve (1) excellence in commercial, (2) excellence in sales, (3) excellence in customer insights and (4) continue enabling through technology.

*Commercial excellence* was meant to significantly improve customer experiences across all channels. Matas began to rotate a minimum 20% of the in-store assortment and customized each store's assortment to be more localized to meet customer needs and better utilize space. Poor performing products were replaced with new brands and product categories as well as better selling elements. Matas also added around 300 new products to their Everyday Fair Prices (EDFP) campaign and utilized Club Matas to promote more relevant and personal offers. By maximizing supplier contribution of the EDFP campaign Matas could strengthen strategic partnerships and achieve first mover advantages and exclusivity on certain brands. Lastly, Matas announced a relaunch of *de sribede* – Denmark's strongest private label series in health and beauty. Since its initial launch in 1967, the series' only makeover had been made in 2006 but was now in need of a more modern and eco-friendly appeal. The first products to see the light of day were the sun care products which were released in March 2018.

To reach *excellence in sales*, Matas took omnichannel retailing to a new level in order to create an even more seamless and convenient customer journey. A greater focus was placed on small/medium sized stores, next day deliveries and a majority of collected packages would take place in store. With more frequent deliveries, costs were reduced as a consequence of less package handling by employees and more optimal replenishment. Together, these initiatives would enable more traffic to the physical stores and opportunities for additional sales at pickup. An in-store mindset transformation was identified as a key for achieving this. It was built around continuous training of employees as well as the creation of a performance culture with evaluation of KPIs and customer experience in focus. For example, store managers started working more on the floor, enabling coaching of employees on a daily basis. Each store was also encouraged to individually engage and connect with their local customers through Facebook on local content and events. By the Summer of 2018, 250 out of Matas 263 stores had a Facebook page.

The third excellence Matas strived for was within *consumer insights* where new and personal ways of engaging the consumer were launched. On June 7th, 2018, Matas held an introduction event for the new loyalty program: the Social Media Club, which targeted young beauty lovers. In addition, Matas simplified and digitalized the entire club member journey. The result was a more user friendly and personal customer experience for members. Lastly, Matas engaged in ground-breaking partnerships with leading AI technology firms Agilic and Houston Analytics to increase relevance of their 1:1 communication with customers. By May 30th, 2018, Club Matas had 1.5 million active members.

The final key area for Matas' continuous success was identified in the *enabling through technology*. Information Technology was identified as one of the main factors for Matas success and had over the past 10 years been developed to adhere to the many challenges related to achieve a true omnichannel experience. Consequently, Matas already had a strong foundation of IT infrastructure, and the new strategy emphasized a continuous development to stay ahead of competition.

## Exhibits

### Exhibit 1 “Live our purpose”.

