

ROCKET

Eight Lessons to Secure Infinite Growth

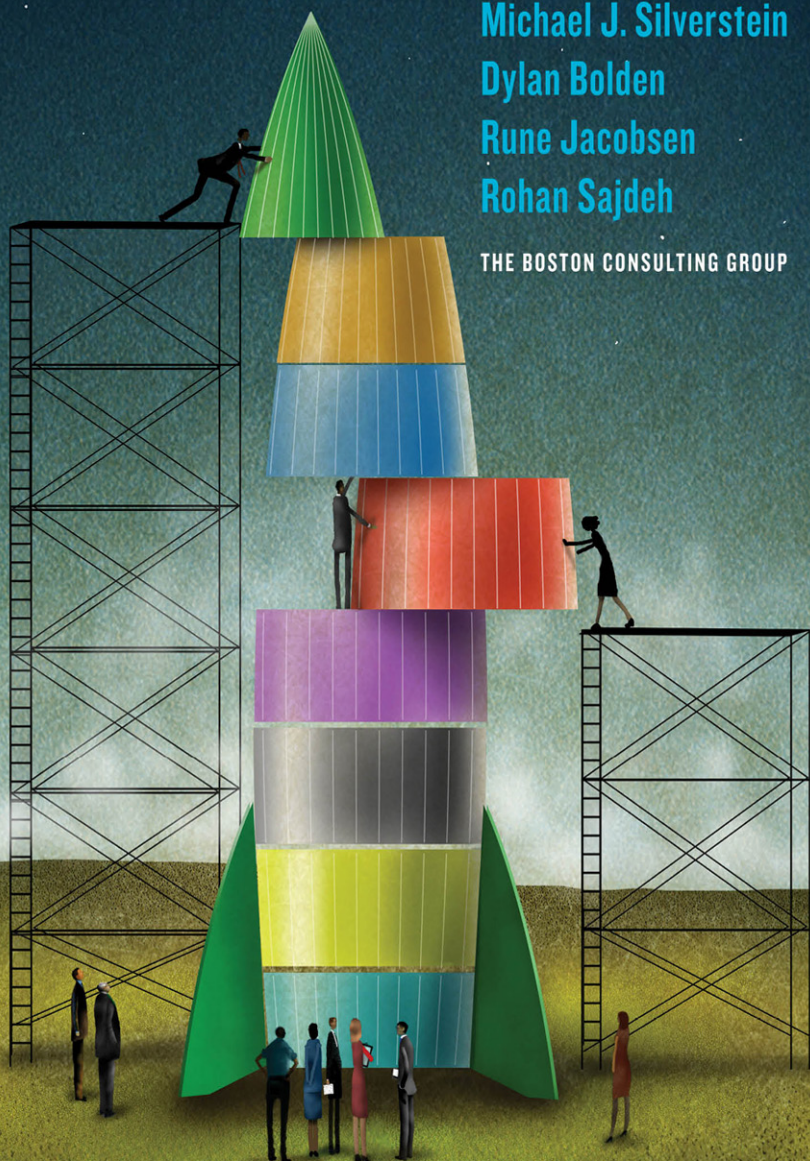
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"Whether you work with an apostle brand or are falling victim to 'schismogenesis,' *Rocket* will help guide you toward the critical factors that cause apostle brands to stand out and thrive. The authors illustrate the necessary traits to build, maintain, and grow successful brands. Very interesting and practical stories covering some of the best brands in the world. A great read for anyone building a brand."

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—Douglas R. Conant, Founder, ConantLeadership; Chairman,
Avon Products; and former President and CEO, Campbell Soup Company



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SECURE INFINITE GROWTH

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Don't Ask Your Customers What They Want (Because They Don't Know Until You Show Them)

THE CHAPTER IN A BOX

The Main Point

Consumers cannot think in abstractions. They cannot envision a new concept. They cannot predict their behavior. They can only compare an idea against their current frame of reference. So you need to make the big leap for them. You need to provide them with a reason to buy, a reason to exclaim to their friends. Expect new-to-the-world ideas to fall on deaf ears. People will, however, change their tune when they can see, touch, and explore something new. That's why, when you deliver

a truly breakthrough idea, it has so much traction. There is a lot to talk about. There is a lot to praise. It is so different, so pleasing, so unique.

Why This Story for This Chapter

Les Wexner is one of the few inventors who has done this time and time again. He has invented and redefined the rules of specialty retail. His original invention was Limited. Women's sportswear as a category was ripped out of the sleepy department stores, where it wasn't well defined. He put it front and center in a small-footprint store. It guided women to comfort, security, fashion, and color. On a concept board, it would have fallen on deaf ears. On a busy street or in a mall, it became a "must shop." He did it again with Express, aimed at younger women. He did it again with Limited Too for girls. He bought Abercrombie & Fitch when it was near bankruptcy and focused it on clean-cut, preppy clothing at premium prices. And then he found a way to take "sexy" mainstream with Victoria's Secret. He knew that women have "every side of sexy" in their heads, and he delivered "playful, impulsive, fresh, optimistic, sparkling" products under one roof. He took lingerie, then laddered up into fragrance and body care with higher margins, higher velocity per square foot, and immediate international appeal.

In sequence, Limited, Express, Abercrombie, and Victoria's Secret broke the markets they attacked. Limited brought sportswear with conviction—it piled large quantities of merchandise in big displays. The merchant dictated fashion for middle- and upper-middle-class women. It delivered wow in its day. Express brought that vision to younger women. Abercrombie made preppie and proper available to all. It marked up the goods to give people a sense of higher quality and value. Victoria's Secret answered the call for sexy, glamorous, and comfortable by selling lingerie, not underwear. These brands revolutionized their categories with a unique reason to buy. As each trend became common, Wexner, the shrewd investor, either sold the brand at a high valuation or reinvented it to develop the next idea.

Chapter Overview

Les Wexner, the grand master of specialty retail who has built Victoria's Secret into the largest lingerie retailer in the world, doesn't believe that consumers can tell you what they really

want. He does not believe in traditional market research. He has more than 50 years of glorious retail success and billions of dollars in product sales to support his views.

In his view, consumers react. They know what they love, but they can't explain why. They know what they hate, but they can't explain why. And they shift on a dime. To Wexner, success in business is about anticipation, instinct, insights—and, ultimately, curiosity and experience. He will, however, listen to tight summary findings of in-depth consumer profiles and is always trying to understand what we call the *wheel of consumer emotions*. Consumers don't fit neatly into any one segment. Their behavior and the way they purchase vary depending on context. Where are they going? What are they doing? Who are they doing it with? What conversations have they had? What media have they most recently seen or heard?

What will drive their behavior at the moment when they are finalizing a purchase?

Headline: Curiosity and Experience Provide the Basis for Investment and Brand Power

On any given Saturday, Wexner is likely to be shopping. He'll most often be wearing a casual jacket, a baseball cap, and a pair of sunglasses. He is often accompanied by one of his four children or his wife. He'll be looking in the most unlikely places—the side streets of Shanghai, the shopping extravaganza of the Rue du Faubourg Saint-Honoré in Paris, supermarkets, Costco, and the Easton Town Center, which he developed in Columbus, Ohio. He'll talk to consumers—personally. He'll ask them about what they like, and why. He will study the operations of a store, looking to see whether the manager is visible and engaged or caught up in mundane tasks and missing the action. He will notice what is out of stock, study merchandising, and watch consumers look at windows and decide whether to enter a store. He has little time for conventional research reports. He'd rather use his curiosity and his experience as his guide. He will try to see patterns and find reasons for consumer choices.

Wexner is insatiably curious. When you walk into the library of his home in New Albany, near Columbus, you enter a room that is more than 1,000 square feet. It's a perfectly organized maze of books, with shelves rising 16 feet high. Pull out any title, and he's read it. Ask him about American history, and he'll give you an answer about the life and times of each president. Ask him about Picasso, and he can give you an encyclopedic account of the artist's life from his childhood to his last work of art. Talk about automobiles, history, or architecture, and Wexner is an expert. Wexner wears his curiosity on his sleeve.

His curiosity and his experience have allowed him to give customers what they really, really want. He talks about "seeing around the corner" in anticipation of changes in shopping behavior and trends.

At 77 years old, Les Wexner still comes to work every day with a bounce in his step and big dreams. He still finds energy and excitement in the sale of bras, panties, fragrances, and candles. He believes that the best apostle for a brand is its creator, and he is the ringleader and impresario of his brands. Victoria's Secret, PINK, and Bath & Body Works are his primary sales engines. He also invented and profitably sold off Abercrombie & Fitch, Limited, Limited Too, and Express.

"Creators know how difficult it is to create a brand. They understand how fragile their brand's equity is," he says. "We know that the force of gravity is likely to bring you down. We know that success breeds competition. And the most loyal consumer is loyal for about 32 seconds. You can't and shouldn't count on them for their loyalty. You need to win them back with reinvention. Everything changes. So if you don't exercise the change muscle, then you just lose the ability to change. You either go out of business or you evolve into a different position."

Wexner believes in the power of big brands to capture consumers' imagination and to influence the way they spend their money. He knows from experience that leadership requires continuous evolution and continuous investment. What's hot today is cold tomorrow. He has studied and lived the history of consumer shopping and consumption. He knows that where there is success, imitators follow. He believes that where there

are retailers earning price premiums, there are discounters coming. He says that to earn above-average returns, you need to bring innovation, news, and depth to a category.

Wexner started in 1963 with nothing but his dreams. He was one man with one store, working from 7 a.m. to midnight running Leslie's Limited, a start-up women's sportswear store operating out of a small storefront near Ohio State University's Columbus campus. He had borrowed capital from his aunt and gotten a \$5,000 loan from a local bank.

Today, his retail empire has \$12.1 billion in sales and a market cap of \$27.5 billion.¹ Five years ago, at the bottom of the Great Recession, its shares sold for \$8 each. As we write now, they are \$94 each. He operates nearly 3,000 stores in the United States, Canada, and the United Kingdom and has 1,000 franchised stores in other markets. More than half of his company's profits are made in November, December, and January. Foreign stores are among the highest grossing in the company. Typically, they have a very small footprint but extraordinary velocity. The Victoria's Secret store on London's Bond Street has sales of \$80 million per year. Dubai's is the third-largest store in the world. A small store in Chengdu, China, has sales of \$14 million per year. His international expansion has been patient and careful. He generally finds a trusted local company and partners with it, tightly controlling the brand, the merchandising, and operational training.

Wexner made sexy lingerie mainstream without offending anyone. He gave customers what they really want. They want a sexy self-image and confidence.

Headline: Let Your Curiosity Rule—And Then Reinvent

Wexner says that his greatest advantage in life is his natural curiosity. His story is a profile in curiosity—how a constant search to find patterns and understand them through the eye of a merchant can be a path to riches, notoriety, and joy. It is also a story about reinvention—moving from one category to another, transporting business skills and insights, and investing for advantage.

We have known Wexner for 20 years. He is a naturally modest, soft-spoken man. He listens a lot and reads even more. When you talk to him one-on-one, he is engaged, entertaining, and vibrant. He loves retail businesses—he loves to watch other brands, and he spends weeks in the market, looking for patterns in fashion and winning concepts, and talking on the sly with consumers in his stores and in other people's stores.

In this digital age, he has no fear of e-commerce. "Humans are social creatures. They like to go out. They like to touch the goods," he says. "People have come to the marketplace to buy goods for 4,000 years. People like to be with other people, and the shopping experience is the greatest form of free entertainment. They buy online for convenience, but this is not the end of the store. The stores that remain have to deliver energy, excitement, freshness. The ones that do will prosper."

We also believe that curiosity is the greatest source of ideas, retail revolutions, and insights. A curious mind armed with skill, experience, knowledge, and patterns can give birth to a big brand revolution. A curious mind does not ask consumers, "What do you want?" A curious mind understands context, understands behavior, and understands spending and spending patterns—the accumulation of a day's purchases, or spending over a week or a year. A curious mind asks the questions that open up the consumer to talk about her latent dissatisfactions, hopes, wishes, and dreams. A curious mind knows that functional goods sold en masse earn a good return, but breakthrough profits come from satisfying consumers' emotional needs. A curious mind does not jump to conclusions but tests carefully and thoroughly. A curious mind will draw on all of life's experiences to get to the big "aha." The curious cut the data by quintile, by segment, and by user.

"Brands naturally drift away. Whether the brand is Disney or Starbucks or any of the great brands, it requires constant constructive curiosity," Wexner says. "Just being curious can be destructive if it takes you to the wrong place, so you have to test. You have to make sure your curiosity is continuously relevant, and you can test it in the marketplace. You can train yourself in pattern recognition. I have to see things to have ideas. If you

just give me a blank piece of paper, I'll give you a blank piece of paper."

In Wexner's case, he decided that apparel was a "cold space" where consumers wanted to buy either low-cost products or the highest luxury. However, he was unwilling to either make a speculative bid for one of the luxury fashion houses or attempt to configure his business to become cost-competitive with Zara and H&M. So, in the 1980s, he looked at the women's "underwear" market and imagined a new market with a lead competitor that called it "lingerie" and made it a product that was about seduction, romance, and love.

He used his curiosity to reinvent the women's underwear market. He is the leading proponent of "reinvent or die." He taught us that when a brand is on top, it has the most to lose and needs to be investing fiercely. Together we defined who is the "best at" in a category—first for Wexner's businesses, and then for many other consumer products and retail concepts. The "best at" is the dominant supplier—the one that provides great depth, assortment, and variety, and that also leads the category with news.

"The people that ran the stagecoaches didn't invent the railroads and the guys that ran the railroads didn't invent the steamship lines and the steamship lines and the railroad guys didn't invent the airlines. Businesses have to be reinvented or they become obsolete by their successor," he spouts, like poetry. "So, in retail, the department stores didn't invent the discount stores and they didn't invent the specialty store. They are being obsoleted by both of them."

Retail is a particularly harsh environment. The barriers to entry for that first store are low. Wexner needed only \$10,000 in cash in 1963. Today, you can do it with \$100,000 or less. Success is easy to read: new assortments either work or don't work. If they work, it is relatively easy to grow from one store to 100 and from 100 to 500. But Wexner warns that launching new stores is like skiing in a mountain resort known for avalanches. "If you are skiing and you believe there could be an avalanche, waiting until you hear it is too late," he jokes. "Are you scanning broad enough so that you see the avalanche before you hear it?"

In his view, fashion businesses require fast response, continuous patterning, and investment in new technical, functional, and emotional benefits. He can point to many retailers that had it and lost it. He can also point out many retailers that are teetering precariously today.

Curiosity and the readiness to reinvent are necessary for survival.

Headline: Be a Serial Inventor, Develop Patterning Skills, and Explore New Territory

“My wife calls me the ultimate disrupter,” Wexner says. “We disrupted the shopping centers. We disrupted the lingerie category. We disrupted with fashion specialty. But *disruption* is just a contemporary word to describe a fundamental phenomenon that happens in the world. The question is, are you the disrupter or the disruptee? If you have a position and you get lazy, you get disrupted.”

Wexner should know. He disrupted women’s sportswear, then clothing for college women, then bath and home fragrance products, then preppy college clothing, and then lingerie.

Wexner says he does not believe in market research. That’s not quite true. As with many things he says, there is a bit of Plato’s dialogues in this: he is teaching with rhetoric in his commentary. What he is really saying is that he doesn’t believe in delegated market research. He puckers his face at the thought of the type of market research in which a brand assistant hires the principal of a market research firm, who then turns to a young associate and says, “Tell me about usage in the client company’s category.” Wexner wants to know himself. He doesn’t want a thick, dense, circular market research report.

He has a hunger to know and to understand. He will devour topics and become expert in art, architecture, history, historical figures, and the history of the world. He is an expert in leadership patterns, from the Roman emperors to George Washington to George W. Bush. We call him the *long gun*, a nickname we have had for him for 15 years. It is a reference to the knowledge advantage that he has developed during his long life. In sixteenth-century Europe, armies with long rifles could shoot farther—and decimate their enemies.

One Saturday, we were meeting him in his home in Aspen, Colorado. We were working on the brand strategy for his company. We had concluded beyond a shadow of a doubt that his two best businesses were Victoria's Secret and Bath & Body Works. They both had great profit, a strong market share, loyal core consumers, and strong prospects for growth. For this man who scoffs at market research, we had just completed 100 in-home interviews with 26-year-old single professional women in urban markets. We had gone into their homes; counted, measured, and appraised their lingerie; and asked "why" a hundred different ways. We had boiled it down to one slide with one fraction: "2/7ths." This was Victoria's Secret's share of lingerie with its top consumer targets. These young, sophisticated women told us that they wore Victoria's Secret on Friday and Saturday nights. They said that the lingerie was sexy, glamorous, and worth sacrificing a little comfort for.

Wexner liked this new fact. He could do something about it. He could figure out underwear for Monday—and for the rest of the week, too.

"How do we change it?" he asked out loud, without directing the question to any of us specifically. At that moment, we were staring out the window at the magnificent view—lines of groomed aspens and the distant mountains with a bright sun in a blue sky. It was indeed a magnificent day, and all we had to do was deliver a single insight to justify our turkey burger lunch.

We had told him that young women love Victoria's Secret bra-and-panty sets for Friday and Saturday nights—date nights. They say they are willing to dress up for a date or a possible social encounter. They want to feel feminine and sexy. They know there is some chance that a new beau will see what they are wearing underneath their jeans, skirt, or dress. But on weekdays, it's different. They want to be comfortable. Hence the slide that said "2/7ths." Our findings showed that from Sunday through Thursday, they mostly wore cotton underwear—comfortable, cheap, and functional. Victoria's Secret was perceived to be "special occasion" apparel.

Wexner knew the answer to his own question. He usually does. He said: "Pattern—find me product anywhere in the world that will break the compromises of sexy, glamorous, *and*

comfortable.” Our all-female team immediately got on planes to Brazil, Japan, France, Italy, Holland, and other lingerie hotbeds. They came home with samples that solved the problem: products that used microfiber instead of satin, plus a wide variety of “engineered” solutions. We found a way to use fabric instead of metal to provide support.

Headline: Use Your Experience; Don’t Delegate; Change the Rules

So began a journey for Victoria’s Secret from a specialist that was stuck at \$2 billion to an \$8 billion-plus brand that is aiming at a global \$20 billion sales target. It was a journey that defined focus, careful experimentation, bold multimillion-dollar marketing investments, and careful, methodical expansion—first to Dubai, then to Kuwait, Brazil, Singapore, and eventually China.

Wexner was present at each early-stage investment and all the major negotiations. A savvy serial retail entrepreneur, he is a retail genius with the instincts, curiosity, and experience that allow him to see things that others miss.

Wexner grew up in Columbus, Ohio. He is the small-town boy who made good, and he has not forgotten his roots. In his hometown, where he came of age in retail, he is considered the second coming of the Wizard of Oz, with a difference: the output of his genius has led to thousands of local jobs and a major quilt of philanthropy across education and health care. Many Columbus investors are millionaires thanks to his success.

His Russian immigrant father and American-born mother had a modest women’s clothing store. They worked hard and eked out a living. They sent their son to Ohio State to become a lawyer so that he could escape the punishing life of single-store retail. Of course, he never became a practicing lawyer. For Wexner, law was not a creative business.

Once, when he was left alone in the store while his parents went on their first vacation in decades, he did some line-of-business accounting and saw that they made all their money in women’s sportswear. Formal clothing, outerwear, and dresses were losers. When he told his father the news, his father

dismissed the finding and then dismissed his son. In response, the 26-year-old bachelor borrowed \$5,000 from his aunt and \$5,000 from a bank and opened Leslie's Limited—a sportswear-only store for women in suburban Columbus.

Wexner was merchant, cashier, cleaning man, and chief procurement officer. The store sold its first load of sweaters in a week. In Wexner's first year, he grossed \$165,000 in revenues at the store and made roughly \$20,000 in profit—more than he could imagine. Today, that would be the equivalent of just over \$1 million in revenues and \$100,000 in profit. After this, he rapidly expanded throughout the Midwest. The chain was an innovator, with big displays of single items and a focus on fast selection and purchase. He took share from tired old regional department stores. He offered depth of selection, fashion merchandise, and fast service.

The modern specialty apparel store was born.

After about six years, Wexner did his IPO—an intrastate IPO, available only to Ohio residents. It cost less money and was less regulated than a regular SEC IPO. He gave founder shares to his parents. His father and mother sold a small part of their holdings. L Brands' investor relations department estimates that \$1,000 in IPO shares—with all dividends reinvested—would be worth more than \$43.3 million today.

Until his late thirties, Wexner says, he had only work as his passion. He finally got married at age 55 and is the loving father of four children. In his office, there are life-size pictures of his beautiful wife and kids. As Wexner's wealth grew, he discovered art, travel, architecture, and charity. He is famous at Ohio State for his devoted time as a board member, for his funding of the Wexner Arts Center and the Wexner Medical Center, and for the single largest gift in the history of Ohio State. He has also been a major donor to the Kennedy School at Harvard, the United Way, and his own Wexner Foundation.

Wexner remains keenly competitive. He has always compared his enterprise to all the big names of U.S. specialty retail. Now, he is comparing it to the biggest global specialty-store operators in Spain, Japan, and Scandinavia. Wexner says

he is “on top” on measures of growth, profitability, and return to shareholders. He operates a retail invention factory. He has never had a losing quarter. He has always been smart enough to invent, bring the business to scale, and then either spin it off or sell it.

Headline: How He Did It—The Secret of Victoria’s Secret

Working with Wexner, we helped develop a framework for brand development that we call the 9 *Ps* of a successful retail brand. It all starts with Positioning—determining the essence of the brand, the personality, the story of the founder, the point of view, the attitude, the motivations, the uniqueness, and the aspiration. In the case of Victoria’s Secret, the founder is the mythical Victoria, the daughter of an English lawyer or businessman and a beautiful, sensuous French model.² The attitude is English with French sensibility. Sexy, glamorous, and sensuous without being cheap—these attributes are the brand’s calling card. Looking beautiful, fit, and desirable are wholesome and worthy goals for Victoria and her customers. The brand is lingerie—not underwear.

That fundamental set of decisions defines the brand core, with which all other elements need to be consistent and coherent. Positioning is surrounded by Price (and value), Product (occasion of use, best-at category, and innovation), Promotion (cadence, calendar, events, and communication), Place (the store environment, navigation, and visual “wow”), People (the employee, the interaction, the relationship, the selling script, the brand culture, and the execution detail), Projection (from point of sale to visual merchandising to broadcast and online), Patterning (competition, customer, and fashion trends), and Profit performance (financial, customer metrics, share, and operational controls).³

Victoria’s Secret was the racehorse in Wexner’s portfolio. It evolved dramatically in aspiration, positioning, and performance. He directed a set of initiatives to take the business on offense—to launch new products at unheard-of levels of intensity backed by the principles from a movie premiere. He drove

sustained unit-volume growth and transaction value increases. He delivered higher levels of productivity and margins.

Wexner, the merchant king, orchestrated design, marketing, stores, display, planning for speed, depth of assortment, certainty of merchandising, and innovation according to a defined cadence. He removed a lot of time from the manufacturing cycle, reducing 18 months for a launch to a matter of weeks. The Victoria's Secret stores are colorful, with big-screen video and dramatic presentations of bras and panties in abundance. They stretch back, with lingerie as far as the eye can see. In the back, where there is a set of cash registers, there are fragrances, hair care products, and accessories. The products are not cheap: a bra is \$58, and panties are \$20. Yet most product lines are sold at full retail, with store gross margins of 60 percent or more.⁴

Victoria's Secret has enjoyed tremendous category growth, proving Wexner's hypothesis that businesses with emotional benefits are not defined by the level of current consumption. The company's secret is to compete on what we call *benefit layers*. It offers customers uniqueness in a series of technical and functional features at different price points. This allows the company to keep moving up, build the brand's credibility, and reinforce its emotional position.

By our count, you can now buy a Victoria's Secret bra in 167 distinct types whose differences include coverage, padding, lining, closure, closure location, material structure, material style application, and materials used. The company became "best at bras," and this allowed it to sell matching panties.

Wexner always aims to take first position in his target consumers' minds and in their share of wallet. With Victoria's Secret, he has powered scale in lingerie and now has more than a 40 percent share of the dollars in the category. That's at least 12 times his nearest competitor's. As a retailer and a producer, he gets double markups—the margin for retail and the margin for wholesale. His global business has an almost infinite return on capital. Outside the United States, his footprint is that of a franchise—other people invest in the stores, the inventory, and the start-up expense. Wexner earns a profit on the sale of goods and controls all elements of the retail operations.

Wexner's success with lingerie has enabled him to extend into adjacent categories—sleepwear, swimwear, yoga and exercise clothes—and, with PINK, into the younger generation of consumers. It opened the door for the large prestige fragrance business.

Scale is something that Wexner understands intuitively. He gets it that being “best-at” in a category delivers traffic and, ultimately, sales. If you can maintain this, you get the benefits of depth, breadth, and cost. He sees major promotional investments as his weapon for driving awareness, trial, and traffic. In 2014, the Victoria's Secret Fashion Show was held in London. Begun in 1995, the show is the brainchild of Wexner's long-term colleague, Ed Razek. Razek has, he says, organized a show that profiles “the world's most beautiful women wearing Victoria's Secret lingerie.” The show is about romance, dreams, passion, and art. It is conveniently aired before Christmas each year. “All the lace, all the beauty, all the joy,” the announcer says, as people enjoy the show. “Give the gifts the angels want. Say you love me. I want to fall in love. Take the show home with a tote with purchase.”

Scale advantage allows Wexner to spend as much as \$20 million on the show every December, to invest millions of dollars in media promotion, and to create more styles, more patterns, and more new products than anyone else.

Headline: The Apostle Interview—A Victoria's Secret Fanatic

We met a Victoria's Secret customer in her home in the Crown Heights neighborhood of Brooklyn, New York. Jenny is 27 years old and educated at the University of Chicago and the Kennedy School of Government at Harvard. She makes \$70,000 a year working for a not-for-profit organization. She is 5 feet 7 inches tall and wears her dark hair medium-length. She was born in Korea but moved to the United States as a child and speaks without an accent. She wears wire-rim glasses and is proud that she is athletic—she runs, bikes, and hikes. Jenny is a Victoria's Secret apostle. She swears by the brand: “I like the style. I want

my underwear colorful and fun. I like to go to VS because it's new and exciting. I like the displays."⁵

She says that the occasion is a key deciding factor when she is choosing what to wear. "Some underwear I would classify as 'fun and cute,' and that I'd just wear around the house," she says. "Then there's some that I wear when I go on a date. For date nights, I like the lacier stuff. I can always feel confident with what I'm wearing. I could always show somebody my underwear."

"When girls talk about underwear or bras, I mention that VS is the only thing I purchase, and it's really great," says Jenny. She visits Victoria's Secret once a month and spends about \$500 a year. Some 75 percent of her bras and panties are from Victoria's Secret. She rotates her underwear and tries to maintain an inventory of 30 sets for work, for going out on weekdays, for exercise, and for weekends. She loves having a rainbow of color in her underwear drawer.

She blurts out: "It just adds another element of fun when you pick something out on purpose with the intention of showing it to someone else." She adds, "That's heightened when the other person appreciates it."

Jenny says she is currently seeing a man, but just casually. She is not looking to get married. She has too many places to go and too many things to do to settle down now. Victoria's Secret makes her feel sexy, glamorous, and comfortable. The way she connects with the brand is distinctly different from the way women connected with the brand when we conducted interviews a decade ago. Her fraction is six-sevenths, not two-sevenths. The one-seventh in her lingerie drawer that does not come from Victoria's Secret is normal consumer promiscuity. She will try other brands as a way to validate her loyalty.

Headline: A Long Way from 2/7ths to a 12-Times Advantage over the Next Best Competitor

Wexner has recreated Victoria's Secret for consumers like Jenny. In a decade, he has moved from having 2/7ths of women's purchases to having the vast majority. He has figured out

how to get these consumers to visit the stores almost every month, and to go from just lingerie to sports bras, fragrance, skin care, swimwear, and other accessories. He sells to the Jennies of the world through the Omni channel—they can buy 24/7 and learn about the fashion models, the new products, and the “technology” of bras. He has Jenny’s loyalty now, and his superior depth of assortment locks her in.

The fashion shows and extensive PR have made the brand an international property. Store openings in international markets are mob scenes. It is clear that there is a lot of bottled-up demand for underwear that is sexy, glamorous, and comfortable. In the Middle East, South America, and Asia, young female consumers believe that Victoria’s Secret will make them more desirable and more datable. Around the world, more liberated sexual mores make underwear choice a source of confidence and enticement.

Headline: Forever Young, Forever Current, Forever Shoppable

In our closing moments with Wexner, he walks us to his outer office. On the wall is a long quote from Samuel Ullman, a somewhat obscure southern businessman who retired to write poetry. He tells us that it was originally on Douglas MacArthur’s office wall during the occupation of Japan following World War II.

Youth is not a time of life; it is a state of mind; it is not a matter of rosy cheeks, red lips and supple knees; it is a matter of the will, a quality of the imagination, a vigor of the emotions; it is the freshness of the deep springs of life.

Youth means a temperamental predominance of courage over timidity of the appetite, for adventure over the love of ease. This often exists in a man of sixty more than a boy of twenty. Nobody grows old merely by a number of years. We grow old by deserting our ideals. . . .

Whether sixty or sixteen, there is in every human being’s heart the lure of wonder, the unfailing child-like appetite of what’s next, and the joy of the game of living. In the center of your heart and my heart there is a wireless station; so long as it receives messages

of beauty, hope, cheer, courage and power from men and from the infinite, so long are you young.

When the aerials are down, and your spirit is covered with snows of cynicism and the ice of pessimism, then you are grown old, even at twenty, but as long as your aerials are up, to catch the waves of optimism, there is hope you may die young at eighty.⁶

Ullman's words frame Wexner's view on the world. He sees himself as being youthful in spirit, as being adventurous and seeking the next round of improvement in both his businesses and his philanthropic activities. He has never written a book on retail, but he nevertheless wants to leave a legacy. At his company there are video recordings of him leading sessions on merchandising, store navigation, retail economics, and big-idea creation.

He is very free with advice. He has made it beyond his wildest youthful imagination—global retailer, philanthropist, devoted husband and father of four successful children, a multi-billionaire. “Leaders must have discipline,” he says. “They must demonstrate strength. Leaders are curious. They need to have references in history and learn from those references so that they can see into the future. They need to be reflective and see the patterns. You don’t need to be first. You need to be best.”

Wexner still has a profound youthfulness of spirit and his original curiosity. He is, of course, emboldened to take risks and to raise the ante in his retail businesses. He is shrewd and careful. His mind is vibrant, and he takes a very active hand in running the businesses. He can be directive and specific, he can go deep into the details of retail execution, and he is tough. By continuously refreshing his brands, he has given them the fountain of youth—they are forever young, forever current, and forever shoppable. Curiosity and courage are, of course, the prerequisites.

Lessons from Victoria's Secret

Curiosity and experience provide the basis for investment and brand power. You need to test and explore. You need to be patient and learn as you go. You can use others' experience

as a proxy for the future, but do not expect a different outcome unless you have different inputs. Experts—those with a knowledge advantage—have much less risk when they boldly strike out.

Serial invention requires patterning skills, vision, and the courage to explore new territory. Remember, brands sink without newness and invention. If you have sufficient category leadership, you can create massive advantages of scale. When you go global, be cautious. You don't need to be first—just best.

Another lesson is this: retail scale, properly defined, gives fuel for advantage. Bigger and better means higher sales per square foot. It translates into better lease terms. It gives you prominence in the consumer's mind and allows you to achieve first position. If you get ahead, competitors have to try to take what is yours. If you are vigilant, responsive, and decisive, you can cut them off immediately. You can lay claim to a category for multiple generations and deliver extraordinary profit for years.

Above all, remember that although there is much to be learned from consumers, successful dialogue involves more than simply listening. It requires the “ears” of experience, confidence in your interpretation, and a bold goal to invent beyond today's reality.

Three Takeaways

1. **Be inventive.** Seeing what the world cannot imagine is critical to success. Wexner introduced lingerie while the rest of America was still talking about underwear. He helped female consumers—ages 12 to 80—move up emotionally. Like Wexner, invent a new reality. Help your consumers discover a new world.
2. **The economics have to support the business model.** Wexner's lingerie business is expensive. It requires beautiful stores, extensive inventory, significant investment in design and fabrication, and a global supply chain. Promotional events such as the Victoria's Secret Fashion Show are a multimillion-dollar fixed cost. Wexner's genius is that he imagined a business five times the size of his nearest competitor's. He knew that with five times the scale or more, he could deliver cost advantages in design, sourcing, store sales, advertising, and promotion. As the inventor, he set

the price and established the margin structure that delivers the highest profits in specialty retail. Like him, create a business that gives you an economic advantage. Don't settle for anything less than extraordinary returns and a high multiple. It's not about being greedy, it's about being smart.

- 3. Know when to get out.** When you invent a business, there comes a point when you should sell. Wexner took the cash returns from Limited, Limited Too, and Abercrombie & Fitch for years. He used the funds to create enormous wealth. Just \$1,000 invested in Limited's original IPO is worth more than \$43 million today. Wexner, the merchant king, is also a trader. He knows which horse to ride, when and where to race, and for how long. He knows when to retire a horse, too. Remember: you invent a business—and a brand—with the idea that you will eventually sell it.

SOME KEY ACTION POINTS

1. Invent according to an economic anomaly—for example, almost all the profits from an umbrella store come from a small number of departments.
2. Relentlessly fill space.
3. Create waves of demand, with invention delivered every quarter.
4. Build out a demand chain that sources at the best price, delivers seamlessly, and permits you to chase trends with reorders.
5. Invest in fixed-cost promotions that can be amortized against your superior scale.
6. Create adjacent businesses that target consumers of the same gender at different ages (very young, young, contemporary, and mature with young eyes).
7. Use your cash to invent the next big wave.

Exercise your creativity. Ask yourself these questions: Where is the profit core? How can I build a business based on this core idea? How do I fill it out completely so that I own every segment? How do I take

my core users and satisfy their every demand? How do I drive an organization with the simple phrase, "What are we best at?"

Stop pursuing every line of business in your portfolio. Own one idea. Complete it. Map the current model of purchase and usage. Change how things are done so that at least some part of the market uses only your product. Extend from that core user to a much broader universe. Describe your concept in a short eight-word story. Answer this question: What is your equivalent of "sexy, glamorous, and comfortable for me every day"?

ABOUT THE AUTHORS

Michael J. Silverstein is one of BCG's most prolific and published authors. He has written five consumer books since 2003, each published in a three-year sequence. He wrote *Trading Up: The New American Luxury*, the story of middle-class consumers trading up to luxury goods. Michael predicted dramatic growth in the top of the market in all consumer categories. He created the rule of 20-40-60: 20 percent of almost all consumer categories became premium, delivering 40 percent of volume and as much as 60 percent of category profitability. The companies identified in *Trading Up* and premium players have delivered total shareholder return dramatically higher than the market. In 2006, he launched *Treasure Hunt: Inside the Mind of the New Consumer*, a book about the consumer search for higher-value goods at lower prices. In this book, he showed how consumers were going to cut back on their spending and begin the road to savings. He predicted a global recession as a result. In 2009, he led BCG's largest consumer-research effort with women. This culminated in *Women Want More: How to Capture Your Share of the World's Largest, Fastest-Growing Market*. He predicted dramatic growth in the value of purchases controlled by women. He also found that women want more time, more money, and more love. His fourth book was *The \$10 Trillion Prize: Captivating the Newly Affluent in China and India*. The book forecast the size of the consumer market in China and India in the year 2020. The forecast is on track.

Michael joined BCG in 1980, after completing his MBA with honors at Harvard University and an AB degree in economics and history at Brown University. Based in Chicago, he has been a worldwide leader of BCG's consumer practice and a member of the firm's executive committee. He actively serves global

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