The Silky Strategy of Victoria’s Secret

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Victoria's Secret is a retail brand of lingerie and beauty products, owned and run by the Limited Brands company. Victoria’s Secret generates more than $4 billion in sales a year. It is the fastest growing subsidiary of Limited Brands and contributes 42% of corporate profits. More than 1000 Victoria's Secret retail stores are open in the United States. Products are also available through the catalogue and online business, Victoria's Secret Direct, with sales of approximately $870 million.

Victoria’s Secret was established by Roy Raymond in the San Francisco area during the 1970s. Raymond saw an opportunity in taking “underwear” of the time and turning it into fashion. Products stood apart from the traditional white cotton pieces, which department stores offered, with colors, patterns and style that gave them more allure and sexiness. They combined European elegance and luxury. Even the name Victoria’s Secret was meant to conjure up images of 19th-century England. The store went so far as to list a fake London address for the company headquarters. Like Starbucks, Victoria’s Secret markets self-indulgence at an affordable price. By 1982, Raymond had opened six stores and launched a modest catalog operation. He then sold Victoria’s Secret to Limited Brands, which took Victoria’s and sprinted away. Today, Victoria’s Secret enjoys nearly a monopoly position on the retail of intimate apparel in the US. The typical bra that once sold for $15 at Victoria’s Secret, when the company first opened and was worried about competition, now sells for just under $30.

Bath and Body, another subsidiary of Limited Brands has seen the entrance of The Body Shop, which has essentially the same products but with an environmental slant that attracts consumers concerned about the environment, representing a significant fraction of Bath and Body’s customers. Will Victoria’s Secret face a similar challenge? In Europe, the lingerie industry is certainly fragmented with more than half a dozen brand names that are as prolific as the brand names of fashion attire. Thus, the lingerie industry should be able to support multiple firms. There is still room for entrants in Victoria's Secret's market. How has Victoria's Secret been able to protect its market position? How can an entrant enter the lucrative lingerie market and steal profits away from Victoria?

**Victoria’s Secret’s Success**

Starting from Raymond’s six stores, Victoria’s Secret has grown into a giant in the lingerie business. It has virtually no competitors in the women’s elegant lingerie market. In the more general category of all underwear, Victoria’s Secret’s sales also tower over the sales of all other underwear brands. Exhibit 1 in the Appendix compares the annual sales of Fruit of the Loom and Victoria’s Secret for the past four years. Fruit of the Loom is one of the major U.S. underwear brands. Victoria’s Secret’s success is evident in the numbers. Not only does Victoria’s Secret dominate in its own market, it has also become the fastest growing branch in the Limited family. Exhibit 2 in the Appendix reflects Victoria’s Secret’s sales in relation to the total sales of the Limited family. Victoria’s Secret’s growth is phenomenal; by 2003 it already accounted for nearly half of Limited Inc.’s total sales.

To understand the success of Victoria’s Secret, it is necessary to look at the forces in the lingerie industry. First, a range of complements contribute to increasing demand. Complements range from Britney Spears and MTV to perfume, basically anything that is sexually suggestive. The acceptable boundary for sexuality have with these complements been raised higher and higher. Along with this, the media has elevated the position of intimate apparel in our society. Magazines like Cosmo and Glamour advise women to pamper themselves with nice underwear.
as one of life’s secret survival tips. As for substitutes, besides going commando,\(^1\) there are no real substitutes for bras and panties. Bras and panties are commodities that need to be replaced at a modestly frequent level. Therefore, there is no concern for the intimate apparel industry of a decline in demand.

The industry is not rivalrous either. Bras are priced over a fairly broad range with high markups. Firms in this industry have very high profit margins. Furthermore, neither the buyers who are women shoppers nor their husbands who are buying gifts have much bargaining power. Suppliers for the intimate apparel industry similarly have very little bargaining power because of the large number of manufacturers and few big buyers. Supermodels who can be considered suppliers in the highly-advertised lingerie business certainly do not have bargaining power, especially when it comes to Victoria’s Secret. Most models consider it a prestigious honor to be a Victoria’s Secret model. There is more supply (models) than demand in this case. For such a lucrative industry, there are surprisingly few competitors in the US market. Besides Frederick’s of Hollywood, there are no other lingerie retail chain stores.

Competitors

**Frederick’s of Hollywood** has over 200 stores in the United States, along with catalogue and web site operations. It markets a more racy and explicit image, so that consumers perceive the company as selling lingerie for special occasions rather than everyday wear. This perception has prevented the brand from becoming more mainstream.

**Department stores** sell intimate apparel from a number of major manufacturers, including Sara Lee (maker of the WonderBra), Maidenform, Warnaco and VF Corporation. While many shoppers go to department stores to buy comfortable bras for practical rather than aesthetic use, the service associated with the products of these manufacturers is inconsistent among department stores. Maidenform, for instance, sells some of its designs at Costco Wholesale, where essentially no service is available for intimate apparel shoppers. Lingerie departments also sell a number of brands in close proximity that are not marketed as much as Victoria’s Secret. Often times, department stores are the place where young girls go for their first bra-buying experiences, to have matronly ladies help measure and fit them.

**Sara Lee** heavily publicized its introduction of the WonderBra a decade ago, creating a sharp increase in demand for push-up bras. Other companies, including Victoria’s Secret, responded by marketing their own cleavage-enhancing bras to attract the demand that Sara Lee could not meet fast enough. Although the WonderBra is still selling, the initial frenzy surrounding it has diminished, perhaps because of the discomfort of its padding.

Expanding into New Products

Victoria’s Secret has developed such a strong brand for itself that it has in recent times been able to leverage its name in other products. This past year, Victoria’s Secret launched a new perfume line that has been doing quite well in comparison to other fragrances. The Victoria’s Secret catalogue has grown to include over 50 pages of clothes and swim suits, constituting more than half of the catalogue. In terms of strategy, Victoria’s Secret is scavenging on its lingerie products, rather than gaining a stronger name in the lingerie industry by also selling clothes. If anything, expanding into other products dilutes the Victoria’s Secret name. At the present time, however, without any real competitors, Victoria’s Secret is not concerned. By first developing a strong name in lingerie, Victoria’s Secret has in effect found a way to enter the clothing industry.

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\(^1\) “going commando” is a colloquial phrase meaning “not wearing underwear”
**Victoria’s Successful Marketing Campaign**

One of Victoria’s Secret’s strengths is its very successful advertising strategy. In a business that sells an image and a lifestyle, advertising is crucial. Victoria’s Secret spends $66 million each year on advertising, essentially defining beauty and packaging it for consumers. Thousands of newspaper ads, catalogues, and televised fashion shows convince women that buying Victoria’s Secret products will boost their confidence and enhance their appeal. A Victoria’s Secret product represents fun, romance, fantasy, desire and love all in one. As long as they don Victoria’s Secret lingerie, women can be transformed like Cinderella from the ties of domestic life to one of the angels seen on the walkway.

**Annual Fashion Show**

The Victoria’s Secret Fashion Show is a centerpiece for the brand’s intricately designed and elegantly functioning advertising machine. With this event, Victoria’s Secret reaches an audience of over 1 billion people, including news coverage. Televised annually, the Victoria’s Secret Fashion Show Extravaganza has an exclusive contract with nationwide broadcasting station CBS. A symbiotic relationship exists between the two firms. Victoria’s Secret obtains one hour of nationwide advertising, while CBS holds the exclusive right to one of the most popular programs on TV. For one full hour, beautiful supermodels parade about in Victoria’s new-line of beautiful lingerie with chic special effects and music that heightens the fashion show to the level of a Broadway production. Women are persuaded that Victoria’s Secret lingerie will win the enthusiasm they see plainly in their male colleagues.

**Catalogue**

Victoria’s Secret catalogues are more prolific than many news magazines. It is very easy to obtain one. A person simply has to go to the Victoria’s Secret website, enter a mailing address, and a few weeks later a wonderful Victoria’s Secret catalogue is delivered to the doorstep, free of charge. Over 390 million copies of the Victoria’s Secret catalogue are distributed in the U.S. alone. At one point, Victoria’s Secret even sent free catalogues to anybody who subscribed to any magazine, regardless of gender. Who would reject an art piece such as a Victoria’s Secret catalogue filled with all sorts of wonderful images?

**Printed Ads in Magazines and Newspapers**

What Victoria’s Secret doesn’t spend on Internet and television ads, fashion shows, or its catalogue is put into newspaper and magazine ads. Newspaper and magazine ads are effective for reaching a wide audience. In particular, Victoria’s Secret targets magazines it expects its consumer base to read, which include *Cosmopolitan, In Style, Glamour*, and *Allure*.

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Special Events

Occasionally, Victoria’s Secret also puts on special events to heighten the publicity surrounding the release of a new line of lingerie. This past spring, Victoria’s Secret visited spring break headquarters in Florida’s Panama City Beach for a very successful launch of Pink, its new line of lingerie that targets college women. They built “a gift-wrapped, three-story, pink polka-dot box” before their surprise model-strutting event, where they gave out lots of free stuff including gift certificates to redeem Pink cotton panties.4

The Supermodels

Victoria’s Secret holds one of the most important input supplies in the lingerie industry: supermodels. Victoria’s Secret models are synonymous with beauty. Advertisements capitalize on this association and cement in consumer minds that Victoria’s Secret represent beauty and class.

The fact that Victoria’s Secret has most of the top supermodels working for them is no surprise. Nobody boasts of “Banana Republic models” or “GAP models,” but mention “Victoria’s Secret models” and everybody gushes about how gorgeous they are. Being a Victoria’s Secret model is a sign of prestige. Like the top animators who are honored to work for Disney, talented models are enthusiastic about signing up with Victoria’s Secret because it guarantees them a successful name and chance to be named in an elite group of supermodels, including the likes of Adrianna Lima, Heidi Klum, and Tyra Banks.

Store Front

Store interiors are also consistent with the Victoria’s Secret image. Wallpaper hues of soft pink promote a soft, feminine environment. Victoria’s Secret stores are meant to evoke images and class of a Victorian boudoir, hence the name. Frederick’s of Hollywood, on the other hand, puts little effort into their store decoration. Most exteriors of Frederick’s of Hollywood stores could be described as “seedy-looking.” Not surprisingly, female shoppers are more comfortable openly walking into a Victoria’s Secret store and walking out with one of Victoria’s pink striped bags. The presence of valet parking at a sprinkling of stores confirms that Victoria’s Secret markets to high fashion and quality.

The right image in the lingerie business is essential. Though Frederick’s of Hollywood was the first entrant in the lingerie industry in the US, its position and growth was quickly overtaken by Victoria’s Secret. In July 2000, Frederick’s of Hollywood filed for chapter 11 bankruptcy protection.

Frederick’s of Hollywood opened in 1946 as the first US lingerie store. They offered comfortable, quality bras to women in the Los Angeles area. After its discovery by many Hollywood actresses, the lingerie industry and Frederick’s business grew rapidly. In the early 80’s, Frederick’s was the first to introduce to the US market the thong, which had been worn by Brazilians for decades. The American public was shocked and thereafter, Frederick’s of Hollywood suffered a defamed name.

Whether or not unintentional, it seems Frederick’s of Hollywood itself has followed suit and chosen to reinforce the salacious name. Today, Frederick’s shoppers expect to be thrilled by scandalous tiny pieces of sewn cloth. And Frederick’s product inventory feeds them just that.

special section of lingerie is reserved for the particularly playful and adventurous with masquerade lingerie and accessories. But Frederick’s numerous ups and downs suggest that a seedy image does not sell in the long term.

Victoria’s Secret’s success lies in retaining an image of class and beauty. In particular, Victoria’s Secret chooses models with classic features who do not have exaggerated bosoms or particularly seductive auras. Frederick’s history of models includes the Baywatch babe Pamela Anderson Lee, who embodies raw sexuality more than the traditional classic beauties of Victoria’s Secret.

Moreover, Victoria’s Secret has managed to create a visible place for itself in pop culture. “A 1998 survey rated it the nation’s ninth-most recognized brand and the company’s name has grown to be synonymous with romantic and stylish lingerie.” It has established credibility and reputation to its sexy, sophisticated brand name. Evidence of the success of the brand name is a court case involving a couple in Kentucky who opened a lingerie store named Victor’s Secret. Many customers made purchases without realizing their mistake. Of course, Victoria’s Secret sued and won based on their claim under the Federal Trademark Dilution Act.5

There is no question that Victoria’s Secret is very good in the advertising business. The success of its brand name and as a result, the success of its products is a direct product of aggressive campaigning in all venues. Without a sexy or feminine label already developed, small firms could perceive the strength of the brand as a barrier. None of these things, however, is a great barrier to entry for firms that are large enough to really challenge Victoria’s Secret. A competitor could imitate Victoria’s Secret catalog strategy or hire beautiful girls to model underwear. Large firms that already have a good brand name established may be in position to attack Victoria’s Secret.

Operations

Multiple Channels

Victoria’s Secret sells merchandise through three channels: retail stores, catalogues and the Internet. This “360 degree” approach reinforces the company’s brand and expands sales opportunities, helping customers to buy what they want anytime and anywhere. Bill Lepler, The Limited’s vice president of Customer Relationship Management, affirms, “The customers buying Victoria's Secret products through multiple channels spend three to five times more than customers who buy only through one channel.”7

Company executives can also choose among the multiple channels for the mode of presentation that best suits and enhances the appeal of a specific item. For instance, shoppers may more likely purchase in stores merchandise that they prefer to try on or looks better on mannequins. At the same time, consumers view most individual items offered in catalogues or on Victoria’sSecret.com romanticized on photographed models, whereas in stores, the same merchandise might otherwise only hang on store racks.8 As a division called Victoria’s Secret Direct, the catalogue and web site furthermore provide buyers, particularly men who are

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purchasing gifts, with alternatives to the embarrassment some of them feel when walking into a lingerie store.  

To successfully operate its multiple channels, the firm has had to confront numerous challenges. The chairman and CEO of Limited Brands, Leslie Wexner, admits that Victoria’s Secret did not make an effort to coordinate its catalogue with retail shops until 1998, when he led a comprehensive move to integrate the brand.9 Previously, disconnected ventures in marketing and style resulted in inconsistent sizing of merchandize between channels which contributed to weaknesses in mail orders. Since then, however, the company has aligned offerings, especially in lines of bras and panties that are most sensitive to fit, and launched products at the same time across all channels. Now customers can be confident that they can buy the same item with the same quality and price through any channel. Because consumers tend to consider a brand as a whole, this consistency is necessary to ensure that a bad shopping experience in one venue does not extend to damage the perception of the label in all other channels.10  

Victoria’s Secret further reinforces positive shopping experiences with customer service. At its Direct Client Contact Centers, trained call center personnel not only assist callers with sizing and other concerns, but also talk about products in a manner that communicates the romance of the brand. They recommend complementary items or alternatives to products that are out of stock.11  

Although Victoria’s Secret has achieved consistency in the consumer experience, the company has yet to make crossing channels more convenient for buyers. In particular, customers cannot go to retail stores to pick up or return merchandise that they purchased online or by mail.12 An entrant could attract catalogue and internet shoppers by having the infrastructure and designated areas in retail stores for setting aside and picking up orders. Victoria’s Secret, however, would likely follow if the entrant was effective in taking away its customers.  

Victoria’s Secret has already established a foundation for integrated channels, which enhances its strongly defined brand, but the company has room for future progress. Moreover, many potential entrants have the resources to implement multiple channels and can even anticipate obstacles from the experience of other firms.

Allocation of Merchandise

In the past decade, Victoria’s Secret has incorporated software for data mining and analysis to further advance sales. Specifically, employees use a data warehouse that tracks the sales of every piece of merchandize by store in order to make decisions on the allocation of products.13 Applying this comprehensive tool, the company has significantly improved over its former system, which pieced together information from several databases that give questionable results. Personnel had to rely primarily on intuition to select the items to restock.  

In comparison, workers now use the current integrated database to get facts and figures on sales, and sort them from intuitive insights. Access to facts, on which to base allocation decisions, is especially significant in the intimate apparel business because merchandize normally comes in a dozen different sizes, in addition to many styles and colors. To maximize

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12 Meridith Levinson, “Your Place or Mine?” CIO Magazine, 1 August 2002.
13 “Victoria’s Secret is Mining Data,” Chain Store Age Executive 72, no. 9 (1996): 89-90.
revenue, Victoria’s Secret must recognize geographical variations in purchasing so that the distribution of merchandise adapts to serve the size and tastes of customers who regularly shop at the same store. Otherwise, sales opportunities are missed on unstocked items or poor sellers are left to be discounted.

The wide range of sizes in intimate apparel presents a challenge for small entrants with a modest inventory to stock only a few stores. Needing to carry the sizes that fit their customers, such entrants have a choice in setting the range that they offer. A focused range of sizes would neglect consumers who do not fall within this range and even existing customers as their bodies change. However, a large variety may limit the quantity of each size that a store carries, along with the choice of colors and styles. Victoria’s Secret, on the other hand, has the bulk and technology to deliver a large collection of sizes, styles and colors that attracts the most shoppers. At the same time, an entrant that enters with a dozen or more stores may be large enough to avoid this potential problem.

Accessibility and the Limited Brands Family

Victoria’s Secret has great accessibility. With just over 1,000 locations, customers can find a store in almost any major shopping district or center. A potential entrant would have difficulty finding a place where Victoria’s Secret is not nearby. The family of Limited Brands helps to establish this wide presence. Not only does Limited Brands dedicate a real estate division to placing all its stores in prime locations, but this experienced group also has an advantage in negotiating leases because it represents several major labels. The family of brands is particularly popular with young women, who make up a large segment of the shopper population. Often, four or five Limited Brand companies are found as tenants under the same roof. The real estate division has strong relationships with managers of established malls, since popular shopping locations provide access to consumers and have become the main venue for retailers, especially in growing suburbs.

As part of a bigger retail company, Victoria’s Secret may also attract a deeper pool of applicants, from which it can recruit effective employees. Individuals may feel more job security or see a position with Victoria’s Secret as an opportunity to work up to high ranks within the company. Limited Brands also offers generous discounts, which employees can use at its entire family of stores, and attractive benefits to Victoria’s Secret workers.

Entry into the Lingerie Market

What an Entrant Needs

Victoria’s Secret has built itself into an extremely profitable lingerie company with its marketing and operational strategies, but none of them is difficult for an entrant to copy. In order to compete with Victoria’s Secret, an entrant would need a reputation for fashion and a modest amount of resources to attract style-conscious buyers and emerging supermodels. Opening at the regional level with about twenty stores would be enough to provide accessibility and build a name in a particular geographic area, such as Los Angeles and New York, where consumers tend to set fashion trends for the rest of America. Multichannel operations, which are commonplace in the retail sector, and gradual expansion to other locations could follow success at the regional level.

While plenty of firms already have the scale and resources to enter regionally, an entrant would also need the right reputation for style. Victoria’s Secret’s true product is not the
comfortable or sporty bra, which many brands already sell, but instead the glamour bra. To take away business, therefore, a firm should not enter the competitive market of everyday underwear, but rather be even more beautiful and sexier than Victoria’s Secret.

Companies such as Gap and Talbots, which consumers already find in most busy shopping places, may have images that are too casual or conservative to project a fashion sense that can compete with Victoria’s Secret. Although European designers like Chanel, for example, do have a classy and romantic image in the United States, they often cater to clients who are more up market and have larger budgets. Part of Chanel’s allure is the expensive price tags that ensure exclusiveness. Selling affordable lingerie may damage the prestige of its existing products. Furthermore, Chanel only has experience in opening a select number of boutiques in major cities, rather than operating many stores in local shopping malls.

These specific firms may not be in the right position to challenge Victoria’s Secret in selling stylish lingerie, but the constraints of a reputation for fashion and access to moderate resources are broad enough for a number of other companies to meet. Potential entrants include European lingerie firms and American ladies apparel stores that have glamorous styles, as well as companies suited to persuade a younger teen and college audience to shop with them instead of Victoria’s Secret.

European and American Glamour

Etam Lingerie  Etam Lingerie is a leading brand in France, where it has about three times as many stores as any other lingerie specialty chain. Starting with lingerie in 1916, the Etam Group has grown to include Etam ready-to-wear, 1.2.3. for affluent urban women, and Tammy, which sells apparel for girls age nine to fifteen. With more than 2,200 stores in almost thirty countries in Europe, the Middle East, and China, the Group sees itself as an international player in women’s fashion. Etam Lingerie in particular has its strongest presence, outside of France, in Belgium and Spain.

Although Etam does not have experience in the United States, it already operates lingerie stores on an international scale and most importantly can leverage its French origin. An American entry could emphasize these roots in marketing campaigns to customers who associate France with romance. Etam, however, might decide to wait a few years before such a move, since the completion of a recovery plan just returned it to profitability in 2002.

bebe  Founded in San Francisco in 1976, bebe is a retail apparel store targeted at contemporary women between the ages of 18 and 35. The self-described “bebe look, with that signature hint of sensuality, appeals to the hip, sophisticated and body-conscious woman who takes pride in her appearance.” Bebe operates almost 200 hundred stores in 32 states, primarily in regional shopping malls and busy street locations. The strength of bebe as a potential entrant is an established reputation for sensual fashion in the same malls that Victoria’s Secret occupies. Celebrities such as Jennifer Lopez and characters on the popular television show “Sex and the City” have shown off bebe fashions. Although it does not currently sell lingerie, bebe has experience in opening a new label with its BEBE SPORT stores for activewear.

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A possible approach is for Etam and bebe, or a similar combination, to form a partnership to enter in the lingerie market in the United States. Bebe would bring its experience in American malls, and Etam would offer an immediate supply of stylish lingerie. In addition, effective marketing could draw on both Etam’s French foundation and bebe’s sensual fashion. Although either firm might enter independently, both companies could offer strengths that complement each other.

**Armani**  
A/X Armani Exchange used the Italian designer’s name to make its launch in 1991 and now has 39 store locations in the United States. The customer base of urban young people can find stores in major shopping centers. A lingerie store could similarly be introduced under the Armani name to carry the glamorous image that comes with it, although Armani designs are more often associated with simple chic rather than fancy extravagance. With Armani Exchange, this entrant would have the reputation and precedent for affordable fashion.

Nevertheless, an Armani entrant might carry the weaknesses of a label that does not exclusively appear on women’s apparel, such as on honored Armani suits and in Armani Exchange stores that also sell men’s clothing. Unlike Victoria’s Secret’s total devotion to female fashion, this brand is not completely synonymous with female beauty. Furthermore, to provide the accessibility that Victoria’s Secret offers, the entrant may foresee opening stores in greater geographical concentration than that of Armani Exchange, but a large, unprecedented number of affordable stores could dilute the Armani name.

**Comfort vs. Style**

In general, lingerie can be worn for either comfort or style. These two characteristics do not easily overlap well because of the materials and designs involved. Cotton is the most comfortable material, but for most people cotton lingerie is quite plain, both visually and texturally. Lingerie that is perceived as being sexy is often made of shiny or translucent materials. At the same time, the simplest designs are usually the most comfortable. More stylistic products such as padded bras, bras with underwire cups, bras with convertible straps, and thongs instead of regular panties do not offer the highest level of comfort. Given that comfort and style cannot simultaneously be maximized, a company in the lingerie industry needs to define its products to emphasize one more than the other.

Grace Nichols, the President and CEO of Victoria’s Secret, states that “we offer our customers glamour, beauty, fashion, and a little bit of romance.” The company does not define comfort as one of its selling points. Victoria’s Secret has always targeted women who are willing to sacrifice some comfort for style. These consumers are the younger women who buy and wear fancy lingerie to make themselves feel sexy and impress their partners.

An entering company can try to attack the fact that Victoria’s Secret products are not very comfortable to wear. In order to enter Victoria’s Secret’s specific market, it needs products that provide a higher level of wearing comfort, while matching the stylistic values of Victoria’s Secret products. There are three possible approaches for such an entrant:

1. **Discover or synthesize a suitable new material** that integrates the comfort of cotton with the glamour of materials that are typically used for fancy lingerie. The

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characteristics of this new material will directly define the new products, and with appropriate marketing and promotions, these products will become able competitors of Victoria’s Secret products. The drawback of this approach is the uncertainty of whether such a new material can be discovered or synthesized. The new entrant will need considerable amounts of time and financial dedication into the discovery and invention process, bearing the risk that it might be a fruitless effort.

2. **Use the media to re-invent the definition of “fashionable lingerie.”** Various media—TV, movies, fashion magazines—have enormous power over the popular definition of ‘fashion’. A new entrant can choose a series of lingerie products that can be made with existing technology, and define them as the newest fashionable items. For example, the new entrant can choose cotton lingerie with very delicate and feminine designs. Assuming that the new entrant has the financial power to influence various media, the media can define cotton as a new trend that provides the essence of comfortable fashion and delicate intimacy. Fashion is, after all, what is popular at the moment; lingerie buyers will follow what the popular media endorse. The difficulty in this approach is that the effort to influence the media is associated with a very large budget, especially for a new brand that is unfamiliar to consumers. There is also the uncertainty whether the new fashion will persist or just fade in history.

3. **Invent a new dimension that characterizes a bra.** Currently band size and cup size characterize a bra. The band size measures the size around the rib cage, and the cup size measures the furthest elevation of the bust from the body. These two sizes do not, however, account for the different shapes that cups can potentially have. The cup shape is closely related to the size of the base of the cup, and therefore the cup base diameter can be an additional dimension that helps to better specify the size of a bra and make it fit more comfortably. A new entrant can advertise this third dimension in bra size as a feature that enhances the comfort of its products. One factor that can particularly make this approach possible is the cost of manufacturing and keeping an inventory of small quantities of products tends to decrease as a result of improved technology. To ensure that customers are aware of and excited about such a feature, however, the new entrant needs to invest into sufficient customer education (e.g. by advertisements).

All of these three approaches are plausible to a certain degree, but all of them are certainly more easily implemented by Victoria’s Secret, which has the overwhelming advantage of an established brand name. With Victoria’s Secret’s overwhelming domination, it would be very difficult for a new entrant in Victoria’s Secret’s market to sell a new product, a new trend, or a new concept. Consequently, while a new player in the industry may successfully establish a higher-end brand name for comfortable lingerie, it will not present a substantial challenge to Victoria’s Secret’s particular market of glamorous lingerie.
**The Younger Teenage Market**

Younger teenage girls, roughly before the age of 15, could buy innerwear from Victoria’s Secret. However, these girls constitute a fairly distinctive group. They have different sizes from mature women, as well as different preferences in design and style. They tend to prefer more colorful themes and cute patterns, instead of more sexy colors such as black and red. Victoria’s Secret would have a difficult time reaching this group without risking its established consumer base. There is also a psychological factor: younger teenage girls do not want to shop at the same stores as their mothers. Within the context of this issue, Victoria’s Secret’s established brand would actually be harmful. As a result, younger teenage girls represent a completely separate market for lingerie. Victoria’s Secret has not established a presence in this particular market, and thus it can be a good entering point for a new entrant.

**Trends with Younger Teenage Girls**

The age at which girls start showing signs of puberty has been getting younger. Historically, the normal age of puberty for girls has been considered to be eleven years old, but a study done in 1997 on 17,000 girls reported the average age for the first signs of puberty in girls to be about nine. The direct implication of this trend is that more girls within the 10~15 age bracket will need innerwear. At the same time, pop stars such as Britney Spears are very influential among these young girls. The sexy images associated with these stars make young girls even more aware of changes in their own bodies. They are eager to feel mature and sexy, and wearing womanly innerwear is a natural way to help them feel so. As a result, there is a considerable, and still growing, demand for innerwear from these younger teenage girls.

**The Buying Power of Younger Teenagers**

Average younger teenagers have the luxury of not having to worry about paying fixed living expenses. They typically get allowances from parents, and are free to spend the money in any way. As a result, younger teenagers as a group have very substantial buying power. Victoria’s Secret does not take advantage of this buying power well enough, leaving an excellent opportunity for a new entrant.

**Long-Term Implications of Entering Younger Teenage Market**

The younger teenage market is the perfect starting point for a new entrant into the lingerie industry. For something as intimate and personal as lingerie, customers have a high tendency to stay loyal to a brand that they are familiar with. Thus, assuming that a new entrant is indeed successful with the younger teenage girls, these girls will very likely stay with the same brand when they grow older and when the entrant introduces products for mature women. By starting at a young age, this new entrant “trains” girls to be loyal to its brand, and thereby prevents them from becoming Victoria’s Secret customers. In other words, these potential customers of Victoria’s Secret are already “taken” before they even reach the age to use Victoria’s Secret products. After success with this strategy, such an entrant might consider to phase out its collections for younger teens in the long run to directly compete for Victoria’s Secret’s core age group and avoid the awkwardness of a lingerie store for both mothers and daughters. In the long run, this entry strategy could severely damage Victoria’s Secret’s sales.

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Conclusion

Victoria’s Secret has shown that the lingerie business is very profitable. At the moment, however, it has no real competitors. Our research and analysis suggest that this industry is poised for the entry of competition.

Victoria’s Secret only opened in the 1970’s, and it wasn’t until Limited Brands took over in 1982 that it really took off. Only recently has the success of Victoria’s Secret been really noticed. Plus, the conservative 80’s have passed, and society is only clamoring for more sexiness. Women are beginning to relish in their femininity once again, and lingerie isn’t some scandalous thing anymore. It takes time for potential entrants to jump into the market and get going. The stage is set though.

Many large retail stores carry a line of panties and basic underclothing. There are just not very many stand-alone retail stores that only sell lingerie. Names like American Eagle and Armani have not been bold enough to divert energies into promoting a lingerie division; they perhaps choose rather to invest capital into designing new clothes.

GapBody was launched in 1998 but has not been particularly well-advertised. Products sold at GapBody aren’t any less expensive than Victoria’s Secret. Gap does not choose to step on Victoria’s Secret’s toes. Their collection is very low-key and more comfort oriented. GapBody is an example of someone stepping onto the same stage as Victoria Secret, even if gingerly by not threatening Victoria’s fashion title. It may be only a matter of time before more glamorous dancers crowd onto the stage and then the real show will begin. Who will be crowned the beauty queen will depend on the audience.

Victoria’s Secret definitely has a first mover advantage with a well-established brand name. It seems that Victoria’s Secret itself has been thinking about this question and come across some of the same conclusions as this paper. In the most recent spring catalogue, Victoria’s Secret introduced a new European designer line, possibly in hopes of blocking European entrants. Victoria’s Secret may be trying to associate itself with “European elegance” or simply adding a European component to its base. Also this past spring, a new line called PINK hit retail stores targeting college-aged girls. Victoria’s Secret is clearly anticipating competitors from Europe and pursuers of a younger audience.

Even more recently in the news, Limited’s CEO Leslie Wexner has decided to revamp Victoria’s Secret’s store image. The new store design is more aligned with the sexiness seen in ad campaigns. The traditional pink interiors of the store will be replaced with cream and black, colors that contrast the lingerie and offer a designer feel. Lighting will be more theatrical, and even Beethoven has been swapped for loungey electronica. “The goal is to boost the racy factor without cheapening the store’s image....The bold new look debuted in November 2002 at the Victoria’s Secret flagship store in New York City's Herald Square and will soon roll out to the chain's 1,011 retail outlets nationwide.”

From the weak position of Frederick’s of Hollywood today, one may think that this redesign runs the danger of being too racy, but times are changing and Victoria’s Secret has proven to have had a knack at being sexy yet classy.

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19 Khemsurov, Monica, Sexing up Victoria’s Secret, CNNMoney.com, April 8, 2004.
Appendix

Exhibit 1: Annual Sales of Victoria’s Secret and Fruit of the Loom ($ mil.)\textsuperscript{20}

<table>
<thead>
<tr>
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</thead>
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<tr>
<td>Victoria’s Secret</td>
<td>3817</td>
<td>3586</td>
<td>3272</td>
<td>2339</td>
</tr>
<tr>
<td>Fruit of the Loom</td>
<td>1341.8</td>
<td>1549.8</td>
<td>1835.1</td>
<td>2170.3</td>
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</tbody>
</table>

Exhibit 2a: Annual Sales of Victoria’s Secret and Limited Inc. ($ mil.)\textsuperscript{21}

<table>
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</thead>
<tbody>
<tr>
<td>VS</td>
<td>1286</td>
<td>1450</td>
<td>1702</td>
<td>1816</td>
<td>2122</td>
<td>2339</td>
<td>3272</td>
<td>3586</td>
<td>3817</td>
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<tr>
<td>\sum Limited Inc.</td>
<td>7881</td>
<td>8645</td>
<td>9189</td>
<td>9365</td>
<td>9766</td>
<td>10105</td>
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<td>8445</td>
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<tr>
<td>VS / \sum Limited</td>
<td>16.3%</td>
<td>16.8%</td>
<td>18.5%</td>
<td>19.4%</td>
<td>21.7%</td>
<td>23.1%</td>
<td>38.8%</td>
<td>42.5%</td>
<td>42.7%</td>
</tr>
</tbody>
</table>

Exhibit 2b: Percent Contribution of Victoria’s Secret to Total Sales of Limited Inc.

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\textsuperscript{20} Annual reports from http://www.victoriassecret.com
http://www.hoovers.com/fruit-of-the-loom/--ID__11960--/free-co-fin-factsheet.xhtml
\textsuperscript{21} Annual reports from http://www.victoriassecret.com
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