

# General swot analysis for victorias secret marketing essay



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Victoria's secret was established in 1977, by Stanford alumnus Roy Raymond, with the very first store opened at the Stanford shopping center. The stores were meant to create a comfortable environment for females, with wood paneled walls and "Victorian details." 5 years later in 1982, Raymond sold the company to the "Limited Brands Corporation", under which it expanded rapidly in US malls throughout the past 3 decades.

Today, Victoria's secret is considered to be the leading lingerie retailer in the world with turnover in excess of \$5bn, and operating income in excess of \$1bn reported in 2006. It has 1043 stores in operation, with a massive 5,973,000 of selling square feet. Sales per average square foot is an enviable \$620. Its online arm, Victoria's secret direct is considered to be the best of its' kind, with online sales growth of 16% reported in 2006.

Almost 33 years after its' inception, Victoria's Secret still stands for the values of its' founder Roy Raymond; It is a brand that has converted the image of lingerie from a common garment, to a highly fashionable and much sought after item of clothing. Today, both males and females alike can shop at a Victoria's Secret outlet and be subject to an almost paranormal experience of sensual products, highly customer oriented staff and reasonable prices.

## **Executive summary**

### **General SWOT analysis for Victoria's Secret**

#### **Strengths**

Limited Brands has two distinct strengths that differentiate it from its competition these are diversification and specialization which are supported

by its organizational structure, a crucial strength to their success. Limited Brands has built a portfolio of companies and investments over the past forty-two years in multiple industries to include sporting goods, data processing, technology, real estate, apparel, beauty, and lingerie with their interest in companies like Galyan's Trading Company, Alliance Data Systems and their ownership of companies like Victoria's Secret, C. O. Bigelow, Limited Real Estate and Express. Although Limited Brands has spread its organization over multiple industries it has not lost its original goal and strength of specialization. Limited Brands had used specialization to create stores that are well known through catering to their customers needs with a specific line of products. Customers know that if you want apparel from Limited Brands you have to go to Express or The Limited, for your fragrances and perfumes its C. O. Bigelow and for lingerie its Victoria's Secret. By separating each line and developing it under its own name brand and company Limited Brands has been able to deliver exceptional products and in-store experiences.

Victoria's Secret VS is a well renowned brand in terms of lingerie products and has very strong brand recognition all over the world. So one of their main strengths is that they have a good recognized brand name.

They are also continuously investing on new product innovations and adding value to their products so as to cater to customer needs and wants and also to satisfy them. The products that they offer are of high quality and are also very trendy and fashionable.

The company is very receptive and adaptive to changes in emergent trends, markets and the environment which means that they are being pro active when it comes to changes in the environment.

They have a variety of products that customers could choose from ranging from lingerie which is their core product line to casual wear, accessories and evening wear. By having a broad range of products to choose from, VS can cater to specific requirements of the customers.

Victoria's Secret generates more than \$ 5 billion in sales a year and is the fastest growing subsidiary of Limited brands and contributes 42% of the total company's profits.

V. S has recently launched the pink line of products such as lingerie, casual wear, evening wear and accessories specifically to cater to the teenage market so that they can increase their market share in this particular segment.

V. S also enjoys a great deal of economies of scale and has a lot of bargaining power since it is a monopoly in the lingerie industry and is clearly the market leader in this league.

The company has a very good technological infrastructure and has a very effective computerized system in that products can be purchased online via their website which is rated amongst the top 5 apparel websites.

Weaknesses

One of their main weaknesses that they have a large amount of suppliers which include about 2500 suppliers which means difficulties to ensure consistent quality and time of delivery. Therefore the supply chain management is not up to the standard.

Another weakness for V. S is that the corporate policies do not allow returns of catalogue, and returns of internet purchases from the online stores.

Also they have retail outlets mostly in the US which means that they have not optimized expansion into other parts of the world. This would mean that they are losing the opportunity of increasing their global market share.

### Opportunities

One main opportunity that V. S could think of is to have more retail outlets in other countries where the demand for lingerie is quite high. By doing so they will be able to attract a wider market which in turn would help them to increase the sales revenue as well as to make healthy profits.

### **Threats**

One major threat to Victoria's Secret is that they do not have a close competitor or competitors up until now and in the near future due to low barriers to entry and the fact that this industry is quite lucrative they will have to face strong competition in the years to come. Therefore they will have to be pro active and come up with new strategies so as to keep the brand strong and to continuously innovate and produce products which are of high quality.

## **Country outlook – SRI LANKA**

### Legal and political environment –

At the outset it should be noted that the current government of Sri Lanka is a nationalistic one. For example, the Mahinda Chinthana (Advocated by President Mahinda Rajapaksha) focuses on developing small and medium sized enterprises, promoting agriculture, expanding the already overlarge civil service and reducing poverty by steering investment into disadvantaged areas. The end of a 2 ½ decade long civil war indicates a bright future for the country.

### Regulations governing foreign direct investment

The principal law governing foreign investment is Law No. 4, created in 1978 (known as the BOI Act). The BOI Act provides for two types of investment approvals –

Under section 17 of the Act, the BOI is empowered to grant concessions to companies satisfying certain eligibility criteria on minimum investment, exports and in some cases employment.

Investment approval under Section 16 of the act permits entry for foreign investment to operate under the “ normal” laws of the country and applies to investments that do not satisfy eligibility criteria for BOI incentives.

It should be noted that foreign investment is not allowed in retail trade with a capital investment of less than \$1mn. However, the board of investment

permits retail and wholesale trading by reputed international brands and franchises with an initial investment of not less than \$150, 000.

As such, Victoria's secret would operate under the category of "small scale infrastructure projects" (Similar to direct competitor Triumph) and would thus qualify for tax exemptions for up to 5 years with a concessionary tax rate of 10% 2 years thereafter.

In principle, foreign investments are guaranteed protection by the Constitution of Sri Lanka. The government has entered into 24 investment protection agreements with foreign governments (including the United States) and is a founding member of the Multilateral Investment Guarantee Agency (MIGA) of the World Bank. Under Article 157 of the Constitution of Sri Lanka, investment protection agreements enjoy the force of law and no legislative, executive or administrative action can be taken to contravene them. The government has ratified the Convention on Settlement of Investment Disputes, which provides the mechanism and facilities for international arbitration through the World Bank's International Center for the Settlement of Investment Disputes (ICSID).

The U. S. Sri Lanka Bilateral Investment Treaty (BIT) was ratified by both governments in 1993 ([www. state. gov/documents/organization/43588. pdf](http://www.state.gov/documents/organization/43588.pdf)) (02/11/2009) Being a company initially incorporated in the United States, Victoria's Secret is guaranteed protection under this treaty.

However, there have been certain practical issues with regard to the honouring of such treaties. For example, in 2006, the Indian Oil Corporation's petroleum retailing subsidiary in Sri Lanka temporarily closed its operations <https://assignbuster.com/general-swot-analysis-for-victorias-secret-marketing-essay/>

when the government failed to honour its commitment to reimburse the company for fuel sold at the government-controlled price.

### Intellectual property legislation

Sri Lanka is a party to major intellectual property agreements including the Madrid Agreement for the Repression of False or Deceptive Indication of Source on Goods, the Universal Copyright Convention, and the Convention establishing the World Intellectual Property Organization (WIPO).

Sri Lanka and the United States in 1991 signed a Bilateral Agreement for the Protection of Intellectual Property Rights. Sri Lanka, a WTO member, is also a party to the Trade Related Intellectual Property Rights (TRIPS) agreement in the World Trade Organization.

### Taxation

A bilateral treaty between Sri Lanka and the United States to avoid double taxation was ratified and entered into force on June 12, 2004.

The government of Sri Lanka has broadened its' tax base in 2009, due to several challenges been faced on both the domestic and external fronts.

### Repatriation of profits

There are minimal barriers, legal or otherwise regarding the repatriation of profits or dividends for foreign enterprises in Sri Lanka. However, the remittance of business fees (e. g. management fees, royalty fees and licensing fees) is freely permitted only for companies registered under



section 17 of the BOI act. Other companies require Central bank approval for such remittances.

### Employment legislation

Sri Lanka's labour laws are reasonably stringent. Despite Sri Lanka not having any legislative provision governing severance pay,

<http://www.ilo.org/public/english/dialogue/ifpdial/info/termination/countries/srilanka.htm>

(2009-12-18), the cost of dismissing an employee in Sri Lanka is percentage wise, one of the highest in the world. In fact, according to Professor Mukul Asher of the National university of Singapore, for an employee with more than 20 years of service, on average, upto 46 months of pay is offered in Sri Lanka, as against 20 months in Singapore.

([www.spp.nus.edu.sg/Handler.ashx?path=](http://www.spp.nus.edu.sg/Handler.ashx?path=Data/Site/SiteDocuments/wp/...)

[Data/Site/SiteDocuments/wp/...](http://www.spp.nus.edu.sg/Handler.ashx?path=Data/Site/SiteDocuments/wp/...)) (2009-12-18)

### Judicial procedures

Sri Lanka's courts cannot be relied upon to uphold the sanctity of contracts. Aggrieved foreign investors have frequently pursued faster out of court settlements. For example, in late 2008, the Supreme court, in an interim order, halted payments to 5 international and local banks involved in an oil hedging contract with the government.

### Economy-

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Sri Lanka had a gross domestic product of around \$38bn, with a per capita income of approximately \$1800, in 2008. The economy is known for its' resilience and it grew at an average of 5% per annum between 1998 and 2008, despite an ongoing civil war. The end of this 25 year war has widened the country's economic prospects and has prompted legendary investor Jim Rogers to recognize it as the next best investment opportunity in Asia. Furthermore, Sri Lanka was host to Foreign Direct Investment of \$250. 2 bn by the end of 2008.

Inflation remained high during this period as well (e. g. – 14% year on year in 2008) However, due to recent Central bank monetary policy, this has declined to 12. 5% during the first half of 2009. (www. cbsl. lk 2009-12-18)

Sri Lankan interest rates are relatively high, with average prime commercial lending rates of 16. 79% in June 2009. However, recent government policies have resulted in a decline in interest rates to 11. 6% by December 2009.

With regard to the distribution of income, according to the Gini index (An index that measures income distribution through a statistical formula.) Sri Lanka's situation had worsened between 1995 and 2004. 22% of Sri Lankans were below the poverty line in 2007.

([https://www. cia. gov/library/publications/the-world-factbook/geos/ce. html](https://www.cia.gov/library/publications/the-world-factbook/geos/ce.html))  
( 2009-12-18)

Demographics and socio-cultural features –

According to the 2008 world population database created by the United

Nations population division, Sri Lanka's population was approximately 20. 5  
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million people with a density of 311 people per square km. (<http://esa.un.org/unpp/p2k0data.asp>) (2009-12-20)

50.8% of the population are females, with the percentage expected to increase to 51% by 2015. Out of the total female population, approximately 16.1% were between the ages of 15 and 24 (Which is the potential target market for Victoria's secret PINK.)

However, this is forecasted to drop to 13.9% by 2015. On the other hand, the percentage of females between 25 and 45 was 35.3%. This segment was expected to decline to 34.6% by 2015.

By 2008, 22% of the population was urbanized. With a total population of approximately 20.5 million people, this translates into an urban population of roughly 4.5 million.

Using the above data, the potential market for Victoria's secret could be estimated using the following basic formula –

Market size = Total Population x Female ratio x Percentage of females

between 16-45

= 20,500,000 x 50.8% x 51.4%

= 5,352,796

An important point to note is that 69.1% of Sri Lankans are Buddhists whilst Muslims, Hindus and Christians make up a majority of the remainder. As

such, Sri Lankans have a strong cultural background which needs to be considered during marketing strategy formulation.

Sri Lanka has a relatively high literacy rate with 90.7% of those above 15 years of age being able to read and write simple sentences.

Technological environment-

As the following graph indicates, Internet usage has increased rapidly within the past 3 years with a cumulative subscriber base alone of 250,000. This is encouraging for Victoria's Secret, since it would facilitate internet sales through its' online arm, Victoria's Secret direct.

source – Presidential Task force on English and IT ( Sunday Times – December 20, 2009 – page 19).

## **Industry outlook**

### **Entry strategies**

Victoria's secret – growth strategies in Sri Lanka

With regard to growth strategies, the Ansoff growth vector matrix is recognized as an effective framework. This matrix which was developed by Professor Igor Ansoff, comprises of 4 quadrants as displayed below-

Market

New

Old

New

Old

P

R

O

D

U

C

T

Out of the above strategies, Victoria's secret would focus on 3 main strategies, in relation to Sri Lanka -

Market penetration

Market development

Product development

Market penetration

VS would concentrate on penetrating the Colombo market where it would carry out its' initial launch. Market penetration would be carried out mainly through competitive pricing (compared to main competitor Triumph),

Customer relationship marketing, targeted advertising etc. Loyal clients of Victoria's secret would be issued the exclusive " Angel credit card" and would be provided with access to special discounts, promotions and privileges.

In addition, penetration would be accelerated via the VS-liya product line, which would cater specifically to the tastes of price conscious Sri Lankan females.

#### Market development

After establishing itself in Colombo, VS would concentrate on expanding its' presence to other regional hubs such as Kandy and Galle. It would use its' popularity in Colombo as a stepping stone to such market development. Furthermore, it would utilize the geographical scope of retail outlets such as ODEL, for the purpose of expansion.

#### Product development

As mentioned previously, VS would differentiate itself from its' competitors by developing a separate product line known as " VS- liya" targeting the Sri Lankan market. This product line would specifically cater to the tastes of Sri Lankan females.

Furthermore, it would focus on constantly updating and upgrading its' product range to cope with changing customer tastes and to ensure that VS is viewed as a " trendy and hip" brand.

In addition, facilities of key suppliers such as the “ MAS Design Center” located in Ratmalana could be utilized to come up with designs for the new product line. In addition, availability of such facilities would reduce the time and the cost from concept to delivery of new products.

Product strategy

Pricing strategy

Victoria’s secret price levels are generally considered to be between those of BodyOne and La Perla. However, when compared to the various brands such as Sloggi, Miss Triumph and mamabel (which are marketed in Sri Lanka directly under the Triumph brand) Victoria’s Secret is priced competitively, with both brands targeting the upper middle to upper classes.

Furthermore when considering Odel, which could be considered a main distribution channel of Victoria’s Secret, the prices are relatively high end with bras generally priced above \$15. However, ODEL also sells mass market bras that are priced as low as \$6. 69.

As such, the pricing strategy of Victoria’s Secret would be two fold –

High end pricing for the general VS range including the Pink range. (Price range estimated to be between \$15 and \$40.)

More competitive, mass market pricing for the VS-liya range, where prices would range between \$8 and \$12.)

The main reason for this two pronged approach is the fact that Sri Lanka is a developing country with a greater segment of the population in the lower to lower-middle income classes. By utilizing such a two pronged pricing strategy, it is believed that VS could cater to a larger market, without losing its' prestigious position as a " luxury lingerie retailer."

The main justification for having a separate lower priced product line specifically catering to Sri Lankan consumers is that a major proportion of VS suppliers are located in Sri Lanka. In fact, MAS holdings, BRANDIX and Hirdramani are three of the largest suppliers to Victoria's Secret. As such, products could be sourced from such Sri Lankan suppliers at minimal transportation costs. Furthermore, such close proximity of key suppliers would allow Victoria's Secret to maintain minimal levels of inventory, thus reducing inventory holding costs. In addition, there would be minimal taxes and tariffs when compared to such suppliers exporting to VS in the United States. The above factors would drive down costs, thus enabling VS to earn reasonable profit margins at lower retail prices.

Key clientele of Victoria's secret would have access to discounts, credit facilities and special offers via the " Angel credit card." It is believed that such tactics would act as an incentive for clients with higher purchasing power to make larger purchases, more frequently.

In addition, facilities of key suppliers such as the " MAS Design Center" located in Ratmalana could be utilized to come up with designs for the new product line. In addition, availability of such facilities would reduce the time and the cost from concept to delivery of new products.



Distribution strategy

Promotional strategy