

# CORPORATE BRAND MANAGEMENT AND REPUTATION

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## MASTER CASES

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### **Victoria's Secret: Are Tables Turning in Heaven?**

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## **Corporate Brand Management and Reputation: Master's Cases**

The "Corporate Brand Management and Reputation: Master's cases" is a case series for applying the case method of teaching and learning in higher education. The cases are relevant to brand strategists in private and public sector organizations, as well as academics and students at universities, business schools, and executive education.

The cases are written by groups of master's students as a course project. The specially developed case format is defined as: *"A management decision case describes a real business situation leading up to a question(s) that requires assessment, analysis, and a decision reached by discussion in class. The alternative approaches and recommendations from the class discussion are followed by a description of the choices made by the case company. This description is then discussed by the class."*

The student groups select the topics of their case providing updated and relevant insights into the corporate brand management. The cases can be used as "written cases" (handed out and read in advance, later to be discussed in class) and/or as "live case" (presented by the teacher following a discussion in class). Each case includes teaching notes, visuals with speaker's notes, learning objectives, board plans, and references.

The mission of the series is *"to develop cases for discussion providing insights into the theory and practice of corporate brand management and reputation, with the intent of bridging the gap between academic teaching and managerial practice."*

The series is a result of co-creation between students and teachers at the elective course Corporate Brand Management (BUSN35 – five-credit course/eight-week half-time studies), part of the master's program International Marketing and Brand Management at Lund School of Economics and Management, Sweden. The cases represent the result of the intellectual work of students under the supervision of the head of course.

Although based on real events and despite references to actual companies, the cases are solely intended to be a basis for class discussion, not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. The cases are free to be used and are to be cited following international conventions.

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## **WRITTEN CASE**

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## Welcome to Heaven

Whenever you walk into a Victoria's Secret store, watch the annual runway, or encounter the brand's angels, you feel like your prayers have been answered and you made it heaven. The brand offers such an exquisite, sexy, and seductive experience to both women and men. It is selling to women the body ideals they aspire to have and to men, the response to their deep desires; however, recently the constitutional visions of beauty and inclusivity have changed drastically. Is Victoria's Secret's daydream turning into a never-ending nightmare?

## Background of Victoria's Secret

During the 1970's, Roy Raymond went to a department store to buy lingerie for his wife, but he was disappointed with the unappealing floral, dull, and standardized product lines exposed. In addition, he always felt such discomfort and hostility whenever he approached the lingerie section, and that's when he saw the opportunity to revolutionize the lingerie industry. In 1977, after borrowing \$80,000, Raymond decided to open his first Victoria's Secret store in Stanford Shopping Center in Palo Alto, California. The store design was inspired from the Victorian era and more precisely Queen Victoria; which was the basis for the name "Victoria" and "Secret" was used to emphasize the sense of intimacy for shoppers. Victoria's Secret earned \$500,000 in its first years' sale, which was sufficient to expand to four new store locations by 1982.

In 1982, Raymond sold his business to Leslie Wexner, Limited Stores Inc.'s CEO of Columbus, for \$1 Million dollars. Wexner decided to renovate the brand's core from a male directed selling strategy, to a female focus, making women the main target shoppers. Until the early 2000's, Victoria's Secret was mainly located in the US, but it gradually started its international expansion to currently having around 1,600 stores worldwide and online. By 2006, 72% of Limited Brands' revenues resulted from Victoria's Secret and Bath & Body Works units (see **Exhibit 1** for brand

structure). In 2017, global net sales of Victoria's Secret amounted to about 7.39 billion U.S. dollars.

Victoria's Secret currently has four product lines, consisting of Victoria's Secret, specialized in lingerie and sleepwear; Pink, a lingerie line targeting the younger segment celebrating college-aged women; Victoria Sport for active wear; and its beauty line under Victoria's Secret Beauty (see **Exhibit 2**). Moreover, the Victoria's Secret Fashion show became an essential pillar for the brand. The show incorporates "Victoria's Angels" (see **Exhibit 3**), which refer to the astonishing celebrated supermodels that walk the podium wearing the brand's latest drizzling designs (see **Exhibit 4**). In 1995, the show started with a budget of \$120,000 dollars to evolve to \$26.4 million by 2017.

## **Are you a Victoria's Secret Angel?**

Victoria's Secret stands out as sexy, iconic, and powerful. The brand aims to empower the femininity and elegance of women through wrapping their bodies in silky, kinky, and alluring lingerie and nightwear. The brand is clear on what kind of segment it wants to attract through its pricey, exclusive, and seductive product lines. Furthermore, Victoria's Secret Angels are the incarnation of the brand's essence with their perfect and very attractive bodies, that almost seem to be unreal. The boudoir Victorian inspired stores of Victoria's Secret aim to allow customers to feel the sense of fanciness, privacy, and dignity that the brand aims to communicate. Over the years, the company has been perfectly consistent in fully embracing its image and positioning in the market and in the minds of the customers.

## **Turning Tables**

As competition in women's lingerie, women's wear, and beauty products intensifies, Victoria's Secret, which was once dubbed revolutionary, is being perceived as lagging behind current times. For more than a decade, there has been a shift in consumer demand in two domains: towards more comfortable lingerie, along with more inclusive and diverse advertising.

The perception of what counts as sexy has shifted in the minds of women. Their priorities have become more about comfort, practicality, and having a natural look, instead of striving to always wear attractive and uncomfortable undergarments. The market shifted away from the padded and push-up bras to sports bras and bralettes, and Victoria's Secret did not capitalize on this change while other companies like ThirdLove and Aerie did. Furthermore, Jan Singer, Victoria's Secret's former CEO

who was part of Nike for ten years, dramatically failed to capture the boom of the sportswear industry in Victoria's Secret's favor.

Moreover, consumers are increasingly favoring advertising and corporate communication which are diverse and inclusive. Social media has been a reckoning force driving this cultural shift since women who have felt ignored by mainstream fashion and media now have a voice. There is an increasing demand from consumers who no longer wish to see unattainable, unrealistic, and unrelatable standards of beauty, and who reward brands that stand for diversity and inclusivity. The years when brands used to make consumers feel bad about themselves in order to motivate them to buy their products have ended. This trend has been amplified by countries such as Spain and Italy who have passed laws banning the use of unhealthily thin models in advertisements and runways. More recently, in 2017, France enacted a similar law which also includes clearly labelling photos of models that have been digitally altered in hopes to fight eating disorders, and inaccessible beauty ideals. This was considered as a powerful stand from the World's fashion capital. Another powerful driver of the trend is social movements, such as the #MeToo and LGBTIQ+ movements, which pushed for empowering women and members of the LGBTIQ+ community.

Perhaps the most iconic and revolutionary shift in marketing communication began with Dove's campaign for real beauty in 2004, which celebrated women of different sizes, ages, and ethnicities. Since then, and due to digitalization, countless companies have jumped on the bandwagon of the growing movement to represent all types of people and bodies, especially in the fashion industry. Sports Illustrated featured Ashley Graham, a plus size model, on its 2016 swimsuit issue cover page. In 2017, Beyoncé's athleisure range, 'Ivy Park', collaborated with transgender actor, Laverne Cox, in a campaign promoting being free, "listening and moving without any judgement or limitation" (see **Exhibit 5**).

More specifically in the women's lingerie industry, Victoria's Secret's competitors continuously emphasize racial, body, gender and sexual orientation inclusivity in their corporate messaging and have weathered this trend change with success. While Victoria's Secret creates campaigns like 'The Perfect Body' (see **Exhibit 6**) featuring their iconic thin models, and receives serious backlash from consumers, its competitors have decided to pursue a different direction. Aerie, a lingerie lifestyle retail brand owned by American Eagle, stands out as a cool, young, and progressive brand with its #AerieREAL campaigns (see **Exhibit 7**) which use completely unretouched images of women of different body types, racial backgrounds, disabilities, and illnesses. ThirdLove and Lively, both American lingerie companies founded in 2013 and 2016 respectively, claim that their businesses were built and continue to thrive on business data gathered from the market, which indicated women are increasingly preferring comfort. Both brands support body

positivity in their campaigns and product offerings. When it comes to fashion shows, Rihanna's Savage x Fenty show in the 2018 New York Fashion week (see **Exhibit 8**) was a theatrical night of diversity, and body positivity. It included a couple of supermodels who regularly participate in Victoria's Secret shows but also women of different sizes, ethnicities, and even two pregnant models.

## Trouble in Paradise

Even though Victoria's Secret had long praised itself for advocating diversity by including models of different ethnicities, consumers feel like this is no longer enough. Women feel like the gap is widening between Victoria's Secret's view of femininity and sexuality and what the majority of women look like in real life. Women feel like they cannot associate with the company's strategy of touched up glamorized models, their outdated and narrow version of sexy, and their lack of diversity.

Victoria's Secret has managed to create a distinguished and clear positioning in the market and in the minds of customers; however, during the last years things have not been so "pink" for the brand. The company has been witnessing numerous hurdles that affected its proceedings. In fact, Victoria's Secret has been witnessing a series of changes in its management team that affected the company on various levels. After successfully running Victoria's Secret for ten years, Sharen Jester Turney resigned as the CEO of the brand in 2016. Jan Singer took over the position to be the CEO of the brand for two years until November 2018, to be replaced by John Mehas in 2019. Furthermore, a number of key employees have left the Victoria's Secret company.

On February 28, 2019, CNN Business reported that "Victoria's Secret will close 53 stores as struggles mount", this statement speaks directly for the critical situation which the brand is facing at the moment. For a company with more than 1,600 stores around the globe, to proceed with such a decision represents a clear sign of distress. The company has been witnessing a series of difficulties internally and externally. In fact, the sales of Victoria's Secret dropped significantly from 7.8 Million US dollars in 2016 to 7.3 Million US dollars in 2017 (see **Exhibit 9**), which illustrates the substantial financial losses that the brand is experiencing. Linked to this, shareholders concerns have rose over the last period as they witnessed a serious decrease in dividends. In 2018, Victoria's Secret is still the leading No.1 American lingerie company, but its market share has experienced a stumble with a decrease from 32% to 24%.

Along these lines, the annual Victoria's Secret Runway show has been an iconic and striking event for the brand. It is an event that allow the brand to expose its latest designs worn by its dazzling angelic supermodels, in a glamorous and vivid

ambiance. However, due to the serious customer adverse reactions it has been witnessing, it affected the audience of the show and strangled its communication and marketing aspirations. In 2018, the viewing audience of the show were 3.27 million in comparison to 4.98 million total views from the previous year. At its highest peak in 2001, the audience was around 12.4 million. The runway show has always been an important event for the company, but it seems that the audience is starting to switch the channel in another direction.

These sequence of events and drawbacks express how Victoria's Secret failed to evolve with the market trends, as a result, it has been losing its relevance to customers. It seems that Victoria's Secret image is starting to be outmoded and "tone deaf" since it fails to grasp women's changing views in regard to diversity, beauty standards, and inclusion. Although the brand has been thriving to expand its ethnic and racial diversity, it still incorporates the image of supermodels that advocate for such a narrow definition of beauty. Victoria's Secret cannot appeal to the likings of everyone, but delivering more inclusive marketing messages and promoting beauty in an expansive view can become a game changer for the brand.

Victoria's Secret is facing the dilemma of remaining on the same footsteps it has been following for long years or adapting to the new trend that reshaped beauty standards and women's preferences to ensure its survival. Such strategic choices require an in-depth analysis because it is touching up on the heart and essence of the brand. **Taking the role of the Brand Management team of Victoria's Secret, how would you answer the following questions:**

*Is it time for Victoria's Secret to adapt to the new expansive beauty trend in order to ensure its survival? How would they achieve this?*

*Should Victoria's Secret hold on to its exquisite and long-lived brand image and identity? How would you capitalize on this?*



**Exhibit 1** L Brands' brand architecture.



**Exhibit 2** Victoria's Secret's product brands/lines.



**Exhibit 3** One of Victoria's Secret's Angels.



**Exhibit 4** Victoria's Secret 2018 Fashion Show.



**Exhibit 5** Laverne Cox as the new face for Beyoncé's Ivy Park brand, 2017.



**Exhibit 6** Victoria's Secret "The Perfect Body" Campaign, 2014.



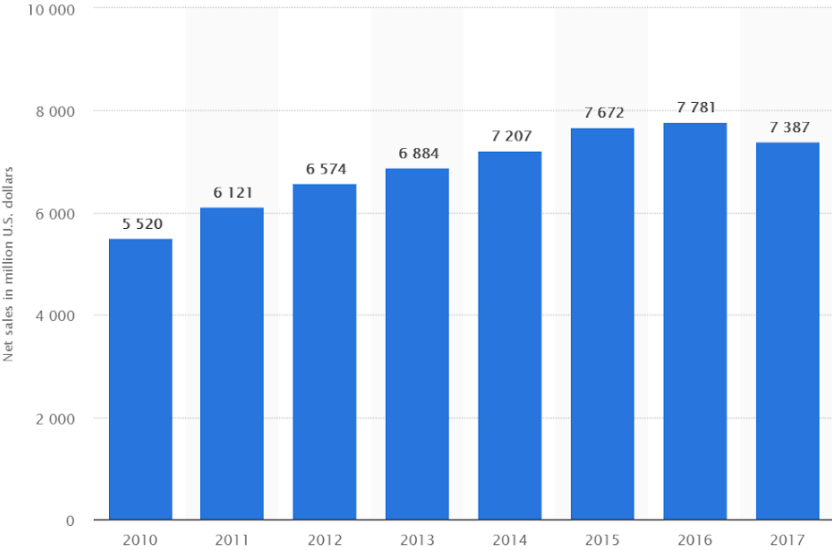
**Exhibit 7** #AerieReal campaign pursued by Aerie since 2014.



**Exhibit 8** Photographs of some looks in Rihanna’s SavagexFenty fashion show, 2018.



**Exhibit 9** Net sales of Victoria’s Secret worldwide, 2010 to 2017.



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**Additional Information:** Worldwide; Limited Brands; 2010 to 2017

**Source:** Limited Brands

