

Drunk Elephant: The New Toys'R'Us?

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.

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. The class then discusses this description."*

The student groups select the topics of their case, providing updated and relevant insights into 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 cases" (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 the 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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Management decision options for Shiseido and Drunk Elephant

The following management decision document outlines the three main paths those with decision-making power at Shiseido and Drunk Elephant could proceed with in order to address the viral discourse from netizens. After outlining the arguments and evidence for each of the three options, the ultimate management decision Shiseido and Drunk Elephant will be revealed.

As introduced in the written case, the spending power, purchasing power and sales volume directly, and indirectly linked to Gen Alpha will be the highest ever in recorded history. This Drunk Elephant phenomenon is the first introduction to the raw power and force of Gen Alpha in terms of their skill in leveraging social media, and their parents willingness to spend their salary on luxuries for their children. Therefore the weight of the decision Shiseido x Drunk Elephant ultimately makes will set the precedent for standard practice of how corporations will address and approach Gen Alpha.

1. Prevent sales to Gen Alpha

The first management decision option that is possible for Drunk Elephant to operationalize in order to alleviate tension produced from the incident is to prevent sales to children. The overwhelming synchronized response to the #SephoraKids incident was overwhelmingly negative towards the children, parents, department stores and particularly Drunk Elephant. The witch hunt of pointing fingers in order to find the one liable resulted in Drunk Elephant becoming the poster child of the phenomenon. The expression "all publicity is good publicity" is relevant to evaluate in this option. If the backlash from Drunk Elephants involvement in this phenomenon produces a net-negative on their firm considering their corporate reputation contrasted with sales, should they continue allowing sales to children?

The first argument for preventing sales to children is that encouraging children access to skincare, and beauty products before they are of legal age to have full autonomy is unethical because beauty practices have been found to negatively impact their mental health (Exhibit D). One blogger highlights this in her statement concerned with the larger implications of skincare practice in children.

"The Impact on Mental Health Beauty for Generation Alpha is not just about appearance; it's about self-expression, fun, and even self-care. Yet, this relationship is complex. Concerns arise over potential links between beauty obsession and mental health issues like anxiety, eating disorders, and depression. An overemphasis on achieving specific looks or misuse of products leading to rashes highlights a need for education and awareness."

- (Emma J, 2023)

The tandem growth and development of the sophisticated relationship between how social media impacts netizens mental health. The long-term effects of this impact is

still not adequately studied because of the adolescence of social media. However, it is important to recognize the so far reported impact of social media on youths mental health has been (Ehmke, Wick & Steiner-Adair, 2023) To sum-up this argument Dermatologist Dr. Brooke Jeffy comments on TikTok; "Why does this adorable 11-year-old need makeup and the skincare routine which is more complicated than mine?" This highlights the absurdity of prepubescent children using a complex routine that addresses dermatological issues that are yet to manifest.

The second argument to evaluate whether Drunk Elephant should prevent sales to children is the equity and reputation of the brand Drunk Elephant (and its retailers e.g. Sephora) has changed because of the shift in its customer demographic. As of now, it has resulted in an increase of sales, however this may change if Gen Alpha isn't loyal, and if other customer segments have been put off the brand due to its association with the Sephora Kids viral phenomenon. Although it is the parents purchasing the products, the intention is set by their children. The long-term effect of the change in equity due to the appropriation of the brand is to be seen.

One Sephora community member, @blackolives, voiced their changed impression of the corporate value of the brand and its B2B partner Sephora, commenting on the change in-store experience since the colonization of the beauty retailer by children: "It just doesn't feel high-end anymore, I feel like I'm at Walmart." (Sephora Community, 2024). This shows that their positioning as a prestige brand has been forcefully changed by Gen Alpha, which affects the perceived value and reputation of the brand from non-Gen Alpha customers.

The third argument for why Drunk Elephant should prevent sales to children is that skincare with active ingredients/chemicals should be age restricted, because it is arguably comparable to how products that contain nicotine, alcohol or that medicines are age restricted because it negatively affects their health. One such testament that supports this comes from an American triple board-certified dermatologist Dr. Mamina Turegano;

"We would recommend limiting the amount of skincare they can purchase, reviewing with them the negatives to using skincare this early, and helping pick options that are the safest at their age. We would also recommend encouraging other interests that they have that do not focus on skincare and appearance." (Liscomb, 2023)

This concern is already addressed by a competitor brand which sells skincare to tweens criticizing Drunk Elephants approach and response to the discourse.

"An eight-year-old should not be putting retinol on their skin, and a child should not be using high-potency vitamin C or alpha hydroxy. [Drunk Elephant] do have a responsibility to speak up a little stronger, and perhaps they should have come out a little sooner."

- Risa Barash, founder of the tween skincare brand TBH Kids. (FIND LINK)

Facialist Kezia Miskell-Reid pitches in blaming skincare companies for not providing enough information about the products to their children.

"Absolute s**t show from a skincare brand encouraging this for children. Be honest and tell these parents that there is NO NEED for

children to have a skincare routine. DE cashing in on Christmas at the expense of your children's skin," (@inthelineofbeauty, 2024).

The safety concern and absurdity of pre-puberty children, mostly girls, using skincare products are as depicted in the excerpts above from a variety of concerned netizens. This was overwhelmingly what the #SephoraKids and Drunk Elephant viral discourse centered on. This dialog has as of Feb 2024 yet to cease and will likely continue to dominate the skincare and cosmetics realms in the foreseeable future, until a legislative consensus is provided, or Drunk Elephant drastically changes its policies.

2. Changing Marketing approach to Gen Alpha

The second option for Drunk Elephant to employ would be to maintain sales to Gen Alpha while changing their approach to decrease negative backlash. This option has many opportunities for operationalization in the aim of attaining the best of both worlds: sales and recovering the brand reputation. One such solution was presented by the CEO of Drunk Elephant who arguably gained inspiration from new market entrants that specifically target children's skincare. In an interview with Beauty Independent, Masterson and Brown humorously brainstorm names for a Drunk Elephant brand catered to children. The conversation emphasizes the possibility for Drunk Elephant to create a kit, or line targeted towards youth struggling with acne.

"I would love to do something along those lines at some point and be very targeted about it, be more clear about it," (Brown, 2023).

To appease concerns about children using a brand for adults Shiseido/Drunk Elephant could create a daughter brand for children with products that are safe and age appropriate. This could aforementioned preserve the sales numbers contributed by Gen Alpha whilst addressing the viral backlash to the reputation of Drunk Elephant.

Another argument for shifting approach in selling to Gen Alpha would be to rewrite the narrative stressing how skincare literacy is an integral part of education. Drunk Elephant, Shiseido and its B2B clients should integrate education and spaces for younger customers into their business models. Liah Yoo, founder of Krave Beauty,

"If [tweens and teens] are going to go into Sephora, it might as well have a tween or teen section that curates a collection of products that are safe for these teenagers to use....That should come with an educational component with a lot of masterclasses for skincare beginners," (De Luna, 2024).

Catering a service and products for this impactful demographic following the logic provided above could be a very profitable endeavor. However, this would require reorganization of internal resources, and could take a long time. As Shiseido is seeing a decline in its stock prices one may assume that the board members and executives are more keen on a fast recovery rather than a long-term investment into a venture that isn't guaranteed a successful ROI.

3. Proceed with Business as Usual

The third and final option for Shiseido x Drunk Elephant is to continue the strategy they have employed thus far. This means they will not stop marketing and sales to Gen Alpha. The reasoning for why this would be beneficial for Shiseido and Drunk Elephant is rationalized in the following arguments.

Shiseido reached its lowest stock price on the Tokyo stock exchange this December since June 2017. This suggests poor financial performance, therefore it would be advisable for Shiseido to maintain the successful factors contributing to Drunk Elephant's high sales in order to increase share price.

The first argument for Shiseido maintaining their current strategy is that Drunk Elephant is dominating net sales by brand in the Shiseido portfolio. Year-on-Year change in Shiseido's brand portfolio Drunk Elephant increased in sales by 77% in the 2023 fiscal year (2023 Results, p.5), compared to -1% in 2022 (2022 Results, p.5). As of the 2023 Annual Shiseido sales report, Drunk Elephant was most improved compared to its other +30 brands.

The second argument is to maintain course in order to prevent market acquisition by competitors. If Drunk Elephant prevents sales to Gen Alpha they will withdraw the market share they have acquired for that demographic. Therefore if Drunk Elephant doesn't keep selling to Gen Alpha a competitor will consume their market share, and Drunk Elephant will lose out on sales. This possible threat is realized as there has recently been an influx of skincare brands and ranges specifically targeted towards children, preteens or those with 'young skin' such as Bubble skincare (Exhibit A), or former Allure beauty editor Kelly Atterton who created Rile due to her observed connection between social media, and expressed autonomy in teenagers.

"The confessional 'get ready with me' trend that took hold over the last year and a half—it's a sign of teenagedom, it's a sign of taking control of your life....It's one of the reasons why I launched a brand in this space. At a certain stage kids start to feel like they're becoming who they are. They want to take control over their life in the little measures that they're allowed to," (Yaptangco, 2024).

Market share of skincare for Gen Alpha is evidently a highly coveted position that new actors, like Kelly Atterton, are out to acquire. This evidence is strengthened by the fact that Drunk Elephant was the most improved brand in Shiseido's portfolio for the Americas, and EMEA in 2023 (Shiseido Company, 2024), exceeding sales YoY(%) from fellow Shiseido portfolio household name brands such as NARS and Tory Burch Cosmetics.

The third argument is that Gen Alpha influences their parents' purchasing habits as well as their own. Sales Coach Samantha on TikTok contributed to #SephoraKids discourse by sharing her rationalization that if children are in the department stores, so are the parents. Therefore Sephora is reaching +2 customers who are potential paying customers, meaning that they are able to increase their sales.

A fourth argument which diffuses blame that Drunk Elephant marketed itself to an inappropriate audience is addressed by several stakeholders. This reasoning follows

that Drunk Elephant didn't intentionally brand themselves towards gen alpha therefore they shouldn't change their branding.

"From the outside looking in, it does seem like the kids are responsible for the brand's astronomical growth," she writes. "However, it continues to be a household brand used by people of all ages like it has been for the past 10 years. I've been reading that I chose the colors and packaging to target children. This couldn't be further from the truth and the truth is never quite as interesting, but I chose the colors and packaging because it happened to be my aesthetic. I actually never even considered targeting any demographic and that's what made my brand so different from the start." (Brown, 2023)

An X, formerly known as Twitter, netizen @jlorswoft chimed in on the #SephoraKids discourse defending Masterson's statement sharing that the Drunk Elephant brand is "millennial coded" in its branding and that "maybe gen alpha is alike millennials", (Exhibit B). The crux of this argument is that the call to action for Drunk Elephant to change its corporate branding is null and void because Masterson's express intention was misinterpreted and that colorful packaging isn't exclusively appealing to children.

The penultimate argument for the first management decision option is that children using Drunk Elephant is a learning resource for children to master how to take care of their skin. The positive side of this beauty revolution includes increased sun awareness and early adoption of sunscreen habits. Dr. Hale sees this as "the perfect opportunity to educate about the basics," (Emma J, 2023). Skin is the largest organ on the body and if it isn't properly protected, particularly from UVA and UVB sun rays, there is an increased risk of developing melanoma, colloquially known as skin cancer. Gen Alpha's fascination with skincare may not be skin-deep, and if maintained will protect them from malignant health threats. CEO & Founder of Drunk Elephant reflects on skincare education in her youth contrasted with the resources available today;

"They're learning how to take care of their skin. My guess is their skin's going to look better than a lot of people's skin because they're learning all this on TikTok, and it's something they want to do. I certainly wasn't, you should have seen what I was using on my skin when I was 13, yeah horrible. So, I think that part of it is good...They're educating themselves, and they have that self-care thing going, and I think that can't be a bad thing...We just need to be clear on which products are for who and what's appropriate." (Brown, 2023)

Masterson concludes her quote by bringing up the appropriateness of Drunk Elephant products, which brings us to the sixth and final argument for the first management decision option. This argument being that most Drunk Elephant products are safe for children, and pre-teens.

"I designed Drunk Elephant for all skin, including that of my own children, and the majority of our skin, hair, and body products are appropriate for and compatible with skin of all ages....This is backed by clinical data. Based on the number of questions we've received on this

topic, we created an Instagram post with recommendations of what is safe for prepubescent skin 13 and under.” (Exhibit C) (Brown, 2023)

Publicly addressing one of the central concerns voiced by the public, the safety of the skincare products leaves Masterson taking responsibility for the insufficient information about the suitable age range for products. The Drunk Elephant team even took the opportunity to advertise which products they recommend to those 13 and under. Drunk Elephant turned the proverbial table and manufactured a sales opportunity out of a heated global viral discourse. However this option is contingent on Shiseido and Drunk Elephant managing the calculated reputational risk of proceeding with their current methodology.

What Drunk Elephant & Shiseido ultimately decided to do

Having presented these three reasonable management decision approaches supported by arguments and evidence for why each is viable we ask the reader to consider which option would be most beneficial to Shiseido and Drunk Elephant. This management decision document will conclude with Drunk Elephants final management decision.

Ultimately those in power at Shiseido and Drunk Elephant chose the third and final option: not changing their approach in continuing allowing sales to Gen Alpha. From the arguments and evidence provided on the third option, it is clear to see how Shiseido and Drunk Elephant rationalized this decision. The behind the scenes working and conversations were not disclosed by either Drunk Elephant, or Shiseido. The authors assessment of their final decision is based on the social media post addressing the safety of products for children, and using the press spotlight as a point of sales recommending which product routine they recommend (Exhibit C). Drunk Elephant has also recently added a section on their FAQ page addressed to *Younger Fans* providing insights and recommendations for how children and parents could proceed with engaging with the brand in a safe way (Exhibit E).

It is however poignant to mention that Tiffany Masterson has addressed a desire to create a separate skincare line, or brand made especially for Gen Alpha. However this is dependent on the directive of Shiseido. Furthermore, this case is very fresh, therefore the authors cannot stamp a confident “The End” on this case. Additional developments, and implications are likely to follow as this phenomenon will continue to grow, develop and change.

Exhibits

Exhibit A: Bubble Skincare Homepage: Competitor

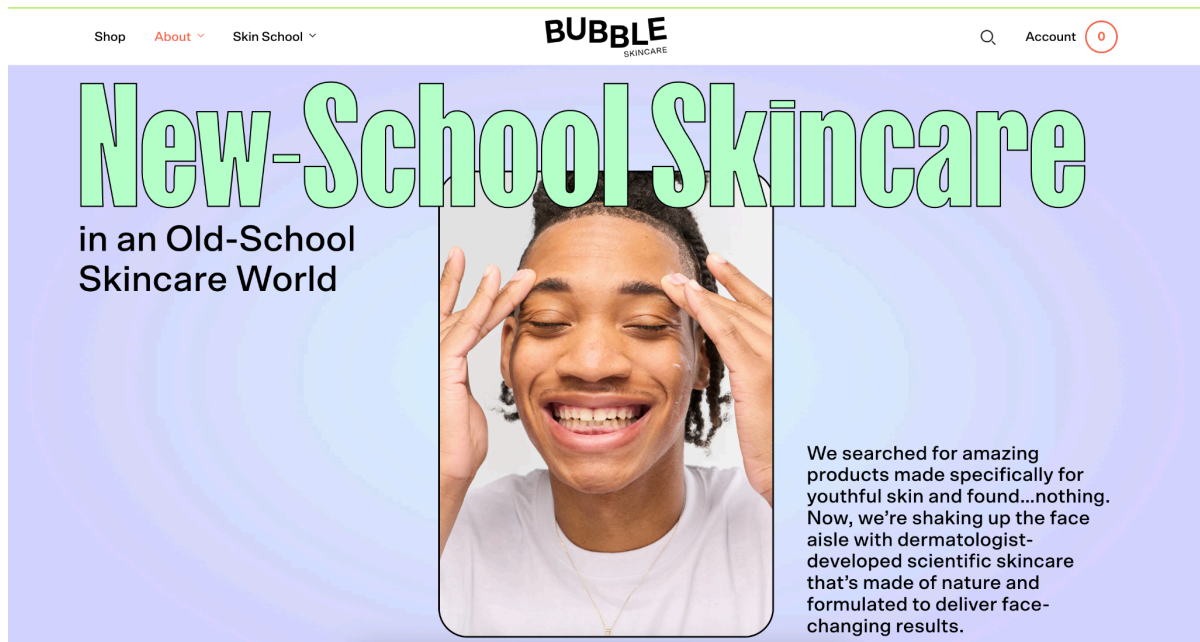


Exhibit B: Tweet About the Visual Branding Coding of Drunk Elephant

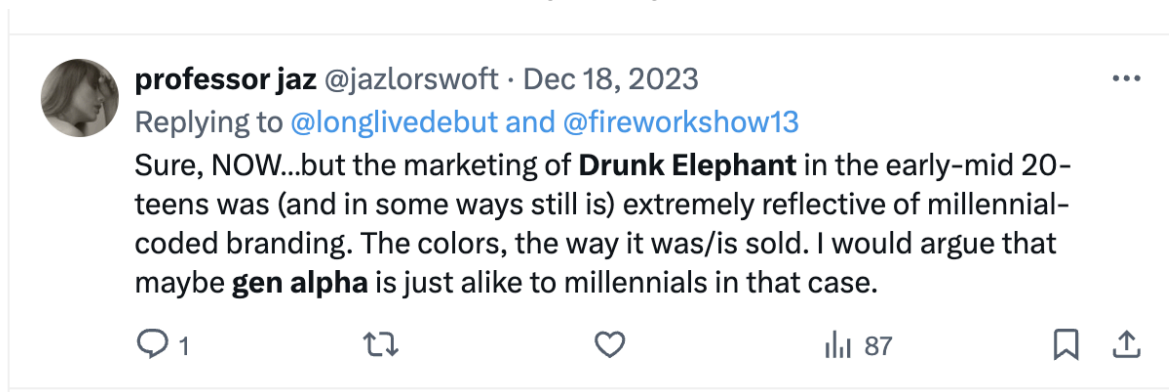


Exhibit C: Drunk Elephant Social Media Post Addressing the Safety of Products for Tweens

drunkelephant • Follow

drunkelephant Yes! Many of our products are designed for all skin, including kids and tweens. First, I would say stay away from our more potent products that include acids and retinols —their skin does not need these ingredients quite yet.

Here's a list of our products that are safe for kids and tweens to use:
Beste, Lala, Bora (it's very rich, so this one depends on level of dryness), F-Balm, Wonderwild, Virgin Marula Oil, Umbra Sheer, B-Hydra, D-Bronzi, O-Bloos, Lippe, Pekee, Kamili Body Cleanser, Sili Body Lotion, Sili Whipped, Wild Marula Tangle Spray, Cocomino shampoo + conditioner.

We've also created a simple routine that doesn't require many products: In the evening, cleanse with Beste and follow with a few drops of Virgin Marula Oil or 1 pump of Lala Retro for balance and moisture. In the morning, apply a drop or two of Virgin Marula Oil or Lala again, followed by Umbra Sheer. Sunscreen daily is a must for any age. Use Lippe on the lips day and night. That's just one routine out of many we can create for this age range.

10 w

For you

1975casey NONE of this is appropriate for children. The only skin care children need is sunscreen and so for teens

Liked by ellaxceleste and others
8 December 2023

Add a comment...

Exhibit D: Father of Gen Alpha and CEO of Skincare Company Commenting on Absurdity of the phenomenon



Thomas Parrott · 3rd+

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CEO | International Operations | E-commerce...

1w ·

Should the 'mainstream' beauty sector take action to explain the suitability of products for skin types, especially immature skin?

My daughters school felt compelled to sent this note to parents yesterday further highlighting that there is a problem serious enough that a child could experience permanent damage to their young skin through applying certain products. That's quite apart from the ongoing talc scandal and the risks to all from endocrine disrupters liberally added to formulations without any explanation of the risk to future health.

Add to this, the recent controversy of tweens in SEPHORA and defense by DRUNK ELEPHANT of their products suitability for teen skin.

The responsibility cannot be all on parents. How does the industry tackle this? Can we really rely on the big brands and retailers with the advertising money to generate these 'trending' but inappropriate products to consider health over profits and educate our beautiful children about the possible risks of an unsuitable skincare regime.

As I approach my first anniversary at Naturisimo I am incredibly proud of the work the team continue to do in redefining the narrative and educating our customers about safe, 'clean' skincare for all life stages. We've got some exciting new brands joining us this year and are always keen to talk to more brands that share our ethos.

We have seen an increasing number

Exhibit E: Drunk Elephant *FAQ* page About the Application and Use of Their Products for *Younger Fans*

Younger Fans

Who are Drunk Elephant products intended for?

Anyone with skin can use Drunk Elephant, however, not every product is intended for every customer. It's all about understanding which products are needed based on individual skin concerns. Drunk Elephant products are formulated with research-backed, skin-friendly ingredients that deliver clinically proven results.

Can Drunk Elephant be used by babies?

We recommend consulting with a pediatrician before introducing any new skincare products for babies due to their unique, highly sensitive skin.

Can Drunk Elephant be used by children?

Yes, however not every product in our line should be used by younger fans, 12 and under. In general, we do not recommend using products containing high concentration of active ingredients, which address concerns that aren't present at such an age.

As always, we recommend parents instruct and supervise younger fans, 12 and under, on how to use Drunk Elephant products and routines. Please email us at info@drunkelephant.com with any questions.

What Drunk Elephant products are recommended for children?

For younger fans, 12 and under, who are interested in getting into skincare and developing healthy routines, we have gentle formulas/options to consider. For face: Beste No. 9, Pekee, E-Rase, Slaai, Lala, Lippe, Virgin Marula Oil, Umbra SPF 30 sunscreens, D-Bronzi, O-Bloos, F-Balm, B-Hydra, and Wonderwild. For hair and body: Cocomino and Silkamino hair products, Wild Marula Tangle Spray, Sili and Sili Whipped Body Lotions.

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