

Levi Extends Its Brand

Levi Strauss & Co. is an iconic U.S. brand, best known for the distinctive red tab on the back pocket of its jeans. Founded in 1853 by Bavarian immigrant Levi Strauss, the company grew to one of the world's largest apparel companies, with more than \$6 billion in revenue and cachet as the cool jeans teens aspired to wear. During the late 1990s, though, Levi faced declining sales and growing debt. Its long tradition of producing durable jeans became a liability for its fashion image, and the firm remained private despite pressure to take all or part of it public to pay down debt.

For years, market power had been shifting away from suppliers like Levi and toward retailers. Mass merchants were selling about one-third of all jeans in the United States, and their share of the market was growing. The advent of discount stores made many consumers more price-sensitive. In 1999, Levi Strauss brought in a new CEO, Philip Marineau, from PepsiCo. Marineau favored increased segmentation as a way to boost sales, so Levi adopted a segmentation strategy to convince different types of retailers (department stores, specialty chains, upscale boutiques, and mass merchants) to carry its products.

Under the segmentation strategy, Levi's brands ranged from a relatively inexpensive discount line to \$150-and-up vintage designs. Levi already sold to J.C. Penney Co. and Sears, Roebuck and Co., and those choices had alienated some major retail customers who preferred the brand to remain exclusive and slightly more upscale. Despite management concerns about potential reputation damage, Levi created the Signature by Levi Strauss & Co. brand to sell at mass merchants and began selling to Walmart in 2003.

Signature, positioned as a premium mass brand, carried new labels and styles manufactured from less-expensive fabric. The Levi Strauss & Co. name appeared in cursive; gone were the red tab and traditional Levi pocket stitching and logo. At that time, Levi priced Signature jeans at \$23—more than other mass brands but below its \$29 regular brand.

Initially, the segmentation strategy created rough spots for other Levi brands. As Levi's executives struggled to appease Walmart and find the right price point for mass retailers, other parts of the business suffered. Orders from department stores slipped and sales of regular Levi's, which had finally steadied leading up to the launch of the Signature brand, resumed their decline. Furthermore, a new high-fashion line called Type 1 failed.

In 2006, however, Walmart's price-chopping move ultimately proved effective and Signature jeans began to sell more quickly. The company also added lines of Signature baby clothing, bags and wallets, and men's khaki pants, selling to other mass retailers such as Kmart and Meijer.

Around the same time, Levi attempted to expand into premium segments, selling premium lines such as Levi's Capital E to Bloomingdales and Barney's New York. The upward stretch has proven to be more challenging. Levi recently consolidated several premium sub-brands under just two names: Made & Crafted, a premium denim line featuring better fabrics and fit, and Levi's Vintage Clothing, offering reproductions of items from the brand's historical archives.

The biggest launch, however, was another discount brand, dENiZEN from Levi's, first introduced into Asia in 2010. The name was chosen because it means "inhabitant" or someone belonging to a community of family and friends. After being launched in China, India, Mexico, Pakistan, Singapore, and South Korea, dENiZEN from Levi's was introduced into the U.S. market, initially sold exclusively at Target for \$17.99–\$29.99.

Sources:

"Levi's Launches Denizen Jeans in U.S.,"

www.marketplace.com, 20 July 2011; www.levistrauss.com.