

VICTORIA'S SECRET: CAN IT CHANGE ITS MARKETING MODEL?

ABSTRACT

This case explores the recent attempts by Victoria's Secret to change its marketing message, reputation, and product line for a new market reputation, new customers while retaining existing customers, and generating growth not stagnation. While its historical branding, segmentation, and messages were successful, its marketing message needs to be changed. Can a company with an established reputation and image successfully rebrand and reimage itself?

Keywords: Branding, segmentation, reputation, marketing message.

INTRODUCTION

Victoria's Secret faces significant risks, threats, competitors, and opportunities going forward. What was a successful strategy in the past has stagnated with declining demand and financials. Facing new challenges and opportunities, the company is pushing forward with a new brand and message of empowering women from diverse races and backgrounds. Previously known for a brand emphasizing sexy lingerie will its new branding work in the future marketplace?

BACKGROUND AND HISTORY TO DATE

In 1977 after an "uncomfortable" trip to a department store to buy underwear for his wife, Roe Raymond created a female lingerie store targeted to men (Hanbury and Cain, 2023). By 1982 the company was making \$4 million a year in sales but was close to bankruptcy. In June of 1982 Les Wexner of Limited Brands purchases the company. By 1990 Limited Brands rebrands Victoria's Secrets targeting women, achieves a national brand reputation, reaches \$1 billion in sales, and proceeds to open 350 US stores (Hanbury and Cain, 2023).

The brand is promoted by celebrities and creates its brand image with its "Angels" (Hanbury and Cain, 2023). The Angel has models with wings walk down the runway showcasing the company's lingerie. Initially, the show reaches 1.5 million viewers and is described as an "internet-breaking moment." The brand is enhanced with the use of talented photographers and TV directors. The epitome is reached in 2000 with the model Gisele wearing a \$15 million dollar

diamond and ruby bra. The brand is entrenched with the padded Miracle Bra and Body by Victoria (Hanbury and Cain, 2023).

Between 2000 and 2023 the company is led by a number of CEOs and senior leaders. Sharon Jester Turner headed the catalogue business and then the entire company from 2000 to 2016. Under her leadership the company increased sales by 70%, and reached \$7.7 billion in 2000 (Hanbury and Cain, 2023). Under Turner's successor, Jan Singer, sales drop in 2016 through 2018, critics view the company as slow to adapt to bralettes and sports bras, and its teen brand Pink slips. To make it worse the fashion show is also seen out of date and viewership drops. The fashion show is discontinued for four years from 2019 through 2023 (Hanbury and Cain, 2023).

The period 2016 through 2022 were difficult company times (Hanbury and Cain, 2023). A senior leader makes a disparaging comment about transgenders, apologizes, and Singer resigns. After the 2019 shareholder meeting the company is required to make changes, add diversity, and adapt. The company does adapt by adding two more women to its board, hires a transgender Brazilian model, Valentina Sampaio, and rethinks its products. Unfortunately, Wexner from Limited Brands and admits ties to the sex offender, Jeffrey Epstein, apologizes, but the company's reputation is sullied. Then to make matters worse the pandemic of 2020 forces the company to close all its stores and a buyout collapses (Hanbury and Cain, 2023).

From 2021 the company experiences a rebound. L Brands splits off Victoria's Secrets as its own separate company, in 2022- 2023 the company comes back with new ventures and introduces Happy Nation a brand for first time users and pre- teen customers, (Hanbury and Cain, 2023). The company's current mission is to embrace and empower many different females, continue with a transgender model, and a Puerto Rican model with Down's syndrome (Victoria's Secrets website 2023).

CURRENT OPERATIONS

Victoria's Secret is now 45 years old with 843 domestic and 450 international stores in 70 countries using its brand names of Victoria's Secret, PINK, and Adore Me (Victoria's Secret 2023 annual 10-K). The product line also includes lingerie, sleepwear, loungewear, sports, swim apparel, a fragrance mist, and PINK beauty products and accessories.

The recent acquisition of Adore ME provides an online presence and a digital intimates brand serving women of all sizes and budgets. This is a business to consumer platform founded in 2011 providing commercial service with a series of innovation driven products. It creates online shopping and hopes to come close to the in-store experience (Victoria's Secret 2023 annual 10 K report).

Internationally it has 72 joint ventures in China which creates 9% of total revenue. In April 2022, a joint venture agreement was signed with Regina Miracle International to operate retail stores and the related online business in China. In October 2020, the company entered into a joint venture agreement with NEXT PLC to run its business operations in the UK and Ireland. It has 515 UK stores and 45 international digital sites at the end of 2023 (Victoria's Secret 2023 annual 10 K report). Most of its supply chain is in Asia and according to its annual report provides high

quality products at efficient cost with good lead times. Its beauty products are manufactured domestically in Ohio (Victoria's Secret 2023 annual 10 K report).

Brand Strategy

While previously known for selling sexy apparel, the company is attempting a brand transition to provide intimate female apparel to empower women of all ages, sizes, budgets, and some individuals with disabilities (Victoria's Secret 2023 annual 10 K report). It wants to provide fresh, innovative designs, with quality products that promote 'inclusivity' with attention to different geographical and cultural preferences and consumer demand (Victoria's Secret 2023 annual 10 K report). The 2023 annual report also explains its commitment to LGBTQIA+ issues.

The company's female empowerment push is going to have a uniform, consistent, brand message across all its instore and online platforms (Victoria's Secret 2023 annual 10 K report). The focus of the brand image is ensuring fit into current times where body diversity and inclusivity are core brand values. This will enable the brand to not only connect with consumers on the external look, but also remind them that they understand their internal feelings and associations (Jensen, 2023).

Throughout October, Victoria's Secret created an experiential and immersive campaign in its stores and online through social media. The focus of the campaign is inclusivity and respect towards women. They are working hard to cement their brand positioning and commitment to revolution and transformation of the brand (Howland, 2022).

However, the rebranding has not led to an increase in sales, and the brand may be abandoning its diversity campaign after all (Notheis, 2023).

VICTORIA'S SECRET INDUSTRIES

As women return to the workplace, they are moving from active wear worn at home to business casual fashion that meet their comfort and function needs. The desire for comfort applies to outer wear and lingerie (Guzior, 2022). Other trends affecting the industry include women's higher spending power and growing awareness of fashion trends (Market.Us, 2023) and celebrity endorsements that attract consumer attention, especially through social media (Mordor Intelligence, 2023; Market.Us, 2023).

Victoria's Secret operates in three different NAICS codes. The primary industry is Women's Clothing Stores in the US, NAICS, 44812, which encompasses businesses that sell women's wear, misses', juniors, sizes, and maternity clothing. The company is also affected by the Lingerie, Swimwear & Bridal Stores in the US, NAICS code 44819 which covers businesses that sell lingerie, swimwear, and other specialized products. The last industry is Department Stores in the US, NAICS code 45211.

Industry Analysis for Women's Clothing Stores in the US

This is a huge industry with many players that is affected by several driving factors, intense competition, and slow future growth. There are 46, 205 businesses in this industry, employing 325,000 employees with a low profit margin of 2.3% (O'Connor, 2022). The industry's major product segments are sleepwear/briefs, bras, and hosiery/socks (O'Connor, 2021). There are mixed expectations for the future of the Lingerie industry. The U.S. industry

reached \$6.2 billion in revenue in 2021 and is expected to reach \$6.6 billion by 2027 (O'Connor, 2021). The North America market is expected to grow from \$35.17 billion in 2018 to \$78 billion by 2027 (Guzior, 2022). Market.Us (2023) reports the global lingerie market reached \$36.7 billion in 2022 and is expected to reach \$72.9 billion by 2032. Differing revenue expectations may be a result of how the industry is defined by market researchers.

Key drivers of this industry include: 1) expected growth of per capita disposable income through 2026 which allows consumers to spend more on luxury lingerie items. However, disposable income which was expected to decrease in 2022 (O'Connor, 2022). This will eliminate lower income and some middle-income consumers who will be more price conscious with non-essential items (Kang, 2023). Conversely higher income consumers with income above \$100,000 annually will continue to be a potential target market (Kang, 2023). 2) The largest customer base is women ages 45-54 followed by women ages 55-64 and those ages 35-44. Teens aged 13-21 are a growing marketing segment in the industry. Consumers under the age of 35 are most brand-conscious (O'Connor, 2021).

Overall, the projected industry revenue will fall to .09% in the coming years. The decline in revenue comes from declining mall traffic and superstore retailers gaining market share. Middle- and lower-income consumers will continue to be price conscious especially with non-essential items (O'Connor, 2022).

The most important driving factor will continue to be mall traffic, disposable income, and customers shifts to comfort and functionality.

External competition is expected to increase with discount supercenters and online stores providing discounts. The final driving factor, the number of adults aged 20 to 64, will also slightly decrease.

The major players are Chico's Fas with 5.5% of the market, Urban Outfitters with 4.9% and New York with .8% (O'Connor, 2022; Kang, 2023).

Industry Analysis for Lingerie, Swimwear & Bridal stores in the US (Ayers, 2023).

Like the Department Store industry, this is a huge industry with \$32.5 billion in sales, 87,304 businesses, small but moderate profit margins of 5.8%, and moderate growth of 5.2% in the future (Ayers, 2023). This industry is dependent on per capita disposal income and E-commerce sales which are expected to increase dramatically in the future (Ayers, 2023). It will face negative future trends with marriage and wedding rates declining, competition from resellers who can easily enter the market, and again E-commerce sales. Victoria's Secret is the major company in this industry with 12.3% of the market leaving 87.7% (Ayers, 2023) to others including specialized or smaller competitors.

Industry Analysis for Department Stores in the US (Lee, 2022).

This industry is even larger with 135.9 billion in sales, small profit margins of 4.8%, negative growth of 9.2% up to 2022, and negative growth of 5.4% going forward (Lee, 2022). This industry faces the same external drivers of per capital disposal income and E-commerce but

with the addition of the number of households. The increase in E-commerce sales is a big threat to the industry. On a positive note, the number of households is expected to increase going forward. The major companies in this industry include Target at 67.7% of the market, Macy's at 9.7%, J.C. Penny at 8.2%, Nordstrom at 5.1%, Barneys New York with .1% and 9.7% other companies (Lee, 2022).

Lingerie companies are responding to a social trend relating to sustainable products and environmentally friendly materials (Market.Us, 2023). In addition to manufacturers introducing gender-fluid, body-inclusive products, they also have vegan variations for those consumers who are more sustainability conscious which includes millennials and generation Z customers. "Inner Sense" brand is offering organic cotton and bamboo fiber options that offer skin friendly fibers with natural anti-bacterial and anti-microbial properties (Mordor Intelligence, 2023). Companies are responding to greater levels of obesity among women by offering size ranges from XS to 4X (Mordor Intelligence, 2023; O'Connor, 2021) to fit every size and have products available for every function.

Asia-Pacific is expected to be the fastest growing regional market between 2023-2032 (Market.Us, 2023; Mordor Intelligence, 2023). In 2022, the European region accounted for 35% of revenue share followed by North America with a 27.4% revenue share (Market.Us, 2023).

Bedbible Research Center has identified a number of interesting facts about the Lingerie Industry:

- ☞ 17% of women's apparel sold are lingerie.
- ☞ Bras account for 55.5% of sales in the lingerie market.
- ☞ The women's lingerie industry is 9 times larger than men's underwear.
- ☞ Victoria Secret is the world's largest lingerie company. Other top brands/companies are: Zivame, Gap, Amante, Bare Necessities, Calvin Klein, Triumph, Marks & Spencer, Jockey, Lily of France, Ralph Lauren, Natori, Maidenform, and Spanx.
- ☞ 26.7% of lingerie purchases are made by men.
- ☞ 92.6% of all lingerie purchase decisions are affected by Instagram.
- ☞ Bra sizes are largest in the UK and smallest in Japan.
- ☞ 5 out of the 10 largest companies that provide fabric to the lingerie industry are located in China.
- ☞ Only 2% of all lingerie is produced in European countries.
- ☞ The word 'lingerie' in French applies to both women's and men's undergarments.
- ☞ In the early 1900's the more popular bras were made in a way to make it look like women had a monoboob.
- ☞ 7% of women choose not to wear any underwear.
- ☞ The average lifespan of a bra is 6 months.
- ☞ Triumph was the first company to show lingerie on the catwalk.
- ☞ In Italy, wearing red underwear on New Year's Eve is believed to bring good luck.

Bedbible Research Center identifies Victoria Secret as the world's largest company with Victoria Secret holding a 39.6% market share in the U.S market. In the United States, GI Brands, Inc has a 68.6% market share and American Eagle Outfitters has a 10.2% market share. The industry is highly competitive with 14,170 businesses in the U.S. With rising demand for e-commerce, brick-and-mortar stores are seeing increasing competition from on-line retailers. New companies may enter the industry easily as capital costs can be low and there are no licensing requirements. However, new entrants need to gain favorable purchasing agreements

from suppliers and build brand recognition through marketing, advertising, and developing a good e-commerce website. New entrants will find it difficult to compete with established companies with high brand recognition (O'Connor, August 2021).

Environmental risks, threats, and threats

The 10K mentions the risks of infringement and misappropriation since they are in so many countries. (Victoria's Secret 10-K, 2023). It is a highly competitive business (O'Connor, 2022) with competition coming from other specialty stores, department and chain stores, mass merchandisers, discount retailers and now online retailers. Other risks include its Asian diverse supply chains, lingering effects from the separation from its parent company, geopolitical issues affecting its international operations, and the possible failure of Adore Me, its strategy and marketing along with the life cycle of its existing brands (Victoria's Secret's 10-K, 2023). Currently it faces a decline in demand from lower income shoppers (Rockeman, 2022; Kang, 2023) while retailers in general see continued strength in consumer buying from middle- and upper-income customers (O'Conner, 2022; Kang, 2023).

On the positive side it can grow with new store openings, international opportunities, and its online store.

Human Resources and company culture

The company has 31,000 full time and 17, 000 part time employees (Victoria's Secret 10-K 2023). The company pursues a culture of inclusivity and female empowerment. First it wants their employees to "bring their wholes selves to work and thrive." It actively recruits and promotes women and women of color. Managers are held accountable for supporting and developing diverse talent and successful onboarding of new associates.

The company has numerous opportunities for employees including, development, leadership training, tuition assistance, a women inclusion network, a program for individuals with disabilities, an ethics hotline. and extensive support for LGBTQIA+ employees and customers (Victoria's Secret, 10-K, 2023). Benefits include equitable and competitive wages, a company matched savings program, health wellness, and lifestyle benefits for eligible associates. The ethics hotline allows individuals to anonymously report ethics violations and supports a clear ethics policy for photo shoots and public relations (Victoria's Secret 10-K, 2023).

FINANCIAL DEI MISSION AND RISKS

Appendix 1 shows the income(losses) for 2020, 2021, and 2022. Clearly the financials are in flux as the company works to rework its image. Sales increased from 2020 to 2021 and then decreased 6.5% from 2021 to 2022. Net income dropped 50.3% from 2021 to 2022. Similarly, the income loss per share dropped from 7.34 to 4.24 from 2021 to 2022 (Victoria's Secret 10-K, 2023).

Current DEI and Mission

Its statement on diversity, equity, and inclusion states, “Diversity, equity, and inclusion (“DEI”) are key components of our culture and fundamental in achieving our strategic priorities and goals. At Victoria’s Secrets & CO., our DEI vision is to celebrate, honor and reflect the diversity of our customers, our associates, and the communities we engage “(Victoria’s Secret 2022 annual 10K report, p. 7). Its mission is “.. to inspire and empower all by reflecting experiences, expanding access, and recognizing diversity. We pledge to welcome and celebrate every associate, partner, and customer from all backgrounds, all abilities, and all life stages” (Victoria’s Secret 2022 annual 10K report, p. 7). This includes women of different color, races, disabilities, indigenous women, and veterans (Victoria’s Secret 2022 annual 10K report, p. 7).

A related issue is treating models with dignity and respect during their engagement with the company and photo shoots. The company has established protocols to ensure ethical model engagement especially during photo shoots (Victoria’s Secret 2022 annual 10K report, p. 10).

Risks and Threats

The biggest threats are economic conditions affecting disposable income, mall and online traffic, shareholder activism (Victoria’s Secret 2022 annual 10K report), government regulations, supply chain issues, its heavy involvement in China, and protection of its brands, patents, trademarks (Victoria’s Secret 2022 annual 10K report) as it moves into new product lines.

Its biggest competitors will continue to be other department stores, mass merchandisers, discount retailers, and of course E-commerce. Its annual report (2022) specifically mentions other companies in the intimate apparel market.

Current Issues

After decades with a brand and reputation for sexy lingerie, Victoria’s Secret remains one of the top lingerie brands in the US (Lukpat, 2023). However, slumping sales and financials reflect cultural trends to comfort and inclusivity. Once criticized for marketing to the ‘male gaze,’ the new brand and message emphasize female empowerment and comfort with natural looks. The rebranding uses diverse models including Sophia Jirau, a Puerto Rican woman with Down syndrome. Its new design team includes Priyanka Chopra Jones, the soccer player Megan Rapinoe, and tennis star Naomi Osaka (Lukpat, 2023; Victoria’s Secret 10-K 2023 annual report). Its new fashion show will not showcase “Angel models in wings” but diverse models and will be released as a movie (Lakput, 2023).

A current issue is whether activists will target Victoria’s Secret as they have many other companies (see examples in Appendix 2). Any boycotts, letter writing, or social media attacks could affect their marketing, strategy, and share price like actions against Kohl’s and Anheuser Bush (Lee, 2023).

Will its new branding work, can it effectively rebrand itself and revise sagging customer demand and financials? What should it do now?

Appendix 1

Victoria's Secret Income Statement

| Consolidated Statement | Income | 2022 | 2012 | 2020 |
|-----------------------------------|---------------|-------------|-------------|-------------|
| | | Yearly | | |

| | | | |
|------------------------------|---------|---------|---------|
| Sales | 6,344 | 6,785 | 5,413 |
| COG | (4,086) | (4,025) | (3,842) |
| Gross Profit | 2,258 | 2,760 | 1,571 |
| General, Admin, op. expenses | (1,780) | (1,890) | 1,672) |
| Operating Income | 478 | 870 | (101) |
| Interest Expense | (60) | (27) | (6) |
| Other income | (1) | - | 1 |
| Income (loss before taxes) | 417 | 843 | (106) |
| Provision for income taxes | 79 | 197 | (34) |
| Net Income (loss) | 338 | 646 | (72) |
| Income (loss) per share | 4.24 | 7.34 | (.82) |

Source: Victoria's Secret 10-K 20

Appendix 2

Examples of Corporations hit with the culture wars

- In 2005 Microsoft supported gay rights, reversed it support after public attention and then ultimately supported gay rights when it suffered a backlash by its employees. Internally 1,741 employees signed a petition supporting gay rights to 197 employees asking it to be

neutral. Outside conservatives vowed to continue pressuring the company (Green and France, 2023).

- Kohl marketed some Pride Month merchandise, was hit with a boycott, then its stock price dropped 5.1%. The boycott had 280,000 views on TikTok (Lee, 2023).
- Target included Pride Month merchandise and was criticized in social media (Lee, 2023).
- Anheuser Busch used a transgender influencer for a Bud Light commercial was criticized by gay rights activists and anti-gay rights activists, and then fired the two responsible marketing executives as the stock slid 18% (Lee, 2023).
- Safeway, Lowe's, Tyson Foods, Kellogg, and SC Johnson were targeted by American for Families and American Decency Association of Fremont for advertising on ABC's Desperate Housewives (Green and France, 2023).
- Home Depot was criticized for offering health benefits for employees but not the partners of gay employees (Green and France, 2023).
- Americans for Families launched a letter writing campaign against Kraft Foods for supporting the Gay Olympics (Green and France, 2023).
- Similar groups attacked P&G's Crest toothpaste, Tide detergent and diapers for P&G's support of a Cincinnati gay rights proposal (Green and France, 2023).
- Groups boycotted General Electric for its plan to pursue embryonic stem cell research (Green and France, 2023).
- Congresswomen Marjorie Green Taylor accuses North Face of sexually targeting children for its Summer of Pride Campaign using drag queens (Murray, 2023b).
- The Los Angeles Dodgers experience illustrates the dilemma of who to support or offend (Crary, D. 2023). The Dodgers have supported Pride Night for 10 years but after a storm of criticism from conservative Catholics including three high level US Catholic leaders, the team rescinded its invitation to honor a satirical drag group dressed as nuns. After a large backlash from LGBTQIA+ supporters, the team reversed itself which infuriated many conservative Catholics. Interestingly a nun who has been ministering to the LGBTQIA+ community supported the reversal allowing the group to be recognized (Crary, D. 2023).

Appendix 3

Victoria's Secret Timeline

| | |
|------------|---|
| 1977 | Victoria's Secret is founded by American businessman Roy Raymond who used the name from the Victorian era to establish propriety and respectability –“outwardly refined with Victoria's Secrets hidden beneath.” |
| 1982 | The company makes \$4 million in annual sales but nears bankruptcy and Les Wexner of L Brands buys the company and its catalog for \$1 million. Wexner focuses on women not men. |
| 1990s | Becomes the largest lingerie retailer in the US- 350 US stores with \$1 billion in sales. |
| 1990 mid | The brand is recognizable and established. |
| 1997 | The use of celebrities starts the idea of Victoria's Secrets Angels. |
| 1999 | The fashion show goes online- described as an “internet-breaking moment” with 1.5 million viewers. The show uses a model in lingerie with wings. Launches its well-known products, the heavily padded Miracle Bra and Body by Victoria |
| | The company uses talented photographers and TV directors to make its commercials. |
| 2000 | The model Gisele shows a \$15 million diamond and ruby bra. Sharon Jester Turney becomes CEO of the catalog business and CEO of the entire brand in 2006. |
| 2006-2016 | Under Turner sales increase by 70% to \$7.7 billion. |
| 2016 | Turner steps down and is replaced by Wexner as interim CEO. Jan Singer becomes CEO. |
| 2015-2018 | Sales drop. The company is criticized for not adapting to new customer trends and being slow to adapt from padded and pushed up bras to bralettes and sports bras. Its teen brand Pink also slips. Its annual fashion show is criticized for being out of date with a drop in viewership. |
| 2018 | Razek makes a comment about transsexuals and then apologizes. Singer resigns. |
| 2019 | Shareholders require the company to make changes in the company and its brand image. |
| | The company acknowledges the lack of diversity on its board and brings in two new female board directors. |
| 2019 | Fans praise the Hungarian model Barbara Palvin as a new angel. The company contracts a transgender Brazilian model, Valentina Sampaio. The company cancels its runway fashion show. |
| 2019 | A new controversy erupts as Wesner is linked to the convicted sex- offender Jeffrey Epstein. |
| 2020 March | The pandemic forces the closure of all the stores. |
| 2020 | The buyout from a private equity firm collapse. The company closes 250 stores in the US and Canada. The second half of 2020 sees the brand and sales recovering. |

| | |
|------------|---|
| 2021 | L Brands announces the decision to split the company and spin off Victoria's Secrets. The company changes its brand image and changes its angels for female activists and entrepreneurs as the new brand models. |
| 2022 | A documentary exposes Wexner's ties with Epstein. Wexner comments about his relationship that he was betrayed by a friend. |
| 2022-2023 | The company continues its comeback with new ventures including Happy Nation, a brand for first-time bra users and pre-teen customers. |
| 2023 March | The company returns the fashion show saying it will "lead us to new spaces" and "reflect who we are today." |
| Current | The company's mission is to empower many different females to encourage inclusivity. It uses a transgender model and a Puerto Rican model with Down's syndrome. |

Source: Hanbury, M. and Cain, A. (2023, March). The rise, fall, and comeback of Victoria's Secret, America's biggest lingerie retailer. *Business Insider*.

THE TEACHING NOTE

VICTORIA'S SECRET

OVERVIEW OF THE CASE

This case explores Victoria's Secret founding to the present, explains its original product line, and branding, reviews the difficult years, 2016 to 2020, and the company's current rebranding strategy. After years of success, it experienced degradation of its old brand, CEO transitions, a sullied reputation, its introduction of new products, new messaging, new branding, and its efforts to show case diversity and empower different females.

SUGGESTIONS FOR USING THE CASE

Several classes could use the story of a storied company's attempts to rebrand and remarket itself. These include beginning marketing, branding, reputation management, capstone marketing and strategic management classes. Entrepreneurship classes could use it to examine the need to change and adapt to a changing external environment.

LEARNING OBJECTIVES

1. Analyze company actions by applying brand management principles.
2. Analyze the macro-environmental forces using a SWOT analysis.
3. Analyze the competitive environment using Porter's Five Forces Analysis.
4. Evaluate the actions taken to change its marketing plan.
5. Recommend future actions that senior management could take.

SUGGESTED ASSIGNMENT QUESTIONS

1. Prepare an analysis of environmental macro-environmental factors and explain how they impact the industry and company using an environmental and SWOTS analysis.
2. Prepare a Porter's Five Forces analysis of the industry.
3. What was the company's previous concept of its customers and its subsequent marketing plan?
4. Evaluate the company's current marketing strategy and marketing plan.
5. What recommendations would you make to senior management?
6. What should the company do to prepare for a culture conflict if anything?

Answers to Question 1. Prepare an analysis of macro-environmental factors and discuss how they impact the industry using environmental and SWOTS analyses.

Strengths

Well-known brand and company

Quality products

Online and retail brick & Mortar presence

Products for all sizes and prices ranges

Joint ventures to help run Chinese and UK operations

International presence

Largest global lingerie company

Weaknesses

Decrease in sales in 2022

Dependence on Asian suppliers

Prices are higher than many competitors

Tired brand that is being refurbished.

Opportunities

Gen Z women reaching target age

Growth in per capita income for middle- and upper-income consumers

Growth in the industry

Demand for comfortable clothing

Increasing use of social media

Customers support sustainable growth and environmentally friendly materials

Possible customer demand for skin friendly fabrics

Threats

Inflation – leaves customers with less disposable income

Projected decrease in industry revenue

Companies being targeted in ‘culture’ wars = political and value divisions at an all-time high

Increasing competition – with new e-retailers selling lingerie

Competition specialty retailers and discount or super stores
Risk of a national or global recession from interest rate hikes
Risk of foreign companies infringing and misappropriating products
Decline in mall traffic

Environmental Analysis:

Demographic:

Changes in target population segments. US Census Bureau report an aging population between 2020 and 2060. Population of women ages 0-17 will stay constant; small growth in women ages 18-64 and most growth in women ages 65+. Overall, a small drop in the adult population

Changes in disposable income: Bureau of Economic Analysis predicting decreases in disposable income in near future. Middle- and upper-income consumers will still have disposable income (unless a recession occurs) but lower income consumers will be priced out.

Socio Culture

Worker clothing is trending more casual and comfortable
Employees working from home don't require high quality clothing
Consumers supporting sustainable practices

Technology:

3DLook reports the following green technology fashion trends:

3D virtual samples = decreases the number of physical samples required

Sustainable materials = recycled fibers, biodegradable fibers, natural fibers (bamboo, hemp, ramie) require less waste during production

On demand manufacturing

Mobile body scanning – more accurate fits, less waste/returned product

Virtual fitting

Decrease waste in the manufacturing process

Online outlets to sell 'gently used' clothing

Increase use of social media platforms by younger generations and even older ones (to stay up with children and grandchildren)

Economic trends:

Inflation trends result in decreased disposable income

Decreased in mall traffic with a increase in online shopping

Increasing interest rates leads to greater percentage of income going towards housing and auto purchases

Answers to Question 2. Prepare a Porter's Five Forces analysis of the industry.

Rivalry between competitors = High

Numerous competitors

Slow industry growth

Low switching costs

Limited differentiation among brands, companies

Competition from substitutes = Low

Substitutes = maybe make your own lingerie or choose not to wear any

Power of Suppliers = Moderate to high

A number of large manufacturers in China and Indonesia. They make large batches, so for small sellers difficult to find manufacturers

Power of Customers = Low

Customers do not buy in large quantities

Little backward integration, customer purchase, do not make their own

Customer has low switching costs

Barriers to Entry = High

With increased e-purchases and low capital requirements to enter the market, more e-retailers are entering

Economies of scale helpful in the industry to keep per unit costs lower

Customers have low switching costs = willing to try new products/brands

Answers to Question 3. What was the company's previous concept of its customers and its subsequent marketing plan?

In the past, Victoria's Secret was resistant to diversity, and all its models were ultra-slim and mostly Caucasian. Their marketing focused on being sexy and seductive goddesses. Their targeting and segmentation were focused on a market that cared about being and feeling sexy within the parameters of a barbie doll mentality. They did not adapt the brand to include aspects of diversity from a socioeconomic, cultural, or any other perspective. However, Victoria's Secret focused on its competitive advantages of being a globally recognized brand, its product design, price, variety, and quality.

Answers to questions 4. Evaluate the company's current marketing strategy and marketing plan.

Currently, Victoria's Secret marketing strategy includes pushing a female empowerment position. They have created a brand image focusing on ensuring fit with current times where body diversity and inclusivity are core brand values. They are connecting with consumers on internal feelings to create positive associations. The brand created an immersive and experiential campaign to focus on inclusivity and respect towards women. They tried to cement their brand positioning and commitment to transforming the brand. However, the rebranding has not led to an increase in sales, and the brand may be abandoning its diversity campaign after all (Notheis, 2023).

Answers to questions 5. What recommendations would you make to senior management?

Recommendations include continuing the rebranding effort, increase e-commerce sales, pursue skin friendly products, and consider more offerings to the teen market to capture their early loyalty.

First it is critical for the company to continue its rebranding efforts with its new brand management program which includes appealing to women of different body shapes, skin tones, and those of different sexual orientations. At this point its use of models from these different categories is being well received and may succeed in planting a new image of what Victoria's Secrets embodies.

Second, with mall traffic decreasing along with the increase in e-commerce, the company should continue to expand its AdoreMe online platform to meet this online demand. A small but growing trend is the demand for "skin friendly" fabrics which should be pursued.

Finally, with the decrease in adults aged 20 to 65 a possible new market is the growing teen market who as a group are on social media and influenced by it.

Answers to question 6. What should the company do to prepare for a culture conflict if anything?

Options for Victoria's Secret include doing nothing and avoiding the issue or setting up a proactive plan.

Option 1 Do nothing.

The pros are that this avoids the issue in the short term. The cons are that it does not prepare Victoria's Secrets for an eventual future issue. In addition, it puts the company vulnerable to accusations that it does not follow its statements on DEI and its mission of empowering all types of customers.

Option 2 Plan for the eventuality

The pros are that it carefully considers its mission, its stated support for LGBTQIA+ issues, its employees, its product line, reputation, branding and marketing message. This approach makes it consistent across all these factors. It then will not flip flop when protests occur.

Conclusion

While some students may choose option one and others option two, in either case they will then have to defend the answer. They should explain how the company should defend itself from accusations of green washing, flip flopping or not following their stated values. The most important factor is consistency across their stated values, brand, and product line. All these actions affect its reputation, marketing message, and branding. Political discussions should be avoided, which is important as this is a discussion of strategy!

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