M·A·C
COSMETICS

Team 4
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OUR TEAM

SHIKHA GAUTAM

ZHEYU DENG
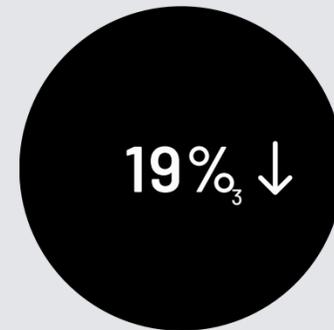
RHEA SHAH

RHEA PATIL

OVERVIEW

CONTEXT TO RESEARCH

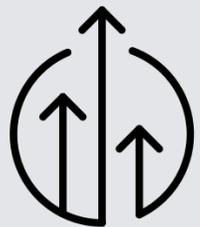*The beauty industry continues to grow in the US, though MAC growth has slowed*

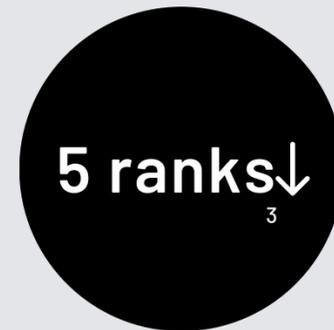**$583 billion**[1] — Estimated beauty industry evaluation by 2027

19%↓[3] — Drop in MAC's evaluation in 2022

4082[2] — Estimated manufacturers in 'beauty' space in the US

5 ranks↓[3] — Drop in MAC's ranking in 2022

SALES PERFORMANCE

Decline in Net Sales Between 2022 and 2023 of Estee Lauder Makeup

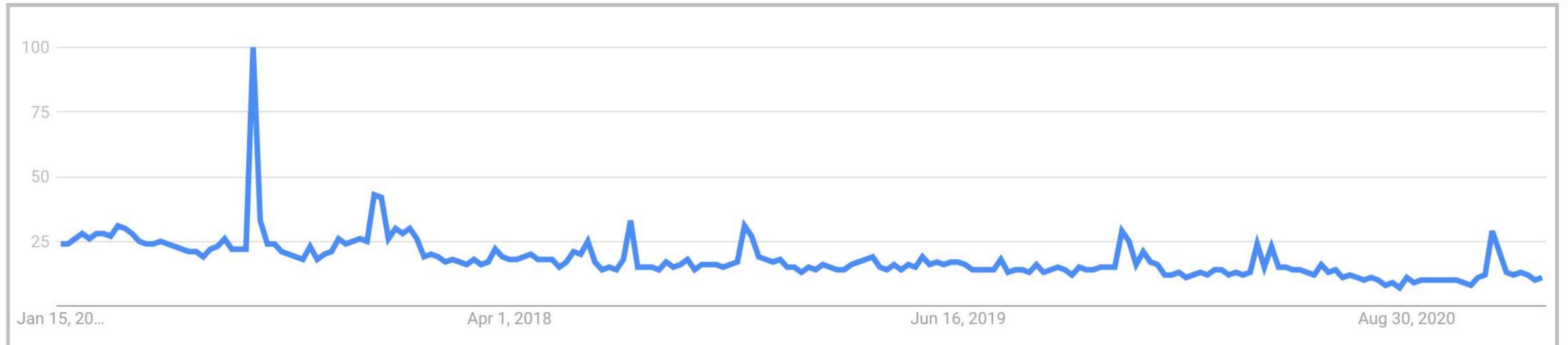**Graph 1: Net Sales of Estee Lauder Makeup Worldwide 2010 to 2023**
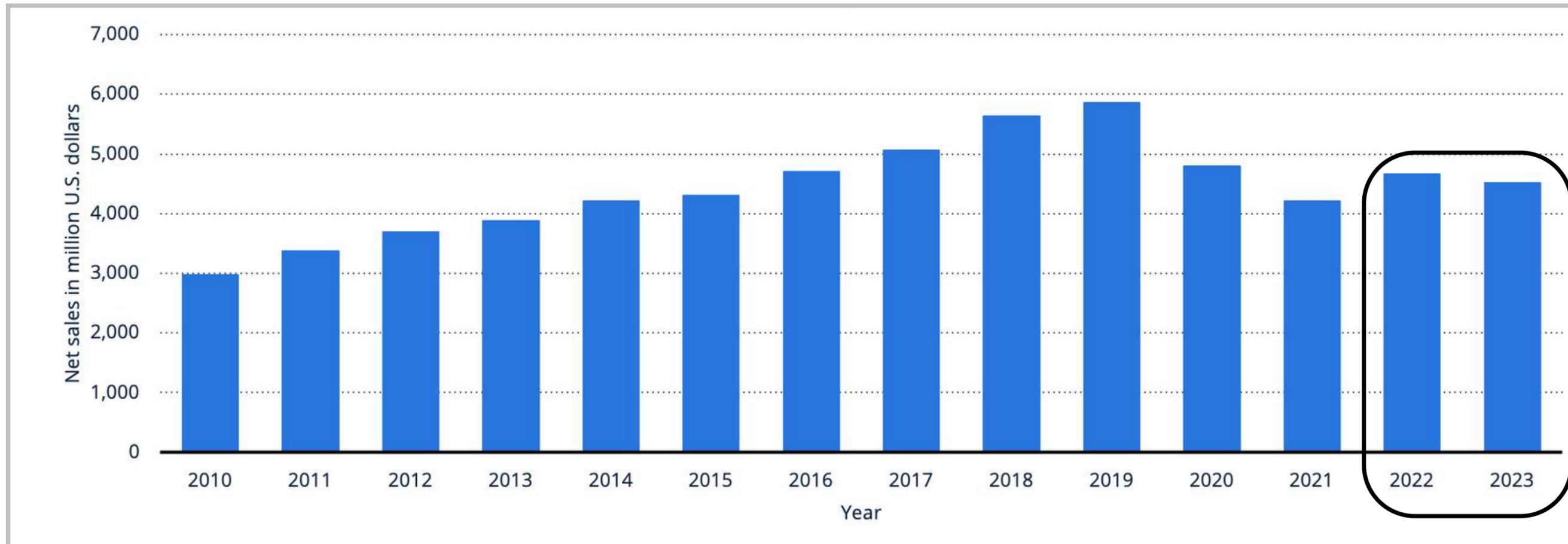
Source(s): Statista

INTERESTS, TRENDS & SHIFTS

Reducing Consumer Interest in Web Searches for MAC in the US

Graph 2: Google search trend of MAC Cosmetics 2017 - 2020

Source(s): Google Trends

MAKE M.A.C ICONIC AGAIN
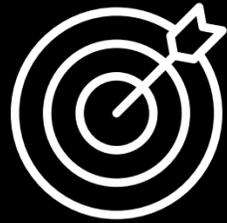
MANAGERIAL OBJECTIVE

To introduce a new product that improves M.A.C.'s profitability

- Identify Key Customer Segment(s)
- De-code Customer Profiles and Touch-points
- Input Segmentation specifics to innovate - New Product Identification
- Implement Personalized Marketing Strategy to target key segment(s)

ANALYSIS OVERVIEW

DATA PREPARATION

Data Source
- Order Transactional Data
- Customer Profiling Data

Conducted accuracy checks

Step 1

Step 2

DATA AGGREGATION

Aggregated Order Transactional Data >
Customer Data:
1. OrderNumber
2. CustomerID

Step 3

DATA MERGING

Aggregated Customer Data +
Customer Additional Data

Step 4

VARIABLE TRANSFORMATION

New Variables: Profit, Recency

Step 5

TWO STEP CLUSTER ANALYSIS

Conduct Analysis using following variables:
1. Age
2. Profit
3. Recency
4. No. of Orders

Step 6

POST-HOC ANALYSIS

Understand valuable details about customer segments

DATA OVERVIEW

TRANSACTIONAL DATA

- Date of purchase
- Order number
- Number of units
- Revenue from all purchases
- Cost of all purchases
- Product department
- Channel of Purchase
- Location of Purchase

- **Recency**
- **Frequency**
- **Profit**

- **Product type**
- **Channel**
- **Location**

+ *(Unique Customer ID)*

CUSTOMER PROFILING DATA

- Age group
- Income group
- Loyalty Membership

- **Age group**
- **Income**
- **Loyalty Membership**

IDENTIFYING KEY SETS FOR CLUSTERING ITERATIONS

Recency, Frequency, Profit included across sets
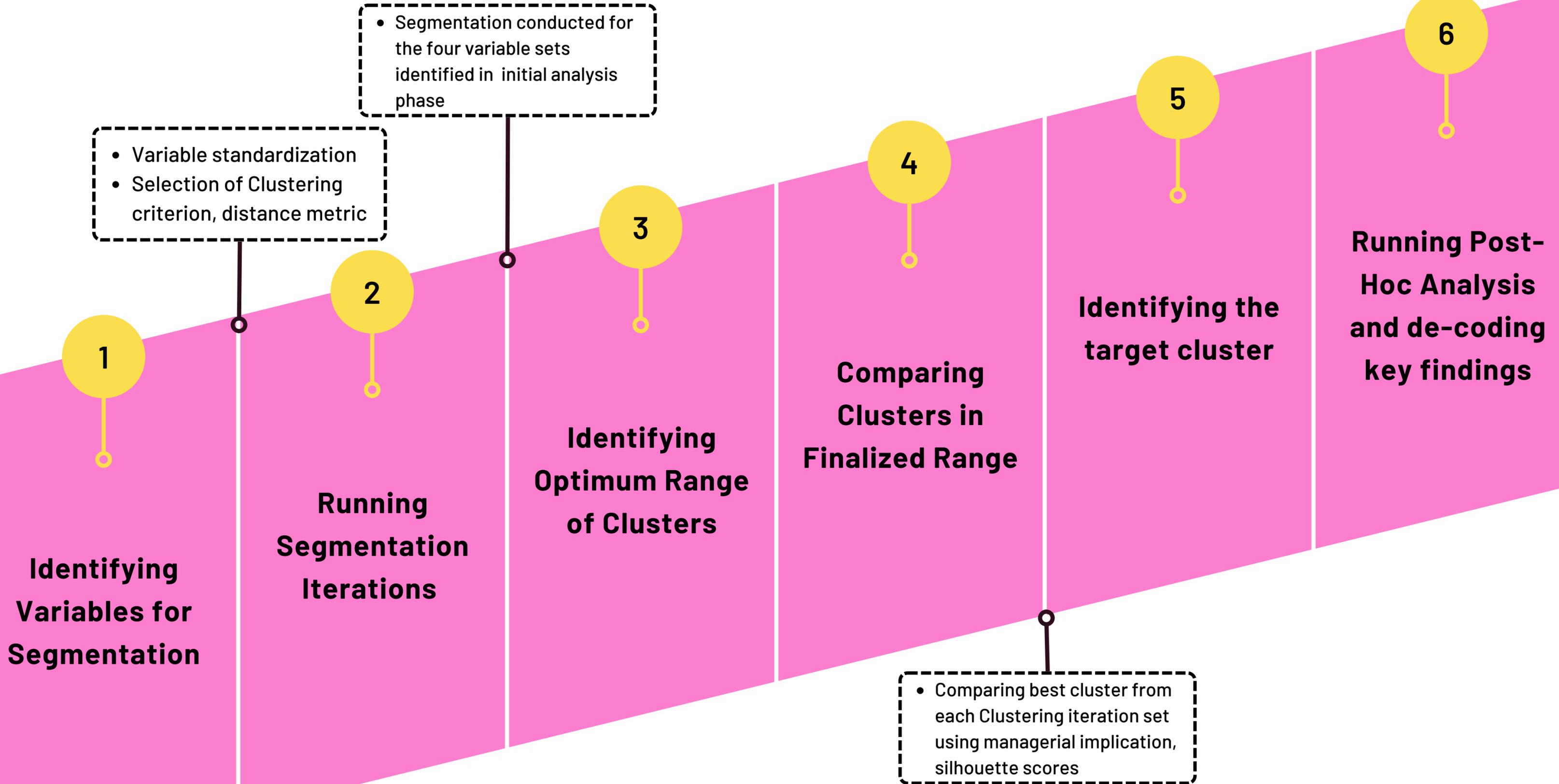
Set A:
Age groups

Set B:
Income groups

Set C:
Product types, Channel

Set D:
Age groups, Product types

CLUSTER ANALYSIS SNAPSHOT

1
Identifying Variables for Segmentation

- Variable standardization
- Selection of Clustering criterion, distance metric

2
Running Segmentation Iterations

- Segmentation conducted for the four variable sets identified in initial analysis phase

3
Identifying Optimum Range of Clusters

4
Comparing Clusters in Finalized Range

5
Identifying the target cluster

- Comparing best cluster from each Clustering iteration set using managerial implication, silhouette scores

6
Running Post-Hoc Analysis and de-coding key findings

CLUSTER SEGMENTS: KEY FINDINGS

	CLUSTER 1	CLUSTER 2	CLUSTER 3	CLUSTER 4
CLUSTER SIZE	16877	2573	11322	11680
AGE GROUP	18-24: 43% 25-34: 57%	35-44: 46.4% 45-54: 47.8%	35-44: 50% 45-54: 50%	55-64: 57.5% 65+: 42.5%
NO. OF ORDERS	1.5	4.6	1.6	1.8
PROFIT	62.2	445.3	71.4	88.6
RECENCY	41.4	32.4	41.5	40.9

KEY DRIVERS

PRIMARY: CLUSTER 2 (MIDDLE-AGED)

- HIGH RECENCY
- HIGH FREQUENCY
- HIGHEST PROFIT

SECONDARY: CLUSTER 4 (SENIORS)
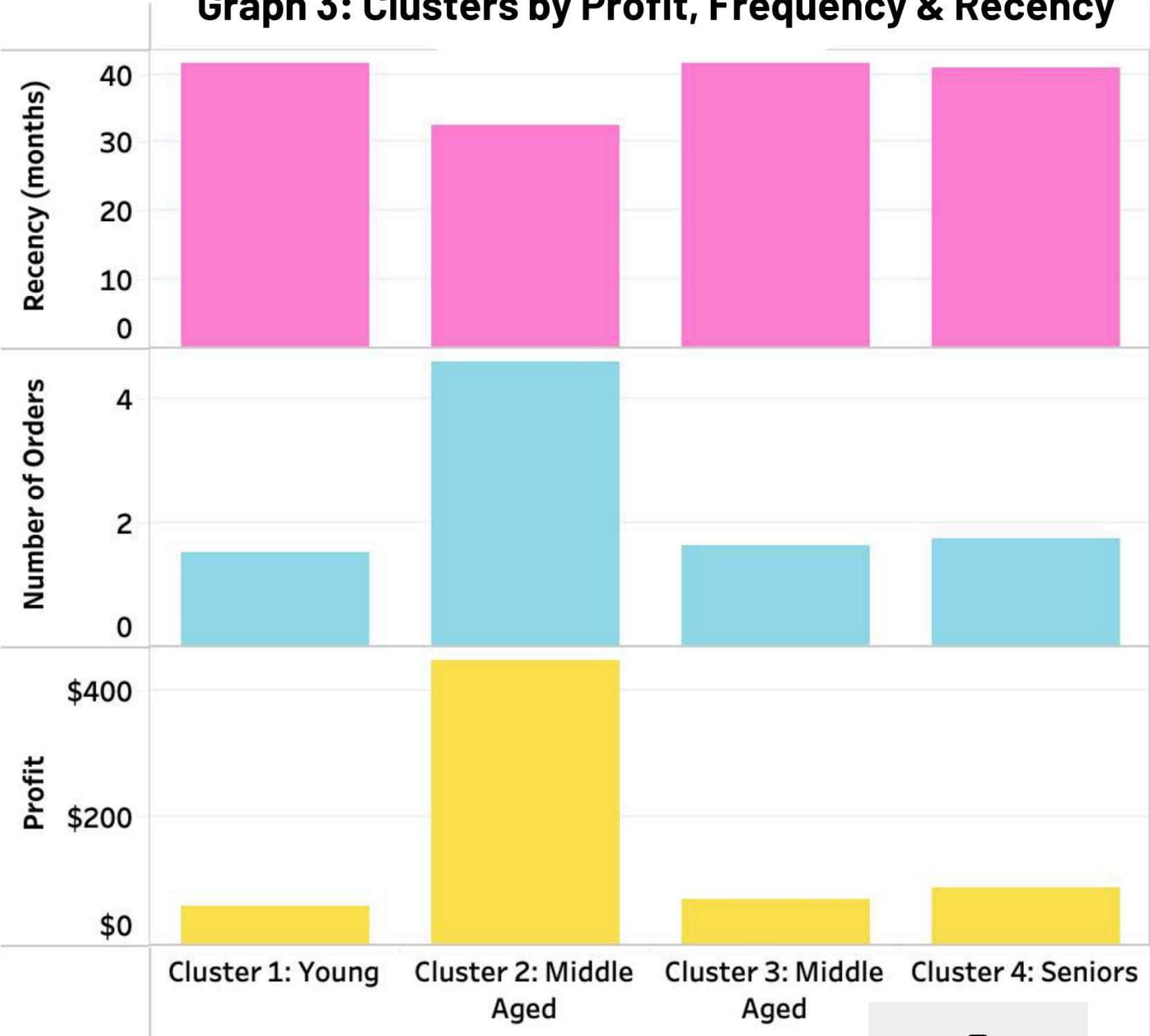
- MODERATELY HIGH RECENCY
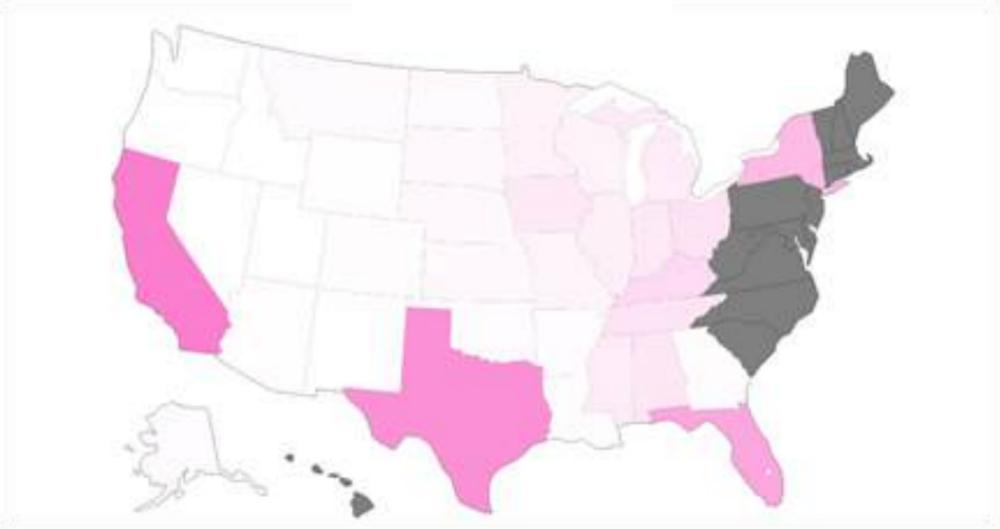- HIGH FREQUENCY
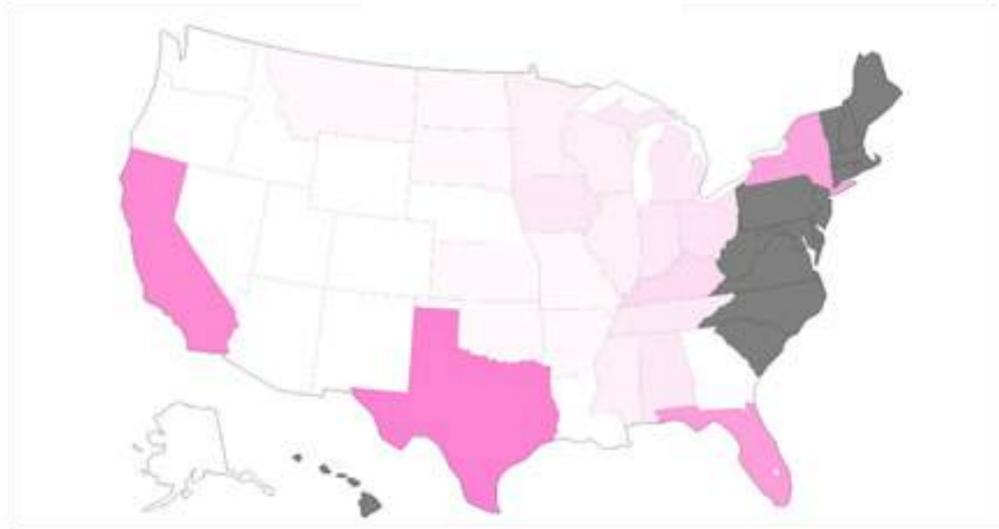- HIGH PROFIT

Graph 3: Clusters by Profit, Frequency & Recency

GEOGRAPHIC SNAPSHOT

CUSTOMER PERSONAS

1 - JESSICA

Age: 18-24 (GenZ)
Lives in: Indiana
Income: <$30,000 - $49,000

Buys: Eyecare and Lip-care
Not a **Loyalty Program Member**
Channel: Third-party retail stores

2 - SARAH

Age: 35-54
Lives in: New York
Income: $100,000 - $150,000+

Buys: Face care and tools
Is a **Loyalty Program Member**
Channel: MAC stores and website

3 - EMILY

Age: 35 - 54
Lives in: Wisconsin
Income: <$30,000 - $49,000

Buys: Face-care and Body-care
Not a **Loyalty Program Member**
Channel: MAC website and third-party retail stores

4 - SUSAN

Age: 55-65
Lives in: Tennessee
Income: $150,000+
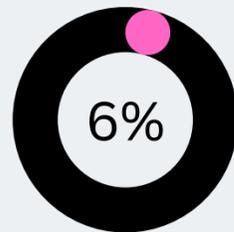

Buys: Face-care and Body-care
Not a **Loyalty Program Member**
Channel: MAC stores and third-party retail stores
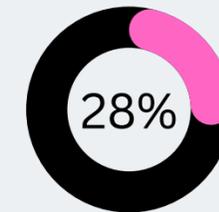
MANAGERIAL IMPLICATIONS

Test two new products to launch - Primary focus Cluster 2 and secondary Cluster 4

CLUSTER 2 — 6%

- Introduce premium holistic makeup sets featuring enhanced tools.
- Focus product launch in M.A.C physical stores at NY, TX, & FL
- Execute focused marketing campaigns of new product tailored for high net worth loyalty members.

CLUSTER 4 — 28%

- Introduce anti-aging products focused on face-care and body-care
- Focus product launch in MAC physical store and third party retails in AL, and TN

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Thank You!