



University of St.Gallen

Module II

VIU EYEWEAR

Management Challenges in the Business of a Multichannel Optician

This case was researched and supplemented by Prof. Dr. Thomas Bieger and Dr. Simon Kuster. It serves as a basis for the discussion of business issues in class and is not intended to illustrate correct or wrong actions in management situations.

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Introduction

Kilian Wagner has achieved a lot since he and his co-founders launched the VIU eyewear label in Zurich in 2013. Thanks to rapid growth, the company is now present in five countries with around 50 stores and additional partner stores. After ten years in business, VIU employs more than 300 people in its own shops and offices.

VIU started with the idea of disrupting the eyewear business and handling it via the internet. While the online channel remains a significant element in the customer buying cycle, more than ninety percent of the company's sales are generated via physical stores today. At the same time, many customers use the website at different points during their customer journey, for example for a virtual try on or a try at home order. The ambiguities of such a multi-channel approach should not be underestimated and are a challenge for the young managers and their board of directors. The "tight" management of a physical sales organization in five countries, each with their own cultures, and the "open" management of a competence-oriented, creative and virtual innovation department differ greatly.

At VIU it is important to cleverly combine the different worlds of on- and offline, optimization and renewal. Nevertheless, the question arises whether the management should and can focus on certain topics. Due to the company's rapid international growth and its business model, which integrates the entire value chain from design to sales via multiple channels to regular eyeglasses service, there is considerable complexity.

From online sales to multi-channeling

After graduating from the University of St. Gallen (HSG), Kilian Wagner worked for five years at the consulting firm McKinsey. This allowed him to get insights into various industries, to gain experience in working on business models and to develop presentation skills. After a language stay in Brazil, he asked himself the question of founding a company and concluded: now or never.

Together with his colleague Peter Käser, Kilian Wagner looked for an industry that both had a large and growing market and offered an untapped potential for disruption. In Switzerland alone, the eyeglasses and optician industry has a market potential of one billion Swiss Francs per year. Its worldwide potential amounts to around 80 billion Swiss Francs annually. At the same time, the industry has not changed significantly since the entry of discount retailers such as McOptic and Fielmann.

For Kilian Wagner, it was clear that this industry, with its oligopolistic structures in the production of lenses and frames and its expensive distribution (a salesperson in a traditional store sells around 1.5 pairs of glasses a day) is an interesting case for new business models. The two founders, however, were dependent on product knowledge, which they found in the designers Christian Kägi and Fabrice Aeberhard, who both had already founded their first company Qwstion (a Swiss backpack brand) and also had experience in designing eyewear (high-quality models made from buffalo horn).

With VIU, the founders wanted to address two main problems of the eyewear industry. On one hand, there are high distribution costs with physical stores. On the other hand, there are high supply costs with expensive intermediaries. The principle of direct to consumer was an important element of the founding vision of VIU. In the starting phase, the online channel was at the focus of attention. Furthermore, a consistent product orientation with high-quality at a fair price has always been central to the brand. A small Italian manufacturer could be won to produce the acetate frames and a Japanese company has been found for the titanium frames. Direct customer contact should enable innovation, increase customer engagement and strengthen the brand.

Corrective glasses require a measurement of the eyes. This cannot (yet) be done online. At the same time, many customers require personal advice and individual adjustment of the frame. Based on this insight, VIU has already opened a physical shop on Grüngasse in Zurich during its first few months of operation. This was quickly followed by the opening of further locations. Today, growth is generally driven by the development of the company's own network of flagship stores and cooperation with partner stores. Even though many of its customers are using the well-developed browser-based virtual try on, a large part of the business is conducted through physical in-store transactions.

Old and new competitors

The market for eyewear has traditionally been dominated by established, artisan optician shops. With the spread of chains such as Visilab, Fielmann and McOptic in the 1980s and 1990s, competition intensified for the first time. The first e-commerce attempts followed in various countries after 2000. In Germany, for example, the first internet glasses shop was founded in 2007 by MisterSpex. However, like Swiss VIU or its Dutch competitor Ace&Tate, MisterSpex had also started early on to establish a multi-channel approach.

Today, the eyewear and optics industry is considered a typical example of a market converging towards omni-channel structures, where customers use different channels and often also swap channels during their individual buying cycle. While start-ups such as MisterSpex, VIU or Ace&Tate complement the online channel with physical stores, many traditional retail businesses are developing their online channels in parallel. The advantage of companies that have started in the online world is, that their processes are usually already highly digitized and standardized, because the structures of the digital business dominate.

Today, the growth of VIU is driven primarily by the development of its branch network. Stores are managed according to clear objectives with financial incentives via three management levels (head of retail, area management, store management). At the same time, the company is exploring future technologies in the areas of digitalization and 3D printing. The ultimate goal is to find the perfect frame for every face shape. Important topics are the development of face scanners, materials, and printing technologies. However, these activities do not necessarily have to be executed fully internally.

Managerial challenges and development

Current management challenges cannot only be identified in the differing logics of more traditional physical retail business models and innovative developments of dynamic, digital solutions. The company is based on a pronounced start-up culture that builds on intrinsic motivation and personal responsibility. Due to the rapid expansion, the existing structures and processes are tested. The central theme in recruiting employees is their cultural fit. Curiosity and customer proximity are expected. Instead of dress codes, attention is paid to applicant's network since many eyeglasses are sold via recommendations (word of mouth).

Empowerment is an important management principle at VIU. Employees should act independently within a framework of clear goals that are defined and monitored with key results. A strong project orientation is at the heart of the organization. All activities, from opening a new store to developing new products, are defined as projects. The project management software Asana functions as a central internal work tool and records all messages, information, and decisions. Thus, a no-email policy is in place for all internal communication. Employees get informed and inspired at the annual employee conferences as well as through weekly team calls in English and German to exchange relevant topics.

Kilian Wagner describes his development during the company's growth as "from player to player trainer". His goal today is to enable other players on stage, for example in the store, and to be on the pitch as little as possible. Today, one third of the employees work on product design and development in the headquarters in Zurich or Munich. Two thirds work in the stores on the sales and service front. Recruitment is carried out using a variety of instruments, from headhunters to internet platforms to recommendations, with existing employees being incentivized to recruit colleagues. To ensure a cultural fit, until recently all employees were interviewed by the founders. Today, this task has been distributed to other managers.

The board of directors also plays an important role in the further development of the company as it contributes industry and technical expertise. Since the beginning, investors and the team of founders have been directly involved in the board of directors. Recently, a major institutional investor has joined, bringing in the perspective of a venture capital stockholder. The composition of the board of directors is primarily determined by the question of which additional competencies and resources (or financing) are needed. Important issues for the board of directors are how to cope with complexity and the future growth strategy.

Kilian Wagner remembers the months after the start of VIU, when the back office and the first store were united in the first business location on Grüngasse in Zurich. Employees were able to make direct contact with customers "through the wall". Customer feedback flowed directly into the further development. The physical customer service and the evolution of the online offers were symbiotically united. Today, the businesses are spread across five countries, and the distances between headquarters and the individual businesses as well as the hierarchical distances between the management and the individual employees have naturally increased due to the growth. The question arises as to how management and governance of the company must develop in the face of increasing complexity.

Links

Ace&Tate: <https://www.aceandtate.com/>

Fielmann: <https://www.fielmann.ch/>

McOptic: <https://mcoptic.ch/>

MisterSpex: <https://www.misterspex.ch/>

Visilab: <https://www.visilab.ch/>

VIU: <https://shopviu.com/>