

Cornerstone®

TITLE: *A smooth shave, delivered*

INDUSTRY SECTOR: *Personal Goods*

CLIENT: *Cornerstone*

CONSULTANCY: *Path*

DATE: *June 2017*

*In May 2014 Cornerstone didn't exist. Less than three years later, it is the UK's biggest subscription-only male grooming brand and is on course for a **£100m** sale in 2020. How?*



1. Strong branding, packaging and razor design

In a recent questionnaire, **over 85%** of Cornerstone subscribers gave the branding and packaging 4+ stars. **82%** gave the razor 4+ stars. The razor design has won two shaving awards.

2. Punching above its weight on social media

Far exceeds the followers of direct competitors Bearded Colonel and Shavekit on Facebook, Twitter and Instagram. **2x** Wilkinson Sword's Twitter followers and streets ahead of both Gillette and Wilkinson Sword on Instagram. Weekly Facebook engagement just behind US brand Harry's which has almost 7x as many followers.

3. Exceeding target membership 6x over

140,000 members against an original target for 2017 of 24,000. On course to reach **250,000** by the end of 2017. In proportion to company value, this is **40% more** than US shaving brand Harry's.

4. High conversion rates in a retail-dominated sector

38% of Cornerstone-aware consumers bought products in the last 12 months, higher than both Bulldog and Molton Brown. **20%** of Cornerstone-aware consumers bought it more than any other brand.

5. High retention, low drop-off rates or 'churn'

Monthly churn is currently **1.1%** against a target of 10% compared to Netflix's churn rate of 3%. Retention is **79%** after 4 months and **60%** after 2 years. Email open rate is **40%+** against an industry average of 11%. Cornerstone's '15 minutes' magazine has a readership of **130,000** against GQ's 117,000.

6. Investment to drive revenue and growth

Raised venture capital funding **12x** more than the nearest rival. 2017 revenue currently estimated to **double** the original target, with annual growth of **133%**.

Outline of project brief

Most men don't like shopping or shaving...

The brief to **Path**: *“Create the UK’s first etail subscription shaving brand: Cornerstone. Build a brand positioning and identity which brings the concept to life, with a strong but not overpowering presence. We want the quality of the products – including a unique razor – to shine through”.*

As an etail brand, Cornerstone would be absent from the male toiletries fixture in-store where giants like Gillette, Philips and Wilkinson Sword trade on established credentials and impulse purchase. It would need to operate more like the shaving subscription brands that have successfully established themselves in the US market.

The objectives were to:

Make an online subscription service tangible

- Putting strong branding, packaging and razor design centre stage
- Utilising social media and targeted marketing to engage with customers

Attract and more importantly retain customers

- Achieving a target membership of 24,000 by 2017
- Converting customers online in a retail-dominated sector
- Aiming for a 10% ‘churn’ or drop-out rate for new members

Grow fast, to secure a sale in 2020

- Attracting investment to drive revenue and fuel growth



Cornerstone products

Description

Cornerstone is the brainchild of entrepreneur **Oliver (Ollie) Bridge** and follows on from similar disruptive businesses Dollar Shave Club and Harry’s in the US shaving market.

The concept is simple: firstly, offer men an easy, one-time-only brand choice that gives them the best shave and ensures they never run out of products. Secondly, give them a holistic brand experience and the flexibility to change any aspect of their subscription at any time. Finally, create an ongoing dialogue via social media and a regular newsletter included in every delivery.

The ‘full kit’ of five products comprises an award-winning razor, 6 blades, a pre-shave scrub, shave gel and post-shave balm. When consumers sign up,

they select a shave plan based on how often they shave and which products they want. They receive notifications one week before delivery and can change their subscription choices at any time.

Cornerstone operates a business model which focuses on revenue and growth rather than profit, with targeted customer marketing and continuous cycles of venture capital funding as key components of its growth strategy. All profit and investment is fed back into the business with the aim of selling in 2020.

Because Cornerstone was a start-up, Path agreed to accept shares in place of fees. This was initially a 7.5% share of the business and is now 4% as new shareholders have come on board.

Size of design budget and production costs

Project launch date:	July 2014
Equivalent design fees:	Total £127,000
Strategy:	£17,000 Brand creation and Positioning
Innovation:	£53,000 Razor handles, Product packaging structure, Delivery packaging structure
Branding:	£34,000 Brand Identity, Packaging, Website style guides
Production:	£23,000 Print & production management & consultancy, Product & packaging manufacture specification and sourcing, Artwork creation, Proofing

Overview of market

Gillette produces around 70% of all razors worldwide with a brand value of \$20.4bn (May 2015), in the same league as Apple and Amazon¹.

In the US, Gillette's domination was challenged 5 years ago with the introduction of subscription shaving brands **Dollar Shave Club** (in 2012) and then **Harry's** (in 2013). The online market for razors in the US accounts for about 8% of total razor sales (\$236m²). These ecommerce subscription companies operate on a very different business model to the traditional retail giants, using social media advertising to reach their target customer, attracting venture capital funding and aspiring to high-retention, low-cancellation membership rather than net profit.

Dollar Shave Club grew rapidly in the US, from sales of \$4m in 2012 to \$152m in 2015, and sold out to Unilever for \$1bn in July 2016, with 3.2m subscribers. Harry's is probably the closest in brand positioning and pricing structure to Cornerstone and was valued at \$750m in June 2015³ with 2m subscribers.



Dollar Shave Club

In 2017 Mintel predicted that the UK men's grooming market would reach sales of £608m. Euromonitor (May 2017) anticipates 3% growth in the UK men's grooming market whilst Datamonitor cites UK market growth at c.3% CAGR since 2004, with razors accounting for 78% of market spend. Gillette has around 50% UK market share, with Philips and Wilkinson Sword 2nd and 3rd respectively. Mintel confirmed that online sales of men's toiletries (a fairly broad definition) increased by 3.4% to £30m in 2013, taking a five per cent share of retail sales⁴.

In July 2014, Cornerstone followed Dollar Shave Club's lead and launched the first UK 'challenger' subscription-only brand in the shaving/men's grooming category. Its success has spawned other smaller subscription-only brands – Grüm, Toppbox and The Personal Barber, for example. Retail brands like Bulldog and King of Shaves now offer subscription products but these are add-ons to their main in-store presence. Gillette's subscription offer, Gillette Shave Club, uses a third party online retailer to protect its relationship with high street retailers, so there is no direct-to-consumer relationship. Amazon also offers a 'Subscribe & Save' service delivering the big brands at a small discount, but this is a much broader and more complicated offer.

Cornerstone's two most directly competitive brands – with similar business models – are **Shavekit** and **Bearded Colonel**.

¹ The Guardian, 20 October 2015 "The best a man can get? Dollar Shave Club, Harry's lead shaving's young turks"

² <http://fortune.com/2015/10/23/gillette-shaving-club-wars/>

³ <https://www.theguardian.com/fashion/2015/oct/20/dollar-shave-club-harrys-shaving-gillette-young-turks-razors>

⁴ <http://www.independent.co.uk/life-style/fashion/features/mens-grooming-is-now-a-multi-billion-pound-worldwide-industry-a6813196.html#razors>



Harry's



Shavekit



Bearded Colonel

Cornerstone in the 'virtual' world: step 1

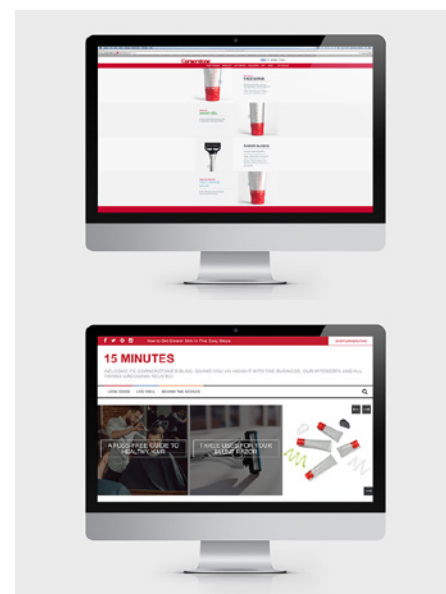
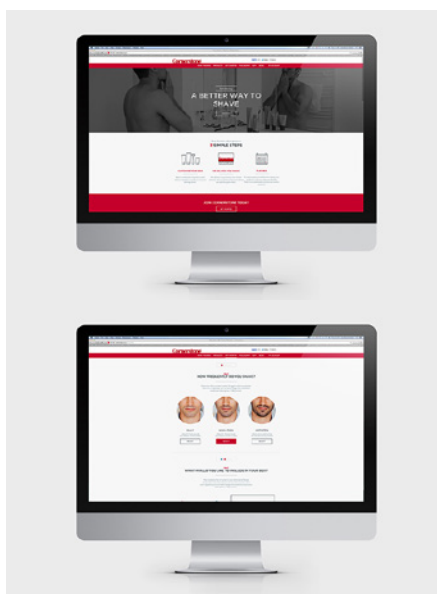
The Cornerstone **brand** needed to be strong, simple and meaningful – the foundation stone for this new business. It had to work in both virtual and real worlds. It needed longevity and broad appeal. The solution? A brand chiselled out of rock, in ownable red, the market being dominated by conservative blue and black.

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cor-ner-stone/noun:

The cornerstone (or foundation stone) concept is derived from the first stone set in the construction of a masonry foundation, important since all other stones will be set in reference to this stone, thus determining the position of the entire structure.

Its digital presence **online** was always going to be at the heart of Cornerstone – this would be most consumers' first encounter with the brand. The website had to be authentic, simple and engaging. Cornerstone's marketing, which would include trial offers and discounts, could push consumers to the website, but only the website could convert them to subscribers and educate them to ensure they achieved the best shave possible. With design guidelines by Path, the website was built by 383 Project in Birmingham. Social media pages were also laid out by Path, with content generated by Cornerstone.



Cornerstone Website & Social Media

Cornerstone in the 'real' world: step 2

Subscribers then experience Cornerstone in the real world, firstly via a branded kraftboard outer which was cleverly engineered to accommodate all 120 product combinations, and then via discreet red and silver (subsequently changed to a flat grey) packs. Across everything, the Cornerstone branding rises from the ground up. Traditional retailing rules are turned upside down, with branding at the base of the pack and vertical lettering differentiated the individual products. A Cornerstone manual reinforces information from the website.



Cornerstone Subscription Pack:
1st Generation



Cornerstone Subscription Pack:
2nd Generation

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Cornerstone's final test: step 3

The ultimate test of a good shaving product is the shave itself; the **razor design** was therefore crucial.

A world-class blade was sourced from Feinttechnik in Germany and the razor was designed with equal priority given to quality, functionality and aesthetics. Features included a free engraving option and the ability to stand the razor on its handle. It was deliberately lightweight.

In 2015, US online shaving subscription brand Harry's bought Feinttechnik, a situation that could potentially have compromised Cornerstone's position if Harry's launched in the UK. Some customers also felt the handle needed more weight, so the decision was taken to start designing a next generation razor. This was launched in May 2017.

New Razor Improvements



Once a Cornerstone subscriber, always a Cornerstone subscriber: step 4

In the world of subscription brands like Cornerstone, customer retention is vital. A blog on the website links to a hard copy '**15 minutes**' magazine which is included in every box. Produced every quarter, it's a key component of the dialogue with consumers, alongside its presence on social media. It also limits the unsubscribe rate by reinforcing the Cornerstone brand and its mission, and by helping its customers feel part of a wider community.

The first magazine and guidelines were designed by Path, with a view to Cornerstone taking over production of the magazine thereafter. It was launched in late 2014, 6 months after the website and products.

Cornerstone '15 minutes' magazine



1. Putting strong branding, packaging and razor design centre stage

In any retail product, the brand plays a critical role. There is no opportunity for impulse purchase in-store, and the product is missing from its wider competitive set when consumers shop the high street.

Like all other subscription-only brands with no tangible retail presence, Cornerstone needs to use targeted marketing, reviews and recommendation to create awareness, attract subscribers and then engage with them to prevent cancellation (also known as churn). Significantly, in every aspect of the company's marketing and advertising, the branding, packaging and razor perform centre-stage.

What do Cornerstone customers think?

500 Facebook followers were emailed a questionnaire about Cornerstone's branding, packaging and razor design. 149 responded – a **30%** response rate.

Out of a possible 5 stars, **89%** gave the logo and branding 4+, **85%** gave the product packaging 4+ and **73%** gave the outer packaging 4+. **82%** gave the new razor 4+ stars and **62%** gave it the full 5 stars.

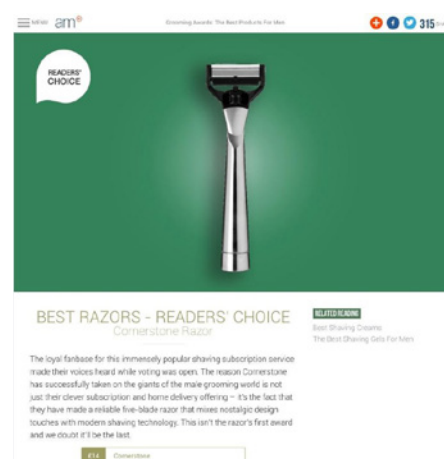
Quality and performance have always been at the heart of the Cornerstone promise and in terms of shaving, the design of the razor is critical. Whilst no blade and razor will suit everyone, the attention to detail in the choice of blade and design of Cornerstone's razor – both original and redesign – has been an important feature of the brand's success. In recognition of this, the original razor won 'Best razor' at **Shortlist Men's Grooming Awards** in March 2015 and was a finalist in the razor category of the 2016 **AskMen Grooming Awards**.

The role of Cornerstone's branding, packaging and razor design in its success cannot be under-estimated. Perhaps the strongest evidence of this is the comparison with direct competitor Bearded Colonel. Both companies launched at roughly the same time, with similar business models. They share an investor (Nick Wheeler of Charles Tyrwhitt shirts) and both used the same razor blade until Cornerstone's new razor launched in May 2017. Yet Cornerstone outperforms Bearded Colonel by **40x** in net assets, **3.5x** on Facebook, **14x** on Twitter and **38x** on Instagram⁵.

⁵ All figures referenced in the following pages



Winner of Best Razor or Shaver Award
Shortlist Men's Grooming Awards 2015



Best Razor Award Finalist
AskMen Grooming Awards 2016

“The sign up is beyond effortless; it’s clear, concise and user-friendly and the website looks cool in general - it really matches the look of the packaging, so the branding is on point... I’m really blown away by Cornerstone, they’ve really nailed their branding. The packaging is simple and clean and the service offers everything you need.”

- Neil Thornton, The Science of Appearance.

The science of Appearance is a men's lifestyle blog by London-based editor and writer Neil Thornton.
(www.thescienceofappearance.com)

SUMMARY OF RESULTS

2. Utilising social media with targeted marketing to engage with customers

Cornerstone's ability to attract and retain customers via social media is key. Whilst Cornerstone has invested in social media targeted marketing since launch, this has consistently featured the branding, products and razor; there is no 'lifestyle' element.

How does this compare to its competitors? We don't know Shavekit and Bearded Colonel's marketing or social media spend. However, US shaving subscription companies Dollar Shave Club and Harry's spent nearly \$11m (£8m) between them in display advertising alone during 2016⁶. We also know that brand-dominant Gillette is the second largest advertiser in the world, the 28th most valuable brand⁷ and roughly twice as profitable as the rest of P&G's portfolio⁸. Gillette clearly has the resources and marketing expertise (and 50%+ UK market share) to compete effectively with Cornerstone on social media. The key difference is the branding, products, holistic brand experience and relationship with consumers.

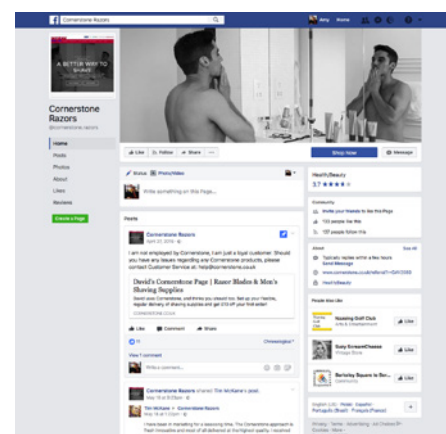
So how does Cornerstone fare on social media? Compared to its direct competitors Bearded Colonel and Shavekit, Cornerstone has **3x** more Facebook followers, **12x** more Twitter followers and nearly **40x** more Instagram followers. Even when compared to the well-established retail giants, Cornerstone punches well above its weight, with **one quarter** of Wilkinson Sword's Facebook following, **double** its Twitter following and Cornerstone outweighs Gillette and Wilkinson Sword on Instagram despite its market share of less than 1% against Gillette's 50%.

Comparing engagement on Facebook for one sample week in May 2017, Cornerstone follows closely on the heels of US shaving subscription brand Harry's (which has 7x as many followers) with engagement of **2.3%** against Harry's 0.4%. Gillette's engagement for the same week was 0.

⁶ On display advertising alone

⁷ <http://www.businessrevieweurope.eu/marketing/856/Top-20-companies-with-the-biggest-advertising-budget>

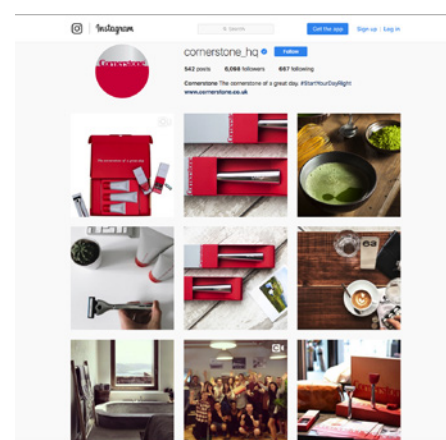
⁸ <http://adage.com/article/agency-news/p-g-hands-gillette-account-grey/24116/>












Cornerstone Facebook Page



Cornerstone Twitter Page



Cornerstone Instagram Page

				
Brand				
	Cornerstone	34,870	15,400	5,900
	Shavekit	11,284	1,265	47
	Bearded Colonel	10,137	1,100	152
	Gillette UK	353,001	27,500	245
	Wilkinson Sword	135,000	7,070	132
	Shave Club UK	5,784	422	4

Number of **social media followers** for Cornerstone and its competitors

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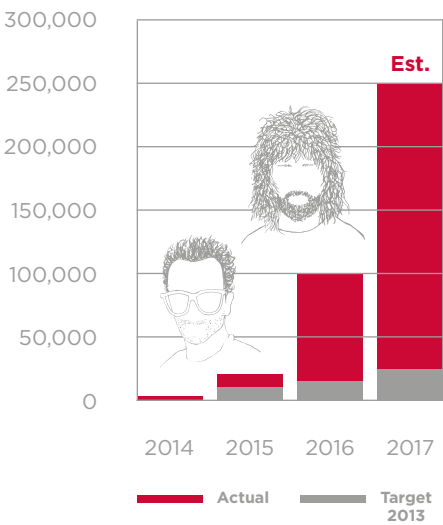
3. Achieving a membership of 140,000 by 2017, nearly 6x target

Cornerstone’s original target for subscribers in 2017 was 24,000⁹. In May 2017 the company had exceeded this by **6x** to reach **140,000** subscribers. Membership **more than doubled** last year. At the current rate of membership acquisition, Cornerstone anticipates a subscriber base of **250,000** by December 2017.

We do not know the current subscriber base for direct competitors Shavekit and Bearded Colonel, although when Shavekit crowdfunded in September 2015, they had 4,000 ‘active customers’.

We can instead draw a comparison with Harry’s, a business that operates in a US market that is at least five times the size of the UK with a year’s head start. If the ratio of Cornerstone’s membership to company value was the same as Harry’s, they would have 100,000 subscribers, so 140,000 is **+40%**. If the ratio of Cornerstone’s membership to investment funding was the same as Harry’s, they would have 53,000, so 140,000 is **+167%**.

Number of Cornerstone subscribers



4. Converting customers online in a retail-dominated sector

Cornerstone’s website is the ‘shopfront’ through which all potential customers commit to a subscription. Since launch, it has seen millions of visitors on its website with many these ‘organic’ visitors who have not come to the site via paid marketing or advertising (the common business model for a subscription business).

It’s important to note that whilst Cornerstone’s ecommerce business model relies heavily on targeted marketing, a consumer’s decision to commit to buy is theirs alone, once they reach the website. As such the branding, packaging and razor design – which feature in all marketing – play a key role, as does the website once they land.

Research with 400+ consumers in October 2016¹⁰ showed that whilst awareness of Cornerstone was still relatively low at 13% compared to other shaving brands (just over 1 in 10 consumers), the conversion rate for those who had gone on to purchase products in the last 12 months was **38%**

for Cornerstone versus 31% for King of Shaves, 25% for Molton Brown and 29% for Bulldog. **20%** of these had bought mostly Cornerstone compared with 20% of Molton Brown consumers buying mostly Molton Brown and 16% of Bulldog consumers buying mostly Bulldog.

⁹ 2013 business plan
¹⁰ Winkle market research report commissioned by Cornerstone, October 2016



Most Bought		Purchased 12M		Aided Awareness	
Conversion Rate		Conversion Rate			
4%	21%	19%	31%	61%	
2%	16%	12%	29%	42%	
2%	20%	10%	25%	40%	
1%	20%	5%	38%	13%	

Winkle report on consumer awareness and conversion rates¹⁰

5. Aiming for a 10% monthly churn or drop-out rate for new members

Churn is the proportion of customers who press the 'cancel' button; low churn therefore indicates customer satisfaction and brand loyalty. In the words of TechCrunch, a worldwide business blog for start-up and investment news: "It cannot be overstated how important churn is as a metric. After 36 months, a company with 1% monthly churn will retain roughly 70% of its customer base. On the flip side, a company with a 6% monthly churn will only retain 11% of its customer base." TechCrunch also quotes "a healthy monthly churn for a high quality consumer internet business is between 2 and 4%".

The chart below shows how Cornerstone's monthly churn has fallen consistently since launch, when the target for churn was 10%. It is currently **1.1%** (June 2017), having halved following the launch of the redesigned razor at the beginning of May.

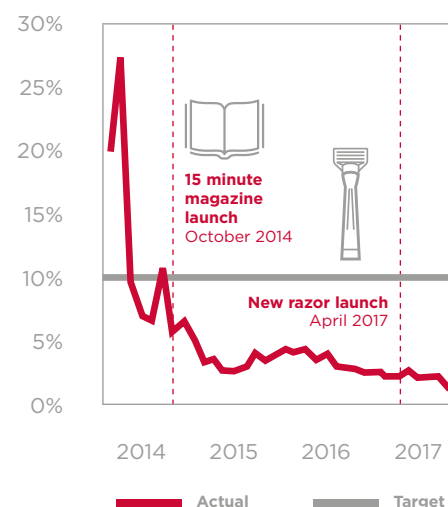
Cornerstone's '15 minutes' magazine, designed to reduce churn and launched late in 2014, resulted in the churn rate **dropping over 20%** from 27.3% in September 2014 to **6.6%** in December 2014. The magazine now has a readership of **130,000**, exceeding male magazine GQ's circulation of 117,000.

Retention is the flip side of churn and another way of measuring brand loyalty. With any subscription product, a significant percentage of customers usually drop-off after an introductory discount or trial period. In month 4 of a subscription, Cornerstone's retention averages **79%**; in month 12 this drops to **70%**. In month 24, 2 years on, it still averages **60%**. As a comparison, US brand H Bloom, a subscription flower business that delivers fresh, hand-cut flowers on a weekly basis to consumers, quotes a retention rate of 60% in month 4, levelling out at 40-50% after month 6¹¹.

Additional measures of Cornerstone's brand loyalty and engagement include:

- an average email open rate significantly higher than the industry average of **11%**
- customer service satisfaction of **95.3%** over the last 12 months and currently **5.5%** above the industry average¹²
- **7 awards**, two for its razor design and five as a start-up business, three of which are based on public votes.

% Churn or subscriber cancellation rate



¹¹ <http://allthingsd.com/20120629/overblown-commerce-models-part-iii-subscription-commerce/>

¹² Mailchimp industry statistic

¹³ Zendesk analytics

6. Attracting investment to drive revenue and fuel growth

Cornerstone launched with £10,000 of Ollie's savings and a £5,000 start-up loan. The first round of seed-funding achieved £160K against a valuation of £660K. A crowdfunding initiative followed which raised **£1m**, nearly **5x more** than Shavekit's crowdfunding of £204K.

Cornerstone has now raised millions in venture capital with more to come in June, **12x** more than that raised by a key competitor. Both companies have equally competent founders, similar price points and use the same razor blade; the key differentiator is the quality of the branding and product design.

SUMMARY OF RESULTS

In addition to attracting venture capital funding, Cornerstone's total revenue in less than three years is now significant. The company achieved gross revenues **double** initial targets with a **growth of 133%** in the last year.

One last measure of business worth is net assets. Cornerstone, Shavekit and Bearded Colonel were all incorporated in 2013 as subscription shaving/grooming businesses working to a similar business model. For the year end 2016, Cornerstone had net assets of more than **16x** Shavekit's and **40x** Bearded Colonel's¹⁴.

Cornerstone has also been a winner or finalist in five business awards:

- **National Business Awards 2016** (Lloyds Bank New Business of the Year category)
- Publicly voted **Start-ups Awards 2015 & 2016** (People's Champion) and **No.10** in the Startups.co.uk **Top 100** in **May 2017**
- **Amazon Growing Business Awards 2016** (Young Company of the Year)

The company is on course for a sale in December 2020 at **£100m**, and so Cornerstone is currently achieving **four times** its originally predicted growth.

¹⁴ Information from Companies House



The branding and design work has played a pivotal role in creating a company of this value, attracting high levels of investment over six separate funding rounds. Experienced brand-owners and investors such as Nick Wheeler (**Charles Tyrwhitt founder**) and Joe Middleton (former **European President at Levi Jeans**) would not have put their money behind a brand unless they believed it had the strength and potential to grow.

"I invested in Cornerstone and joined the Board because not only was it an innovative business idea with a robust business plan, but it was clear that value was placed on effective branding, packaging and product design. I know from experience that even a great business concept that meets a clear and proven consumer need will fail without a strong, relevant brand and well-designed products. It might make the headlines on launch, but it won't last and won't build brand loyalty."

Will Hobhouse, non-executive Board member.

Will Hobhouse is **Chairman at Heal's**, **Ex-Chairman of Jack Wills** and **Ex-CEO of Whittards**.
He is a non-exec Chairman of Cornerstone and knows a thing or two about brands.

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Marketing activity

Cornerstone operates on the same business model as most other subscription-based businesses: buying targeted subscriber information (mainly on Facebook and Twitter) and monitoring the return on this spend. Trial discounts also play a key role in attracting new customers. Most of Cornerstone's customers are 'acquired' via targeted marketing and introductory

discounts. Spend on customer marketing since launch has been significant. Spend on more general PR and marketing has been smaller. All of this attracts consumers but cannot convert or retain them. In addition, all advertising features the branding, packaging and razor design centre stage.

Research resources

Various articles as referenced in footnotes

Subscription market growth

The subscription box market has seen significant growth in recent years but as econsultancy.com stated in July 2016: "*Subscription businesses obviously have attractive attributes, the most attractive of which is arguably an annuity-like revenue stream... but with*

barriers to entry low, competition in many subscription box niches is rife, driving churn and customer acquisition costs up."

The article was prompted by Birchbox (one of the original subscription box brands) laying off 12% of its staff that month.



Profit

We have not included profit figures in our entry since Cornerstone's business model focuses on growth and investment and not profit and as a small business, overheads are disproportionately large. All 'profit' is currently fed directly back into the

business and because this alone would be insufficient to grow the business quickly, there are also continuous rounds of funding.



Personal expertise

Founder Oliver Bridge has a wealth of experience and credentials in attracting investment funds and high calibre business advisors. He also knows a thing or two about marketing. The founders of both Shavekit and Bearded Colonel are similarly experienced entrepreneurs.

Path has experience of creating strong brand propositions and the visual language that surrounds them. It is the combination of skills that has built the Cornerstone brand proposition and ensured that design is represented at Board level.

In addition, the branding, packaging and razor design have all played a key role in attracting investors, many of whom are experienced and successful brand-owners themselves. Investors have had no involvement in the day-to-day running of the business.