

BONITAS

Domain: Mergers and Acquisitions

CASE PROBLEM

Formed in 1960, **Bonitas** is a Spanish beauty retailer with operations in both Europe and USA. It sells various brands of cosmetics and consumer goods such as shampoos and body washes. It has recently also launched its own label, which makes up for around 15% of its sales.

It sells over 100 mid-market brands and is a leading beauty seller in European nations such as Spain, Germany, France along with Scandinavian countries. They started their USA operations two years ago and are currently ranked 18th in beauty product sellers. They have global sales of over 2000 million US dollars and are known for their friendly consumer service. It counts for 20% of American and 17% of Europe's beauty sales across their 431 stores and online operations.

Bonitas has a unique strategy where it constantly collects consumer feedback and updates the beauty products in its stores. They have built extensive connections with most drugstore brands which allows them to stock up their stores with particular items in only 20 days. This means they do not have to pre-order a certain number of products but can listen to consumer feedback to stock up on fast-selling items. They are also able to store many local brands from each country they operate in, allowing them to ensure that locals can find their favourite products. Currently, they sell mostly through their physical stores, with online sales bringing in only 10% of revenue.

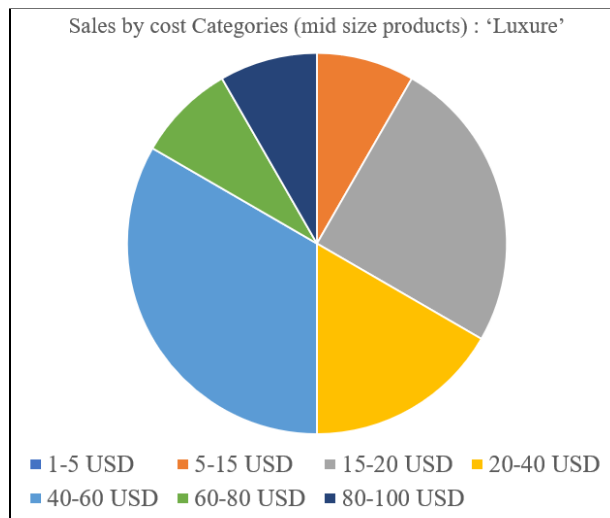
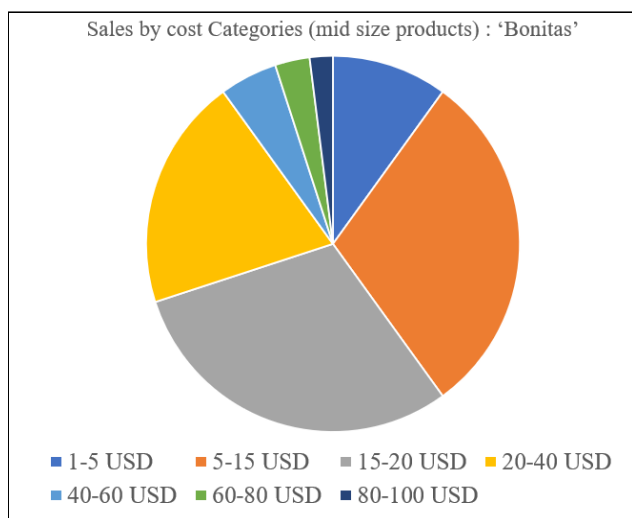
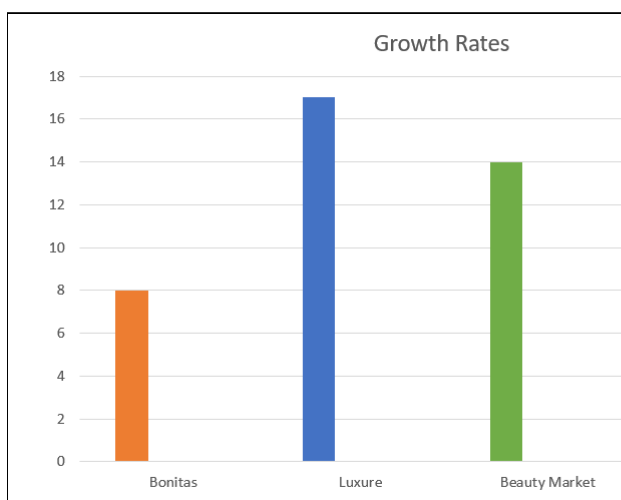
They are considering acquiring '**Luxure**,' a luxury beauty retailer which accounts for 5% of European and 7% of American beauty sales. They look through all kinds of luxury beauty brands to curate products for consumers. Their sales model is divided into their physical stores present at select locations and their online sales. In contrast to Bonitas, Luxure has around 211 stores, with their focus being their online sales.

Currently, their beauty box option, wherein the company sends curated makeup products to subscribers, brings in around 30% of total revenue. They also offer 5% discounts on their renewal packages, where they send consumers a pre-decided mix of products every two months.

- I) Should they go ahead with the acquisition? What major considerations should we look at when making the decision?
- II) Bonitas has, till now, majorly focused on its offline and in-store services. From friendly staff who helped people find good products to testers and large mirrors to view results, Bonitas had many attractive features in their stores.
However, after the pandemic, while they have seen rapid growth in their online transactions, they found through consumer reviews that around 60% of their consumers switch over to other online aggregate websites to shop for products.
What are some ways to help strengthen the online presence and business model for Bonitas?

DATA BANK

Age Range of Consumer	'Bonitas'	'Luxure'
Up to 12 Years	0.5%	0%
12-15	3.5%	0.3%
16-19	10%	5%
20-25	10%	25%
26-30	13%	25%
30-40	10%	11.4%
40-60	35%	20.1%
60 Onwards	18%	14%





Annual Sales (Million USD)	Bonita's	Luxure
America	9144	302.1
Europe	6096	704.9
Total	15,240	1007

CASE SOLUTION

Problem Statement 1)

Should they go ahead with the acquisition? What major considerations should we look at when making the decision?

Yes, both BONITAS and LUXURE should go ahead with the acquisition as it will help both of them to increase their market presence in online mode as well as in the physical stores. Both of them complement each other and the acquisition will help both to work on their weak areas and enjoy the benefit of other's goodwill.

MAJOR CONSIDERATIONS:

- Both BONITAS and LUXURE operate in European and American markets. Therefore, it will be easier to operate after acquisition.
- Growth rate of LUXURE (17%) is greater than that of BONITAS (8%) as well as that of the beauty market (14%).
- BONITAS has a strong physical presence with over 431 stores whereas LUXURE mainly focuses on their online sales. Since BONITAS is looking to expand in the online segment, it can leverage the knowledge and online presence of LUXURE.
- BONITAS has a good market for products ranging between 1- 40 USD. On the other hand, Luxure has a good market for all the price ranges.
- The customers of BONITAS are mainly teenagers and people aged 40 and above. Whereas, LUXURE has a good young adult market.

Problem Statement 2)

Bonitas has, till now, majorly focused on its offline and in-store services. From friendly staff who helped people find good products to testers and large mirrors to view results, Bonitas had many attractive features in their stores. However, after the pandemic, while they have seen rapid growth in their online transactions, they found through consumer reviews that around 60% of their consumers switch over to other online aggregate websites to shop for products.

What are some ways to help strengthen the online presence and business model for Bonitas?

Some ways to improve online presence are:

- According to the data given, 35% of customers of Bonitas are aged between 40 and 60. So, we can assume the fact that they are not tech savvy. Hence they can be taught how to use the website when they visit the store.
- Some offers or discounts can be provided for purchasing from their online website.
- BONITAS should improve its website and introduce the feature of personalized doubt solving of customers and help people find suitable products for themselves through
 - Chat box feature on website
 - Personalized call sessions with staff
- AI based consultation can be introduced so that customers can see and select their choice of products.
- Blogs relating to skincare routine, makeup tutorials etc. can be incorporated to further help customers and promote the products.