

Is The Future Of Retail In Assetless Brands?

Tobias Nanda, President of Brands at Gordon Brothers takes some out to explain how well-known brands can secure stability through the assetless brand business model.



We have all read gloomy media reports around the future of retail and mourned the loss of too many fond brands in recent times. The assetless based company model (ABC) offers an innovative and fresh approach that can help brands survive and thrive in this environment. Interestingly, transitioning from a traditional brand to an assetless brand is actually more evolutionary than revolutionary, and is more accessible than many management teams and shareholders may think.

A Proven Example

A recent example of this transition is when we bought the iconic Laura Ashley brand. In all aspects, it has proven to be a universally positive experience. Shifting Laura Ashley to the ABC model allowed us to reimagine the brand for a new generation, retaining the existing core customer while speaking to a new generation of consumer. It is important to appreciate that there is no need to sacrifice the essence of any brand in this process. Instead, staying true to Laura Ashley's brand DNA has been crucial to our success.

Laura Ashley is a well-known and beloved brand on a global scale - a UK heritage brand with devoted fans in the US, Europe, Asia, and Australia. It was also already established in numerous categories, including homeware, fashion, and hospitality. Laura Ashley was a lifestyle brand before lifestyle brands were buzzworthy!

Why Does It Work?

Consumer-facing companies face a cyclical market that fluctuates with the economic environment. Layer on top of this the structural changes we are witnessing as shoppers move more online, and the consumer space is one that is fraught with risk. Carrying significant operating overheads and buying lots of inventory while betting on future events, doesn't allow for downturns and prevents nimble operations.

The ABC structure creates stability through flexibility. It requires minimal overhead by leveraging manufacturers and licensing partners, facilitating quick reactions to change and safeguarding survival. In my opinion, the ABC model enables more branded consumer companies to thrive for longer periods, benefitting all stakeholders.

The ABC also enriches the market overall, offering consumers more choice. We all have brands we feel connected to; some of them are healthy, others not. This model can support those brands and allow them to live on and grow.

What's In It For The Brands?

The clearest advantages are scalability, flexibility and speed. ABCs don't have to invest in the infrastructure that's typically required to achieve this; they just need to find the right partner. This can reduce a standard three-year lead time to only 12 months.

ABC status also allows brands to grow outside existing territories. Brands are increasingly global. If you look at the top 100 brands in the world, all speak to a global audience. This kind of reach is difficult and expensive to execute using the traditional model, as it requires people on the ground, offices, logistics, and warehousing. Perhaps most importantly, the same brand messaging doesn't work in every country and needs to be tweaked accordingly. Taken together, global expansion is cumbersome and risky. Alternatively, ABCs work with local partners who understand specific markets. This local knowledge reduces both risk and cost.

Longer-term, this risk-reduction and reduced lead-times into new categories and territories leads to more innovation and experimentation. Brands have the space and flexibility to not only succeed, but to try, fail, learn and go in new directions.



How To Make The Transition

For brands considering assetless status, there are some key areas that will help to inform the decision process and safeguard success:

Find an expert with the right experience - While this may mean conversion or selling an equity stake, the right partner will provide experience, knowledge and an existing network to leverage.

Identify the underlying value of the brand - Be realistic. How strong is your brand? The ABC model works best for mature brands with intellectual property and assets to leverage. Suppliers will need to believe in the power of your brand equity.

Develop a business plan for the ABC - Really think through your strategy, not-to-mention the nitty-gritty of transition. There is a high-level hurdle to overcome. Be realistic about the timeframe, investment and need for an experienced partner.

Restructure the assets - Carefully take the brand and all its associated assets - customer lists, URL, patents - and move it to a new company that doesn't carry huge operational costs and doesn't take inventory positions.

Relaunch the brand - Implement your business plan by signing up with licensees to bring new life to the brand.

What's The Biggest Challenge?

Moving to an ABC model requires a unique combination of art and science.

The science is important as you need to assess the brand's distribution model, what they're selling, where they're selling, gross margins, and so on. The gross selling margin must be high enough to validate the ability of licensees to pay the royalty rate. This does not work for low margin brands.

In terms of art, a certain amount of judgment comes into play. Is the brand strong enough to live by leveraging the eco-system? Would some level of disruption damage the brand equity? Are there operations that are integral to the brand that need to be retained? It all needs to come together and teams like Gordon Brothers are experts at executing these transitions.

In Summary

While the ABC model is still in its infancy, there are enough success stories to validate the strategy. We have been developing the principles of this approach since 2004, delivering success through Bench, Ben Sherman, Polaroid, Sharper Image, Linens 'n Things, and Laura Ashley, among others.

ABCs are not going away. They have evolved through hard work, thought and experimentation and will be an important part of the brand landscape for years to come.