

Playboy Enterprises, Inc. (B)

In Fall 1998, Christie Hefner, chairman and chief executive officer of Playboy Enterprises was contemplating a new strategy for the company that would most likely put the company on a growth path. The strategy called for offering a range of products and services to lure female customers.

CURRENT SITUATION

Back in the 1980s, Playboy Enterprises faces such severe financial problems that it considered going private. Ms. Hefner, who was named CEO in 1988, has put the company back on solid ground. She shuttered Playboy's faded nightclubs, with their scantily-clad Playboy bunny hostesses, and she got the company out of the profitable, but troublesome, casino business following scrutiny by U.K. and U.S. regulators over licensing requirements.

1997 was Playboy's most profitable fiscal year in a decade. The company reported net income (including a sizable tax benefit) of \$21.4 million, or \$1.05 a share, on revenue of about \$300 million. The price of the company's Class-B nonvoting shares had climbed to around \$16 a share from about \$4 a share in 1990.

However, Playboy still desperately needs a younger and bigger audience, and now the search is on for ways to create new cachet for the brand. Ms. Hefner would like to reorient the company toward the 18–34-year-old females. According to her, these consumers are "pro-sex feminists," and their age mirrors that of their target male demographic. They grew up with the sexual revolution and the womens' movement behind them. They are pro-sex and pro-responsible sex, which is what Playboy stands for in a unique way.

THE NEW STRATEGY

In 1999, the company planned to launch an apparel line for women and men, produced by California Sunshine Activewear Inc., which also manufactured for GUESS? Inc. The Line would be sold via the Playboy catalog, Web site, and in college-campus and specialty gift stores. It included dainty, spaghetti-strap tank tops and shorts with the rabbit-head logo. Future plans called for sleepwear, sunglasses, and even home furnishings that evoke "Hef's" Los Angeles mansion.

Recently, Playboy began handing out rabbit-head stickers in nightclubs. The famed mansion was seeing a resurgence of young celebrity guests, including heartthrob Leonardo DiCaprio and singer Fiona Apple.

Playboy believed its timing was ripe. The last two years had brought kitsch back in style, from dark denim Sergio Valente jeans to Kiss to "Austin Powers," the hit movie about a groovy womanizer. The craze wasn't over yet. The new movie "Velvet Goldmine" was dredging up David Bowie's 1970 rock look.

Given all that, a comeback for the Playboy logo might not be far-fetched. The clothes seemed "fun, and sort of antifashion fashion." An industry observer notes, "They've got world-wide recognition with the bunny head. There will be some women who find it degrading, but it's not like 20 years ago. I think it's going to fly on the 18-year old girls."

The resurgence depended in part on Playboy's assumptions that young men and women today were more open about sexuality, whether discussing Monica Lewinsky at work or sharing unisex fragrances. "It's true that there just aren't as

This case was prepared as a basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

many boundaries anymore," says Heidi Willis, a 26-year-old freelance publicist in New York. She says she'd wear the Playboy tops jogging or to clubs, "probably with black cigarette pants."

However, retailers may be a tougher sell. Some may question the viability of targeting something that was so blatantly sexist historically to the modern woman.

Making the magazine appeal more to women might be even trickier. Playboy opined it can be done. Just look at the success of the October issue, which featured fashion model Cindy Crawford on the cover and in the nude pictorial inside reminiscent of an artsy fashion spread. Playboy says the issue was one of its best-sellers, and female readers were a big reason.

Over the long haul, Playboy was banking on its entertainment division—including cable and pay-

per-view channels—and its online operations to tap the female market. The company noted couples make up about 70 percent of the audience for its videos and TV programs, including such fare as "Erotic Escapades," about couples acting out fantasies. Several ads for the Playboy TV channel featured women confiding, "I watch it too." The entertainment unit made twice the profits on half of the revenues of the publishing division last year.

The company believed the pitch to women might work best online. Already on its Web site, Playboy had celebrity chat sessions and personal ads, and sold products like martini shakers and jazz guides. According to company sources, it was in talks with some women's Web sites and print publications about possible partnerships, including sites for chatting and perhaps dating.