NYU

Competitive Strategy

Spring 2026 - Session 8

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Strategic Decision Lab

The Challenge

Vela Skincare has $12M to invest in growth.

Four strategic options. One budget. Your team decides where the money goes.

Double Down

Scale the hero product line that built the brand

Gen Z Sub-Brand

Launch Vela V — a new line for younger consumers

International

Expand into Southeast Asian markets

DTC Ecosystem

Build subscription + community platform

Meet Vela Skincare

The Brand

- Founded 8 years ago — premium, clean beauty positioning
- Annual revenue: $85M — profitable but growth has slowed to 6% YoY
- Core strength: hero serum line (42% of revenue)
- Distribution: 70% wholesale (Sephora, Nordstrom), 30% DTC website
- Brand recognition: strong among 30-45 women, weak with Gen Z
- Currently no international presence

The Market

- Global skincare: $180B market, growing 7% annually
- Clean beauty segment: growing 12% but increasingly crowded
- DTC brands (The Ordinary, Glossier) disrupting price/channel norms
- Gen Z consumers: 40% of beauty purchases, but different values — efficacy over luxury
- SE Asia: fastest-growing beauty market globally (+15% CAGR)
- Rising ingredient costs squeezing margins across the industry

The Four Strategic Options

You may allocate the full $12M to one option or split across two. No three-way splits.

A Double Down on Hero Line

Invest in R&D extensions (SPF, body care), retail expansion, influencer marketing

Upside: Low risk, proven demand, strong margins

Risk: Limited growth ceiling, doesn't address Gen Z gap

B Launch Vela V (Gen Z Sub-Brand)

New product line, TikTok-native marketing, affordable price point ($18-35)

Upside: Captures fastest-growing demographic, diversifies revenue

Risk: Cannibalization risk, brand dilution, unproven positioning

C Southeast Asia Expansion

Enter Thailand, Vietnam, Indonesia via local distributors + Shopee/Lazada

Upside: Massive market, first-mover advantage, revenue diversification

Risk: Regulatory complexity, cultural adaptation, long payback period

D DTC Ecosystem

Subscription model, loyalty program, content community, first-party data

Upside: Higher margins, customer lifetime value, reduces wholesale dependence

Risk: Expensive to build, slow ramp, requires operational transformation

A Double Down on Hero Line

Invest up to $12M in extending and scaling the core serum franchise

Vela's Current Position

- Hero serums: $35.7M revenue (42% of total), 68% gross margin
- Sephora "Clean Beauty" endcap placement in 340 doors
- 4.7-star average across 12,000+ reviews on Sephora.com
- No SPF, body care, or hair — whitespace in the product ladder

Competitive Landscape

- Drunk Elephant (Shiseido): $500M+ rev, full range, strong retail
- Tatcha (Unilever): premium positioning, expanding into body/SPF
- Paula's Choice: science-led, strong DTC, aggressive retail push
- Sunday Riley: similar price point, overlapping Sephora shelf space

How the $12M Would Be Spent

R&D: SPF + body care line extensions	**$4M**	Launch 6–8 SKUs in 12 months
Retail expansion: +200 Sephora doors, Ulta entry	**$3.5M**	Grow from 340 to 540 Sephora + 150 Ulta doors
Influencer & brand marketing	**$3M**	Macro-influencer partnerships, editorial placements
Operational scale (manufacturing, supply chain)	**$1.5M**	Prepare for 40% volume increase

B Launch Vela V — Gen Z Sub-Brand

Invest up to $12M in a new product line for consumers 18–28

The Gen Z Opportunity

- Gen Z drives 40% of beauty purchases but Vela has <5% awareness in the 18–28 cohort
- Gen Z values: efficacy > luxury, ingredient transparency, sustainability
- Average Gen Z skincare spend: $28/product (vs. $62 for Vela’s)
- TikTok is the #1 product discovery channel — Vela has minimal presence

Key Competitors in Gen Z Beauty

- e.l.f. Beauty: $1B+ rev, mass price, TikTok-native, fastest-growing US brand
- Bubble Skincare: Gen Z-focused, Walmart, $5–16 price, viral TikTok growth
- Starface: acne patches + skincare, playful brand, Gen Z cult following
- The Ordinary (DECIEM): ingredient-transparency pioneer, ultra-affordable

How the $12M Would Be Spent

Product development: 8–10 SKU line ($18–35 price points)	**$3.5M**	Clean formulations, sustainable packaging, refill model
TikTok & social commerce marketing	**$4M**	Creator partnerships, TikTok Shop, Instagram Reels
Retail launch: Target, Ulta, Amazon	**$2.5M**	Mass-market distribution aligned with price positioning
Brand identity & packaging design	**$2M**	Distinct visual identity to avoid parent brand confusion

C Southeast Asia Expansion

Invest up to $12M to enter Thailand, Vietnam, and Indonesia

SE Asia Beauty Market

- Combined market: $30B and growing 15% annually (vs. 4% in the US)
- E-commerce penetration: 55% of beauty sales (Shopee, Lazada)
- Clean beauty awareness rising but supply is limited. Premium gap
- Thailand: most mature market; Vietnam: fastest growth; Indonesia: largest population

Key Regional Competitors

- Sulwhasoo / Laneige (AmorePacific): dominant K-beauty positioning, strong distribution
- Shiseido: established premium presence, localized product lines
- Wardah (Indonesia): #1 local brand, halal-certified, deep distribution
- Srichand (Thailand): heritage local brand, affordable premium, loyal following

How the $12M Would Be Spent

Local distribution partnerships (3 markets)	$3.5M	Distributors with existing retail + e-comm relationships
Shopee/Lazada storefront + logistics setup	$2.5M	E-commerce infrastructure, warehousing, fulfillment
Localized marketing & KOL partnerships	$3M	Region-specific campaigns, local influencers, Bahasa/Thai content
Regulatory compliance & product adaptation	$3M	Halal cert (Indonesia), FDA (Thailand), formulation tweaks

D

Build a DTC Ecosystem

Invest up to $12M to shift from 30% DTC to 55% DTC within 3 years

The DTC Opportunity for Vela

- Current DTC margin: 72% gross vs. 52% through wholesale (Sephora 30–40%)
- Vela.com traffic: 180K monthly visits, 2.1% conversion (industry avg: 2.8%)
- No subscription model — 70% of skincare purchases are replenishment-driven
- Zero first-party data strategy; relying entirely on Sephora's customer insights

DTC Benchmark Brands

- Glossier: 80%+ DTC, community-driven, but struggled scaling profitability
- Curology: subscription-first model, 85% retention, personalized formulations
- Function of Beauty: customization + subscription, $150M+ revenue
- Augustinus Bader: luxury DTC, 60% direct revenue, strong loyalty program

How the $12M Would Be Spent

E-commerce platform rebuild + subscription engine	$4M	Headless commerce, subscription management, personalization
Customer acquisition (paid media, SEO, content)	$3.5M	Target CAC of $38 (industry avg: $45 for premium beauty)
Loyalty program + community platform	$2.5M	Points, referrals, exclusive content, skincare consultations
Data infrastructure + CRM	$2M	First-party data platform, segmentation, lifecycle marketing

The Real Trade-Offs

No option is obviously right. Here's what makes this decision hard.

Short-term profitability *vs.* **Long-term market position**

Option A protects margins now; Options B and C sacrifice near-term returns for future growth.

Brand coherence *vs.* **Demographic reach**

Vela V (Option B) targets a new audience but risks diluting what makes the brand premium.

Control & margins *vs.* **Scale & reach**

DTC (Option D) gives Vela ownership of the customer relationship, but wholesale delivers volume.

Domestic focus *vs.* **Geographic diversification**

SE Asia (Option C) reduces dependence on the US market but introduces regulatory and cultural complexity.

Proven demand *vs.* **Growth ceiling**

The hero line (Option A) is a known quantity, but a $85M brand can't grow to $200M on serums alone.

Your Toolkit

Use at least two tools. Choose whichever best supports your argument.

AHP Studio	Rank the four options against weighted criteria (growth potential, brand risk, ROI timeline, competitive response)	*Best for: Making your priorities explicit and defensible*
Game Theory	Model how competitors (DTC challengers, Sephora, local SE Asian brands) might respond to each option	*Best for: Anticipating competitive dynamics*
Decision Trees	Map sequential decisions — e.g., test then scale, or phase investments across options	*Best for: Evaluating staged strategies and value of information*
Scenario Planning	Build futures around key uncertainties (Gen Z adoption, SE Asia regulation, DTC margin trajectory)	*Best for: Stress-testing your recommendation's robustness*

Today: Build Your Analysis

Phase 1 of 2 — 75 minutes

0 – 10 min	**Read & Discuss**	Read the case brief. As a team, discuss initial reactions. Which options stand out? Why?
10 – 20 min	**Choose Your Approach**	Select which tools you'll use and why. Define your criteria (for AHP), uncertainties (for Scenario Planning), or decision sequence (for Decision Trees).
20 – 55 min	**Build Your Analysis**	Run the tools. Document your reasoning. This is the core working block — go deep on at least two tools.
55 – 70 min	**Write Your Rationale**	Complete the one-page deliverable: your recommendation, the tools you used, key findings, and the assumptions driving your decision.
70 – 75 min	**Submit**	Submit your deliverable and tool exports. These feed into next week's pitch.

What You Submit Today

One-Page Written Rationale

- Your recommendation: which option(s) and how you'd allocate the $12M
- Which tools you used and why you chose them
- Key findings from each tool (2–3 sentences per tool)
- The critical assumptions driving your recommendation
- One major risk to your strategy and how you'd mitigate it

Tool Exports (attach as appendix)

- AHP Studio: PDF report or screenshot of priority rankings
- Decision Tree Studio: exported tree with expected values
- Scenario Planning Studio: PDF with scenarios and robustness matrix
- Game Theory: payoff matrix or strategic form screenshot
- Any other supporting analysis (spreadsheets, notes)

Next Week: The Pitch Competition

Phase 2 of 2 — Executive Pitch

The Format

- 5-minute pitch per team
- 2-minute Q&A from the panel
- Present as if pitching to Vela's executive team
- All six teams present back-to-back

The Judges

- Panel of judges evaluating:
- Strategic logic and recommendation quality
- Analytical rigor and tool usage
- Assumption transparency and risk awareness
- Communication clarity and presence

The Stakes

- Judges score each team on a rubric
- Scores announced after all presentations
- Winning team recognized in class
- Both in-class analysis and pitch are graded

Tips for a Winning Pitch

Lead with the recommendation	Don't bury it. Open with "We recommend allocating $X to Option Y because..." The analysis supports the argument — it's not the argument itself.
Show your work, don't just describe it	Put the AHP rankings, scenario matrix, or decision tree on screen. Let the judges see the analysis, not just hear about it.
Own your assumptions	The judges know your numbers are estimates. What matters is that you can articulate what you assumed, why, and what changes if you're wrong.
Anticipate the pushback	What's the strongest argument against your recommendation? Address it before the judges raise it. This signals strategic maturity.

Time Starts Now