

matas

CBS Case Competition 2022 — Invitational

An Organic Journey Towards
Becoming Denmark's #1 Health
Destination



Letter from the CEO

Dear students,

I am pleased to announce Matas as the case company for the 2022 Invitational CBS Case Competition.

At Matas, we have been through a rapid digital transformation from once being a traditional beauty retailer to now being a successful omnichannel retailer. In four years, we have grown our online revenues from around DKK 100m to more than DKK 1bn and become the second most frequently visited webshop in Denmark. To enable this, we have digitized our core competencies and we are today a digital company across all functions and roles. We have built a strong platform for growth and one of our most critical strategic priorities is now to capture the expansion opportunities and put Matas on a long-term sustainable growth trajectory.

Our all-encompassing purpose is to provide our customers with health and beauty for life. We are the leading beauty retailer in Denmark, and our strategic goal is to expand our position and become the first choice for health online. Due to Danish legislation, we are not allowed

to operate as a pharmacy, and one of our key strategic challenges is to find a way to become the number one health destination for Danish consumers without this value proposition.

As part of our 2026 strategy, we have announced the goal to increase current yearly revenue from DKK 4.2b to DKK 5.0b by 2026. We expect that at least DKK 500m in additional revenue will be brought in via Matas' health and wellbeing segment.

This leads us to the question we have for you today: How can Matas reach the strategic goal of at least DKK 500m in additional yearly revenues within the Danish health and wellbeing market by 2026?

Together with my colleagues, I look very much forward to hear your solutions and thank you all in advance for your time and engagement.

All the best,
Gregers Wedell-Wedellsborg
Chief Executive Officer



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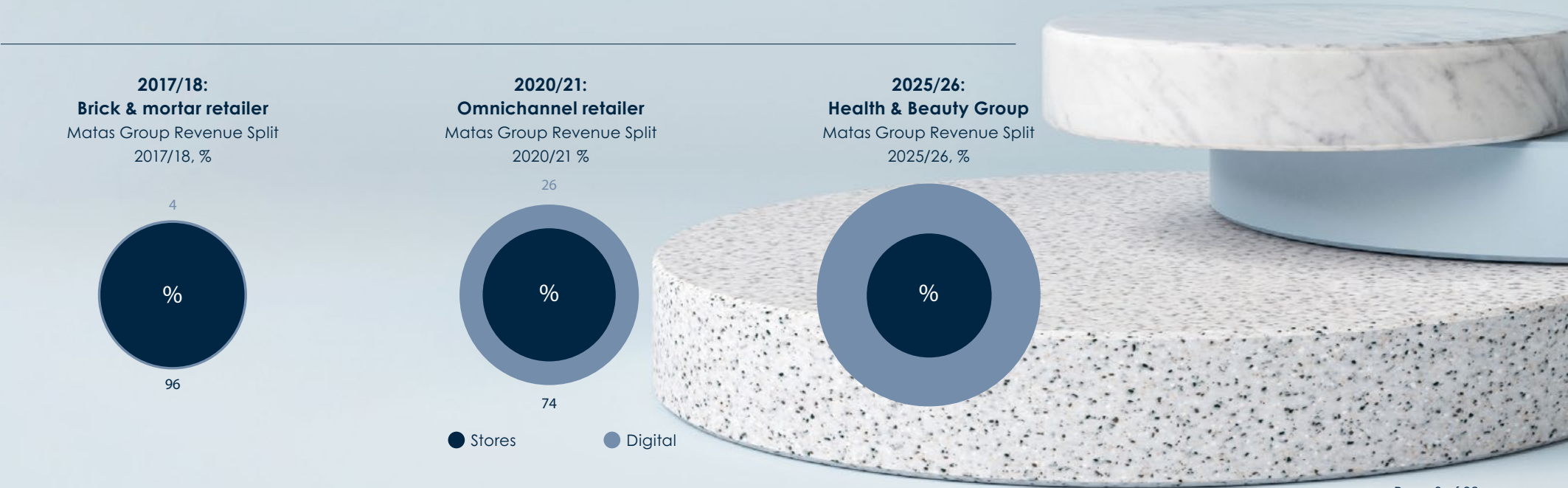
Setting the Stage

Matas is one of the largest consumer goods retailers in Denmark while being the single largest retail chain for beauty and health products. Since its foundation in 1949, Matas has operated a chain of stores across Denmark, as a hybrid between a drugstore, a high-end perfumery, and a pharmacy most similar to chains like Boots in the UK, Walgreens and Ulta in the US, and Douglas in Germany. Following a period of company restructuring in the early 2010s, Matas went from private equity firm ownership and several franchise-run stores to today being significantly more unified and centralized. Today, Matas operates

more than 260 self-owned stores across Denmark, employs approximately 2,500 people, has an annual revenue of DKK 4.2b in 20/21, and is publicly traded on the Nasdaq Copenhagen stock exchange. Matas holds the strongest market position, with 95% of health and beauty consumers being aware of the Matas brand, 76% who would consider purchasing at Matas, and 55% of consumers claiming to prefer Matas. Another evidence of Matas' strong brand is that 80% of all adult women in Denmark are a member of the Club Matas marketing program (1.7 million members).

On its journey for continued growth, Matas is faced with two particular challenges. First, consumers are increasingly purchasing online, and this trend has been further accelerated under Covid-19. Matas has been able to grow its online platforms significantly, and this needs to be further developed in order to secure growth. Second, Matas believes that further growth in the general beauty market can be captured but acknowledges that a high market share of 50-60% within high-end beauty, challenges the future organic growth in the segment.

To meet these two challenges, Matas recently launched its plan toward 2026. A strategic transition of continuing the journey from being a traditional brick-and-mortar retailer with a limited online presence to becoming a successful omnichannel digital health and beauty group. Matas has come far in its expansion into online, with digital revenues today making up 26% of total revenues, which is expected to grow even further going forward.



Matas has thus successfully tapped into becoming an omnichannel retailer, but most revenue still stems from the beauty market. With a current market share of between 15-25% of the total Danish health and wellbeing market, this lies well below Matas' long-term fair share estimate of 30-40% of this market with an expected total size of DKK 5.0-5.5b annually. The ability to advance towards its fair share of the health and wellbeing market, is one of the most significant aspects of Matas' 2026-strategy.

Proposed strategies for this currently include actions within all three subsections of this market (see [Product Categories in the Market page 25](#)) in-store initiatives, expansion of Matas.dk, and a significant increase in assortment size. How to overcome these challenges embedded in the journey of transforming a traditional retailer to compete in the digital age, were the exact reflections of Gregers Wedell-Wedellsborg back in 2018, a year into his tenure as CEO;

"Trying to change a market leader with about 40% market share is hard. It is difficult to strike the right balance between the present business and future opportunities. Should we defend ourselves by making significant investments in our stores or expand our online universe? How does the right balance between beauty and health play into these strategic considerations."

Gregers Wedell-Wedellsborg
CEO

As an established household brand within the country, Matas is prepared to hear your advice for fulfilling the company's 2026 strategy for evolving their market-leading position in beauty to encompass the health and wellbeing market as well. Currently, only 26% of Matas' revenue originates from the health and wellbeing market, but through its values emphasizing innovation, the customer experience, and ability to advise, Matas is ready for its journey toward becoming the number one health destination within Denmark.

Matas is confident that they are in a position to take this next step. However, Matas is looking for your input on how this solution should look and, therefore, asks you to help answer the following question:



How can Matas reach the strategic goal of at least DKK 500m in additional yearly revenues within the Danish health and wellbeing market by 2026?

In answering this, you may consider covering, for example, which subsegments (assortment and services) to target, which customer groups and needs should be targeted within each segment, what the solution should entail to ensure success, through what business channels should this push be conducted and with which marketing initiatives, and how can this solution be set up organizationally. However, Matas also welcomes other factors that you may find important for determining your answer to this question.

While Matas encourages you to be creative in your thinking, please bear in mind that the solution must be financially valid and must be in line with the core values and current strategy of Matas. The solution should be based on solid analysis. Additionally, Matas' goal is to achieve positive financial results matching group performance from this solution by 2026, which is why you are encouraged to consider how Matas should prioritize its work during implementation and scaling.

The evaluation of your solution will be based on the following criteria, each at an equal weighting:

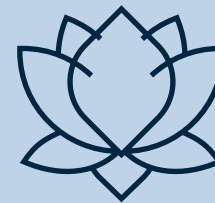
1. The creativity of your solution
2. The level of analysis and research done to support your answers
3. The feasibility of the solution in terms of implementation
4. The validity of the business case supporting the answers
5. The structure, storyline, and way of presenting your recommendations and answering questions.

Furthermore, we highly emphasize that you keep in mind and focus on the following throughout the formation of your solution.



**1.
Organic
Growth**

Matas is looking to leverage its key capabilities, namely its physical stores and online platform, Matas.dk, to realize its growth ambition in the health market.



**2.
Health Market Focus and
Brand Perception**

The Danish health market is highly competitive, and to win, Matas needs to become the top-of-mind health destination and not primarily perceived as a beauty destination as has historically been the case.



**3.
Both Online and Offline
Opportunities**

Matas is capable of tapping into the growth of the health market through all of its sales channels.

Inside Matas



History and Timeline

Founded in 1949, Matas was one of Denmark's most innovative retailers from its early days.

Originally a chemist, the company started carrying leading beauty product brands such as Clinique, Chanel, Dior, and Lancôme alongside everyday personal care products, vitamins, and supplements. In 1956, the company developed one of Denmark's most successful private label series, called **"The Stripes."**

These products have won several best product awards and are today a household name, emphasizing Matas' market differentiation. Over the years, Matas evolved into a trusted advisor by introducing in-store beauty consultants, who provide recommendations to consumers.

Today Matas is one of Denmark's most recognized and reputable brands and a listed company with more than 2,500 employees, the majority of whom work in one of the 263 stores operated and managed by the Group.



Timeline

1949

A small group of drugstore owners forms Matas A/S. Although the first year had to record a loss – this is the only loss ever recorded in Matas' history. The following year, Matas counted 60 stores across Denmark.

1967

Design and production of the "Stripes," Matas' private label, begun.

1974

There are now almost 200 Matas stores.

1991

The country-wide Matas Return System is set in motion, making them the first retail chain in Denmark to allow for packaging return.

1995

The first Matas product receives the Nordic Ecolabel. Today, Matas offers about 100 Matas-brand products labeled with the Nordic Ecolabel.

2005

Matas' MediCare concept is introduced, offering a wide range of products within derma-cosmetic skincare, over-the-counter medicines, and first aid and veterinary preparations.

2006

The chain now includes 292 stores. A new generation of the "Stripes" is introduced, focused on quality, health, and environmentally friendly products.

2010

Matas launches its new customer club, Club Matas, that by the turn of the year, has attained 400,000 members.

2006

The group's shareholders accept an acquisition offer from CVC Capital Partners, a PE fund.

2017

Matas announces that the collaboration model with pharmacies will spread in the coming years due to the successful test in 2016.

2017

In connection with the board's appointment of a new CEO, it is announced that resources will be released for investments into increased digitalization. The StyleBox chain, among other concepts, is discontinued.

2016

Matas opens its first shop-in-shop pharmacy. Matas and a pharmacy are located under the same roof for the first time, thereby giving consumers easy access to prescription medications and pharmaceutical staff.

2016

Matas introduces its new "2020 store concept." Stores increasingly embrace a more modern design and functional interior integrated with Matas' online universe to create an inspiring universe of health and beauty.

2015

Three out of four Danish women aged 18–60 are now members of Club Matas.

2013

Matas is listed on Nasdaq OMX Copenhagen. The IPO comprises a partial sale of existing shares from the company's two major shareholders and welcomes approximately 12,000 new shareholders.

2012

Medicine dispensation is expanded to a total of 50 stores throughout the country. Club Matas now has more than 1 million members.

2011

Matas collaborates with Uldum's pharmacy, enabling drug delivery in several stores.

2018

All Matas stores are now de-franchised, meaning that all are directly owned and run by Matas A/S.

2018

Matas presents a new business strategy for the next five years - "Renewing Matas," initiating the largest investment program in Matas' history. Over the next five years, Matas invests DKK 600 million in its web shop and physical stores.

2018

A new concept, "Matas Nature," is published with an increased focus on green products, modern health food, and natural beauty, including two "Matas Nature" concept stores.

2018

Matas acquires the company Firtal Group, which owns helsebixen.dk, made4men.dk, and a couple of other online stores within the health and wellbeing market.

2019

Matas acquires Kosmole A/S, the company behind the successful Danish makeup brand Nilens Jord. Known for its allergy-friendly and natural profile, Nilens Jord is the best-selling make-up brand carried by Matas.

2019

Opening of web shop logistics at 7,000 sqm warehouse.

2020

Winner of "Ehandelsprisen" (Ecommerce prize) by Dansk Erhverv.

2021

Launch of subscription services and recurring revenue stream through Club Matas Plus.

2021

Matas Group's e-commerce business reaches DKK 1 billion in revenue.

Mission and **Vision**



Matas' mission

is to offer women and men across all ages a universe of high-quality beauty and health products, promoting wellbeing for life. **Matas believes beauty is not only about how we look, but a feeling they aim to contribute to, as well as aiding in transforming how we think and talk about beauty.**

Matas' vision

is not only to be the preferred beauty retailer in the country, but in addition to be **top-of-mind regarding everyday health, while establishing a stronger foothold on the health market.**

When forming your recommendation, do not feel discouraged to look beyond the stated mission.



Key Capabilities and Organization

Matas has successfully built several assets to fend off anticipated competitive pressure and capture growth and value.

Matas' iconic "Stripes" have been a part of the Danes' everyday life for more than 50 years. The "Stripes" represent simple and responsible products for the whole family and have won the Danish Beauty Awards awards. The "Stripes" are represented in many categories, including skin care, hair care, foot care, health, styling, baby care, sun care, and more.

Matas is characterized by being an omnichannel retailer with a revenue split of 74% and 26% for its physical stores and digital sales, respectively. Most of the Group's customers still prefer to shop at physical stores, of which a large number have undergone significant renovation under the Matas Life concept since the beginning of 2019. At the same time as the physical stores are being renovated

and renewed, sales via Matas.dk and the Group's other web shops are recording strong growth as customers increasingly choose to do part of their shopping online. Against this background, the Group is continuously developing new offers for its online customers, such as the successful Matas Skin Consultation and Matas Subscription features.

These include its brand and its loyalty club, which had 1.6m active members in 2021, corresponding to 70% of Danish women aged 18–65. In addition, Matas has some 280,000 followers on Facebook, 100,000 followers on Instagram, and 20,000 followers on TikTok. This is in addition to Matas' digital channel with customer satisfaction for matas.dk at record highs and a Net Promoter Score above 68.

Matas generated annual revenue of DKK 4.2 billion from sales of beauty, health, and wellbeing products in 2020/21. The Group's private labels generate almost 20% of revenue, including the iconic Matas Stripes products, the organic Matas Natur range, luxury skin care from Plaisir, and the natural make-up brand Nilens Jord.



Supply Chain

Matas strengthened its retail planning in 2019 by introducing a forecasting and replenishment solution to increase end-to-end supply chain transparency and improve flexibility.

Matas supplies 280 stores across Denmark from a central distribution center and thus decided on replacing its legacy technology with a forecasting and replenishment solution from unified retail planning experts RELEX Solutions. RELEX's technology increased transparency across the supply chain and offered powerful promotion forecasting features that supported Matas' growing online retail presence.

Matas recently announced its plan to build a big new central logistics center in Allerød. Matas Logistics Center (MLC) will bring together a wide range of logistics functions currently handled from various locations in a state-of-the-art automated facility. Establishing MLC will involve an investment of more than DKK 500 million, of which a maximum of DKK 125 million is expected to be incurred in the current financial year. MLC will accommodate more than 150,000 items and secure faster delivery to customers. When fully operational, MLC is expected, seen in isolation, to add single-

handedly more than 1 percentage point to Matas' overall EBITDA margin.

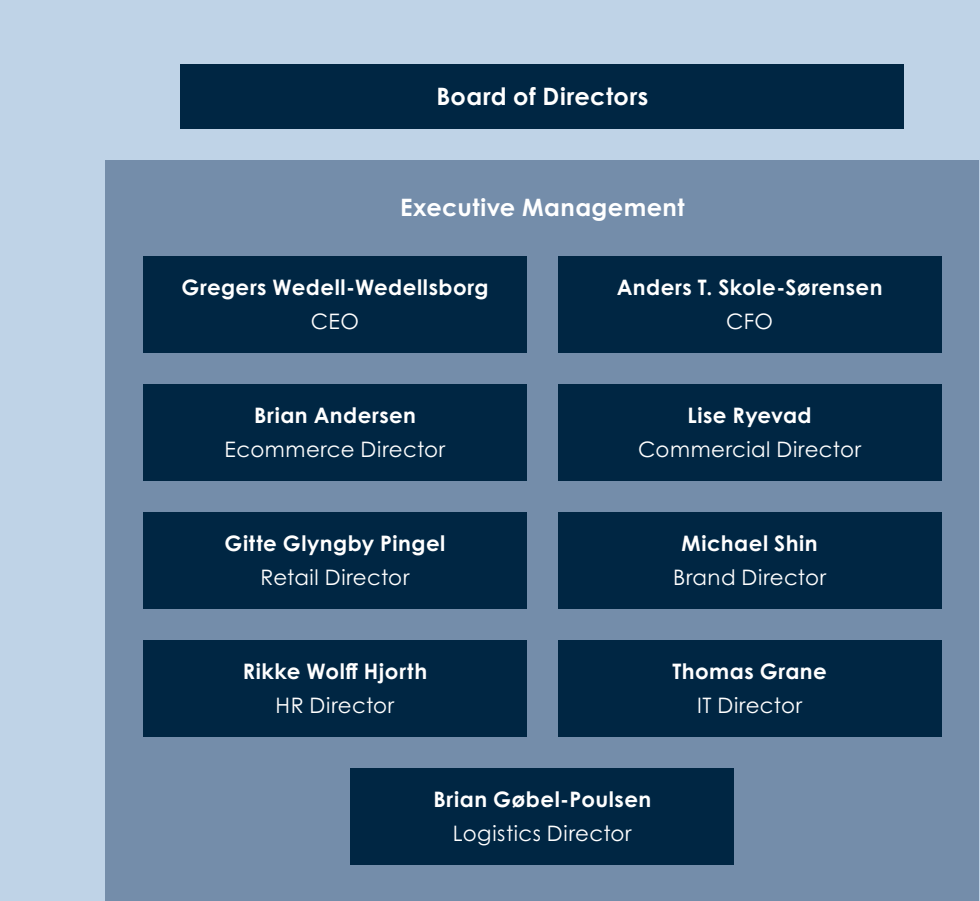
Matas' private-label brand, the "Stripes", offers Denmark's largest selection of unscented and Nordic Eco-labelled products, as well as Asthma-Allergy Denmark's 'The Blue Wreath' certified products. This positioning aims toward capturing growth correlated to the increase in demand for clean and natural care products.

Matas collaborates with several high-end brands and leads the market within everyday beauty. However, this market-leading position is not reflected in their market share of everyday health.

Organizational Structure

Corporate authority is divided between the board of directors and the executive management, existing independently of each other. The board outlines the overall visions, strategies, and objectives of Matas' business activities and supervises the performance of the executive management. The board appoints members of the executive management. The executive management is responsible for the day-to-day management and the execution of Matas' strategy. Members

of the executive leadership team are responsible for the daily operations of their respective business areas while also being part of the overall management of Matas.



Key Performance Indicators

Apart from its strong brand, which has been strengthened even further in recent years, and its hugely popular loyalty club, Matas is estimated to have +600,000 omnichannel customers, with the average omnichannel customer spend being twice as high as purely offline customers.

Matas can offer same-day delivery for roughly 50% of Danish consumers and

promise next-day delivery across the country. Matas has moreover recently enjoyed a swift and successful digital transformation, becoming the leading omnichannel retailer in beauty and wellbeing within Denmark. Their digital revenue increased from DKK 123 million to DKK 1,100 million in the same period.

Matas.dk has leaped to become the second most used web shop in Denmark and has changed the perception of Matas'

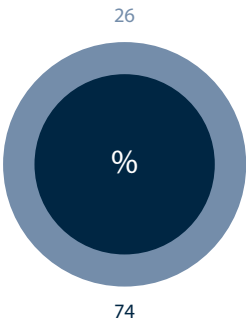
brand from a brick-and-mortar retailer to an omnichannel retailer. Matas.dk has delivered increasing earnings margins for the past three years, while covid-19 added an extra boost.

Due to omnichannel synergies and scale effects, Matas has seen superior online profitability, including sales synergies, such as cross-selling and customer-lifetime-value and sourcing synergies, and marketing synergies related to customer-acquisition-

cost the incremental value produced by marketing efforts.

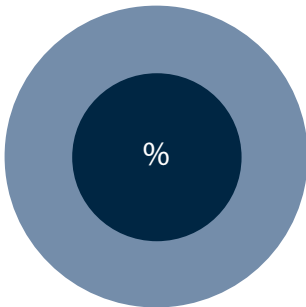
Despite corona posing a challenge to its physical sales channels, Matas saw revenue growth of 6% per annum throughout the period 17/18–20/21. Matas sustained gross margins even in the face of margin erosion from channel shift.

2020/21:
Omnichannel Retailer
Matas Group Revenue Split
2020/21 %



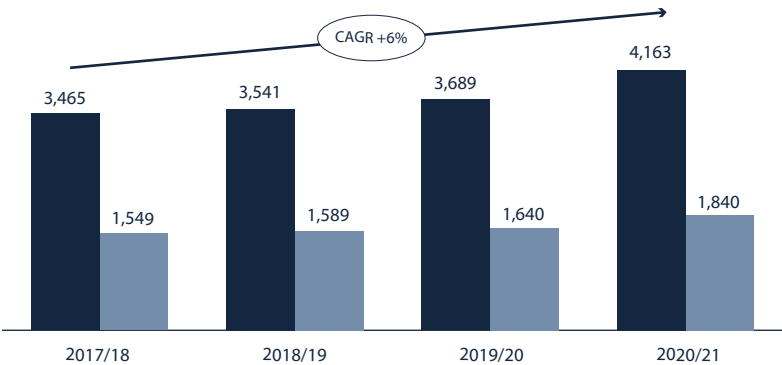
● Stores

2025/26:
Health & Beauty Group
Matas Group Revenue Split
2025/26, %



● Digital

Matas Group Financial
Development
2017/18 - 2020/21,
DKK M



● Revenue

● Gross Profit

Business Model

Matas operates within the heavily competitive B2C space, offering a wide range of consumer goods to private consumers, with a vast target audience aligned with their mission statement to promote wellbeing for life. Specialized in beauty and health products, Matas leverages its many key resources to effectively market its products and position

itself as a trustworthy advisor and attractive retailer to customers.

This is ensured through its strong brand, among others, which enjoys some of the highest levels of familiarity among Danish consumers. Moreover, Matas leverages heavily on its loyalty club, Club Matas. Additionally, Matas has a monthly reach of 1.8m people across its media channels, following significant growth in its digital media portfolio and reach.

In addition to many of their products being household staples, Matas also sells premium and exclusive products and is an authorized dealer of a selection of high-end brands. Fully 39% of Matas sales fall into the category of high-end beauty with selective distribution, and Matas ensures consumers have access to exclusives from these brands through partnerships fostering marketing support. Matas also utilizes dynamic pricing as part of its commercial model, with a high campaign share, limiting

competitive exposure and keeping key value items at "Everyday Low Price." As part of its new five-year strategy announced in August 2021, Matas intends to accelerate the development and acquisitions of its house brands to enhance differentiation and profitability. In addition, Matas will also begin to export its house brands to accommodate growing global demand for brands with a Nordic, sustainable, and clean profile.

Key Resources



The Matas brand



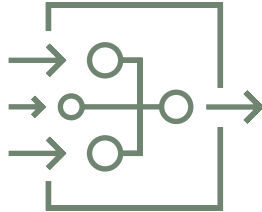
Club Matas with 1.7m members



264 stores with trained staff



Own digital channel



Strong portfolio companies



Media portfolio reaching 1.8m a month

Advertising and marketing are crucial elements within the beauty and health market, which is characterized by notorious competition. Actors usually engage in various attempts to capture market share and position themselves as an attractive choice to consumers through intense advertisement and marketing. Marketing

is an integral part of Matas' business model, and Matas employs a multifaceted marketing strategy to increase familiarity and loyalty. Marketing channels include Club Matas newsletters, the Matas.dk web shop, TV advertisement, physical newsletters, and online advertising channels such as Google, Facebook, Tik

Tok, and Instagram. This effort has proven itself rather successful in achieving these key pillars, enabling Matas to leverage these assets further. This has positioned Matas as prepared for its next growth journey, transforming itself from an Omnichannel retailer to a Health and Beauty Group by 2025/26.

Leveraging key resources to create value

- Significant reach through effective databased marketing
- Second-to-none marketing
- Distribution power
- Product offering development based on extensive consumer and trend insights from Club Matas
- Instant and continuous feedback on product performance and consumer identification
- Building both brand value and ensuring high sales volume across channels
- Nationwide distribution
- Digital advisory services with educated specialists from hairdressers to pharmacists
- Fast build-up of awareness and recognition of new product and brand through multiple online and offline channels
- First-party data provides insights to alter communication and media strategy



Sales Channels

Matas has traditionally been a brick-and-mortar retailer, with the majority of its revenue originating from offline, in-store sales. However, following the launch of its web shop and continuous acquisitions of specialized web shops, its revenue split has changed drastically. This transformation was set in motion to expedite its future growth journey.

Matas' ambition is to accelerate growth by doubling digital revenue and build a digital health and beauty group towards 2025/26. The growth ambition is driven by the online channels, while stores are expected to consolidate due to channel shift. This is evident in both the already materialized transformation of its revenue split and the projected revenue split.

Most of Matas' physical stores have undergone extensive renovations following the launch of its new "2020 store concept," with an ambition to integrate its stores with its online platform further. Through functional interior and a modern and clean design, the investment aimed to foster an inspiring universe of health and beauty in all of its stores.



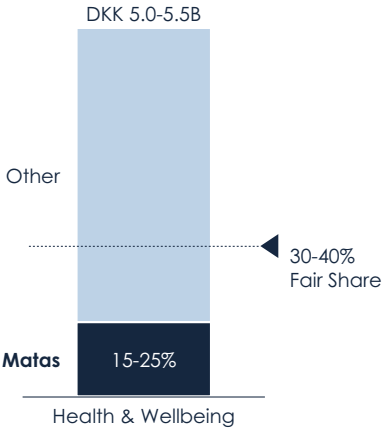
Product Offering and Market Share

Matas offers a wide range of products within several categories: Skincare, Scents, Make-up, Hairstyling, Health, Medicine and Care, Housing and Lifestyle, and Pregnancy and Maternity. Generally, Matas' different product categories lie within the overarching beauty market or the overarching health and wellbeing markets. With a focus on the latter, product categories in the health and wellbeing market can be summarized in one of the market's three overarching segments: A) Personal Care, B) Vitamins, Minerals and Health and C) Over-The-Counter products.

Health and Wellbeing is a DKK 5–5.5b market, with strong online growth specifically—constituting a large share gain opportunity for Matas. Matas is estimated to account for around 15–25% of the Health and Wellbeing market in Denmark. However, according to internal calculations, a fair market share, based on intrinsic resources, constitutes at least a 30% market share.

Health & Wellbeing market segments

Matas is below fair share in DKK 5.0-5.5B Health & Wellbeing market Estimated market size and Matas share in Denmark 2020, DKK B / %



Market categories

Personal Care
15-25%
of total market

Vitamins Minerals Supplements
30-40%
of total market

OTC
45-55%
of total market

Product categories

Personal Care


Dental, oral & hygienic care etc.


Dermatological skincare

Vitamins Minerals Supplements


Sports nutrition


Vitamins & supplements

OTC


Allergy care

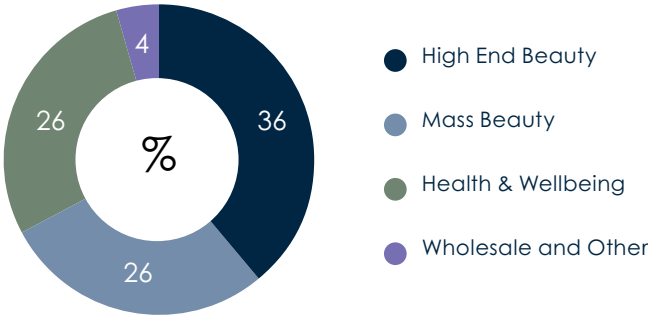

Painkillers


Cough remedies

Moreover, Matas envisions growing its customer lifetime value through a deeper and wider health range and adjacent categories, aiming to offer 150,000 products online and through connected retail. Customer lifetime value will be increased through a dedicated range expansion strategy to enlarge the current assortment to roughly three times the size. This assortment expansion will be mainly driven via the online sales channel. This range expansion is envisioned to provide an assortment, available online and through endless aisles, 15 times the average Matas store and two times that of a typical hypermarket.

The health and wellbeing market has several attractive subsegments for Matas. Particularly, personal care is a market characterized by strong growth projections, particularly dermatological skin care. This segment is an example of a perfect fit for Matas' number one position as a health and beauty advisor.

Matas is looking to expand this range by 1) widening the assortment in Health and 2) deepening the assortment in the Beauty subsegments. While Matas is already well established within beauty, being the leading provider within Denmark, its Health and Wellbeing product segment has much room to grow and expand.



Growing Matas Group Strategy



Strategic Journey in Recent Years

The “Renewing Matas” five-year strategic plan launched in 2018 has delivered results across all of its five intended tracks; 1) Beauty and Wellbeing for Life, 2) Win online, 3) consolidate and refresh stores, 4) New growth, 5) Change how we work.

The success of the pursued strategy is quite evident, in particular, though the +600% growth on Matas.dk since 2017/18, as well as the +29% growth in Health and Wellbeing revenue since 2017/18, and the addition of 11 digital verticals through the acquisition of Firtal and roughly DKK 75m cost savings reinvested in digital growth.

Through the ambition of accelerating growth by doubling the digital revenue and building a digital health and beauty group toward 2025/26, the group aims to put Matas on a long-term sustainable growth trajectory.

The growth ambition is strategized to be driven primarily by online channels. Matas Group's three digital businesses provide a strong platform for this continued growth:

Matas.dk

Matas' digital platform with the broadest assortment and best-in-class customer experience;

Firtal Group

Comprising various popular web shops with price-led niche positioning for portfolio of web shops with a low-cost operating model;

WebSundhed

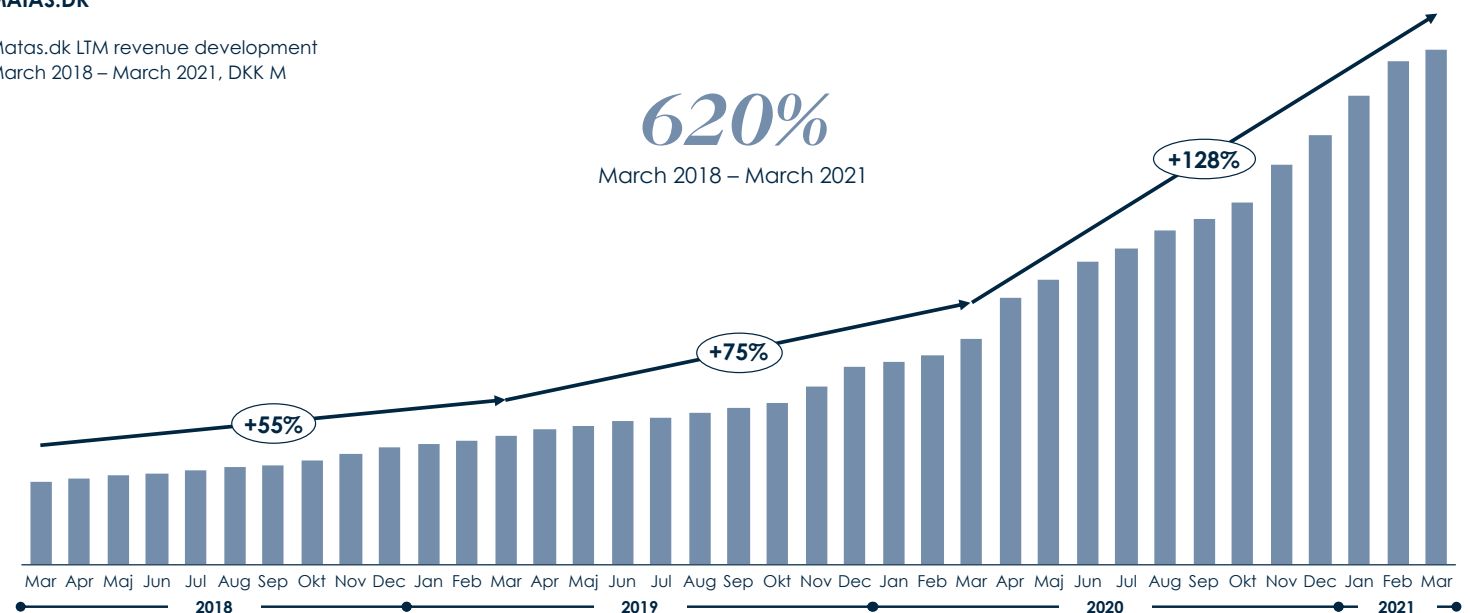
Infrastructure services related to the online pharmacy Webapoteket.dk, improving convenience and accessibility of health and pharmacy purchase through Webapoteket.dk.

For this case, any part of your case solution, if centered around Matas' online universe, should be focussed on Matas.dk with limited-to-no focus on Firtal and WebSundhed.

Matas.dk has leaped to become the second most used web shop in Denmark, to some degree changing the perception of Matas, as Matas' brand perception reached new heights due to strong digital performance. Strong growth and increasing earnings margins have been delivered by Matas.dk in the past three years.

MATAS.DK

Matas.dk LTM revenue development
March 2018 – March 2021, DKK M

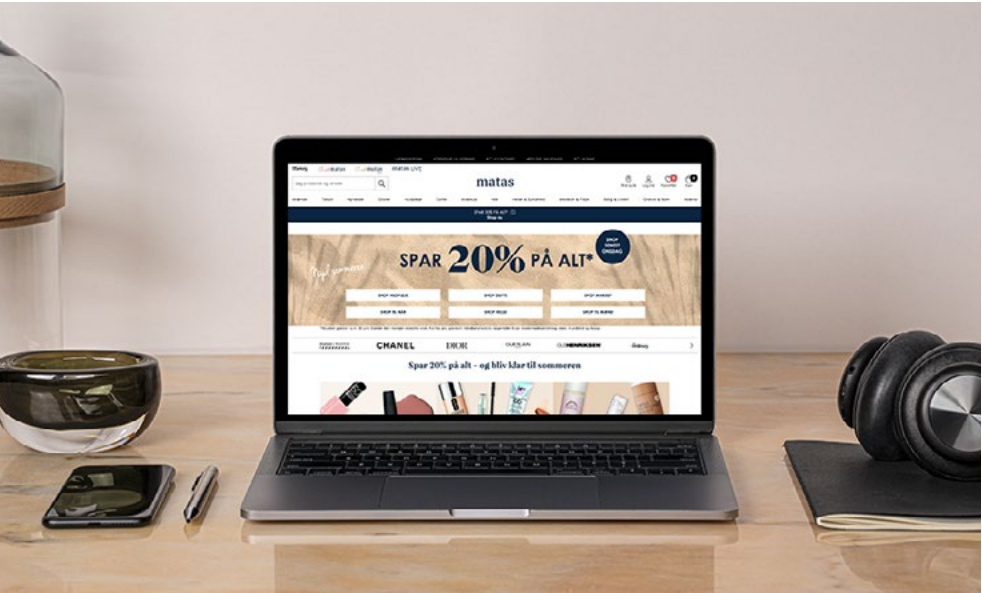
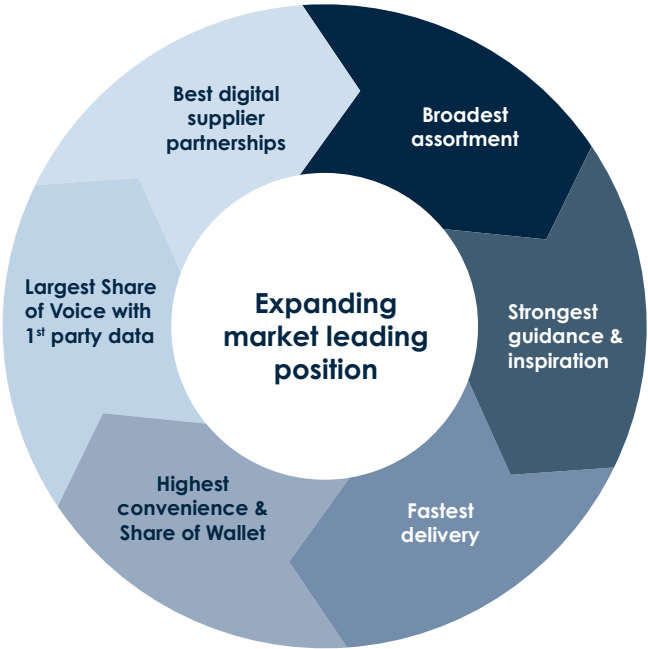


The primary growth driver has been the persistent focus on improving customer experience through innovative, best-in-class customer services. This has included same-day delivery, online guidance with live video consultation, and engaging content.

Matas.dk is expected to be the largest growth contributor in the Matas Group, partly driven by range expansion. The strategy for Matas.dk is to strengthen

and expand the leading market position in Denmark and reinforce continuous profitable growth.

Apart from the success of Matas.dk in recent years, Firtal has outperformed the initial investment case to deliver profitable growth while keeping the leadership team engaged and developing new services. Firtal has positioned itself for future profitable growth across a portfolio of web shops through their platform.



The ambition is to continue growth and sustain margins through market share expansion and leverage Matas' synergies on top of already strong purchasing price synergies. The platform is further able to expand through potential select bolt-on acquisitions.

Matas' Web Sundhed provides IT and supply-chain services to Webapoteket.dk (privately owned), a digital market leader in the Danish pharmacy market. This includes storage and logistics services, purchasing services, IT platform and services, as well as marketing services.

The Group's three digital businesses reinforce each other through synergies on

assortment, sourcing, and best-practice sharing, with Matas.dk contributing with purchasing power and scale advantages toward large suppliers, Firtal with long-tail assortment competencies and supplier relationships, and Web Sundhed with consumer insights on health products and niche products from the health industry.

Matas' forward-looking strategy is strongly committed to organic growth; its foremost challenge not being to attract new customers but instead to shift the shopping patterns of existing customers to include a larger share of health products. In other words, being their many loyal customers' preferred health destination, primarily through online sales on Matas.dk.

Future Strategic Targets

The key strategic objective for Matas in the coming years is to obtain sustainable growth through the digitalization of Health and Beauty. This is intended to be operationalized by transforming Matas Group into the number one health and beauty provider by leveraging its platforms for growth with a profitable business model.

New products, partnerships, and services are expected to be launched to address the health market opportunity. The achievement of Matas' strategic objective is viewed as being reached through:

- 1) Assortment expansion of vitamins and supplements, skin care and other new products;
- 2) Partnerships with niche experts to develop new products and services;
- 3) Further expanding authority as a trusted health advisor, especially online;
- 4) Leveraging on its media portfolio and first-party data to win a share of the voice in an under-communicated market.

The group strives to offer triple the assortment and market the broadened offer to consumers, preferably capturing revenue through its digital sales channels. Matas aims to double its revenues by acquiring omni-customers and growing sales per customer. Therefore, it is Matas' growth ambition to reach at least DKK 5.0B by 2025/26, driven by market growth and range expansion through online channels. Matas aims to increase market share in selected categories within Health and Beauty through range extensions, with the intent of aiding Matas in achieving the goal of doubling online sales.



Strategic Dilemmas and Challenges

Success on the market for beauty products does not automatically guarantee success on the health market, although it could be argued that the two are to some degree intrinsically linked.

Matas is challenged by its perception as primarily a beauty retailer and as a retailer lacking inspiration and advice that consumers are known to seek out in pharmacies and specialized or holistic health stores. This challenge could potentially risk falling into a dilemma where beauty or health must be prioritized if the two are not appropriately marketed and positioned as intertwined.

Apart from the internal challenges of shifting the group's perception, Matas also faces external challenges in the form of increased competition risks that could arise in multiple segments, but most prevalent will be online competition from pure-players and marketplaces. Although competition could pressure price perception and margins, Matas does aim to mitigate this risk through its strong omnichannel and brand owner business model.

Macroeconomic setbacks are another external risk that could influence the group's strategic goals. Although the health and beauty market is expected to grow at historical rates, just above GDP, there is always a risk of the market contracting from multiple factors such as geopolitical risk, financial instability, pandemics, for example. Based on historical data, these will impact the entire industry and are expected to have little to no impact on the health and beauty market, where this market has shown strong resilience to economic cycles.



Overview of The Danish Health and Wellbeing Market



Market Situation and Overview

Like the overall beauty market, the Danish health and wellbeing market is a significant size that can be sub-categorized into several individual segments. Of the total Danish health and wellbeing market, with an annual size of DKK 5.0-5.5B Matas currently holds 15–25%, excluding prescription medicine. While Matas holds a market share of between 15-25% compared to the estimated long-term fair share of 30–40%, this under-capitalization of the market compared to Matas' position in the overall beauty market is equally reflected in Matas' Club Matas member club. Here, only 20% of members currently show interest in health and wellbeing marketing, while this is upwards of 50% for interest in beauty.

While there are likely several reasons for Matas' current market share is lower than estimated fair share on this market, one of Matas' main hypotheses for this situation is the Matas brand's historical positioning. Historically, amongst Danish consumers, Matas has been positioned top-of-mind as a high-trust beauty retailer, while such top-of-mind positions have often been more split across different brands for each of the health and wellbeing subsegments. This, for example, was the case with OTC customers historically having strongly favored the partly government-run "Apoteket" pharmacies, which have equally utilized their ability to sell prescriptive drugs to

expand this trust toward other types of more clinical products within both the personal care as well as vitamin, mineral, and supplement subsegments.

Overall, previous historical strategic initiatives to address the health market include, but are not limited to;

- a) product assortment expansions;
- b) partnerships with niche experts to either develop new products and services or generally increase the brand trustworthiness;
- c) advisory via, for example, in-store dermatologists and other initiatives to expand authority further as a trusted health advisor—both offline and online;
- d) media and marketing, full-suite media campaigns wherein and utilization of first-party data can secure winning an increased share of the voice in the under-communicated market.



Health and
Wellbeing is a
DKK 5–5.5b
market



Product Categories in Market

The four overarching attractive subsegments of the health and wellbeing market in Denmark can be described as follows.

Personal Care

The market for personal care products constitutes 15–25% of the health and wellbeing market, with products ranging from dental, oral, and hygienic care to a range of dermatological skin care products. As this submarket includes various product categories, the complexity and general sale attractiveness equally differ. While generally being considered a high-margin submarket, several market parts are regulated by different customer behavior patterns. In several subsegments, including a range of the most profitable segments, customers prefer purchasing with the best possible advisor for increased trustworthiness. These are, for example, the submarket of dermatological skin care wherein Matas has a current market share of only 0–5% of the DKK 600m annual market. This market equally falls significantly behind other national markets, as dermatological skin care today make

up only 19% of the total skin care market compared to the average of 30% in Western Europe.

Vitamins, Minerals, and Supplements

The market for vitamins, minerals, and supplements constitutes 30–40% of the health and wellbeing market, with products ranging from sports nutrition to its namesake products selling everyday vitamins, minerals, and supplement products. Similar to the personal care market, this sub-section has historically been categorized by high general margins across mass and high-end product segments.

According to market studies, the typical customer of this subsegment shows extensive similarities to Matas' current customer base, but still with many choosing to purchase at retail chains rather than through Matas. Women purchase 65% of vitamins, minerals, and supplements, while 56% of these products' customers are aged 50 or above. Despite the high concentration of branding within this submarket, Matas has equally identified significantly low customer loyalty, with roughly 85% of customers holding no or limited brand loyalty.

OTC (Over-the-counter products)

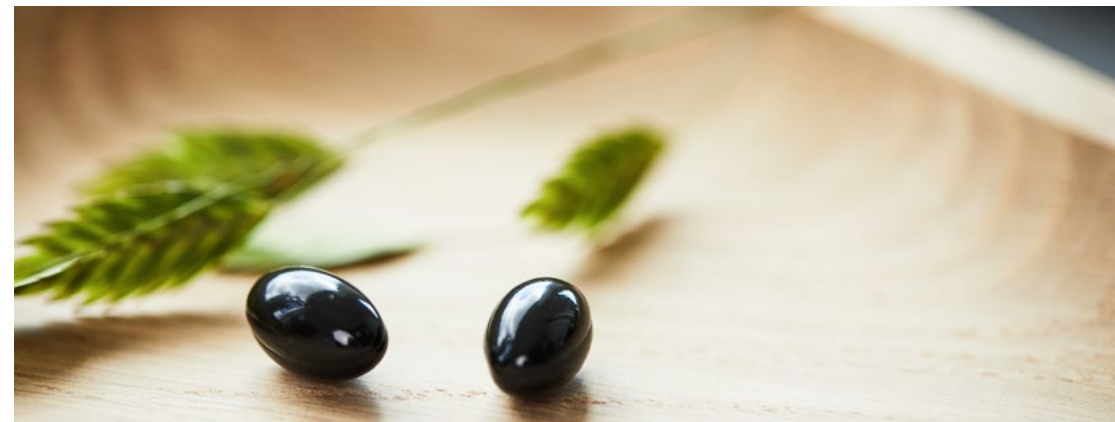
The market for OTC products constitutes 45–55% of the health and wellbeing market, including a range of non-prescription products from allergy care, painkillers, and cough remedies. While this subsegment is significantly the largest market within the health and wellbeing market, it differs significantly from other subsegments by its limited proximity and synergies with the traditional beauty market. While products within this segment are non-prescriptive, its medicinal proximity presents a range of challenges for any market retailer.

By law, products within this segment are not allowed to be price discounted and generally not allowed to be either

marketed or positioned in proximity with traditional beauty products. This does not prevent the sale of these products offline or online, but due to such restrictions and different customer purchasing patterns, this market has historically been categorized by low margins.

Prescription Medicine

The prescription medicine market requires governmental approval for sale, and while theoretically possible for sellers such as Matas, Matas has historically decided against entrance on the sale of such products. For this reason, while a part of the total health and wellbeing market, this subsegment should not be pursued.



The Competitive Environment

Matas has numerous competitors in the beauty and health space. In particular, the discount retailer Normal has increased competition within “mass beauty” and captured market share.

However, Matas still boasts the strongest brand position in the market, with brand awareness estimated at 95%, whereas this figure is only estimated to be 86% for Normal. This brand awareness figure is even higher than for the national pharmacies, estimated to be 88% of consumers. Matas enjoys strong recognition among its oldest consumers, with brand awareness estimated at 99%, where this figure is only 92% for consumers aged 30-44.

When it comes to everyday health, Matas is somewhat challenged as well, especially by super- and hypermarkets. This is a challenge constituted online as well, with notorious price wars and price comparison technology rapidly advancing. Moreover, it is quite the challenge to leverage trained staff and expertise online, although some attempts have been made toward this, offering online counseling. However, this aspect of the online shopping experience does appear to matter much less to consumers compared to the importance of price.

Another significant competitor of Matas is the state-protected pharmacies located across the country. These enjoy special permissions regarding the sale of prescription drugs, which promotes traffic related to the sale of other health products. Also, they are staffed by pharmacists, which significantly boosts the perception of them as a health provider, an aspect that Matas has been looking into in recent years, with the aim of establishing themselves as an equally trustworthy provider of products aimed at improving health, offline as well as online.



Emerging Trends

Euromonitor forecasts the underlying Danish Health and Beauty market to support Matas' long-term growth by 2–4% per annum, although with some post-covid volatility.

The underlying Health and Beauty market is expected to continue showing modest growth driven by solid fundamentals. The beauty, health, and wellbeing space has historically grown faster than GDP and consumption in general. Additionally, consumer trends such as “Younger for longer” and the average danish consumer's increased spending on health, also support market growth.

Vitamins and dietary supplements have never been more popular. This market has been projected to grow at a CAGR of 5% in the period 2019-2024, according to Euromonitor. Moreover, several trends have captured consumers in recent years, for example, veganism related to beauty and health, the importance of certifications, the popularity of clean and natural ingredients, and a more holistic view of health.

In order to accommodate these trends, it is of chief importance that the retailer is perceived as offering inspiration and advice regarding the integral concerns that are constituted in the conscious consumer who follows the aforementioned trends. In a survey conducted for Matas, 66% of respondents answered that Matas is a retailer that offers products promoting better and healthier habits. In contrast, only 58% answered that Matas is a retailer where one can access inspiration and advice

regarding health and healthy habits, indicating room for improvement.

The market for health products is characterized by a set of highly attractive fundamentals: 1) Market outgrowing general economy for several years and expected to continue due to continued demographic and lifestyle evolution; 2) Evergreen need for inner and outer beauty, continuously growing the Health and Beauty market; 3) Large profit pools

to be shared across the entire value chain due to limited commoditization; 4) Consumer preferences for brands, newness, experience, and advice drives differentiation and premiums; 5) Massive innovation in the consumer health space opening new growth opportunities, 6) Resilient to economic cycles with mass beauty, high-end beauty, and health categories.



Closing Remarks



Closing Remarks

Matas and Matas.dk have long been the top-of-mind place to go for purchasing beauty products. Their market leading position has been cultivated over the company's 70+ years of providing not only daily necessities, but also of the most sought-after products and customer security, through offering advice and comfort fostering a personal experience for the individual customer.

For as long as Matas has existed, this high level of trustworthiness and the legacy top-of-mind position has been some of the key factors to why Matas today remain the undisputed leader of both mass and high-end beauty on the Danish market. In recent years, both customers and a large part of the market has evolved, with general purchasing behavior transformed to include a much larger share of online purchases. While Matas already has seen significant growth of Matas.dk, the group is looking toward a future where it is not the omnichannel retailer as it is today; Matas is looking toward a future as Denmark's leading beauty and health group.

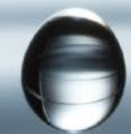
However, while Matas is already on its journey toward successfully penetrating the health and wellbeing market, several challenges lie ahead, which altogether have shown that success in the beauty

market does not by definition result in success in the health market. Because while the customers and target audience are similar, these same customers prioritize and demand with significant differences as to which retailer they wish to use for their beauty and health products, respectively.

For this reason, Matas has identified that any strategy on the health market should be able to utilize the full effect of what has historically driven the success of Matas. A strategy emphasizing Matas not only as a top-of-mind retailer for beauty products, but equally for health. The strategy must effectively convey to customers that Matas not only has the largest and deepest assortment of any health product, but the brand-wide capabilities and trustworthiness to ensure that any customer leaves Matas or Matas.dk with the right and best possible product, as well.

With this, it will now be up to you and your team to propose your solution as to how Matas' penetration in the health market should look. Both senior executives from Matas, jury members from across Denmark, and the entire organization behind CBS Case Competition look very much forward to viewing and considering your solutions and presentations. As this is one of the top priorities of Matas, which are being dealt with right now, your proposals will play a vital part in the strategic considerations going forward. As you start your work on this case, keep in mind the complexity of balancing trustworthiness within the beauty and health industry, and remember to keep the values of Matas top-of-mind. Think big, be bold, and have fun.

Best of luck!



Appendix



Key Figures

Statement of Comprehensive Income Key figures (DKK M)

	2020/21	2019/20	2018/19	2017/18	2016/17
Revenue	4,163.6	3,688.5	3,541.3	3,464.8	3,510.8
Gross Profit	1,841.2	1,640.4	1,588.8	1,549.3	1,611.8
EBITDA	788.0	678.4	529.7	534.5	620.1
EBIT	380.4	292.9	363.3	368.9	475.1
Profit for the Year	269.0	191.2	263.1	280.3	338.7

Statement of Financial Position Key figures (DKK M)

	2020/21	2019/20	2018/19	2017/18	2016/17
Assets	6,143.1	6,588.3	5,538.8	5,303.6	5,270.6
Equity	3,038.9	2,764.0	2,669.9	2,620.9	2,572.5

Other KPIs

Number of Transactions (millions)	20.9	20.9	21.3	21.2	22.3
Average Basket Size (DKK)	197.5	174.7	165.1	159.4	150.3
Average Number of Employees (FTE)	2,152	2,197	2,149	2,164	2,197

Revenue by Categories and Sales Channels Key figures (DKK M)

	2020/21	2019/20	YoY Growth
High-End Beauty	1,503.9	1,327.4	13.3%
Mass Beauty	1,401.6	1,275.1	9.9%
Health & Wellbeing	1,092.5	920.7	18.7%
Other	143.7	133.2	7.9%
Total Retail Sales	4,141.7	3,656.4	13.3%

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matas

CBS Case Competition 2022 — Invitational

An Organic Journey Towards
Becoming Denmark's #1 Health
Destination

Part B



Letter from the Commerical Director

Dear students,

Just as Gregers, our CEO, were happy to announce Matas' as the case company for the 2022 Invitational CBS Case Competition yesterday, I am just as glad to announce that we are indeed also the case company for the grand finale tomorrow, March 4th.

I will now ask that you, in the following 8 hours, not just refine your current solutions based on the feedback you have just received, but also consider another aspect of our current strategic challenges. For us, expanding into the health and wellbeing market is not only a top-line challenge, but equally a bottom-line challenge. While Matas is highly dependent on the sales of our many partnered brands, we find that some of our most profitable product lines, which on the same time can help us to distinguish from competitors, are our own brands. Today, our private labels generate almost 20% of our total revenue.

While we do not ask you to change your proposed solutions, we hope that you will be able to integrate considerations about expansion of our private labels in the health and wellbeing market into your

strategic recommendation. In addition to adapting your current solution to the received feedback, we would thus like you to consider the following:

How can Matas reach the strategic goal of DKK 500m in additional yearly revenues within the Danish health and wellbeing market by 2026 while strengthening the presence of Matas' private label portfolio within this market?

We will leave it up to you to decide how much attention you will give to the private label aspect, but please keep in mind that this is a top priority for us.

For the presentations tomorrow, please remember that you will have 15 minutes compared to the 12 minutes you had today.

I sincerely look forward to hearing your solutions.

Best regards,
Lise Ryevad,
Commerical Director



Existing Private Label Overview

Matas has so far introduced several private label brands across subsegments of the health and wellbeing market. This has been a strategic move to increase profitability and to establish Matas as a key player in the health and wellbeing market. Below is a non-exhaustive list of Matas' own brands and private label brands:



Striberne (The Stripes)

Matas Stripes is Matas' first and largest private label, stemming all the way back from the foundation of Matas in 1949. The "Stripes" brand consists of a wide portfolio of products



Matas Natur

Matas Natur is a brand with a broad assortment comprising of organic premium beauty products targeted the growing customer group who prefers natural products. Currently, Matas Natur has no health and wellbeing products.



Matas Sports Care

The Matas Sports Care brand comprises a niche product portfolio of sports-related support equipment ranging from bandages and injury care equipment.



Plaisir

Plaisir is a luxury skin care brand specializing in personal care products. While being one of Matas' minor private label brands, Plaisir's has the deepest portfolio within the personal care subsegment. Plaisir currently has three health and wellbeing products: collagen, hyaluronic acid, and nail and hair.



Nilens Jord

Nilens Jord is the number-one make-up brand in Denmark. It was acquired by Matas in 2019 for DKK 145m, and before that it was the most sold non-owned brand in Matas. Nilens Jord operates exclusively within the beauty market.



Skønt by Matas

"Skønt by Matas" is a newly launched brand, which consist of a portfolio of supplements. The supplements are Aktiviva, which entails EPA, DHA, vitamins, minerals, and plant extracts, and ProFokus, which is produced in a partnership with Novozymes OneHealth.



Matas Medicare

Matas Medicare includes all types of non-prescription medical-care products, catering to men, women, and children. These consist of everything from medical devices, disinfectants



Private Label Market Characteristics

In many subsegments of the Health and wellbeing market, private label brands are either heavily restricted or illegal, and products with proximity to medicinal use cannot be penetrated via the direct use of private label brands. With exception to these legality considerations, private label activities can generally be expected to act as any other brand sold in Matas and alike.

