

PENN STATE CAPITAL COLLEGE

Victoria's Secret **PINK**

Keeping the Brand Hip



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I. Introduction

Victoria's Secret, a division of Limited Brands, is an established and successful company which provides lingerie, clothing and beauty products to women all over the United States. The Victoria Secret brand is highly recognizable and is synonymous with quality products. In an effort to expand their market share and appeal to a younger customer base, Victoria's Secret created the PINK line. This line is comprised primarily of loungewear such as sweatpants and t-shirts, which are characterized by playful patterns and bright colors. The PINK line separates itself from traditional Victoria's Secret merchandise by their focus on "cute" rather than "sexy" products, and in doing so, have been able to attract the attention of their target market of 18-30 year olds in a big way. However, the PINK brand has also caught the attention of females outside the target market; some as young as 11. Some of the products carried in the PINK line are considered to be too risqué for customers under the age of 18, and Victoria's Secret has received criticism for seeming to target these young consumers. Victoria's Secret must devise a plan to avoid this negative attention and protect their brand image.

II. Situational Analysis

Victoria's Secret's most valuable asset is their brand and their existing brand equity (Cohen, 1998). Brand equity drives sales and shareholder value and consists of brand awareness, brand image, brand responses and relationships. Marketing communications links the brand to the consumer experience, and contributes to brand equity through advertising, store display, shows and events on television and the internet, personal selling, word of mouth, direct and interactive marketing, sales and promotions. The goal is to establish the brand in memory, and create a strong brand image (Kotler, Phillip & Kellen, 2009). Brand awareness is critical to brand success. For many customers, there are also emotional benefits associated with brand, such as enjoyment, excitement and self-fulfillment (Best, 2000). In order to be effective, the brand image must be successfully communicated. The challenge to be met by contemporary marketing communications is that customers tend to tune out advertisements, and technology makes it easy to avoid them altogether. Alternative means of advertisements and media are required to communicate and overcome the noise.

The normal communications process requires that the sender encode their message and overcome noise to transmit that message so that it can be decoded by the intended receiver. The receiver will then respond and provide feedback to the message. For their communications process to be effective, Victoria's Secret must identify their target audiences and have clear communications objectives designed specifically for the niche markets comprising their customer base. Victoria's Secret uses a direct channel communication method, and has established a budget that was \$459 million in 2009 for catalogue and advertising costs (LIMITED BRANDS, INC., 2010). Victoria's Secret is using a communications model of consumer responses, sometimes called the "learn-feel-do" or "Hierarchy-of-Effects" model, because their customers have high involvement and are aware of the differentiation of products. This model is comprised of the following steps: Awareness, Knowledge, Liking, Preference, Conviction, and Purchase (Kotler, Philip, & Keller, 2009). The customer perceived value of Victoria's Secret is high.

Victoria's Secret uses a Transformational Appeal to elicit an emotional appeal, such as humor, love, pride or joy. To support this appeal, the company employs motivational devices, such as dogs, popular music, and sex appeal. Victoria's Secret uses high profile message sources, such as fashion models, who convey trustworthiness as experts on fashion clothing, and likability is based on their attractiveness. These marketing techniques also demonstrate the company's pervasiveness, and makes a positive statement about their size, power, and success (Kotler, Philip, & Keller, 2009).

In addition to print and television advertising, the marketing communications mix chosen by Victoria's Secret includes promotional events and large scale advertising that create a buzz at strategic times throughout the year. The events are relevant, such as the Victoria's Secret fashion show, some even in real time, and all promote the brand. Victoria's Secret also uses "word of mouth," which delivers the message in a personal and timely fashion through the use of credible sources, and personal selling, which employs personal interaction in the stores, the cultivation of relationships with customers, and generates a buy response. This is a multiple-vehicle, multiple-stage marketing campaign (Kotler, Philip, & Keller, 2009). According to the company case authors, the PINK brand alone has a number of campaigns, one of the more visible of which is TEAM PINK, which is aimed at

colleges and universities, and there are new novelty product introductions every 3 to 4 weeks (Oprea, Alina, Neghina, Carmen, Suidan, Myriam, 2008).

Victoria's Secret is an expert in targeting their Victoria's Secret brand audience and customer base. Their core customers are all women. Victoria's Secret introduced PINK to the brand in order to target "young, hip, fashionable [women]," ages 18-30. Victoria's Secret creates brand awareness by capitalizing on the word itself. The word PINK, on the clothing and merchandise, promotes brand awareness and recognition outside of the store. The pink dog is a trademark mascot and is an example of truly effective communications (Kotler, Philip, & Keller, 2009). The brand attitude is to be more playful than sexy. Items in the PINK line include sleepwear, bedding, slippers, and sweatpants are designed to be worn in the dorm room, or while sleeping or relaxing. The company has a section on its www.vspink.com website where college students (not high school or younger) are invited to enter pictures of them wearing PINK clothing. Victoria's Secret has created brand purchase intention by giving away a free PINK tote bag with each purchase and by developing "PINK nation," an exclusive club where members receive special promotions and discounts. PINK is also on twitter, facebook, and mobile, showing that PINK is up-to-date with technology, and "hip", reaching the younger crowd in the process (LIMITED BRANDS, INC., 2010). Victoria's Secret uses direct channel distribution and is "Brick-and-click."

Victoria's Secret delivers a strong value proposition to its customer base, and with excellent product consistency, products bundled with service (personal attention in-store, measure for perfect fit), and value, they deliver on the promise of a quality product. This results in highly satisfied customers, and their loyalty, customer equity, intent, share of wallet and positive word of mouth are huge assets to the company. Since retaining existing customers is less expensive than attracting new customers, the ability to create a loyal customer base creates financial advantages for Victoria's Secret. The company appears to be using Ernest Dichter's theory which is predicated on non-rational consumer choice. Humans are perceived as immature, ruled by irrational insecurity and motivated by erotic desires and operate on three levels of consciousness: conscious, rational, or "actual;" subconscious or emotional; and preconscious using product image.

In most cases, the sooner that brand image is established, the better. For example, in 1987, Sony realized that consumer-want is apparent in all age groups and developed several products for developing (young age) markets, launched their 'My First Sony' product line for children (8 to 12 years of age) (Sony Corp., 2010) and Bonne Bell's lip balm (O'Donnell, Jayne, 2007). The use of gateway marketing to introduce a brand to younger consumers is considered to be a good way to grow the brand and expand the customer base. However, the use of gateway marketing in reference to a store such as Victoria's Secret may engender negative attitudes, since Victoria's Secret stores carry a product that is considered to be sexy or risqué, even though the PINK brand is not. In addition, by introducing this brand to a younger consumer, Victoria's Secret may be contributing to the societal phenomenon of "age compression," where younger consumers are attempting to act in the manner of their older counterparts at an earlier age. This trend toward age compression already exists, and it is suggested that by age 10, children are already changing their preferences and gravitating toward more mature products and images. The buying power of teens is reported to be \$175 billion annually. For tweens, the figure is \$51 billion annually. In addition, the buying power of family members for the teen and tween age group is reported to be \$170 billion annually (Oprea, Alina, Neghina, Carmen, Suidan, Myriam, 2008). The PINK brand is in product growth stage.

PINK's strengths include its association with Victoria's Secret, which provides referent power to the PINK brand since Victoria's Secret is an established and reputable brand that customers have come to know and trust. In addition, PINK has been successful in reaching its target market of 18-30 year olds. Merchandise is kept current by adding new products every two weeks, which keeps customers interested in the brand and making repeat purchases. PINK also has the advantage of being a first-mover in the young adult lingerie market, and still has the greatest presence within the market. In addition, PINK has introduced college-wear, which creates value for the brand and a personalized feel to the products.

Some weaknesses of the PINK brand could include the fact that their ability to grow depends in part upon new store openings and existing store remodels and expansions to include space for the PINK line. Other weakness include the potential that PINK could be unable to remain current with fashion trends and launch new successful product which could negatively impact the image and relevance of the brand. Plans for international

expansion include risks that could adversely impact our financial results and reputation. One final identified weakness includes the risk that failure to protect our reputation could have a material adverse effect on our brand images. (LIMITED BRANDS, INC., 2010)

The PINK brand provides Victoria's Secret with the opportunity to reach outside their traditional core age group, enabling the company to reach new customers between the ages of 18-30. In addition, the PINK line has been found to be appealing to potential customers who are both younger and older than the target market, giving PINK the opportunity to expand their customer base, and reach more people. They also have the opportunity to create loyal customers who may begin by buying the PINK brand, and then buy the Victoria's Secret brand as they age. Other opportunities for PINK include the opportunity to expand their existing partnerships with universities. These university partnerships offer the opportunity to heavily market on campus just by females wearing the clothing. In addition, these partnerships provide PINK and Victoria's Secret with the chance to reach customers who would not normally purchase their products, but would choose to purchase collegiate or team apparel. (LIMITED BRANDS, INC., 2010)

Victoria's Secret and PINK have the opportunity to extend the brand into new channels and geographies. For instance, Victoria's Secret and PINK could choose to expand into Europe or other foreign countries. According to the Limited Brands website, a Victoria's Secret store will open in London in 2012. However, even though consumer tastes and purchasing behaviors are becoming uniform, there still exist substantial economic, cultural, and infrastructure differences in Europe, so market penetration will need to be done slowly and deliberately (Kaynak & Jallat, 2004).

One major threat is that the company could turn off potential customers by appearing to advertise to consumers under age 18. Potential customers who believe that Victoria's Secret is "too sexy" for girls under the age of 18 can be off put by feeling that Victoria's Secret is targeting teens and tweens, thus damaging the brand. More specifically, Victoria's Secret could alienate parents, who hold the key, and the wallet, for a lot of these purchases for the tween age group. These customers may also resist purchasing the brand for themselves based on principle. In addition, the expansion of PINK has some people questioning the motives of the company.

In terms of failure to protect the reputation, there is a risk in being irresponsible in the market. While appealing to consumers outside of the intended target market is a positive outcome for the company, some consumers find this to be promoting the early emotional maturity of children. These observations and opinions could negatively impact brand perceptions.

In addition, Victoria's Secret and PINK operate in a highly competitive industry, thus, there is always the threat of competitors stealing market share from the company. The sale of women's intimate and other apparel, personal care and beauty products and accessories through retail stores is a highly competitive business with numerous competitors, including individual and chain specialty stores, department stores and discount retailers. Some competitors include Wal-Mart, Kohl's, JCPenney, Target, Lane Bryant, Macy's, Dillard's, Nordstrom, Sears, and Belk (Oprea, Alina, Neghina, Carmen, Suidan, Myriam, 2008). Another potential competitor of PINK is American Eagle. American Eagle's Aerie line carries similar products (dorm wear, bras, undies, robes, sweats, etc.) and targets a similar demographic, posing a direct threat to PINK.

Brand image, marketing, design, price, service, assortment and quality are the principal competitive factors in retail store sales. Our direct response businesses compete with numerous national and regional direct response merchandisers. Image presentation, fulfillment and the factors affecting retail store sales discussed above are the principal competitive factors in direct response sales. (LIMITED BRANDS, INC., 2010)

III. Defining the Problem

The PINK brand is perceived in different ways to different people, clouding the image and has potential to damage the brand position and reputation in the process, thereby creating a risk to decrease revenue. The problem with this perception is that it appears that the "sexy" Victoria's Secret brand, not the PINK brand, is targeting younger consumers. Together the negative brand perception and decreased revenue could affect shareholder value across all of the Limited Brands. These conflicting perceptions by different people are contributing to the problem with the PINK brand.

Mary Beth Wood, Public Relations Manager for PINK, made the following statement describing the PINK brand: "It's not necessarily sexy-it's not sexy at all ... heart-covered thongs are more cute than racy." The PINK brand is targeted toward young women aged 18 to 30, and is intended to be comfortable, lounge wear for college aged women. However, displays of Pink merchandise often incorporate stuffed animals, and many articles display Pink's trademark mascot which is a pink dog (Oprea, Alina, Neghina, Carmen, Suidan, Myriam, 2008). Using stuffed animals in the display has the potential of attracting children aged 8 to 18 to these displays as well as the targeted age group. The perception felt by some consumers is that children ages 8 to 18 are being attracted to the Victoria's Secret brand through the PINK brand and enticed into wearing clothing that is not age appropriate.

New societal norms are driving the behavior of underage children to mature more quickly than necessary, triggering young girls to seek products intended for use by women, and some are concluding that the PINK brand is adding to this issue. Some people are uncomfortable with the age compression trend perceived in the Victoria's Secret PINK brand. Victoria's Secret has the opportunity to be proactive and address the negative image that could be associated with the PINK brand before it negatively affects revenue. Victoria's Secret can address this problem by reevaluating their product, market segment, distribution and style of the PINK brand.

IV. Identification and Evaluation of Alternatives

Several approaches can be taken to prevent the issue of public persona from truly putting PINK, Victoria's Secret and the Limited Brands in jeopardy. While all potential alternatives offer advantages as well as disadvantages, a select few emerge as the ideas most likely to address the issues at hand. The benefits and potential repercussions of the key options for consideration are analyzed in detail below.

Alternative #1: Drop the PINK Product Line: One possible alternative for Victoria's Secret is to cease to offer PINK merchandise. Loungewear and lingerie currently sold under the Victoria's Secret brand would continue to be found in stores, catalogs and online.

Advantages to Dropping the PINK Product Line:

- Reduced selection of merchandise that is of interest to tweens thereby avoiding negative press associated with attracting consumers who are "too young."
- Maintain integrity and image of Victoria's Secret brand without risking dilution from PINK imagery and merchandise.

Disadvantages to Dropping the PINK Product Line:

- Dramatically reduce revenue and profit; hinder growth of Victoria's Secret as well as The Limited Brands.
- Risk losing traditional Victoria's Secret merchandise sales from consumers who may choose to frequent the stores less often if PINK is not offered.
- Need to devote resources to "go back to the drawing board" and grow Victoria's Secret without PINK.
- Create concern among shareholders who find the PINK product line critical to the Limited Brands' growth and success; Drive stock price down.
- Fail to appeal to consumers outside of Victoria's Secret primary target market.
- Lose opportunity to form an early emotional connection with teenagers who will eventually be interested in the type of merchandise Victoria's Secret typically carries.
- Lose presence on campus / lose "free" marketing tool.

Alternative #2: "Tone Down" the PINK Brand: As is the case with many products, especially those sold to aspirational reference groups such as young adults, the PINK brand does appeal to consumers outside of the target market. Because attracting teens and tweens under 18 is a concern to detractors, one solution is to take a more conservative, less risqué approach with the merchandise style and marketing. This tactic would make the brand more suitable for teens and tweens to purchase and wear and more acceptable to society.

Advantages to “Toning Down” the Brand:

- Expand target market to broader age range and create brand loyalty, which will carry through to other Victoria’s Secret merchandise.
- Parents concerned with their daughters’ interest in PINK can feel more comfortable with the product line knowing that it does not offer revealing and suggesting clothing, and will become more likely to allow and purchase the items for their children.

Disadvantages to “Toning Down” the Brand:

- PINK risks reduced sales, as the target market (females 18-30) may be turned off by the more conservative product line or the fact that the clothing is more suitable for younger girls. If this segment loses interest in PINK, the strategy and the product line will be a major failure.
- Offering a conservative product line in the same store as Victoria’s Secret’s generally less conservative setting could create confusion about what Victoria’s Secret stands for.
- Excluding certain styles from the PINK collection will cause some consumers to look elsewhere for their preferred “look.”

Alternative #3: Create a Clear Distinction between Victoria’s Secret and PINK: Victoria’s Secret may also choose to create a separation of Victoria’s Secret and PINK both in physical location of merchandise and in brand imagery and customer experience. The company can offer PINK products exclusively in separate PINK stores and PINK catalogs, which will adopt the hip and fun image of the brand.

Advantages to Creating a Distinction between the Brands:

- More effectively reach target market (18 – 30 year old women, more specifically, college co-eds) by offering PINK merchandise in a relevant atmosphere. A fun, trendy store atmosphere would be more aligned with the style of the merchandise.

- Physically separating the stores so that younger consumers do not have to be exposed to the more provocative imagery of Victoria's Secret stores is, and will hopefully be perceived to be, a responsible step towards resisting the societal trend of age-compression.
- Separate stores support the corporate goal of growth, which is considered to be a competitive advantage.
- A store named, "PINK" will increase brand exposure, and the grand opening of new stores will create a "buzz" attracting consumers who have not historically purchased PINK.
- Potential increase of gift purchases: Friends or family members who may have felt uncomfortable shopping for gifts inside a Victoria's Secret store can feel more at ease in the new atmosphere.

Disadvantages to Creating a Distinction between the Brands:

- Additional expense involved with opening new stores.
- Spontaneous purchases of Victoria's Secret merchandise by people entering the store for PINK items may be diminished.
- Consumers who enjoy the benefit of purchasing Victoria's Secret and PINK merchandise in one location with one financial transaction may not choose to visit both stores for separate shopping experiences.
- The PINK brand, if not directly tied to Victoria's Secret, may lose a level of allure for some consumers.

Alternative #4: Do Nothing: Finally, Victoria's Secret may choose to take no action to thwart risk in anticipation that the growth of the Pink brand will continue. The company should choose this alternative if they feel that the Victoria's Secret brand image and sales are not put in great danger by negativity toward selected PINK merchandise. They may also opt to go down this path as a short-term strategy as they conduct focus groups and market analysis to determine the true risk to the brand.

Advantages to Taking No Action:

- Retain PINK as a profitable product line.
- Continue to cross-sell products between the Victoria's Secret and PINK brands.
- No cost to execute.

Disadvantages to Taking No Action:

- Taking no proactive measures risks irreversible damage to the reputation of the company. Victoria's Secret could be seen as behaving in a corporately irresponsible manner by not addressing concerns with the PINK brand. This negative view could erode sales on both the PINK and Victoria's Secret lines, decreasing revenue and potentially making Victoria's Secret a less viable company. Overall, this could be a dangerous long-term strategy.

V. Recommended Course of Action

Alternative #3: Create a Clear Distinction between Victoria's Secret and PINK

Offering PINK merchandise at stores that are separate from Victoria's Secret stores would address concerns that teens and tweens, which are outside of the primary target market but are PINK gateway consumers, are being attracted to more provocative merchandise "too early." This plan would also more effectively focus the various components of marketing communications onto the Victoria's Secret and PINK target markets. Specifically, this action translates the weakness of the 'new stores for growth' requirement into a strength, and nullifies the customer perception and brand reputation threats. It also diminishes the threat of spurious competition by providing an attractive, and dedicated, place to shop.

Victoria's Secret in fact opened its first standalone PINK store in Soho in New York on March 13, 2010, but has not broadened this approach to apply to the entire Victoria's Secret franchise. Victoria's Secret never completed the focus it began on the positioning of the PINK brand, and should execute this plan as soon as possible. While the situation is not yet at a very serious level, the company should make every effort to limit exposure to potential damage. Next steps include:

- The company should separate brands internally, for a holistic approach.
- Remove PINK merchandise from Victoria's Secret stores and open new stores exclusive to PINK.
- Opening new stores should be treated as part of the Victoria's Secret growth strategy.

Victoria's Secret has plans for expanding the brand, thus, this move could give the brand more room to grow. Limited Brands Chief Executive Officer Les Wexner says: "The Victoria brand is really the power of the business," he says. "We can double the Victoria's Secret business in the next five years." The umbrella strategy for achieving this growth is to continually broaden the customer base. PINK is a key component of this multibrand strategy, and is in the product growth stage. (LIMITED BRANDS, INC., 2010)

By segregating the PINK brand into its own store, Wexner's vision of growth can be achieved and the corporate mission is re-enforced: "At Victoria's Secret, we market products to the late-teen and college-age woman with PINK and then transition her into glamorous and sexy product lines, such as Angels, Very Sexy or Body by Victoria. While bras and panties are the core of what we do, these brands also give our customers choices in clothing, accessories, fragrances, lotions, cosmetics, swimwear and athletic attire." (LIMITED BRANDS, INC., 2010)

Victoria's Secret should make an effort to link the store atmosphere to the spirit of the brand. Therefore, PINK stores should employ an appropriate sales force. At Victoria's Secret, employees are asked to wear 95% black, maintain a consultant-like professional appearance, and treat store patrons like clientele. The PINK brand is fun, hip and lighthearted, and operating stores with a sales staff that reflects this image would relate better to their customers, opening lines of communication. While purchases made at Victoria's Secret are neatly packaged in the same Victoria's Secret tissue paper and bags, the PINK store would close a transaction with similar bags emblazoned with a PINK logo.

Additionally, as a part of the brand's marketing communication mix, a series of catalogs specifically devoted to the PINK brand will offer further distinction between the brands and also make catalog perusal more "acceptable" for the younger age group in many critics' minds. Each brand will offer catalog merchandise on their own websites that will be separate, but linked in tab format similar to gap.com.

While this plan offers many benefits, it also poses a few risks. The value of the company's goodwill efforts as well as the increased exposure to PINK and projected accelerated growth of the brand outweigh the initial financial investment required. It is possible that spontaneous purchases of Victoria's Secret merchandise by

customers entering the store for PINK items may be diminished, but this can be combated by placing the PINK store nearby Victoria's Secret and cross-promoting PINK to Victoria's Secret clientele. And, while the PINK brand may lose a level of appeal for some consumers who value the link to Victoria's Secret, this is not a major danger. Marketing efforts will aim to convey that PINK offers the same level of quality, credibility and reliability that it has delivered to date. Marketing strategy is "built on Segmentation, Targeting and Positioning" (Kotler, Philip, & Keller, 2009) and if Victoria's Secret targets the most appropriate segment for PINK, and positions the brand effectively, they can avoid public backlash related to perceived marketing toward children while growing the brand and offering shareholders optimal value.

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