

# Shoe Size

by Wolfgang Hirn

Puma: Ten years ago the sports concern was almost broke. The brand was mega-out. Young boss Jochen Zeitz has achieved not only the turnaround of the brand but also the revival. How have Puma managed to make the jump from rummage sale product to desirable fashion accessory?

## THE BOSS

When Jochen Zeitz became chairman of Puma AG in May 1993, he was just 30 years old. At the time, many laughed sympathetically: How long would the poor lad last in the hot seat? Puma was on the brink of ruin and directors came and went with alarming frequency.

But today Zeitz is still the boss. Nobody is laughing any more and many admire him. Analysts and shareholders because of the company's great share value, consultants because of his successful strategies and employees because of his down-to-earth management style.

In just under 10 years Zeitz has made Puma financially sound and given the damaged brand a new lustre. How? He has put together a creative multi-cultural work force, sent his young employees in search of trends in the great cities of the world, has engaged a saucy and lively advertising agency – and has also had a bit of luck. The result: Puma is producing trendy lifestyle products. The turnover is once again at the 1 million Marks mark.

Next year Jochen Zeitz' second five year contract will run out. He will then be 40. He could end his successful work at Puma and – if you listen to the headhunters – transfer to a really large firm. That would be something, wouldn't it?

He looks almost annoyed. No, it's not about promotion, he really enjoys his job and he hasn't yet finished what he wants to achieve at Puma. Therefore he's prepared to sign for another 5 years. There are still some things left to do. What? "I want to make Puma the most in-demand sports brand in the world." I see.

## THE BRAND

When Zeitz took over Puma the brand was, like the company, almost dead. As far as the trendsetting teenagers were concerned it was mega out. Nobody in the in-crowd wore Puma trainers at the disco. And as far as sport went, Puma was a joke. Grandma wore Pumas. At that time, Puma shoes were ending up on sale rummage tables in cheap stores. For 29.92 Marks. Puma, the aggressive predator, was listless and limp.

So how could it be livened up? Zeitz conducted critical market research in six countries on three different continents. What is Puma? What does Puma stand for?

And the answers: Puma is a dynamic elegant label. You can make sport shoes – you've proved that, but you could do a lot more. Design is as important as functionality. Achieve that and you'll have a chance in free-time and fashion sales. Puma could be a brand for the more unconventional trend setters.

However, trends need to be recognized – and early.

## THE TREND SEEKERS

Herzogenaurach is a pretty provincial Fränkisch town. It is 30 kilometres away from Nuremberg and 6000 kilometres from New York. By the time trends reach this town, they're no longer "in" in the rest of the world.

In this homely seclusion, Puma slept through all the trends in the sport article market at the beginning of the 90s – as they're rival Adidas also did. And most importantly, they missed the fact that sports shoes and sportswear were no longer being worn just for sport.

Zeitz woke Puma up. His motto: if the trends don't come to us, we'll have to go to them. For example, Hillary Edwards (30). The English business woman flies (economy class, the company is very price conscious) to the biggest cities in the world.

Hillary and her colleagues dive into the trendy areas of New York, London and Tokyo. They roam through shops and hang out in bars and clubs, always keeping their eyes and ears open. They collect books, impressions, catalogues and clothes, and lug everything back with them to Herzogenaurach.

There, the flood of information is channelled. It flows into so-called Trend presentations to the designers responsible for collections. Although the designers do not just listen to other people's reports. They themselves also travel throughout the fashion world.

And the boss also makes proposals. Zeitz – whose main place of residence is Nuremberg – has spent around half of every year since 1998 in the States. He and his wife live in Boston, just one street away from the chic and trendy Newberry Street. He works in the US headquarters north of Boston.

He travels through the various cities in order to determine the state of the US business but also to collect ideas and bring them back to his team in Herzogenaurach.

## **THE TEAM**

If you should flit through the halls of the Puma headquarters, you would hear almost exclusively English and you would see mostly happy, young, different coloured faces. They've created an American campus atmosphere at 13, Würzburger Straße – a productive mixture of lots of work and lots of fun. The designer and textile manager Satish Tailor (29) for example, often eats together with the others in the evenings. Satish: "It's like a family."

Hardly any German business is so multi-cultural, so young, so global and so virtual. Around 2000 colleagues sit in Herzogenaurach, Munich, Boston, New York, Los Angeles, Taipeh and Hongkong – connected by internet, video conferences and planes.

"It's a creative zoo that's sometimes hard to watch over", says Martin Gänsler, member of the management team, smiling benignly. At 48, he is the grey panther in the Puma preserve and belongs, like most of the second level, to the old guard who were there at the beginning of Zeitz' leadership.

Together with the young new employees they are organizing a cultural revolution in the Puma house, according to Zeitz' wishes. Reduce hierarchical hurdles, lose departmental thinking and fight the "we've always done it like this" attitude.

As combatants Zeitz has collected young, unconventional people. An example is Tone Bertone (29). The American experienced bankruptcy at 19, when his record store went under. At 21, he came to Puma. Today the positively crazy US-boy is Head of Global Brand Management and praises the "open culture" at Puma: "We're all entrepreneurs here."

In this somewhat different business culture, Zeitz demands and encourages risk taking. He lets his people take these risks – and sometimes what they do seems crazy. But the result: trendy shoes and fashionable clothing.

## **THE PRODUCTS**

Ralf Metztenmacher (37) is a designer and has been at Puma for a long time. He has known both the good and the bad times at the company. In the bad old times, the technicians determined the products. Not the market and not the designers. At that time, Puma had only six designers worldwide.

Today, in the good times, there are many, many more designers. They decide and they are allowed to go crazy. Why not put the legendary Puma "Suede" onto high heels? Why not cut a dress out of a football jersey? Why not stick smart new soles onto "King" football boots and make a new street shoe from the result?

The Puma shoe for the fashion company Jil Sander emerged in this way. They are no turnover winners but they are an image bringer. Now young women recognize: Puma makes fashionable shoes. Metztenmacher: "We're becoming more and more courageous." Step by step he and his team are developing more and more shoes for the street and not for sport. Admittedly Puma still has football boots, running and tennis shoes in their design programme but the world beaters are their elegant trainers for the office or the disco. And a good side benefit: Puma can charge far more for this market – on average 110 Euros. The cheap image is gone.

Puma has taken the route from sport to lifestyle far more whole heartedly than any other sports manufacturer.

The big competitors Nike (turnover: 10.6 million Euros) and Adidas Salomon (6.1 million Euros) shrink from this path. They also produce lifestyle products but for example at Adidas they contribute to only 15 per cent of the turnover. The highest proportion from any of the competitors is 25 per cent. They don't want to become too dependent on fashion trends.

Puma, however, have already submitted themselves to the changing dictates of fashion: could it be a case of here today, gone tomorrow? Zeitz is familiar with this question. He has heard it a thousand times but always gives the same answer: "There are enough fashion companies that exist long-term. Why not us as well?" Puma must bring trendy, innovative products to the market every season. And that it was he and his team work to do.

And Puma also needs to communicate its new image (cool, innovative, rebellious, trendy) to a larger audience. And they and their somewhat unusual advertising agency are working on it.

## **THE ADVERTISING AGENCY**

McCann-Erickson is an established advertising agency. It offers solid, standard, expensive performance. And for a long time, they worked with Puma – right up to the point when Zeitz decided he no longer wanted them. His conviction: if you are selling cool products, you need a cool agency.

So it was that the host, Zeitz, and Steven Grasse were sitting together in Tone Bertones apartment in Boston eight years ago. Grasse – at the time barely 30 – was manager and founder of a small agency called Gyro based in Philadelphia and had absolutely no idea: "I knew nothing whatsoever about Puma."

But he felt that the traditional brand Puma had potential. And Zeitz liked this cheeky newcomer from Phillie. The young Gyro team (average age 24) embodied the Puma target group (14 – 24).

For seven years Puma and Gyro (first customers: MTV) have been a pair. "Sometimes it's like working with an anarchy group", says Zeitz. But he likes his anarchists, because they

are creative and spontaneous – and more than just an agency that produces amusing adverts and commercials.

Gyro CEO Steven Grasse (37): “We’re also brand advisers.” Zeitz discusses his strategy with the advertisers. The advertising professionals make sure that the brand image is universal – from the shoe box to the individual Puma shops.

### **THE TRADERS**

The traditional specialist individual traders were sceptical for a long time. Could Puma manage the leap from pure sport to a lifestyle brand? There were serious doubts in the headquarters of two German chains Intersport and KarstadtQuelle.

The Puma sellers looked out for additional marketing channels. They discovered sports trend shops, lifestyle shops and even high-class fashion stores that had previously never sold Puma shoes. For example Thomas-i-Punkt in Hamburg, Harrod’s in London or Henri Bendel in New York.

In addition Puma opened its own shops – so-called concept stores. They didn’t use the ostentatious, over-sized Nike temples as a model but went for – on average – 250 square meter stores that offered a range of Puma products and brought across the new cool Puma image.

The first store was in south Californian Santa Monica. Then came more in Paris, Rome, Moskow and Tokyo, as well as in New York, Los Angeles and San Francisco. Soon they will open seven new stores, one of which will be the first in Germany. It will open its doors in Autumn in – pssst, still a secret! – Frankfurt.

### **LUCK**

Nobody knows where Madonna bought her Puma shoes. But it was a happy day in Herzogenaurach when years ago she appeared for the first time in Puma shoes. Everybody is always happy to be reminded of that time. Madonna bought them in a shop just like any normal mortal. Not one cent as promotion money has been handed over. Crazy: the pop icon is a free advertisement. Zeitz: “We had a bit of luck there.”

Nobody can begrudge the poor lad. He’s earned it.