

Practical Community in Business Model

RESERVA CASE

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This case was prepared by Karina Coleta under supervision of Professor Fabian Salum, both professors at Fundação Dom Cabral. It is intended to be used as a reference for discussion in classroom, rather than as a picture of how effective or ineffective a given administrative situation may be handled.

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Reserva



Reserva at Maracanã

Source: mktesportivo.com, August / 2015.

Subverting the rules of the game in the fashion industry

“We are concerned with offering products together with services that meet the needs of our clients, regardless of fashion” – Rony Meisler, Reserva’s CEO

The red woodpecker shirt. Someone must have already questioned: - what brand is that, actually? It attracts attention, especially when stamped on polo shirts, a very common and versatile item of man’s clothing. On them, we are so far acquainted with Lacoste’s alligator, Ralph Lauren’s polo player or Tommy Hilfiger’s small flag. At first sight, the name Reserva together with the figure of a woodpecker may leave observers with the impression that the brand is somehow involved with environmental causes. The history of this brand, however, challenges any predictability.

It all started with facts observed in the usual daily routine. While working out at a Rio de Janeiro city’s health club, the long-time friends Rony and Fernando were surprised by the fact that all men around them were using the same kind of Bermuda shorts. The friends then wondered if they could provide a solution for this monotony. They wondered if they could create something they themselves would like to use and see being used around them.

The name Reserva emerged during a chat the friends had under Rio de Janeiro’s starry sky. A friend of them invited: “Tomorrow is beach day! Shall we go to Reserva?”

The story illustrates how Rony Meisler left a position as analyst at Accenture in 2004 and warned his mother: “I’m going to sell Bermuda shorts at the

beach, together with Nandão!” They were not designers and they did not have any knowledge on the world of fashion either. Well, who cares? They fell in love with the idea of fashion as a means of expression. And, even more, as a platform for effective communication between fashion producers, their consumers and the world as a whole. Actually, Meisner himself says that Reserva does not produce fashion. Rather they try to follow a track different from the attempt to dictate tendencies or styles consumers are supposed to follow.



■ “SEJA VOCÊ MESMO, MAS NEM SEMPRE O MESMO”.

The first Bermuda short: 300 pieces without any point of sale
Source: Use Reserva magazine, May 2017.

The partners, therefore, entered the segment coming not from previous knowledge on the industry, but rather from experiencing and observing

uses. As outsiders to the fashion industry, they felt themselves free to try to participate in the game without caring very much about rules that, according to them, could stiffen passion. A book published in 2017 to commemorate the brand's tenth anniversary carries a provocative title: "Rebels have wings". Rebels because they took the risk of questioning the prevailing model of that universe.

The use of the woodpecker as a symbol was a decision based on the wish to avoid associating the brand with the image of the designers, as great stylists frequently do. The layout of a woodpecker had already been discarded by Marcia Cabral, the professional hired to create the branding, and lay crushed in the litter bin. But that was exactly the layout the partners fell in love with.



Reserva partners: Fernando Sigal, José Alberto Silva, Jayme Nigri and Rony Meisler

Source: twitter.com/ronymeisler, May, 2016.

In 2005, the business model started to create value by selling products in large quantities, as wholesalers, to multiple brand clients. This is an entry mode that is still adopted by the company and that guides the launching of new brands: they start selling in large amounts, gain scale and then follow the way to retail.

In addition, two other managerial alternatives are so far regarded as fundamental. The first one is the automatic replacing of store stocks. This kind of stock management has helped Reserva gain efficiency and increase stores' revenues in seven per cent. Besides, the company brought to Brazil a textile printer made in Israel that helps address the seasonal changes in stock. The machine enabled the on-line on-demand sale of stamped shirts, thus creating perception of value in consumers, which is a competitive advantage.

The second alternative is related to weekly meetings to control cash flow. The goal has always been that of preventing the operation from being guided

exclusively by financial results – a practice that has led many businesses to incur heavy debts. Meisler points out that Reserva lived its first decade exhibiting profitability twice as high as the market average throughout the years, an evidence of the value appropriated by the brand. Its expansion into the retail market was financed by its entry into the multiple brand market, despite its lower margins, where it operated on demand in order to generate cash. "We went from R\$0,00 to R\$350 million without losses", reminds Meisler.

The first store was opened in Ipanema, in 2006. Two years later, they had grown to eight stores. Today, there are sixty-five stores and more than 1,400 multiple-brand clients.

As the business grew, they observed that their teams seemed to be playing for different football clubs, against each other. In 2012, they decided to promote integration and started by placing the company's headquarters and distribution centre in the same location. The headquarters, a two-thousand square meter shed in the São Cristóvão district of Rio de Janeiro city, was mentioned in the largest corporate architecture website, Office Snapshots. The reception wall exhibits, in short phrases, the company's guidelines.



The "Manifesto" of Reserva, as seen in the wall of its headquarters.
Source: O Globo newspaper, July, 2013.

However, the major driver of Reserva's growth and success is the fosterage of a committed - though casual - culture and a fraternal relationship among collaborators. The brand strove to prevent its expansion from damaging this culture, over time.

Reserva considers its salesmen and saleswomen as protagonists. After opening their second store, they



found out that training of the team that would operate the store was far more important than the qualities inherent in the point of sale. This is the reason they tried to keep an excess of twenty per cent in personnel for future use. People previously and appropriately immersed into the universe of the brand by means of a training method they called “Reserva Experience”.

The construction of value for its employees follows three guidelines that Meisler describes as “faith in our personnel, happiness at work and construction of a company made up of owners”. Accordingly, they invest in programmes, which always bear unusual names, that: promote alignment with the purpose of the brand (Notables Programme); emphasise and stimulate inspiring cases (*Meninos de Ouro* [Golden Boys] and *Eu pago o almoço* [I pay for lunch]); and listen to ideas, dreams and complaints (*Bate que eu gampo* [Hit me and I fell in love] and *Bota na Vitrine* [Expose in the shopwindow]).

The brand intends to expand the care and attention, inherent in its culture, to reach service provision to clients. Notes that salespeople have made in their little books since the early times of the company reporting their perceptions of the clients have become a relationship management software application called ReservaNow. The software still generates valuable insights that may result in the improvement of products, services and in the identification of new businesses.

Since the launching of the first collection, *Conexões Urbanas* (Urban Connections), two things became clearly important: the search for communication with clients in order to promote social change and awareness; and focus on the experience rather than on the product. The first of these two things came from the fact that the mentioned collection was intended to integrate people from different social strata - namely those living in precarious homes in the hills of Rio de Janeiro and those living in well-paved or asphalted streets - and to communicate a social purpose that went beyond the product itself. The second thing derived from the perception that success in sales was due more to relationship and to the launching ambiance than to the quality of the initial product itself. Meisler reminds: “we were

selling an experience that was groovy, passionate, familiar and completely different from fashion’s pretentious and unachievable clichés”. Because of that, their campaigns are always marked by the creation of physical and virtual environments that include elements that stimulate senses, communicate nearness to clients and prompt important discussions and reflections.

These environments interact honestly and affectively with the public. Meisler points out that “Reserva is not a fashion brand. We are much more a communication brand”. It is the feedback on its communication initiatives that informs and continuously transforms its business model, and in both directions, from the inside out and from the outside in.

Since communication sometimes deviates from what one wants to say and takes a course more in the direction of what someone else understands from what was said, many different reactions emerged within Reserva. The frankness and open-heartedness gained admiration, but also gave rise to controversies that, as much as possible, the brand tried to change into opportunities.

In 2015, for instance, Reserva was the only Brazilian company to appear in the ranking of the ten most innovative Latin American companies published by the North American magazine Fast Company. The analysts pointed out the fact that the company “does things its own way and encourages other companies to do the same”. The Fast Company magazine mentioned the episode of a person involved in drug traffic that was wearing a shirt of the brand when arrested. After he served his sentence, Reserva played an important role in helping his social inclusion, incorporating him into its marketing campaigns. The North American magazine has also mentioned the fact that the brand avoided taking part in the ‘fashion week’ circuit, rather remaining faithful to the purpose of producing “real clothes”.

Another highlight of Reserva’s history was the use of the brand’s clothes by Brazilian television compere Luciano Huck, even before he knew anything about the brand and its purposes. The fact led to conversations, friendship and ultimately, in 2012, to partnership. Ten per cent of the company’s stock



was sold to Joá Investimentos, an investment fund owned by the television presenter; an unexpected consequence that had significantly positive repercussions on the reach, the influence and the opening of new businesses.

Part of the stock (23%) was acquired in 2015 by Dynamo, an investment fund, but, according to Meisler, the business philosophy remains intact: “I believe richness must come from the core business, rather than from selling stock”.

In addition to men’s fashion, the brand also engaged in the diversification of the value proposition over the years. Reserva Mini was created in 2010, in an attempt to bring the coming generation in contact with the brand. The new business collects now about twenty per cent of Reserva’s overall revenue. The women’s fashion brand Eva, created in 2012, exhibited losses in 2014, being later reorganised and repositioned. In 2013, Reserva launched an initiative named *Penstras* (gate crashers) to carry products from other brands in its stores (from sneakers to sunglasses). Despite the lower margins, selling such products is strategic in that it appeals to a client’s desire for comfort.

In addition, the launching and the development of initiatives that generate value for the client and for the brand involve: co-creation, especially of on-line on-demand sale of shirts; strategic partnership in twenty per cent of its physical stores, where space is shared with acknowledged barber shops, cafés, restaurants and coworking offices; ReservaLabs, including capacity for quickly prototyping and testing new technologies and for operating as a driver for new enterprises in the segment; transformation of the company’s logistic expertise into services to be provided to other brands; and full use of the Oracle e-commerce platform in order to gain efficiency in sales and agility in the development of systems. Reserva was the first Brazilian fashion group to use it this way.

In 2016, Reserva’s profit margin was eleven per cent, twice as high as that of the major competitor (Inbrands), owner of the brands VR, Richard and Ellus. In 2017, Reserva yielded revenues in excess of 300 million Brazilian Reals.

Under the managerial guidance of the concept of Conscious Capitalism, Reserva has always shared value with the other stakeholders, especially with regard to the impact on society.

In 2014, the Fashion for Development (F4D) platform, created by a journalist and member of the UN, celebrated, for the first time ever, a Brazilian brand. In New York, during an annual lunch offered to first ladies of several countries, the founder of F4D awarded prizes to fashion businesses that had adhered to its slogan: “Giving is the novel luxury”. Rony Meisler’s prize was awarded in recognition of his *Rebelde Com Causa* (Rebels with a Cause) project, committed to the support to social entrepreneurs.

WATCH THE VIDEO ON THE
“REBELDES COM CAUSA” PROJECT



Inspired by the simple and influential appeal of the B1G1 (*buy one give one*) model of North-American company TOMS Shoes – which donates a pair of shoes for each pair sold – Reserva started its 1P5P project in 2016. The idea is that each piece sold would result in the donation of five meals. A partnership was established with the *Banco de Alimentos* (Food Bank) and, in less than one year after the idea was launched, eight million meals had already been given, without any kind of support from the government. So far, more than twenty million meals have been distributed.



Label of the 1P5P initiative on a Reserva shirt.
Source: facebook.com/usereserva, May, 2016.

In addition, the brand has also decided to prioritise the Brazilian industry when producing their own products, thus contributing to the economic development by generating income and employment.

In 2017, Reserva was considered the most disruptive player in the Brazilian retail segment. The recognition was a consequence of an assessment made by its own stakeholders, which was detected by the consultancy agency DOM Strategy Partners for the ranking published by MVP Varejo (More Value Produced - Retail). According to the consultancy agency's CEO and coordinator of the ranking, "Reserva was selected mainly because it combines quality of products with social initiatives, preserving a highly casual ambiance in its points of sale. All this enabled stakeholders – namely shareholders, clients and employees – to perceive a disruptive value that is not linked exclusively to the company's finance".

Reserva already plans to continuously transform itself in order to keep on growing and to maintain its magnetism. An initiative we will be able to track in the future is the process of internationalisation. Until 2020, the company intends to open units in California and in New York City (USA). Meisler points out to the possibility of adapting the business model, "which will have to be internet-based and somewhat different from those we have here in Brazil", offering a leaner product mix, "maybe one single product

with a very clear value proposition". The partners are considering the traditional polo shirt as the entry product, but uncertainties remain.

However, the business model is demonstrating that a clear purpose attracts cooperation, especially when the social engagement principle is linked to consumer products largely used in everyday life. This appeal attracts the attention of younger generations and represents identification with a certain view of the world.

In the world of fashion this is relevant, if we keep in mind that fashion may exceed its aesthetic value and promote other human values and actions that stimulate consumption and entrepreneurial awareness.

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