

the global power of the **Playboy** brand

Christie Hefner



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Playboy Enterprises

Christie Hefner, daughter of founder Hugh Hefner, is chairman and chief executive officer of Playboy Enterprises, Inc, which she joined in 1975 after graduating from Brandeis University. She was elected to the board of directors in 1979 and named president in 1982. She assumed her present post in 1988. During her tenure, she restructured operations, eliminated unprofitable business and initiated successful expansion electronically and internationally. She is active in many local and national organizations, including the Young Presidents' Organization, the Magazine Publishers Association, the American Civil Liberties Union of Illinois and the National Council on Crime and Delinquency.

While it is almost impossible to find anyone anywhere in the world who does not recognize the Playboy brand name or our Rabbit Head trademark, few people know of Playboy's entrepreneurial beginnings and how global the company has become in its short 44-year history. My father, Hugh Hefner, created the first issue of *Playboy* magazine on the kitchen table of my family's Chicago apartment with an initial investment of about \$6,000. That issue, featuring the now-famous photographs of a young movie star named Marilyn Monroe "with nothing on but the radio", included no date on its cover because Hef was unsure how well the magazine would sell and he wanted newsstands to have the option of leaving it on the shelves indefinitely. As he finalized the contents of that first issue, Hef approached a young Chicago designer named Art Paul, who skeptically agreed to sketch a new symbol for the magazine. Paul spent about a half hour designing Playboy's Rabbit Head logo.

Today, *Playboy* is the best-selling men's magazine in the world and the dynamic nucleus of an entertainment empire that markets media, entertainment and lifestyle products in almost 200 countries and territories around the globe. The Rabbit Head logo that embellishes our products is one of the most-recognized trademarks in the world. How we got from my family's kitchen table and Art Paul's quick sketch to the *Playboy* I lead today is a fascinating story that underscores the power of global brands and the critical importance emerging international markets play for successful companies.

Although *Playboy* is known first and foremost for its namesake magazine, it emerged as a truly global brand almost immediately after its creation in 1953. This happened in large part because Hef struck a chord in a rapidly changing American society. Young men returning home from

World War II were experiencing unprecedented economic possibilities, and educational opportunities through the GI Bill. At the same time, they were beginning to question and challenge the puritanical and conservative tenets that had pervaded the country for decades. *Playboy* was successful because, from its inception, it encouraged men to see life as a balance between work and play and gave them permission to feel good about themselves. Our early success into the entertainment business – through the 40 *Playboy* clubs, hotels, resorts and casinos we eventually operated in eight countries – underscored the power of the *Playboy* brand. Whether it was fashion or automobiles, sex or music, *Playboy* – and its Rabbit Head logo – quickly came to symbolize the celebration of the good life.

Early on, it was clear that *Playboy* magazine, its message and philosophy resonated beyond America's borders. The issues *Playboy* examines – relationships, leisure, politics, celebrity – know no boundaries. Moreover, America represents both personal freedom and prosperity around the world and *Playboy* was inextricably linked to many of the good things America has come to exemplify everywhere: freedom, style, beauty and fun.

THE PLAYBOY BUSINESS MODEL

We also recognized, however, that international markets are both different from America's and unique in their own right, and that we had neither the expertise nor the capital to expand internationally all on our own. Consequently, we developed a business model that enables us to fully leverage the allure and marketability of the *Playboy* brand, while maximizing our likelihood of success. When we partner with an international company, we provide the *Playboy* brand and trademark, plus our original content – whether it is a *Playboy*

interview or a series developed for Playboy TV, for which we receive a fee. In turn, our partner contributes much of the necessary capital, distribution and marketing expertise, and an intimate understanding of cultural sensitivities and business realities specific to its individual country and local market. In the case of our international television networks, Playboy takes a minority equity position in the venture, with an option to increase that percentage at founders' prices. The fees we collect from the venture are reported as operating profit, and we then use the cash flow from these payments to acquire equity in the venture.

The global power of the Playboy brand, and the worldwide appeal of what it represents and offers, has enabled us to execute this strategy with some of the world's most prominent companies. Our 16 publishing partners include Independent Media, which also publishes Russian editions of *Good Housekeeping*, *Harper's Bazaar* and *Cosmopolitan*; and Editora Abril, the largest media company in Brazil. We own and operate international Playboy TV networks with the Cisneros Group of Companies, Latin America's fourth-largest multinational, and with Flextech plc, an entertainment company owned by a subsidiary of Tele-Communications, Inc, and Rupert Murdoch's British Sky Broadcasting Ltd (BskyB). Our product licensees include Renown, which also manufactures and markets clothing and accessories in Japan for J Crew, Ellen Tracy and Nino Cerruti; and Consolidated Cigar Corporation, one of the world's top cigar producers. These alliances produce 16 international editions of the magazine, operate Playboy TV networks and distribute television programming and home video to millions of homes in almost 150 countries, and manufacture and market Playboy-branded merchandise for sale in more than 70 countries.

We began our international expansion in the

same medium in which we started the company, the magazine. We created our first international edition in Germany in 1972 with Heinrich Bauer Verlag, one of the country's largest publishers, and recently launched our sixteenth edition in Scandinavia. On average, 75 per cent of the content in Playboy's international editions is locally produced, featuring the sports, fashion, travel and politics that make the magazine relevant to its readers in each country, while also giving them a connection to all that Playboy has come to embody. From Australia to Russia, five million readers enjoy locally produced editions of *Playboy*. Yet the target audience and advertisers are remarkably similar: young men seeking the good life. Regardless of whether the magazine is published in a conservative country or a sexually liberated one, the level of eroticism in our international editions remains surprisingly consistent. *Playboy's* style and standards – whether in print or on television – are the same, and its popularity is universal.

Our early experiences with Playboy clubs and products demonstrated that consumers' fascination with Playboy extends beyond the magazine. The power of the magazine is underscored by the fact that *Playboy* is the only periodical ever to develop into a major consumer-products and multimedia brand. Our growth again is predicated on establishing partnerships with international companies, and we are becoming a less passive licensor and a more active manager of the Playboy brand. We now create global ad campaigns, and stylebooks that provide specific guidelines governing the development and marketing of Playboy products. We began selling Playboy-branded products in Japan more than two decades ago. Our branded merchandise, ranging from running shoes to watches, has proved enormously popular internationally, particularly in the Far East, where we have concentrated our

efforts. We are now targeting untapped regions, including Latin America, India and eastern Europe.

The popularity of the magazine, its successful brand extensions and a number of technological breakthroughs related to electronic entertainment, led us in the late 70s to begin studying the possibility of developing Playboy-branded pay TV programming. When we started looking at the electronic world, we identified certain assets we thought would serve us well in this growing international form of entertainment. One was obviously the Playboy brand, which had strong recognition, stood for quality, and possessed a distinctive and marketable point of view that resonated around the world. Another was the segmentation of television through cable, and the explosive development of targeted channels. But perhaps the most important advantage with regard to developing Playboy television networks – both domestically and internationally – was our successful efforts to make *Playboy* magazine more acceptable to women.

ATTRACTING A FEMALE AUDIENCE

Research showed us what continues to be true: the word Playboy immediately conjures up thoughts of the magazine. However, we learned that when the name – and particularly the Rabbit Head logo – is linked to other products, the brand attributes of sexiness, quality and romance resonates with women as well as men. Armed with that knowledge, we re-oriented the magazine slightly. We created the 'Men' and 'Women' columns, expanded coverage of personalities and celebrities, published articles on relationships and continued offering great fiction, journalism and tasteful, high-quality erotic photography. This editorial evolution, along with society's



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growing comfort with sexiness in the media, allowed Playboy to shift from a magazine bought primarily on newsstands by single men to one now delivered into the home by subscription 80 per cent of the time, with most of its readers being married. While reading a magazine is largely a solitary experience, watching television is typically done in couples or groups, which is why making the Playboy brand more accessible to women was so critical to the successful development of Playboy TV. Today, 80 per cent of Playboy TV's viewers are couples.

As the company expanded internationally in television, it leveraged its library of 1,000 hours of original programming, which grows by about 120 hours annually, and also began to create original local programming in concert with its partners, again to better connect with its local views and the culture. This will even be more possible in the most global of media, the Internet.

The World Wide Web in many ways was created for Playboy. One of the most

compelling qualities it offers us is that we can be everywhere instantaneously, with no distribution barriers and little regulatory interference. We became the first national magazine on the Web three and a half years ago when we launched Playboy.com. Last year, we received 'hits' from more than 150 countries and territories, ranging from Vatican City to Ethiopia, and sold merchandise from retail sections of the site to people in 40 countries. This past year, we added German, Italian, French and Spanish translations to the site, and with our international publishing partners, we are developing Web sites for their editions. The thinking is that one day, for example, a person in Japan will access the Japanese Playboy and English-language Playboy Web sites and connect with other Playboy fans around the world.

We recently unveiled Playboy Cyber Club, a subscription and pay-per-visit service that gives members previously unimaginable access to our vast editorial, photographic and programming libraries, as well as the

ability to interact with the editors and personalities who create and define the magazine. In its first month of operation, Playboy Cyber Club attracted subscribers from 76 countries. We do not know what this exciting new medium holds for us, but we are very encouraged by our early successes and excited about the potential it provides to make Playboy even more global.

Lastly, Playboy is turning to global marketplaces to re-enter one of the fastest-growing international entertainment businesses, one in which we had great financial success in the 1970s and early 1980s: casino gaming. The company, with major local partners including the Commercial Bank of Greece, has been awarded a 12-year exclusive casino licence on the Greek island of Rhodes, one of the Mediterranean's most popular tourist destinations. Again, Playboy will receive fees for marketing and for use of the Playboy name and Rabbit Head logo, and has equity participation in the venture. We continue to explore other gaming opportunities and believe five-to-ten international locations are right for upscale Playboy entertainment centers, anchored by a casino.

I have been fortunate to lead one of the world's best-known companies at a very exciting time of electronic and international expansion. While these growing forms of entertainment represent new opportunities and challenges, Playboy's future heading into the 21st century will be governed by one principle. Whether it involves playing roulette at a glamorous Playboy casino in the Mediterranean or perusing the latest Playboy interview on a computer in a living room in Des Moines, we must always deliver quality. If we do so, the opportunities to celebrate the good life are limitless. ■