

BUYING AND MERCHANDISING OPERATIONS RESEARCH EVENT

PINK

VICTORIA'S SECRET

Victoria's Secret PINK

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TABLE OF CONTENTS

I. EXECUTIVE SUMMARY	1
II. INTRODUCTION	2
A. Description of the Business or Organization	2
B. Description of the Community	3
C. Description of the Business' Target Market	6
III. RESEARCH METHODS USED IN THE STUDY	7
A. Description and Rationale of Research	7
Methodologies Selected to Conduct the Research Study	
B. Process of Conducting the Selected Research Methods	10
IV. FINDINGS AND CONCLUSIONS OF THE STUDY	12
A. Findings of the Research Study	12
B. Conclusions Based on the Findings	18
V. PROPOSED STRATEGIC PLAN	21
A. Goals/Objectives and Rationale	21
B. Proposed Activities and Timelines	22
C. Proposed Budget	27
D. Proposed Metrics to Measure Return on Investments	28
(ROI), Sales, Customer Retention, Customer Satisfaction, etc.	
VI. BIBLIOGRAPHY	29
VII. APPENDIX	30

I. EXECUTIVE SUMMARY

Description of Business: Victoria's Secret PINK was officially launched in 2004 as a sub-brand of Victoria's Secret. Its product mix includes lingerie, sleep wear, lounge wear, and accessories with a playful theme. PINK marketers launched a customer loyalty program in 2009 called PINK Nation to serve as an exclusive club where PINK's best customers would receive soft benefits in the form of free gifts and an inside scoop to all the latest PINK news. PINK's target market includes female teens and college students, ages 18-22.

Research Problem: PINK marketers seek to gain more customer awareness of PINK Nation, thereby having more people join the program. They also desire to engage current members so they participate more with the brand. The ultimate goal is to have PINK Nation members increase their frequency of buying PINK products and become more loyal customers.

Research Methods:

1. Personal Interviews (4)
2. Target Market Survey (287)
3. Target Market Focus Groups (2)

Findings and Conclusions:

Findings	Conclusions
❖ Major apparel retailers are investing in digital marketing through social media.	It is crucial that Victoria's Secret PINK has a strong online presence.
❖ 61% of survey respondents were unaware that PINK even had a loyalty program, and PINK's Net Promoter Score was -13.4%.	PINK needs to implement new strategies and techniques to increase customer awareness of PINK Nation, and more positive customer experiences need to occur to increase loyal customers and PINK's Net Promoter Score.
❖ We found that 71% of our respondents enjoy shopping online.	It is important that PINK Nation promotions and activities occur not only in brick and mortar stores but also online.
❖ 95% of survey participants use Facebook, with 59% using it more than once a day.	Facebook is the best outlet to reach customers in an environment where they frequently communicate with others.
❖ The college students felt that shopping through Facebook would be convenient for them.	PINK Nation should create a Facebook store to increase sales.

Proposed Strategic Plan and Timeline: Through our research, we devised a strategic plan and timeline to carry out the following activities and solve our research problem.

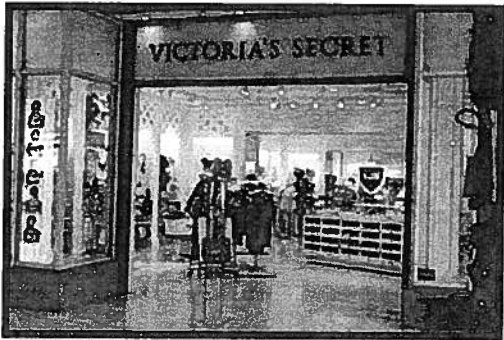
Proposed Activities	Timeline
1. Create PINK Nation Facebook & Twitter Accounts	Begin June 2012
2. Integrate Social Media into Current Website	Begin June 2012
3. Create Facebook Store	Begin July 2012
4. Establish Same Promotions In-Store and Online	Begin August 2012
5. Revamp Current PINK Nation Application	Begin August 2012

Budget: The total investment for the first year of operation is \$2,345,000. PINK reached over \$1 billion in sales in 2011. This equates to 0.2% of PINK's total sales.

II. INTRODUCTION

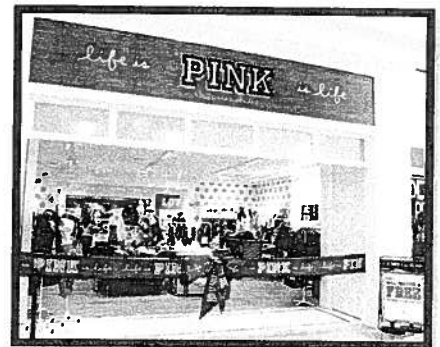
A. Description of the Business or Organization

Victoria's Secret is an American-based lingerie, clothing, and beauty retailer. The company was founded in San Francisco, California in 1977 by Roy Raymond but was soon after sold to Les Wexner, who has grown the company into a \$5 billion megabrand. It is now the largest segment of Wexner's parent company,



Limited Brands. Victoria's Secret is headquartered in Columbus, Ohio, and has major branch offices in New York City. The business consists of over 1,000 retail stores as well as catalog and online sales. Some stores also feature sub-brands, including Victoria's Secret PINK (PINK), a brand targeted to college students.

PINK was officially launched in 2004, and its product mix includes lingerie, sleep wear, lounge wear, and accessories with a playful theme. The brand has partnered with the NFL, MLB, and a number of colleges to provide PINK spirit wear. PINK uses bus tours that visit college campuses, private shopping parties, and social media sites like Facebook and Twitter to reach customers. The PINK sub-brand has been extremely successful and has achieved \$1 billion in sales in 2010.



We are completing this project for the following Victoria's Secret Marketing Team members: Ms. Jami Dewolf, Executive Vice President VS Strategy and Execution, Mr. John Geiger, Manager CRM, and Ms. Shelley McCray-McKelvey, PINK Director of Marketing. **We have been asked to develop creative ideas to improve PINK's current customer loyalty program, dubbed "PINK Nation".**

Customer Loyalty & PINK Nation

During our initial meeting, PINK's Marketing Team provided us with important background information about how they define customer loyalty. Victoria's Secret refers to loyal customers as "high value"

customers. A PINK high value customer is defined through a specific number of shopping visits per year (we have been asked to omit this number from our report).

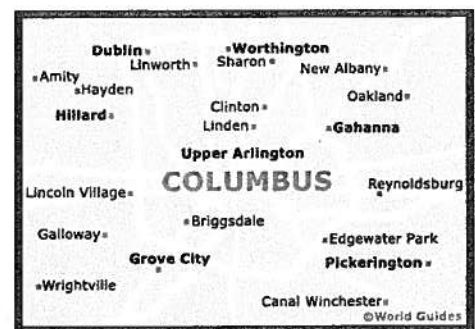
PINK marketers launched a customer loyalty program in 2009 called PINK Nation to serve as an exclusive club where PINK's best customers would receive soft benefits in the form of free gifts and an inside scoop about the latest PINK news. The program currently has over 3,000,000 members. Despite this impressive membership level, the program has encountered some problems. PINK marketers seek to gain more customer awareness of the program, thereby, having more people join PINK Nation. They also desire to engage current members so they participate more with the brand. The ultimate goal is to encourage PINK Nation members to buy more PINK products and become high value (loyal) customers.



B. Description of the Community

Geographic

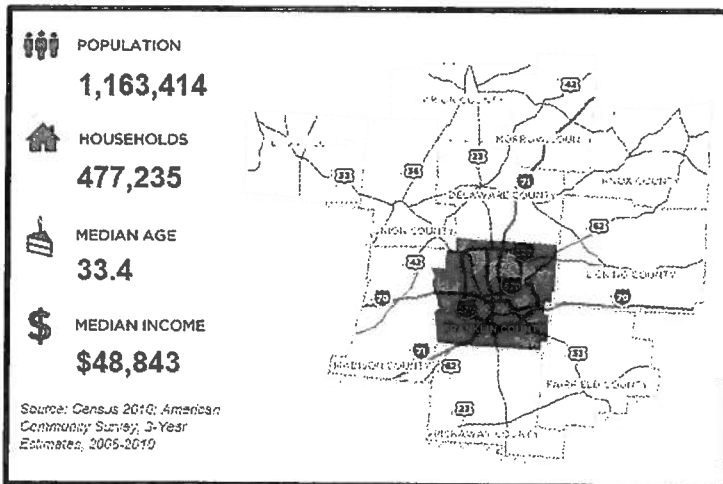
Columbus is the 15th largest city in the nation and serves as the capital of Ohio. Located in Franklin County, the city is the geographic center of Ohio. Columbus is well-connected to Ohio and the rest of the nation. The city sits at the intersection of two major interstate highways and enjoys a one-day truck drive to 47 percent of the U.S. population. Port Columbus International Airport features 33 destination airports with 155 daily flights.



Map of Columbus Area

The Columbus area has three major retail corridors with shopping malls that attract millions of people

annually from throughout the region. Columbus is also corporate headquarters to some of the most valuable retail brands in America including Victoria's Secret, Abercrombie & Fitch, Bath & Body Works, Hollister, and Big Lots. A total of seven Victoria's Secret stores are located in the Columbus area.

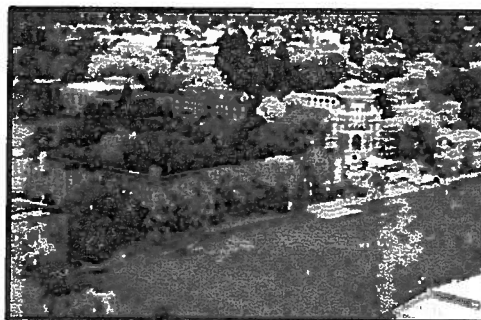


Demographic

Franklin County's population approaches 1,164,000. The median age of a Franklin County citizen is 33.4 years of age, which is lower than the median age of Ohio at 36.2 years. The median household income is \$48,843. The retail industry accounts for 10% of employment in the Columbus region, and Limited Brands is the fourth-ranked top private sector employer in the region behind Nationwide, JPMorgan Chase, and Kroger Co. The Columbus community is diverse, with the breakdown of race being shown below.

WHITE	BLACK	HISPANIC	ASIAN	OTHER
62.1%	25.7%	5.3%	4.2%	2.7%

The Columbus area is home to more than 140,000 college-age students who attend the 40 nearby colleges and universities. The nation's largest university, The Ohio State University, is located in the middle of the city and serves over 64,000 students.



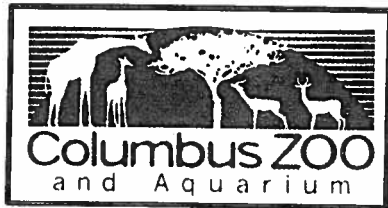
The Ohio State University Campus

Economic and Socioeconomic

Columbus enjoys all the amenities of a major metropolitan city including diverse neighborhoods, great restaurants, major league sports, outstanding healthcare and schools, and first rate arts and entertainment. The city has a low cost of living as compared to similar metro areas in the U.S. and is number 5 on the Forbes list of most relaxing places to live.



A nighttime view of downtown Columbus



Columbus is also home to the nationally number one ranked zoo, public library, and science museum in the nation.

According to the marketing research firm Claritas, the following psychographic “clusters” best describe the Columbus, Ohio area. They are in no order of predominance.

Blue Chip Blues: These are suburban families with midscale income, ages ranging from 25 to 44, and who have children. They hold a median household income of \$53,463, are ethnically-diverse, and own modestly-priced homes near commercial centers.

Executive Suites: These are suburban singles and couples who have an upper middle income, are less than 55 years old, and do not have children. They maintain a median household income of \$78,008, are predominantly Asian-Americans, and are college graduates.

Home Sweet Home: These are suburban married couples with upper middle income, ages of less than 55 years, and who do not have children. They have a median household income of \$72,029, are ethnically diverse, live in mid-size homes, and live a comfortable lifestyle.

Kids & Cul-de-Sacs: These are suburban families with an upper middle income, who are between the ages of 25 to 44, and who have children. They hold white-collar jobs, have a median household income of \$76,379, and are college graduates. This segment has a high rate of Hispanic and Asian Americans.

Young Influentials: These are suburban singles and couples with midscale income, ages of less than 55 years, and no children. They have a median household income of \$51,684, hold mostly white collar jobs, and are college graduates. They have trouble balancing work with leisure.

C. Description of the Business' Target Market

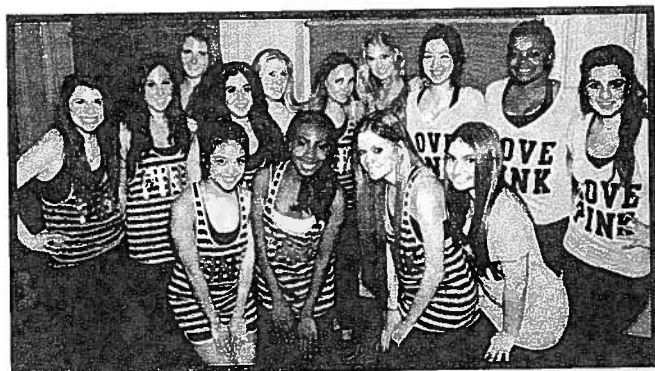
According to Ms. Shelley McCray-McKelvey, PINK Director of Marketing, the target market for PINK and PINK Nation includes female teens and college students, ages 18-22.

PINK has reached a broader market, however, that extends downward to more high school age students and upward to young women in their late 20's.

The National Association of College Students reports the average college student spends around \$2,000 per year on clothing. Research also shows that PINK's target audience members are heavy users of mobile devices and the Internet: especially social media sites such as Facebook and Twitter.

According to the Journal of Applied Developmental Psychology, U.S. college students use Facebook an average 10-30 minutes a day, and Facebook is a part of their daily routine regardless of how busy they report their schedules to be.

In addition to college students and the target market of 18-22 year-olds provided to us by our contacts at Victoria's Secret, PINK Nation has over 3,000,000 members, all of which are included in our broader target market. It is important to remember that PINK Nation does not have an age requirement for customer sign up, meaning that all members are not necessarily in the target market of 18-22 year-olds.

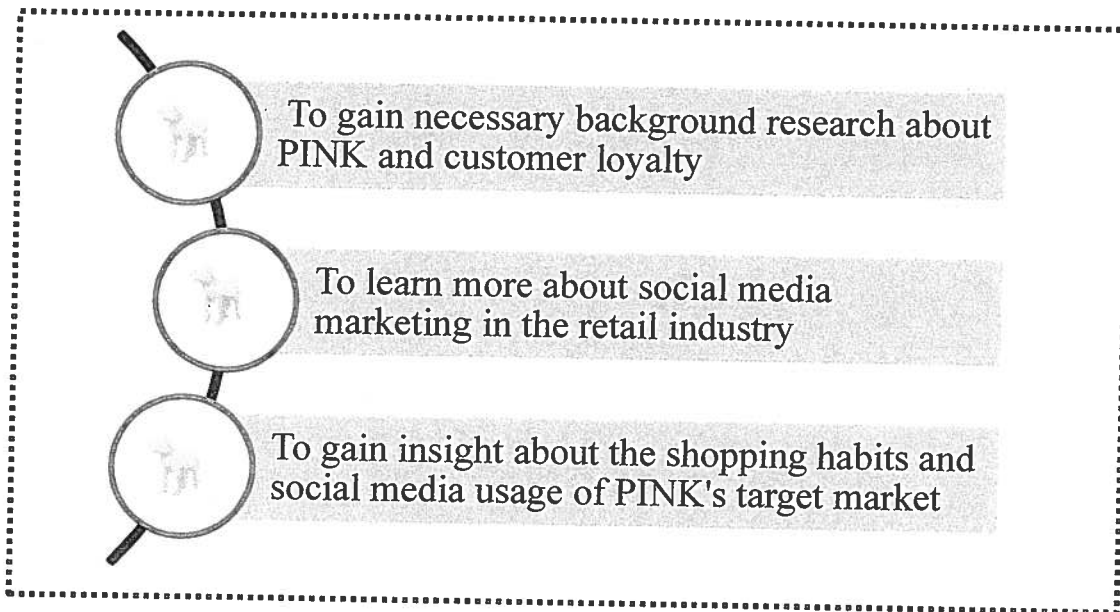


III. RESEARCH METHODS USED IN THE STUDY

A. Description and Rationale of Research Methodologies Selected to Conduct the Research Study

Research Goals

Exhibit 1



Secondary Research Rationale

We used secondary research to gain important background information needed for this study. First, we used online and print articles to learn more about social media marketing in the retail industry. Next, we used the Internet to find information about the PINK brand as a whole, PINK's customer loyalty strategies, and customer loyalty insights from PINK's major competitors. We wanted to gain additional information about PINK's target market, including their members' shopping habits, preferred stores, social media usage, and more. Secondary research sources are displayed in *Exhibit 2* on the next page.

Secondary Research

Exhibit 2

Research Databases

1. Claritas
2. City Data

Websites

1. Victoria's Secret PINK Website
2. Victoria's Secret PINK Twitter/Facebook
3. Pink Nation's Website
4. Aerie's Website
5. Aerie's Twitter/Facebook
6. Zappo's Twitter Page
7. French Connection's Facebook Page
8. Miami Heat's Facebook Page
9. SCVNGR's Website

Smartphone Applications "Apps"

1. Pink Nation App
2. Aerie App
3. SCVNGR App

Social Media Sites

1. Facebook
2. Twitter
3. Foursquare

Textbooks & Popular Business Books

1. Marketing Essentials

Online Articles

1. Journal of Applied Developmental Psychology "College students' social networking experiences on Facebook"
2. StudentPOLL Volume 7 Issue 2 "Social Networking Sites and College-Bound Students"
3. USA Today "Marketers get creative targeting hard-to-reach college students"
4. Entrepreneur.com "Five Tips for Marketing to College Students"
5. The Boston Globe "Building a buzz on campus"
6. "Why College?"
7. Duct Tape Marketing "How to sell anything using social media"
8. Harvard Business Review "The One Number You Need to Grow"
9. Customer Service Blog "The Gap"
10. How-to-Branding.com "Customer Loyalty Concepts"
11. Shep Hyken, professional speaker and business author "How Can You Achieve Customer Loyalty"

Newspaper Articles

1. Columbus Dispatch "Mobile shopping on the rise"
2. New York Times "One tough customer"

Primary Research Rationale

Extensive primary research was conducted for this study. This research includes four personal interviews, a collection of 287 surveys, and two focus groups composed of high school and college students.

Exhibit 3 on the next page provides the description and rationale for each primary research method.

Primary Research

Exhibit 3

Personal Interviews

1. John Geiger, Manager, CRM, Victoria's Secret Stores
2. Shelly McCray-McKelvey, PINK, Director of Marketing, Victoria's Secret Stores
3. Jami Dewolf, EVP Brand Strategy and Integration, Victoria's Secret Stores
4. Ryan Davis, Customer Marketing, Abercrombie & Fitch



VICTORIA'S
SECRET



Personal Interviews

Description: Personal Interview with John Gieger, Shelley McCray-McKelvey, and conference call with Jami Dewolf of Victoria's Secret at their Home Office in Reynoldsburg, OH, on October 13, 2011. Personal Interview with Ryan Davis of Abercrombie at his home office in New Albany, OH, on December 22, 2011.

Rationale: Our Rationale with Victoria's Secret was to identify a problem the company was facing and to gain necessary information about the target market. Our Rationale with Abercrombie was to learn loyalty trends of a main competitor in the market.

Surveys

1. High School Students: Gahanna Lincoln High School, Granville High School, Bishop Hartley High School, Watkins Memorial High School, Pickerington North High School
2. College Students: Saint Francis University, The Ohio State University, Miami University, Denison University, Capital University, Kent State University, Arizona State University, University of Toledo, The University of Findlay, University of Cincinnati

Surveys

Description: Our survey consisted of 19 questions. The first six asked about shopping and loyalty habits. The next two focused on the PINK Nation Program. The following eight questions determined Social Media Usage. The next two inquired about Cell Phone usage, and the last question referred to age.

Rationale: We used this survey to gather data and feedback from a number of participants in PINK's target market about the topics listed above.

Focus Groups

1. High School Students: Gahanna Lincoln High School
2. College Students: The Ohio State University



Focus Groups

Description: We conducted two focus groups, one with high school students and one with college students. We asked specific questions about PINK's current loyalty program and social media.

Rationale: To gain more detailed feedback that added personal opinions from the target market to the data from survey results.

B. Process of Conducting the Selected Research Methods

Victoria's Secret Employees Interview: Prior to meeting with John Geiger, Shelley McCray-McKelly, and Jami Dewolf, we brainstormed possible questions to ask in order to receive all the background information necessary to start the project. We used our background research about the company, the industry, the target market, and customer loyalty policies to guide our meeting with these executives. During our meeting with the senior marketing management at the Victoria's Secret headquarters in Reynoldsburg, Ohio, we asked the executives to describe specific problems they have been facing with customer loyalty and their target market. The following are some of the questions we asked during the meeting at Victoria's Secret:

- Who is your target market?
- How does your company define customer loyalty?
- What are your current customer loyalty programs/practices?
- What problems are you facing with PINK Nation?

- Who are some of PINK's major competitors?
- What is PINK's market share and share of wallet in the loungewear industry?
- How do you track participation in loyalty promotions?

Abercrombie Interview: The ability to interview Ryan Davis at Abercrombie headquarters in New Albany, Ohio, was extremely beneficial to our project. We seized the opportunity to gain insight on customer loyalty practices from a major brand in the retail industry. In the interview, we asked Mr. Davis about Abercrombie's specific customer loyalty practices and about the actions they take to maintain their competitiveness. We desired to gain as much insight as possible about the loungewear industry. We posed questions whose answers we could directly compare to our findings about Victoria's Secret PINK. The following questions are some that we used to guide our interview at Abercrombie:

- Who is your target market?
- How does your company define customer loyalty?
- Do you have any loyalty programs?

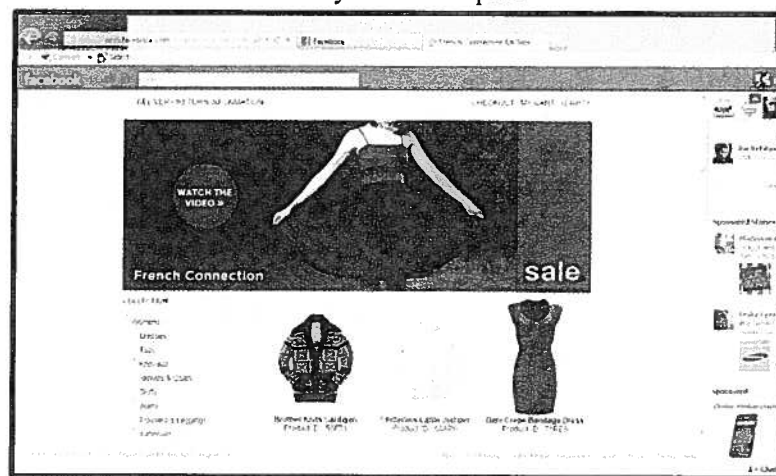
- Do you segment customers?
- Who are your best customers and how are they rewarded?
- Are you using social media to access customers?

Target Market Survey: We created and sent out a comprehensive survey in order to gain demographical information on shopping habits and social media usage for participants 17-24 years old. We distributed over

300 surveys to multiple high schools and colleges and received 287 completed surveys. One of the most important questions we asked the participants was “Are you aware that Victoria’s Secret PINK has a customer loyalty program called PINK Nation?” This question helped us to determine the exposure of the actual awareness of the program itself. Below is a short sample of more questions taken directly from our survey.

- How often do you shop online for clothing?
- How likely are you to recommend Victoria’s Secret PINK to a friend?
- If you have a Facebook account, have you ever “liked” a company’s page on Facebook?
- Would you “like” PINK Nation if they created a page on Facebook to receive promotions and updated news?
- Please check the appropriate box to indicate how often you use each social media device (Facebook, Twitter, Foursquare).
- Have you ever ordered a product through your mobile phone?

Target Market Focus Group: We conducted two focus groups, a major one directly for our target market of college students, and a minor one for the lower-aged target market including high school seniors. We used a laptop to show participants different aspects of PINK’s current and potential social media and technology usage for loyalty. We gained their direct feedback and opinions about the look, use, and practicality of how PINK can best utilize technology to access their target market and increase awareness and overall loyalty. We specifically showed them PINK and PINK Nation’s websites, presence on Facebook and Twitter, and the PINK Nation App. We showed them one of PINK’s leading competitors, Aerie’s app, the SCVNGR app, and French Connection’s store through Facebook. We gained valuable feedback on each of these areas, particularly from our college-aged focus group conducted at The Ohio State University Main Campus.



Screenshot of French Connection store via Facebook

IV. FINDINGS AND CONCLUSIONS OF THE STUDY

A. Findings of the Research Study



**Jami Dewolf, EVP Brand Strategy and Integration
Victoria's Secret**

Figure 2

Key Findings from meeting with Abercrombie & Fitch marketing professional:

- As a company, Abercrombie is shifting to become more customer loyalty focused.
- Abercrombie sees the potential value of Digital Marketing.
- Gilly Hicks (PINK's direct competitor) has a soft benefits program called Gilly Hick's Girl.
- Abercrombie defines a loyal customer by three principles: active engagement in brand, high RFM (recency, frequency, monetary), and profitability.
- Customers are more likely to shop again sooner than later.
- In the past, Abercrombie's loyalty has only come from brand perception.
- Abercrombie currently uses Facebook for promotional messages, branding messages, and lifestyle messages.
- Abercrombie only uses brand and lifestyle messaging on Twitter.
- Abercrombie primarily contacts customers through email.

Personal Interviews

Figure 1

Key Findings from meeting with Victoria's Secret Marketing Team:

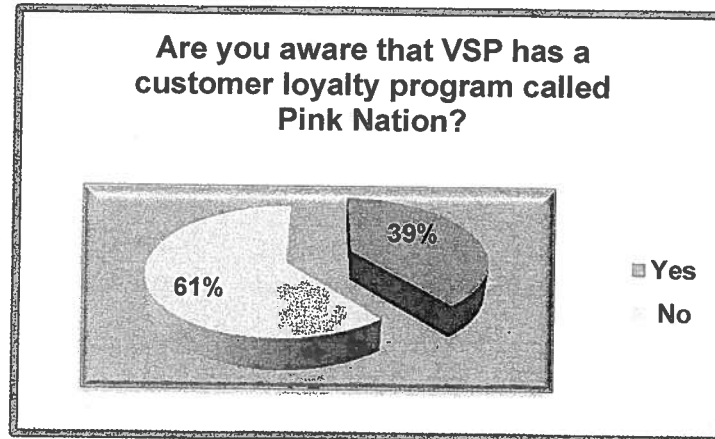
- PINK marketers desire to increase awareness, engagement, and PINK purchases.
- PINK Nation's current marketing channels are Digital, In Store, and Campus & Events, each afforded equal weight.
- The vision for PINK Nation is to engage customers in a community that brings the spirit of the brand to life while encouraging them to have fun while participating.
- The objective for PINK Nation is to increase customer participation.
- The secondary objective of PINK Nation is to improve perceived value of the program, reward behaviors to build brand affinity, increase awareness and acquire new high quality customers, and to enhance the cross-channel integration.
- PINK Nation's priorities are participation, events, and innovative product engagement.
- PINK Nation currently favors engagement over loyalty.
- The program consists of all soft benefits, coupled with "sprinkle in special benefits to keep engagement."
- PINK's major competitors for quality are Aerie, Gilly Hicks, and Aeropostale. Some competitors for price are Target, Wal-Mart, and Wet Seal.
- PINK usually maintains a redemption rate of about 20 to 25 percent on promotions.
- Their market share for apparel is 5 to 12%. This data is self-reported and customer-based, so it is difficult to determine accuracy.



**Ryan Davis, Customer Marketing,
Abercrombie & Fitch**

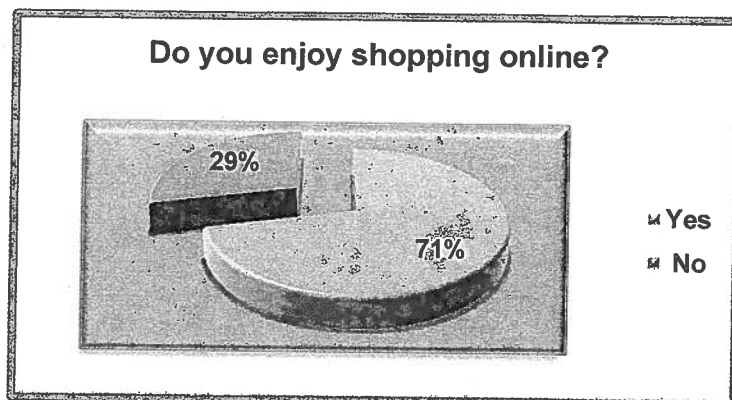
Survey

Pink Nation Awareness: We wanted to determine the general awareness of PINK Nation and learn more about PINK Nation's members. We discovered that of the 287 girls in our target market survey, **61% were unaware that PINK even had a loyalty program.** We also discovered that only 23% of those surveyed were already members of PINK Nation.



Shopping Habits: We explored the general shopping habits of the target market. We sought information as to how often they shop at the mall and online for clothing. Our findings are as follows:

- **About 80% of respondents shop online for clothing at least a few times a year.**
- About 98% of respondents shop at a mall for clothing at least a few times a year.
- We found that 71% of our respondents enjoy shopping online.



Loyalty & Share of Wallet: We desired to determine all of PINK’s major competitors. When asked from what store respondents most frequently buy lounge wear, the findings are as follows:

Select the one store from which you most frequently buy lounge wear.		
Category	Frequency	Percent
VSP	121	42.2%
Aerie	40	13.9%
F21	51	17.8%
Gilly Hicks	3	1.0%
Other	<u>72</u>	<u>25.1%</u>
Total	287	100.0%

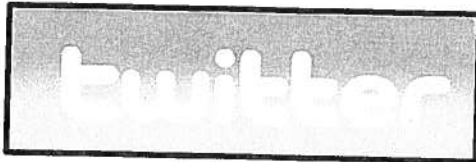
When asked how often the respondents shop at Victoria’s Secret PINK, the most frequent response, at about 48%, said that they shop at PINK a few times a year. Around 20% reported they never shop at PINK. We also asked the respondents how likely they were to recommend PINK to a friend. This question is a metric used by thousands of businesses to measure customer loyalty. It creates a Net promoter score for loyalty. It is calculated by first adding the percent of respondents who gave a nine or ten referral score, called promoters. Then the percent of respondents who gave a score of zero-six, or detractors, is subtracted from the promoters. World Class organizations have a Net Promoter score of 75%-80%. The median Net Promoter Score for 400 companies across 28 industries is just 16%. **With 29.3% promoters and 42.7% detractors, we tabulated PINK’s net promoter score of -13.4%.**

Social Media: We wanted to determine Social Media usage in PINK’s target market. The main outlets we researched were Twitter and Facebook.

Twitter Findings:

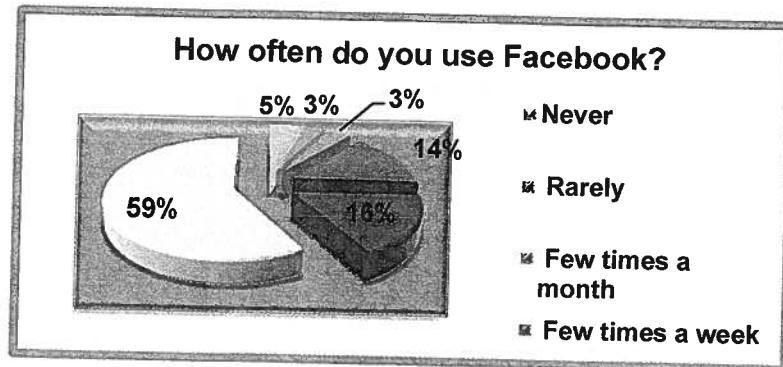
- Over half of respondents indicated that they use Twitter (about 53%), with 30% using it over once a day.
- Of those who have a Twitter account, only about 18% currently “follow” @VSPINK on Twitter.

- **Of those who have a Twitter account, about 62% said that they would “follow” PINK Nation on Twitter if the company created one to receive promotions and updated news.**

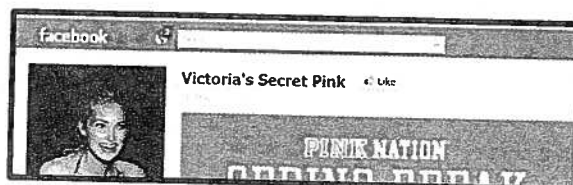


Facebook Findings:

- We discovered that about 95% of respondents use Facebook, with about 59% using it over once a day.

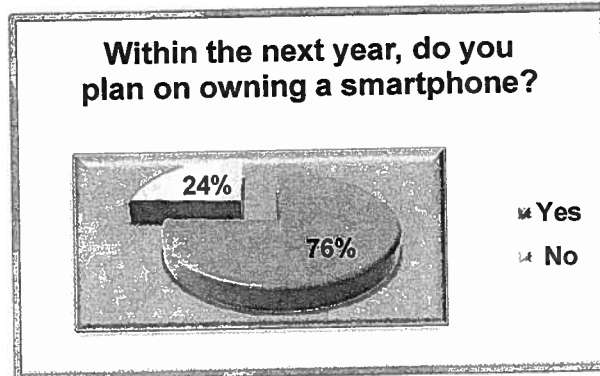


- Of participants that use a Facebook account, about 70% have “liked” a company’s page on Facebook.
- Of participants that use a Facebook account, only around 25% have “liked” Victoria’s Secret PINK’s Facebook page.
- **If a PINK Nation page would be created for Facebook, about 61% of participants reported they would “like” the page to receive promotions and updated news.**
- When asked if they would participate in buying products through Facebook from Victoria’s Secret PINK if the items were exclusive to members of PINK Nation, 54% responded “yes.”
- **57% of participants have shared a link to a product they desired to family members or friends via Facebook.**



Smartphone Usage:

- 76% of respondents indicated that they plan on owning a smartphone within the next year.



- About 30% of participants have previously purchased an item through their mobile phone.

Focus Groups

College Students:

- College students reported that they shop at a mall weekly during the summer but only once a semester during the school year.
- 80% of participants shop online while at school.
 - One reported, "I shop online during classes when I'm bored."
 - Another reported, "I can multi-task and it is quicker and easier."
 - Another explained, "It is more convenient to shop online at school."
- 80% of the respondents buy their lounge wear most frequently from PINK. The others buy lounge wear most frequently from Target because of cost and convenience.
- Only 40% of the participants had heard of PINK Nation before.
- All of the students had shared a product that they had wanted via Facebook to family or friends.
- All students reported that they use Facebook multiple times a day.
- 20% of participants use Twitter daily, while the remaining 80% use Twitter weekly.
- None of the participants found social media to be prominent on the PINK Nation webpage.

- Only 20% of the participants had “liked” Victoria’s Secret PINK’s page on Facebook.
- **All students think that PINK Nation should have its own Facebook page and Twitter account.**
 - One participant even said, “I would be more aware of the program if it had its own Facebook.”
- None of the participants have the PINK application for their mobile devices.
- **The participants thought that shopping directly through Facebook would be more convenient,** but 60% of the students were concerned about security.
- All participants enjoyed the layout of the SCVNGR application for mobile devices.

High School Students:

- 80% of the high school students had not heard of PINK Nation.
 - One student who had heard of PINK Nation only knew of it through emails she had received. She had no understanding of the program.
- All participants have shared a link to a product they desired via Facebook to family or friends.
- All participants use Facebook at least once a day.
- 20% of participants rarely use Twitter, 40% use it more than once a day, and 40% do not use it.
- None of the students have the PINK application for their mobile devices.
- **All of the participants enjoyed the layout of SCVNGR.**
 - They particularly liked that promotions could be redeemed directly from a mobile phone.
- All participants indicated that they spend more time using social media than email accounts.
- All students thought that PINK Nation should have their own accounts for Facebook and Twitter.
 - One responded, “It is weird that they do not have PINK Nation on Facebook.”
 - Another said, “They should definitely make PINK Nation social media.”
- **When shown the Aerie application for mobile devices, all participants enjoyed the layout and how they could shop directly from the app.**



High School Focus Group

- When shown the PINK application for mobile devices, all participants agreed that it looked fun but not particularly useful.

B. Conclusions Based on the Findings

Personal Interviews

While *Victoria's Secret PINK* already has a loyalty program in place by the name of PINK Nation, room for improvements definitely exists. In order to meet their given goals and objectives of increased customer participation and overall awareness of the program, the company can use new and innovative ways to engage their best customers.

Abercrombie & Fitch as a brand is a major retailer that is becoming increasingly concerned about customer loyalty, making it even more important that *Victoria's Secret PINK* finds avenues to maintain loyalty and share of wallet. PINK will need to achieve even more customer engagement to stay on top of loyalty in their industry. Likewise, because major apparel retailers are investing in digital marketing through social media, it is crucial that Victoria's Secret PINK is digitally prominent in the minds of the consumers.

Survey

PINK Nation Awareness:

61% were unaware that PINK even had a loyalty program. Because of this seemingly major unawareness of PINK Nation in the target market, PINK needs to implement new strategies and techniques to increase customer awareness of PINK Nation. We need a better understanding of the target market in order to reach them more frequently with messages that are meaningful. Because a large number of survey participants were aware of the program but were not members, the company needs to take steps to insure that PINK Nation becomes a program that is worthwhile for customers.

Shopping Habits:

We found that 71% of our respondents enjoy shopping online. Our results indicate that while in-store shopping is still dominant, online shopping is growing more prominent in our target market. In addition, almost three out of four survey participants enjoy shopping online. Because of this information, coupled with convenience for our target market (college students), it is important that PINK Nation promotions and activities occur not only in brick and mortar stores but also online.

Loyalty & Share of Wallet:

While Victoria's Secret PINK still owns the largest sector of lounge wear share of wallet in their target market, their net promoter score is -13.4%. This statistic, according to the Harvard Business Review, is the best indicator of true customer loyalty. While a large number of the target market shops at PINK, they are not necessarily loyal to the brand, and many of those surveyed would not recommend PINK to their friends. This fact demonstrates that customers need to be more engaged with the brand and need to be exposed to more positive brand experiences in order to become true loyal customers.

Social Media:

Because of *Twitter's* potential as a social media marketing outlet, the opportunity exists for PINK Nation to employ Twitter to largely influence their target market and most loyal customers. Although 18% of those surveyed with Twitter accounts currently "follow" @VSPINK, 62% of the same group said they would "follow" PINK Nation on Twitter if an account was created to receive promotions and updated news. This statistic is significant, indicating that the target market does want to see a heavier presence of PINK Nation on Twitter. Because many of those who use Twitter do so more than once a day, Twitter also represents an excellent opportunity to reach customers frequently, quickly, and efficiently.

Survey results clearly showed that *Facebook* is still the leading social media outlet in our target market. 95% of survey participants use Facebook, with 59% using it more than once a day. This information

demonstrates that Facebook, which is integrated into the daily lives of PINK's target market, is the best outlet to reach customers in an environment where they frequently communicate with others.

While about 70% of those surveyed have "liked" a company's page on Facebook, only around 25% have "liked" Victoria's Secret PINK's Facebook page. Thus indicating that Victoria's Secret PINK does not possess a significant presence on Facebook. 61% of those surveyed responded that they would "like" PINK Nation on Facebook if PINK Nation created a page in order to receive promotions and updated news, clearly demonstrating that PINK Nation's efforts to increase their presence on Facebook would be worthwhile.

The large number of participants surveyed that share products they desire with their family and friends via Facebook demonstrates that shopping and social media are becoming intertwined, especially in PINK's target market. Additionally, 54% of those surveyed would participate in buying Victoria's Secret PINK products that are exclusive to PINK Nation members through Facebook. Again, this information illustrates the potential of social media shopping for PINK, especially given the daily frequency with which the target market uses Facebook.

Smartphone Usage:

Because of the high percentage of participants who plan on owning a smartphone within the next year, a meaningful mobile phone application is necessary for PINK Nation to constantly forge a good impression on their consumers. Additionally, about 30% of participants have previously purchased an item through their mobile phone, indicating that while mobile phone shopping is not a heavily used practice, it is certainly growing and provides PINK the potential to be a leading force in mobile shopping.

Focus Groups

Both college students and high school students indicated that social media maintains a dominant presence in their daily lives. All ten focus group participants believed that PINK Nation should create their own Facebook page and Twitter account after viewing PINK Nation online and PINK's current presence on both social media sites. The college students in particular felt that shopping through Facebook has potential and

would be more convenient for them as long as security was not an issue. This finding indicates huge potential for PINK Nation to constantly interact with their target market through meaningful avenues to ultimately increase engagement and loyalty.

The college focus group, in particular, indicated that online shopping is more convenient than in-store shopping while they are at school. Many college students do not have cars on campus or access to transportation to the nearest mall. Because of this factor, **it is important that the in-store promotions and opportunities of PINK Nation members are also available to the large portion of the target market who cannot reach the stores.**

Members of both focus groups envisioned room for improvement in PINK's current mobile application. They all agreed on enjoying elements from both Aerie's app and the SCVNGR app. We are able to conclude that **focusing attention on the PINK app is worth Victoria's Secret's time** due to the number of customers in PINK's target market who own smartphones or other devices and enjoy receiving promotions directly to their phones.

V. PROPOSED STRATEGIC PLAN

A. Goals/Objectives and Rationale

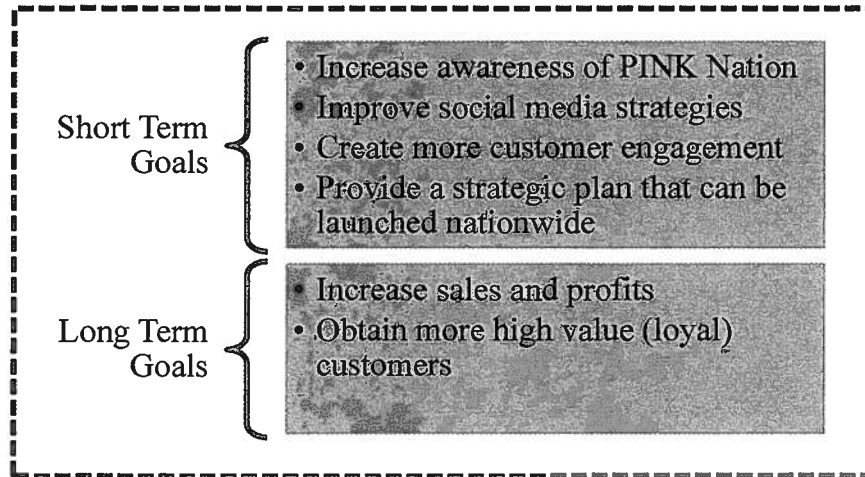
Our research indicates that Victoria's Secret PINK needs a revamping of their current customer loyalty program, PINK Nation. Currently, awareness of PINK Nation is low in their target market. Also, current customer engagement is weak. Our plan will attract more members to PINK Nation because of increased awareness to the program. Our plan will also implement new strategies to create positive customer engagement with the members, and will lead to more PINK products being purchased and more high value (loyal) customers.

Marketing Strategy Goals

- To gain more awareness for PINK Nation and increase membership.
- To implement new strategies to create more customer engagement.
- To increase PINK product sales by 10% and to obtain more loyal customers.

By completing this project, we will help Victoria's Secret PINK and PINK Nation to reach the following goals (shown in *Exhibit 4*):

Exhibit 4



B. Proposed Activities and Timelines

All of the following activities are needed for Victoria's Secret and PINK Nation to revamp the loyalty program for their target market and to reach the goals that we have outlined.

1. Establish PINK Nation Facebook and Twitter Accounts

Key Finding: Of those who have a Twitter account, about 62% said that they would "follow" PINK Nation on Twitter if the company created one to receive promotions and updated news.

Key Finding: If a PINK Nation page was created for Facebook, about 61% of participants reported they would "like" the page to receive promotions and updated news.



Victoria's Secret maintains Facebook and Twitter accounts for PINK as a brand, but not for PINK Nation as a customer loyalty program. By creating a PINK Nation Facebook account and PINK Nation Twitter account, PINK Nation will be able to differentiate the loyalty program from the brand as a whole. Through the new accounts, PINK Nation will be able to reach its members where they spend the

Victoria's Secret PINK's current Facebook page:
Time for a fresh new page for PINK Nation.

most time online in a frequent and effective way. Members can receive promotions and news specific to PINK Nation through this medium. In addition to the current texting and e-mail outlets, this method will allow marketers to differentiate between “high-value” customers and other customers on social media, rather than grouping them all as one. Separate PINK Nation Facebook and Twitter accounts will increase awareness of the loyalty program in the target market and increase overall engagement.

Timeline: Begin June 2012 and update continuously

2. Integrate Social Media into Current Website

Key Finding: 57% of participants have shared a link to a product they desired to family members or friends via Facebook.

Because PINK’s target market frequently use social media, it is important that social media is prominently incorporated on the PINK Nation Website. With PINK Nation Facebook and Twitter accounts established, customers can seamlessly transition between the PINK Nation website and PINK Nation social media accounts. Victoria’s Secret should implement large, prominent links to the PINK Nation Facebook and Twitter accounts directly on the PINK Nation website. Additionally, Victoria’s Secret should provide links to share individual products via Facebook or Twitter below each product on the website as featured below in

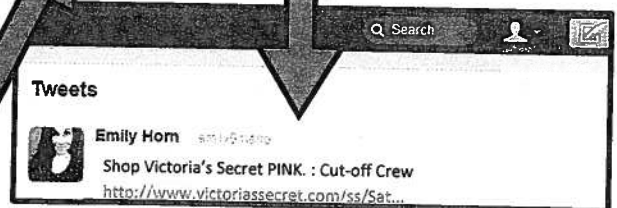
Exhibit 5.

Exhibit 5



This example shows how the hyperlinks would look on Victoria’s Secret PINK’s website. The links read “E-mail to a friend”, “Tweet”, “Share” and provide direct links to E-mail, Twitter, and Facebook to share products.

Below is an example of how a sample product tweet would appear.



PINK Nation's website currently has links to PINK on Facebook, Twitter, and YouTube. With the addition of a PINK Nation Facebook and Twitter account, the PINK Nation website needs to feature large, "Connect with Us" links to the PINK Nation specific social media accounts. These links will allow for members of PINK Nation to be sure that they follow PINK Nation at all of its possible outlets when they sign up online. Easy product sharing will increase brand awareness and overall profits, and an integrated PINK Nation social media and website will increase program awareness and engagement.

Timeline: Begin June 2012 and update continuously

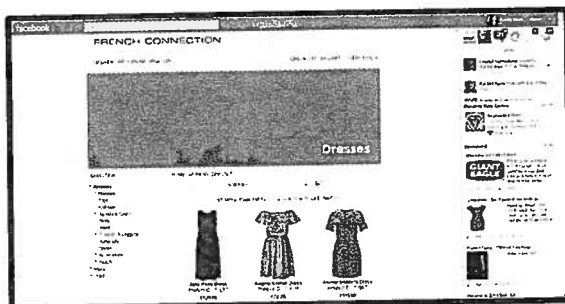
3. Create Facebook Store



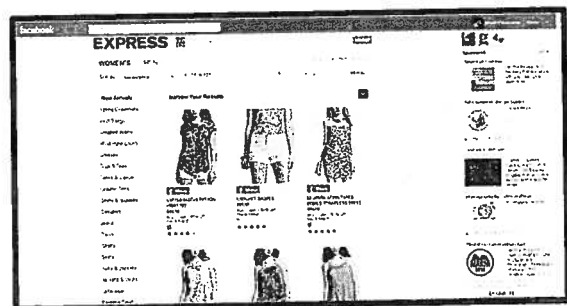
Milyoni and FlooiD: Leaders of Social Shopping

Key Finding: When asked if they would participate in buying products through Facebook from Victoria's Secret PINK if the items were exclusive to members of PINK Nation, 54% responded "yes."

Because PINK's target market spends most of their online time on Facebook, incorporating a way for PINK Nation members to shop while on Facebook provides a new, convenient shopping experience. Milyoni (pronounced million-eye) and FlooiD (pronounced fluid) are new companies that help businesses convert Facebook fans into customers. They provide fully streamlined commerce stores within Facebook, filled with social functions. This way of shopping a new commerce space, dubbed "F-Commerce", that lets customers participate in "social shopping" on Facebook. Milyoni and FlooiD stress that shopping can be done easily through Facebook while still connecting with friends. Some major companies that currently have Facebook stores include Express, New York Jets, French Connection UK, and the NBA.



A print screen on the French Connection UK Facebook store



A print screen on the Express Facebook store

Milyoni and FlooiD help retailers provide a unique and convenient shopping experience where the user never has to leave their Facebook account to shop. The user can browse different clothing, view promotion videos, buy products, and connect to all of a retailer's social media outlets while still connecting with their friends.

Victoria's Secret PINK should launch their own Facebook store through Milyoni or FlooiD simultaneously with the launch of the PINK Nation Facebook account and Twitter accounts. For the launch of the Facebook store, PINK Nation members will receive a free PINK mini dog with their first Facebook purchase on the day of the launch.



A major concern that was brought up during our focus groups was the security of Facebook shopping. *Milyoni is secured by digicert* and holds a website identity assurance warranty, making shopping on Facebook secure. FlooiD is also considered a secure shopping experience.

The launch of a secure Facebook store for PINK will provide an additional shopping outlet to increase sales. **Timeline:** Begin July 2012 and update continuously

4. Establish Same Promotions In-store and Online

Key Finding: About 80% of respondents shop online for clothing at least a few times a year.

Key Finding: About 98% of respondents shop at a mall for clothing at least a few times a year.

Because many members of PINK's target market have limited access to malls during the school year, PINK Nation promotions need to be available online and in-stores for improved customer experiences. All in-store promotions offered should be available to those members of PINK Nation who cannot reach stores. For example, private shopping events should be available to PINK Nation members online and through the Facebook store. Soft benefits, like free items with purchase, should also be available through digital purchases as well as in-store purchases to PINK Nation members. Marketers can ensure that only PINK Nation members redeem such promotions by giving all members (via text, E-mail, Facebook, or Twitter) a special promotion key

to enter online or bring in-stores. This promotion will create more positive brand experiences to gain more loyal PINK customers. **Timeline:** Begin August 2012 and continue.

5. Revamp Current PINK Nation Application

Key Finding: 76% of respondents indicated that they plan on owning a smartphone within the next year.

Key Finding: About 30% of participants have previously purchased an item through their mobile phone.



Screenshot of PINK's current app

PINK Nation's application for iPhone and Android is fun but not useful for PINK's target market. Key highlights of the application include a "Panty Scramble" game, earning "Puppy Love" badges that do not gain user rewards, and links to Victoria's Secret PINK's Facebook and website.

In order to provide PINK's target market with an application that will engage users and sell products, a revamping of the key functions of the application is needed. Researching major competitors applications gave us key elements to incorporate into PINK's new app.

The Aerie application provides its users with one stop shopping and fun. Aerie shoppers can buy items directly from the application without navigating Aerie's website. They earn rewards for shopping via the mobile application and for interacting with the "Style Mixer" game and "Trend of the Week" game. Aerie shoppers receive exclusive mobile offers directly from the application. Shoppers can use the application to scan products they like while shopping in-store to gain even more rewards. Rewards



Screenshot of Aerie's app

received through the app can be redeemed by showing employees the reward screen directly through the phone. These are all elements that should be incorporated into the PINK Nation app. The re-vamped PINK Nation app will increase engagement with the program and sales with the mobile shopping element.



Screenshot of the Express app

The Express application, similar to the Aerie application, provides users even

more innovative functions. It combines social media, mobile shopping, and their customer loyalty program in one convenient location. The app allows users to Facebook share, retweet on Twitter, or check in stores for points which the app tracks and maintains. The application also contains direct links to Express' Pinterest, YouTube, and loyalty accounts. The premise of having all of Express' accounts under one application should be incorporated into the revamped PINK Nation app. **Timeline:** Begin August 2012 and update continuously.

Timeline

<u>2012 Calendar</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>
<u>PINK Nation Facebook/Twitter accounts</u>	<u>X</u>			→
<u>Integrate Social Media with Website</u>	<u>X</u>			→
<u>Create Facebook Store</u>		<u>X</u>		→
<u>Integrate In-Store promotions online</u>			<u>X</u>	→
<u>Revamp PINK Nation App</u>			<u>X</u>	→

C. Proposed Budget

1. Create PINK Nation Facebook and Twitter Accounts: It is free to sign up for both Facebook and Twitter accounts. PINK currently has an internal Social Media team that maintains the PINK Facebook and Twitter accounts. Adding PINK Nation Facebook and Twitter accounts will have **no additional cost** because PINK already has employees on their payroll to create and maintain these sites.

2. Integrate Social Media into Website: Both PINK and PINK Nation have websites that are updated by PINK employees. Adding links to Social Media sites and integrating Social Media into the websites will have **no additional cost**.

3. Create Facebook Store: PINK will need to pay Milyoni to create a Facebook store and update the page. Milyoni requires a start-up fee based on how customized the site is which is not disclosed by the company. We have estimated the start-up fee to be at least \$1,000, plus a yearly fee of \$12,000. For the first year of business, the PINK Facebook Store will cost at least \$13,000. A small transaction fee is also charged for each Facebook

(at least) to buy PINK products via Facebook will receive a free PINK mini-dog with their purchase. At \$2.00 a mini-dog, this will cost \$2,000. In-store signage to announce the grand opening of the VS PINK Facebook store will cost \$1,000,000 for the approximate 1,000 PINK stores, according to PINK’s marketing team. **This adds up to \$1,015,000 plus a transaction fee for one year.**

4. Establish Same Promotions In-Store and Online: Because promotional costs are already accounted for in other budgets, there is **no additional cost** to establish the same promotions in-store and online.

5. Revamp Current Mobile Phone Application: PINK currently outsources maintenance of the PINK Nation App to another company, with a PINK creative team giving direction. Because the company already pays for App maintenance, there is no additional cost to make changes to the PINK Nation App. In-store signage announcing the revamped App will **cost \$1,000,000.**

6. Employee Training: A hour-long training session to educate the 30,000 in-store PINK associates about the new policies outlined in our plan will **cost \$330,000** (\$11.00 per-hour per-employee).

The total investment for the first year of this plan is \$2,345,000. PINK reached over \$1 billion in sales in 2011. This equates to 0.2% of PINK’s total sales.

D. Proposed Metrics to Measure Return on Investment (ROI), Sales, Customer Retention, Customer Satisfaction, etc.

We have developed the following metrics to evaluate the success of our plan.

Goal: To gain more awareness for PINK Nation and increase membership.

<u>Metrics:</u>	<u>Current #</u>	<u>Excellent</u>	<u>Very Good</u>	<u>Good</u>	<u>Poor</u>
<u>PINK Nation Members</u>	3,266,244	**15%+	**15%-11%	**10%-5%	**5%--
<u>Twitter “Followers”</u>	0	500,000+	250,000	100,000	50,000--
<u>Facebook “Likes”</u>	0	1,000,000+	750,000	500,000	250,000--
<u>App Downloads</u>	N/A	**15%+	**15%-11%	**10%-5%	**5%--

** Indicates % increase of current number

Goal: To implement new strategies to create more customer engagement.

<u>Metrics:</u>	<u>Current %</u>	<u>Excellent</u>	<u>Very Good</u>	<u>Good</u>	<u>Poor</u>
<u>Promotion Redemption Rates</u>	20%-25%	**8%+	**5%-7%	**3%-5%	**2%--

** Indicates % increase of current number

Goal: To increase PINK product sales by 10% and to obtain more loyal customers.

<u>Metrics:</u>	<u>Current #</u>	<u>Excellent</u>	<u>Very Good</u>	<u>Good</u>	<u>Poor</u>
<u>Total PINK Sales</u>	Not Disclosed	**10%+	**8%-9%	**5%-7%	4%--
<u>Net Promoter Score</u>	-13.4%	40%+	30%	20%	10%--

** Indicates % increase of current number

Total PINK Sales includes sales from in-store, online, Facebook store, and mobile application. A world-class Net-Promoter Score is 75%-80%+. The median Net-Promoter Score of more than 400 companies in 28 industries was just 16%.

VI. BIBLIOGRAPHY

Consultant:

Christopher Lynch, Marketing Education and DECA Advisor, Gahanna, Ohio
 Russel Cochrane, Retired Marketing Education and DECA Advisor, Gahanna, Ohio
 Becky Rice, English Teacher and Gifted Coordinator, Gahanna, Ohio

Personal Interview:

John Geiger, Manager, CRM, Victoria's Secret Stores, Columbus, Ohio
 Shelly McCray-McKelvey, PINK, Director of Marketing, Victoria's Secret Stores, Columbus, Ohio
 Jami Dewolf, EVP Brand Strategy and Integration, Victoria's Secret Stores, Columbus, Ohio
 Ryan Davis, Customer Marketing, Abercrombie & Fitch, Columbus, Ohio

Internet Sites:

- <http://pink.victoriasecret.com/>
- www.victoriasecret.com/pink
- <http://www.facebook.com/#!/vspink>
- <http://www.ae.com/aerie/index.jsp>
- <http://www.facebook.com/#!/Aerie>
- <https://twitter.com/#!/Aerie>
- <http://www.scvng.com/>
- www.facebook.com
- www.twitter.com
- www.claritas.com
- <https://twitter.com/#!/VSPINK>
- <https://twitter.com/#!/zappos>

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VII. APPENDIX

Exhibit 6

VICTORIA'S SECRET


April 23, 2012

To Whom It May Concern:

Today we had the pleasure of reviewing the "Victoria's Secret PINK" research paper and presentation of Gahanna Lincoln DECA students Emily Horn and Kristi O'Donovan. They were well prepared and professional, and their presentation was informative and insightful. We commended them on their research and methodology used in their proposed strategic plan.

Please feel free to contact any of us if you have any questions.

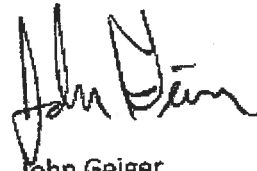
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