# Your Distribution Defines You:
## The Power Brand Balancing Act

One of every growing brand's critical goals is developing a distribution strategy that supports its long-term growth. But this is often easier said than done, especially as retailers increasingly demand exclusive products that set them apart.

For brands, distribution segmentation is reaching a diverse group of consumers through multiple distribution channels and price points. Often, this requires creating distinct products and experiences at each price point, diffusion label and distribution channel to avoid overexposing the core brand.

The road to building a successful power brand is littered with brands that have not managed their segmentation effectively. Recently, brands like Quiksilver, Billabong, RVCA, Ed Hardy and Liz Claiborne have all been criticized because they have become too ubiquitous and have not managed their channel strategy well or differentiated themselves across channels and have lost appeal as a result. The challenge exists even for fast-growing Michael Kors (which has recently enjoyed 45% same-store sales growth) to avoid the risk of growing too quickly and becoming overextended and too readily available in the wrong channels.

But there are also incredible segmentation success stories. Brands like Nike, Hugo Boss and Marc Jacobs have successfully maintained their premium positioning while reaching a larger audience at lower price points.

In fact, two of the biggest success stories today—Polo Ralph Lauren and Converse—had ventured dangerously close to over-exposure but took action to correct it.

### Polo Ralph Lauren

When the company went public in 1997, its brand name and logo were overextended, appearing on too much low-end product and damaging the company's cachet. Ralph Lauren later described the time as the company "resting on its Laurens." As its stock price dropped, the company pulled out of some of its lower-price channels and instead focused on building luxurious flagship stores, penetrating high-end department stores  and expanding abroad.

Today, Polo Ralph Lauren has mastered walking the line between luxury and mass. Consumers can buy into Ralph Lauren's vision of aspirational American luxury via a $19.75 Chaps polo at Kohl's or a $22,500 crocodile handbag. The company has segmented the market by using its "label" strategy, with its Polo Ralph Lauren label at Macy's and upscale purple-and-black labels at luxury department stores. And the company is well insulated against a tough economy thanks to its outlet stores. They were the company's fastest-growing division over the past four years, with revenues increasing an average of 18% annually.

Polo Ralph Lauren has also continued to build its global brand, taking advantage of the zeal many international consumers have for American luxury brands. Its chief strategy in doing this is regaining control to ensure that quality and brand experience are high. In 2010, Ralph Lauren acquired its licensed apparel business in China and Southeast Asia and closed 60% of its distribution network, including stores run by local partners, with the plan to replace them with its own stores. In the next decade, the company hopes to see a third of its business come from Asia and another third from Europe, double its current sales.

## Converse (Nike)

Converse enjoyed a near monopoly before the 1970s, but lost significant market share as a wave of new competitors, including Puma, Adidas, Nike and Reebok, entered the market. This led them to file for bankruptcy in 2001. Nike bought the company for $305 million in 2003 and applied its very successful segmentation strategy to Converse, helping to position Converse as a lifestyle brand instead of an athletic brand.

This repositioning paid off, and Nike's decision to leave the shoe's basic design intact helped give it a retro cred. Converse also benefits from a move toward greater personalization, with over 100 different colors of shoes available, plus a popular "design your own" feature.

Today, Converse is effectively segmented across price points—a core playbook utilized by Nike across its businesses—with leather Converse by John Varvatos at Neiman Marcus and Saks Fifth Avenue for $170 and Converse One Star at Target for $35. And this segmentation strategy is paying off. In a recent earnings call, Converse was celebrated as one of Nike's top performers, with revenues up 17% in 2012 on especially strong performance in China and the U.K.

These cases illustrate how critical the right distribution strategy is to success and that all is not necessarily lost for an overextended brand. In fact, some suffering brands could be attractive investment opportunities if a solid segmentation strategy is put into place to save them. ❖

AUTHOR

Jay Agarwal specializes in strategy, corporate development and advisory work in the apparel, footwear and sporting goods industries. He can be reached at jay.agarwal@kurtsalmon.com.