

CORPORATE BRAND MANAGEMENT AND REPUTATION

MASTER CASES



Drunk Elephant: The New Toys'R'Us?

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Corporate Brand Management and Reputation: Master's Cases

The "Corporate Brand Management and Reputation: Master's cases" is a case series for applying the case method of teaching and learning in higher education. The cases are relevant to brand strategists in private and public sector organizations, as well as academics and students at universities, business schools, and executive education.

The cases are written by groups of master's students as a course project. The specially developed case format is defined as: *"A management decision case describes a real business situation leading up to a question(s) that requires assessment, analysis, and a decision reached by discussion in class. The alternative approaches and recommendations from the class discussion are followed by a description of the choices made by the case company. This description is then discussed by the class."*

The student groups select the topics of their case providing updated and relevant insights into the corporate brand management. The cases can be used as "written cases" (handed out and read in advance, later to be discussed in class) and/or as "live case" (presented by the teacher following a discussion in class). Each case includes teaching notes, visuals with speaker's notes, learning objectives, board plans, and references.

The mission of the series is *"to develop cases for discussion providing insights into the theory and practice of corporate brand management and reputation, with the intent of bridging the gap between academic teaching and managerial practice."*

The series is a result of co-creation between students and teachers at the elective course Corporate Brand Management (BUSN35 – five-credit course/eight-week half-time studies), part of the master's program International Marketing and Brand Management at Lund School of Economics and Management, Sweden. The cases represent the result of the intellectual work of students under the supervision of the head of course.

Although based on real events and despite references to actual companies, the cases are solely intended to be a basis for class discussion, not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. The cases are free to be used and are to be cited following international conventions.

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Drunk Elephant: the New Toys'R'Us?

WRITTEN CASE

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.

MANAGEMENT DECISION CASE

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Drunk Elephant - The New Toys'R'Us for tweens

Drunk Elephant and Tiffany Masterson History

In 2012, Tiffany Masterson, a mother of four, founded Drunk Elephant during the noughties recession (Forbes a, 2017). Battling sensitivity as a self-proclaimed 'brand hopper,' Masterson conducted strategic research and personally tested cosmetic formulas to identify skin irritants. This journey led her to pinpoint six troublesome ingredients, which she coined as the Suspicious 6™ – essential oils, drying alcohols, silicones, chemical sunscreens, fragrances, and sodium lauryl sulfate (About, n.d.).

Driven by her quest for non-toxic skincare free from the Suspicious 6™, Masterson established her own brand, collaborating with contract chemists. A foundational philosophy emerged, emphasizing that a skincare routine is only as effective as its weakest product or ingredient. This ethos birthed the #DrunkBreak concept, advocating a break from excess ingredients in skincare. Masterson's commitment to her brand is evident in her approach: "I don't look at other brands. I don't go into Sephora anymore. I don't follow trends. I stay close to home and stay in my lane. I do what I need. I'm a consumer first," (Forbes b, 2017). This mindset reflects her dedication to a consumer-centric approach and a desire for simplicity in skincare routines.

Positioned as a prestige brand, Drunk Elephant primarily targets women in their twenties and older. Its product lineup features active ingredients like retinol and vitamin C, tailored to address skin issues associated with mature skin. Initially gaining popularity among millennials, Glamour labeled Drunk Elephant "millennial clickbait" due to its eye-catching colored caps and whimsical product names. By 2018, the brand achieved remarkable success, with net sales approaching \$100 million, leading Forbes to recognize it as "one of the fastest-growing prestige skincare companies in history," (Sorvino, 2019).

The following year beauty giant Shiseido Company, Limited (Tokyo Stock Exchange, First Section: 4911) ("Shiseido") announced that Shiseido Americas

Corporation (“Shiseido Americas”), a subsidiary of Shiseido, has signed a definitive agreement to acquire DRUNK ELEPHANT™ (“Drunk Elephant”) for \$845 million, a leading and fast-growing prestige skincare brand and a recognized expert in developing clean compatible and effective products. The acquisition of Drunk Elephant strengthens Shiseido’s leadership in the global prestige skincare market (Shiseido, 2018). However, it has recently reached the lowest stock price on the Tokyo stock exchange last December since June 2017.

(**Exhibit 2**). This unexpected turn of events added a layer of complexity to Shiseido's financial landscape, prompting a closer examination of the dynamics surrounding its market performance.

The Incident

Over the past two years, a new demographic has surged onto popular social media platforms such as TikTok and Instagram. Dubbed Gen Alpha, this group comprises children and teens, born between 2010-2024, known for their impressionability and rapid growth in the digital realm. A recent YouGov poll revealed that despite age restrictions, 46% of 6-11 year-olds possess an active social media account. This demographic's presence is particularly prominent on TikTok, evidenced by the hashtag #GenerationAlpha accumulating over 29 million views. Projections indicate that Gen Alpha is set to become the largest generation, with an estimated 2.5 billion individuals by 2024. Notably, demographer Mark McCrindle predicts that this group will wield unprecedented spending power, reaching an astonishing \$5.46 trillion by 2029—nearly equivalent to the combined spending power of millennials and Gen Z. This robust economic influence presents an alluring market for companies seeking to tap into this demographic's immense purchasing power.

With a fast-growing digital presence, the digital-savvy Gen Alpha has begun shaping trends and wielding influence through their 'influencer' accounts on social media, enabling certain products to become popular and even viral. Drunk Elephant is one of the brands that have gained immense popularity, experiencing a remarkable 300% growth in followers on Instagram and TikTok. Drunk Elephant is one such brand that has witnessed remarkable popularity, experiencing a remarkable 300% growth in followers on Instagram and TikTok (**Exhibit 1**) within the Gen Alpha community. The brand's distinct packaging, characterized by pastel and neon colors arguably comparable to that of toys, giving the products a childlike appeal that resonates with young teens. Due to the unprecedented attention from Gen Alpha and their parents' willingness to purchase their products, Drunk Elephant's sales skyrocketed, with net sales surging by 77% to 90% year-to-date in America during the third quarter of 2023, as reported by the parent company Shiseido.

Following the viral success of the brand, retailers, especially Sephora, experienced a surge of tweens eager to purchase Drunk Elephant products, leading to be dubbed “The New Toys'R'Us for tweens.” (@abrilkushner, 2024). However, Sephora has experienced an increase in unfavorable incidents involving tweens vandalizing product testers and items for sale coupled with rude behaviors to sales staff that ruined the shopping experience for other customers. This subsequently led to the emergence of the hashtag #SephoraKids on TikTok, amassing 560.2 million views, illustrating the broader impact of Drunk Elephant's Gen Alpha virality on various stakeholders. Complicating matters, most Drunk Elephant products, originally designed for adult skin, contain active ingredients deemed too harsh for children, including retinol, glycolic acid, and vitamin C. This discrepancy raises a significant problem, as inappropriate skincare for children could result in skin irritation and in serious cases, irreversible damage.

Consequently, the brand is increasingly faced with heightened scrutiny regarding product safety and appropriateness. Various stakeholders, including dermatologists, parents, and even Sephora employees, have expressed their concerns, prompting a broader conversation about whether Drunk Elephant should proactively address this issue. Facialist Kezia Miskell-Reid strongly criticized the brand, labeling it as a “shit show” for promoting skincare routines for children, urging honesty about the lack of necessity for such routines (Glamour, 2023).

Amidst the immense growth opportunity to tap into the expanding and lucrative Gen Alpha market, Drunk Elephant is faced with serious ethical concerns. The brand is faced with the challenge of how to navigate these challenges, as it could significantly impact its corporate reputation and market position. The central question emerges:

“How should Drunk Elephant address Gen Alpha?”

Exhibit 1: Follower Timeline of Drunk Elephant on Instagram

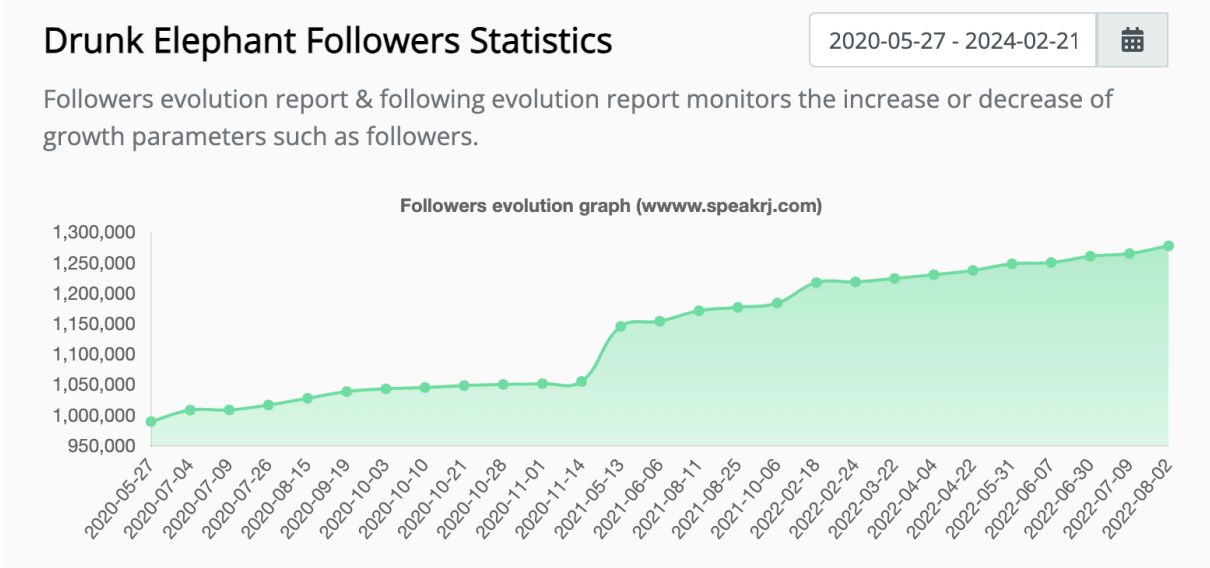


Exhibit 2: Stock price of Shiseido



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