

# Tattoo Redo (1 of 2)

## S Say

### Start the case

- Tattoo On You!, a chain of 45 tattoo shops throughout the US, is trying to expand its business in a unique way. It would like to introduce the Tattoo Redo program, where customers can have old tattoos removed with laser technology, clearing space for new tattoos to be applied.
- Their goal is two pronged: draw new customers and maintain loyalty among current customers.
- They are evaluating the details of the Tattoo Redo program:
  - **Market to heavy tattoo users** – research shows that heavy tattoo users are most likely to want old tattoos removed to make room for new ones.
  - **Encourage users to start small** – to increase the likelihood of success, focus on removing tattoos from smaller areas. Smaller areas can be cleared more cleanly, more quickly and for less money.
  - **Bundle the removal and application appointments** – it is more profitable for Tattoo On You! to reserve the Tattoo Redo program for those customers who want a new tattoo after the removal of an old tattoo.
  - **Pilot the program** - Purchase five tattoo removal lasers for five test locations and market the program. If it goes well, expand the program.

“You have been asked to evaluate the campaign and raise concerns. What do you think?”

### Be ready if asked:

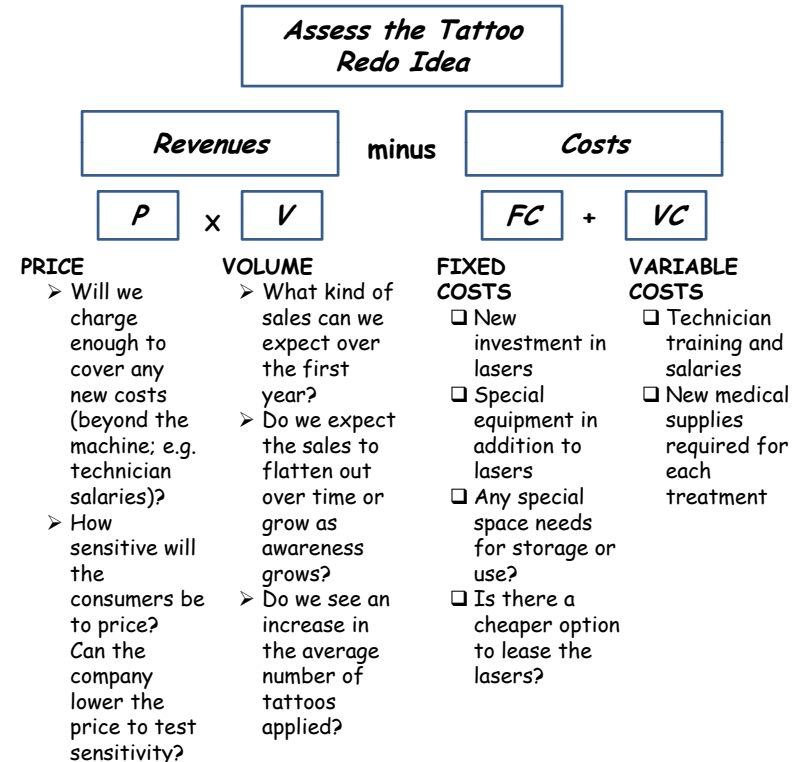
- **Competitors** – no competitor is promoting the combination tattoo removal and application process.
- **Laser removal machine cost** – each machine costs \$400k with annual maintenance fees of \$30k and life expectancy of 4 years
- **Pricing** – the average laser removal package will cost \$750 in total and require 3 treatments.

## M Manage

### Know what to manage

- This case touches on **breadth, numbers and creativity** through your questions. You will provide the numbers after the initial discussion.
- For an initial structure, expect to see a simple profit equation and the candidate drilling into each of the variables.

Look for good structure (*this is a sample – expect variations*)



# Tattoo Redo (2 of 2)

## A Ask

Ask specific questions to keep the case on track. You will be in “command and control” mode.

1. **(BREADTH)** “What else would you like to include in your structure?” (e.g. ask this if there is an obvious gap in the candidate’s thinking). Help provide hints where necessary. Spend the majority of your time asking questions and understanding the plan.
2. **(NUMBERS)** “If you had to create the equation for paying off the laser machines with new treatments, what would it be?” (1 approach)
  - Start with the fixed amount to pay off, \$400k
  - Add-in the additional maintenance fee per year, \$30k
  - For simplification ignore interest rates and the time value of money
  - $\$400k / 4 \text{ years (life of machine)} + \$30k = \$130k$  of expenses per year to cover
  - $\$130k / \$750$  per treatment = quick estimate is between 130 and 200 treatments. Exact answer is 173.
3. **(CREATIVITY)** “After 6 months, the management team is worried. Some pilot locations have had a strong number of sign-ups for tattoo removal and others have not. Management is wondering what to do to increase sign-ups for the combination packages. What would you do?” (look for a broad list of ideas)
  - Lower price to see if that increases volume
  - Study variations in the program at successful locations vs. less successful locations and apply the best practices
  - Remove fear of the laser by offering 2 minute test “zaps”
  - Offer buy one, get one free for the tattoo removal
  - Offer more affordable introductory packages
  - Advertise the benefits of clearing space for new tattoos
  - Increase the personal connection with more testimonials

4. **(INTEGRATION)** “Even though the data is unclear that the pilot program is a success, you need to support it in front of the management team. If you had to make a persuasive pitch to continue and expand the campaign, what would you say?”

### Recommendation:

- Financials
  - On the financial side, even though initial estimates indicate spotty sales, I’m sure it will increase. Removing old tattoos is the next big trend and only makes sense for Tattoo On You! to enter the market.
  - Growth will occur with repeat users of the program.
- Marketing
  - The pilot is just the beginning of the marketing approach and as it is advertised more, the program should grow.
- Fixed cost reductions over time
  - The laser is a fixed cost. These assets will go down in price over time.

## R Role Play

- Try the reverse conclusion. See if the candidate can argue hard against continuing the idea. Some sample points to make:
  - Operationally it spreads the focus of the business. It would be better to only focus on tattoo application.
  - Pilot programs are designed to test concepts. Since the initial test is not going well they should not expand the program.

## T Track

- **Breadth** – for marketing problems you still need a data driven or very structured start to the case. This case shows the value of looking at each variable.
- **Numbers** – review how it was easy to build the equation in simple steps.
- **Creativity** – asking questions about each profit equation variable is a good approach.