

Graduates Urge New Thinking in the New Economy

WRITTEN BY MELINDA KATZ, CLASS OF 2009

During President Obama's speech at his inauguration, he proclaimed, "The state of our economy calls for action: bold and swift...For the world has changed, and we must change with it." In other words, we must look to identify a new intelligence for the new economy. With this theme in mind, graduate students of FIT's Master's of Professional Studies (MPS) program in Cosmetics and Fragrance Marketing and Management, urged the beauty industry, at this year's Annual Capstone Event, May 13, 2009, to adapt to this changing time by exploring new ways to talk with, not to, our consumers.

For the first time in the program, students were paired with industry leaders who acted as mentors on four topics: The New Urban Consumer, The New Middle Class, The New Face of Aging, and New Paths of Communication. Keynote speaker Francis Cholle opened the night with his thought-provoking presentation, where he proposed: "We need to rethink the way that we think." This set the stage for the students' presentations, beginning with the new urban consumer, whose team was mentored by Marc Gobe, president of Emotional Branding.

The team rattled the audience with staggering statistics on the urban population and the need to identify new ways of reaching these consumers. "We learned that for these three billion consumers, urban is no longer a geographic or demographic destination," said team leader Bill Hughes. "It transcends age, sex, race, orientation and location – urban is a completely new mindset." The team developed innovative concepts to fit the needs of the urban consumer. One of these concepts was named "The Fragrance Loft," a space where urban consumers could interact with fragrance in a new and engaging way. This space would foster a newfound experience with fragrance that would have the potential to not only reinvigorate the brand, but also the fragrance industry.

In this new economy, consumers are trying to maximize their purchasing power while minimizing spending, thus giving way to a new middle class. With help from industry partner Candace Corlett of WSL Strategic Retail, the team learned that middle class consumers are trading down, cutting back, avoiding the temptation to shop, and decluttering. The team explained the need to develop a new holistic approach that delves deeper into the psyche of the new middle class, acknowledging their new values. Why is this approach so imperative? As team leader Suzanne Della Pella summarized, "There are two billion people counting on us."

Yet, it is not just the urban and middle class consumers that our industry needs to pay particular attention to, but the growing aging population as well. The team, who partnered with Karen V. Grant of The NPD Group, stated that, "With a population of over 306 million people in the U.S., individuals



Bill Hughes, *MAG Cosmetics*; Suzanne Della Pella, *Links of London*; Laurie Lam, *L'Oréal USA*; Virginia Graham, *Elizabeth Arden*; Ellen Byron, *The Wall Street Journal*

over the age of 65 are the fastest growing age segment." Team leader Laurie Lam expressed, "We recognized that while the new economy presents challenges, it also presents unique opportunities to find solutions for our aging population and build a more enriching life for us as we age." The team challenged the existing retirement model and proposed new ways of engaging this demographic.

The final topic of the evening, "New Paths of Communication," explained how the traditional model of communication is being disrupted. The team, along with industry leader Marc Pritchard, Global Marketing Officer for Procter & Gamble, discussed how communication is being reshaped before our eyes. "Social media is not a fad; it is fundamentally changing how brands interact with the consumer," said team leader Virginia Graham. "It is critical that brands re-think the status-quo when it comes to media." The team urged the audience to "come down from their ivory tower" and travel with consumers along this new path. Utilizing social media tools such as Twitter, Facebook, and beauty blogs has the potential to generate a reach that can be endless.

After the presentations, Ellen Byron, Consumer Goods Reporter for *The Wall Street Journal*, moderated a question-and-answer session where team leaders reinforced their teams' messages and reinforced the importance of embracing change in order to reach consumers in new and reinvigorating ways.

As a result of Capstone's learnings and FIT's MPS studies, this year's graduates are ready to tackle the challenges that we face daily as an industry and become rising stars. This is the new intelligence for the new economy.

The students' white papers can be found on pages 2-10. Additional photos of the Capstone event can be found on page 11. ■

The New Urban Consumer

Authors: Bill Hughes, Kory Marchisotto, Marisha McEwan, Alexis Stern

Over the last two centuries, two revolutionary shifts have taken place among the global populous: the urban revolution and the nontraditional revolution. The urban revolution has drawn billions of people to urban centers, now causing urbanites to outnumber rural dwellers. The nontraditional revolution has changed the way we think about family structure. Specifically in the U.S., gone are the days of the nuclear family – a Caucasian mother, father and two children. Increasingly, these nontraditional households are finding their “place” in cities. In American urban cities, they constitute a majority of households. The result of these shifts is a new consumer reality. Urban dwellers live, think, act, shop and behave differently than their non-urban counterparts. Future marketing to reach this dominant consumer group must change. Retailers and marketers need to understand the new urban and nontraditional consumer.

The Urban Revolution

It is important to understand the dramatic shift of the world population into cities. What has driven, and continues today, to draw people to cities? Once they arrive, what keeps them? Humans have been moving into cities for at least 9,000 years,¹ but this trend has recently accelerated at breakneck pace. A major paradigm shift never before seen is now occurring before our eyes.

May 23, 2007 is considered by some a watershed event – the day the world became more urban than rural. For the first time ever, more than 50% of people (3.2Bn) were living in cities around the globe.² This was not a sudden phenomenon though. In 1800, 2% of the global population was living in cities. In 1950 it was 30% (730M). By the year 2050, the world’s urban population is expected to double, and 66% of all people (6.3Bn) will live in cities.³ Together, this group of new urbanites will number larger than the current populations of China, India, the U.S., Indonesia, and Mexico combined.⁴ What is shocking is the concentration of urbanites, living on just 3% of the Earth’s land surface.⁵

Although the world’s developed countries were predominantly urban by the 1950s (in 1950, more than 50% of people already lived in cities in North America and Europe),⁶ developing countries are not projected to reach this point until 2020. The urban population

The American Demographic Shift		1970	2005
Family households		81%	68%
Married couple families (with children under 18)		40%	23%
Other family households		11%	17%
People living alone		17%	26%
Percent of households headed by single parents		5%	9%
Household size		3.14	2.57
Household size 4+ persons		36.7%	24.5%
Household size 5+ persons		21.0%	10.0%
Median age for 1st marriage	Men	23	27
	Women	21	26
Age 15+ never been married	Men	28%	33%
	Women	22%	26%

Source: Families and Living Arrangement in 2005, U.S. Census Bureau

of Asia and Africa is expected to double by the year 2030 (reaching 3.4 Bn),⁷ accounting for 88% of urban population growth worldwide.⁸ In the developing world, urbanization is quite uneven. Asia is just 40% urban, while Latin America is 80% urban.⁹ In the next generation, with this surge of new urbanites, we will have an entirely new generation of people who have never had ties to a rural lifestyle.

Cities will continue to strengthen their positions as nexuses of culture and life for the majority of people worldwide. They are growing at an enormous rate: since 1975, more than 200 urban agglomerations in the developing world have grown past 1 million inhabitants.¹⁰

Today, seven of the world’s largest cities are in developing countries (in italics):

- | | |
|-----------------------|------------------------------|
| 1. Tokyo | 6. <i>Delhi</i> |
| 2. <i>Mexico City</i> | 7. <i>Kolkata (Calcutta)</i> |
| 3. New York | 8. Buenos Aires |
| 4. <i>Sao Paulo</i> | 9. <i>Shanghai</i> |
| 5. <i>Mumbai</i> | 10. <i>Jakarta</i> |

In 1950, it was just two (in italics):¹¹

- | | |
|--------------------|---------------------|
| 1. New York | 6. Moscow |
| 2. London | 7. Buenos Aires |
| 3. Tokyo | 8. Chicago |
| 4. Paris | 9. Ruhr, Germany |
| 5. <i>Shanghai</i> | 10. <i>Calcutta</i> |

FACT: 180,000 people move into cities every DAY worldwide

While more than 50% of the rise in urban pollution is caused by natural increase, migration is also a leading factor, as economic opportunities and improvements in sanitation and clean water have made life in the city

more desirable.¹² By 2015, there are likely to be 59 African cities with populations between 1 million and 5 million, 65 such cities in Latin America and the Caribbean, and 253 in Asia alone.¹³

Urban as Nontraditional

In many developed countries today, nontraditional families, those defined as a household not made up of a married mother, father and children, actually comprise the majority of households. In the United States and much of Western Europe, married couples without children, single parents, same sex couples and, most prominently, single people now make up more than 50% of households. In large cities like New York and London, single people alone comprise nearly 50% of the population. We are even seeing this trend evolve in Japan and China. As the singularization of society continues to develop, it will have profound effects on how commerce operates and how companies address and appeal to consumers.

Overwhelmingly, these nontraditional households are finding their “place” in cities, be it for the anonymity that cities provide or a greater propensity towards acceptance of what is not deemed mainstream or normal. Nontraditional households now far outweigh those defined as “traditional.” In American urban centers, they account for a staggering 75% of households. In fact, nontraditional households are now the new “traditional” in cities.

There are startling statistics about the composition of this new, modern and overwhelmingly urban “family household.” In 2005, married couples no longer constituted a majority of U.S. households, dropping below

50%. Unmarried couple partners, unmarried partners of the opposite sex, represented 5% of all U.S. households in 2005.

- 60% – householder never been married,
- 30% – householder divorced.¹⁴

In 2006, 40% of babies born in the U.S. were delivered to unwed mothers – a 25% increase since just 2002.¹⁵ In 2006, of the nation's 74 million children aged 18 and under:

- 66% lived with two married parents;
- 3% lived with unmarried parents;
- 26% lived with one parent;¹⁶
- 4% lived with no parent present.¹⁷

America's 90 million singles head more than 50% of American households: 57% are less than 45 years old, and 40% are younger than 35. By 2020, unmarried households are projected to rise by 8%, and unmarried households with children are projected to increase by 7%. In the UK, the transition is similarly striking. There, the number of single households almost doubled between 1971 and 2001. By 2019, it is predicted that 66% of all households in the cities will be single dwellings.¹⁸

Gays and lesbians are estimated to comprise 10% of the total population. There are at least 600K same sex households living in the U.S., reported living in all states.¹⁹ Lesbian couples make up 49% of the same sex couples, and gay male couples 51%.²⁰ It is interesting to note that in an era when marriage is commonly on the wane, there is a growing movement within the gay and lesbian communities to formalize their unions and benefit from the same legal obligations and privileges afforded to married couples. Gays and lesbians, despite their small size, are emerging as an increasingly important, culturally influential demographic group.

Non-Caucasian households, including African American, Hispanic, and Asian, have also risen in the past decade, and are projected to reach over 50% of the U.S. population by 2050.²¹ The rise is occurring primarily from Hispanic households, projected to increase from 14% today to 29% by 2050.²² The Asian population is rising as well, however not as dramatically. Asians are projected to rise to 9% of total population in 2050, from 5% today.²³ By 2050, 20% of the American population will be comprised of immigrants, compared to just 12% today.²⁴ The minority will soon be considered the majority.

The New Urban Consumer

Urban is no longer a geographic or demographic designation; it's a completely new mindset. People move to cities for culture, excitement, choice, freedom and energy. They're drawn for an acceptance of diverse life-

styles and the promise of opportunity. When in cities, they are curious, hip, and fast forward innovators. These highly social urbanites thrive on the fast pace of the city.

To better understand the urban consumer, we conducted an informal survey of 100 urbanites to understand the things in life that are most, and also least, important to them. In cities, where choices abound, less really is more. Simplifying choices helps urban consumers connect better with brands, understand products, research and comparison shop. The common responses pointing towards simplicity in life were interesting.

When asked what is most important when choosing a product or service, the top three responses were time, authenticity and convenience. In the chaotic urban jungle, there is an overwhelming need for the intangible. When asked what urbanites could live without, they included excess luxury, clothing and television. The urban consumer has clearly cut back on avid consumerism in this new economy.

Additionally, we gathered from the survey that community, for urbanites, is the center of everything. It is one of the major reasons why people move to cities. The mass of people in urban centers exudes an energy found nowhere else on Earth. As the city vibrates together, its citizens share a common collective experience and psyche. With this, brands need to understand the importance of community and experience to urban consumers. Brands that address and deliver to the urban consumer a unique, sensory point of sale and product will more likely be successful as urbanites continue to gain further share of the worldwide consumer base.

Beneath the diverse makeup of urbanites lies a foundation of five common values upon which urban life is built:

- **Time:** Urbanites are time starved and crave time to spend with family, friends, or alone.
- **Community:** Urbanites thrive on the human connection found only in cities.
- **Experience:** Engagement is key. There must be 360 degrees of stimulation.
- **Authenticity:** Don't try to fool the urbanite. Win their hearts by keeping it real.
- **Simplicity:** To counterbalance their complicated and busy lives in cities, urbanites seek refuge in simplicity.

Each of these tenets reveals how urban consumers are shaping their lives, what is important to them, their families and friends, and how they are making buying decisions today. Each is a stimulating resource for creative thinking and a key to unlock consumer engagement and understanding.

Brands That Understand the Urban Consumer Psyche

Incorporating these five pillars will be the defining factor between failure and success in tomorrow's marketplace. This multi-faceted approach must be seen, heard, and felt throughout the entire brand. Some brands have already mastered some of these concepts.

- **Time:** Zipcar is the global car rental company that gives you wheels when you want them. Zipcar is always at your doorstep. With the brand's slogan of "the city is no place for a car payment," Zipcar saves you time and invites you to burn rubber, not cash.
- **Community:** Meetup is the world's largest global network of social groups that helps revitalize local communities. For example, pillow fights on Wall Street to Light Saber fights in Union Square. Meetup uses online connections to build offline communities.
- **Experience:** The Barbie Shanghai lifestyle center is a six floor emporium dedicated to the world of Barbie. For young and old alike, everyone can shop for their favorite Barbie, become a fashion designer and delight in a day at the spa. Spend an hour, spend the whole day. Live the Barbie life.
- **Authenticity:** Living Walls bring the real jungle to the concrete jungle. They fulfill our primal need to connect with nature. Around the world, Living Walls can be found in places as diverse as bars, restaurants, offices, museums and hotels. Living Walls bring an element of calm to the hectic urban world.
- **Simplicity:** RanKing RanQueen is a Tokyo chain selling only the top five items in a range of categories from toothpaste to Halloween masks. By limiting the assortment to best sellers, they weed out the complexity of choice, ensuring that you can't make a bad decision.

Urban as Mainstream

As brands, we need to fully understand and engage the urban consumer. Brands that break the trend, just as nontraditionals are now "traditionals" in cities, will likely be the most successful with urbanites. These are the companies that will no longer talk "to," but rather talk "with" this consumer base. Above all, finding the key to success with urbanites then allows us to win with everyone else. Urban influences the mainstream, and everyone follows them.

From here on, it is an urban world. We must acknowledge urban, understand urban and act urban, in order to win with urban consumers.

The information above is the work of students in continued on page 4



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Suggested Reading

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- Emotional Branding: The New Paradigm For Connecting Brands to People.* Marc Gobe.
- Future Files: The 5 Trends That Will Shape The Next 50 Years.* Richard Watson.
- Hub Culture: The Next Wave of Urban Consumers.* Stan Stalaker.
- Microtrends: The Small Forces Behind Tomorrow's Big Changes.* Mark Penn.
- Navigating The New Mainstream.* Guy Garcia.
- The Death And Life Of Great American Cities.*

Jane Jacobs.
What Would Google Do? Jeff Jarvis.

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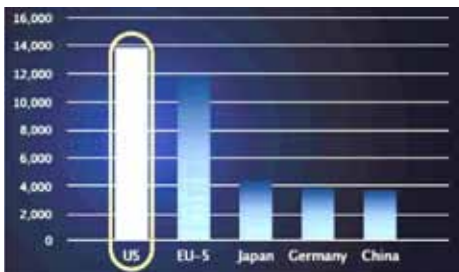
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- ⁹ The World Watch Institute. *Vital Signs 2007-2008.* Kai N. Lee, L. Mastny, pg 52.
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- ¹² The World Watch Institute. *Vital Signs 2007-*
- ¹³ Christian Science Monitor. *World First: In 2008, most people will live in Cities.* B. Knickerbocker.
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- ¹⁵ U.S. Census Bureau News. *50 Million Children lived with Married Parents in 2007.* July 2008
- ¹⁶ U.S. Census Bureau News. *Unmarried-Couple Households, by Presence of Children, 1960 to Present.* July 2008
- ¹⁷ U.S. Census Bureau News. *50 Million Children lived with Married Parents in 2007.* July 2008
- ¹⁸ U.S. Census Bureau. *Current Population Survey, Annual Social and Economic Supplements, 1970 to 2005.* Pg. 3.
- ¹⁹ U.S. Bureau of Census. *Profile of General Demographic Characteristics.* 2000.
- ²⁰ U.S. Bureau of Census. *Profile of General Demographic Characteristics.* 2000
- ²¹ Pew Research Center, 2008. *U.S. Population, Actual and Projected 2005 to 2050.*
- ²² Pew Research Center, 2008. *U.S. Population, Actual and Projected 2005 to 2050.*
- ²³ Pew Research Center, 2008. *U.S. Population, Actual and Projected 2005 to 2050.*
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The New Middle Class

Authors: Suzanne Della Pella, Deirdre Carlough, Jessica Rosenthal, Emmie Salaj, Nicole Trager

Who is the New Middle Class?

The global Middle Class is the economic foundation of society, and by 2030 will equate to 2 Billion people worldwide. In the next ten years, the world's Middle Class will grow, to represent a staggering 52% of the global population, up from a mere 30% now. Currently, the

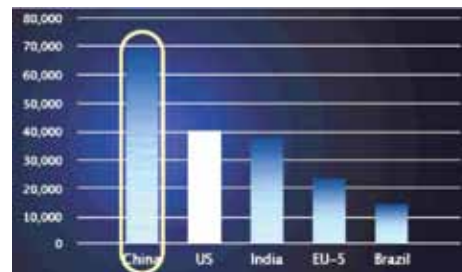


The World in 2007: GDP by Country

U.S. is the dominant force in the worldwide economy. However, by 2050, the economic order, as we know it today, will be overthrown. Three of the top five largest economies will arise from emerging markets. China will soar as the new world economic leader, and the U.S. will no longer be the dominant force in the worldwide economy.

What does this mean?

A large and sustainable global Middle Class



The World in 2050: GDP by Country

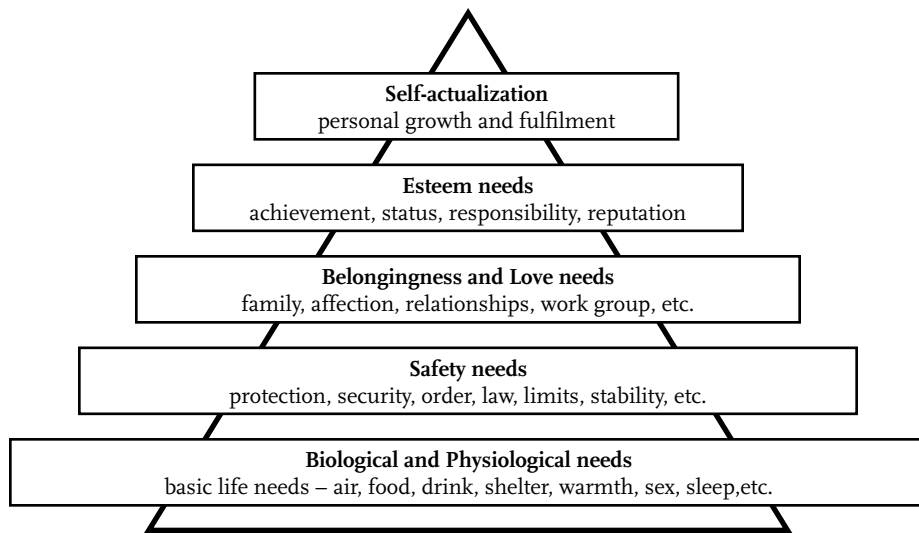
is the KEY to world economic stability.

In past years being Middle Class in the U.S. meant having a reliable job, access to health care, a home, and the opportunity for a steadily improving lifestyle. The Middle Class aspired to attain a higher status and showcase their good fortune. These desires stimulated the economy over the last century.

Over the last 8 years, we have been bombarded with endless turmoil: 9/11, wars in the Middle East and natural disasters. Adding fuel to the fire, in 2008, worldwide financial crisis exposed important imbalances and misconduct. The core of the economic model that supported the Middle Class CRUMBLED.

Where do we go from here?

As human beings we need stability. As a framework, we chose to utilize Maslow's hierarchy of human needs. According to his theory, needs based on Esteem and Actualization only



become attainable once the primary needs in the pyramid are met. Shaken by fear and uncertainty, the Middle Class today feels threatened. It does not respond to the traditional aspirational model of branding that, as an industry, we have been thriving on. It would be dangerous to define the Middle Class using traditional marketing parameters, only appealing to the highest level of Maslow's pyramid.

It is about a NEW state of mind, a NEW GOVERNANCE.

The U.S. Middle Class: Shift in Values & Mindset

To truly understand the new Middle Class, we must consider the dynamics of their new value system.

70% of Americans say it is harder now more than ever to sustain even a Middle Class lifestyle.

According to WSL Strategic Retail, the Middle Class consumers are trading down, cutting back, avoiding the temptation to shop and decluttering.

- 67% are using up products before buying more
- 77% are eating out less and opting for left overs
- 59% are looking for savings and clipping coupons
- 80% do not want to shop for anything they don't really need

This change in mindset has impacted where they shop.

- 75% are shopping in supermarkets
- 69% drugstores
- 63% supercenters
- 47% dollar stores
- 44% in malls

The Middle Class in the U.S. is living

paycheck to paycheck, struggling to make ends meet, canceling their credit cards and thinking twice about every purchase they make. Today, every dollar is precious.

Reality

This economic crisis has shattered the foundation of the Middle Class and the effects will be felt over generations. We can consider this new value system of the Middle Class, the "New Normal," because it is here to stay. We are trapped in a downward spiral where each country's economic stability is interdependent with one another. If this paradigm is ignored, the result could mean a GLOBAL MIDDLE CLASS CRISIS!

The New Governance

The Middle Class is stuck, unable to advance up Maslow's hierarchy of needs. Therefore brands can no longer approach the consumer in the same way. They must take a more holistic approach and delve deeper into the psyche of the new Middle Class, acknowledging their new values.

For so long, brands have been marketing to the consumer focusing primarily on driving profit and market share, while fueling the desires of the aspirational Middle Class. Thus, we created a model of New Governance to help sustain a thriving future for both our brands and the global Middle Class.

The model of New Governance is comprised of three main drivers:

- Value their New Values
- Respect + Trust
- Reciprocity



Value their New Values

By embracing their new values, this ideal addresses the basic and physiological needs of human beings, the first and most vital step within Maslow's hierarchy. Brands must deeply connect to consumers' psyche and core intrinsic values before self-actualization can be realized.

Simply stated, brands must value the new values of the Middle Class.

Brand Example: Nike Japan exemplified this phenomenon of valuing the consumer's new values with the launch of Super Ligera cleats. They understood their local market challenge was to reverse the consumer's perception of poor quality.

The caveat? Retailers had little confidence in Nike and were unwilling to support the brand but Nike believed in their product and realized they needed to get right to the source, THE CONSUMER.

Nike distributed 2,000 pairs of soccer cleats to various schools in Japan, custom designed to match each team's uniform. The brand went out of their way to meet the children's love of soccer and teamwork, the new value!

This initiative was supported with a viral online campaign. An unbranded blog was created in the voice of a soccer player for a team in rural Japan. The player blogged passionately about his team's losing streak, their dedication and their love of the game. Once his team started using Super Ligera cleats he blogged how the shoes had improved his team's performance on the field.

Consumers bought into the blog believing it was from a real person. The blog grabbed the attention of millions, inspired teens all over Japan to play better soccer and ultimately resulted in increased sales for Nike. When Nike revealed that they were the source of the blog, it ultimately backfired on Nike as consumers felt cheated, thus sacrificing their Respect + Trust.

Respect + Trust

Respect + Trust, the second driver in our new model, is the foundation of a sound relationship between the brand and the consumer. Today, brands are no longer in control and a new dialogue has emerged. It is no longer a one way conversation from brand to consumer. The ideal of Respect + Trust lifts consumers to the next level within Maslow's hierarchy, which fulfills the psychological needs of Belongingness, Love, and Esteem.

Brand Example: An example of this dynamic between brand and consumer is the reinven-

continued on page 6

tion of Dell computers. Dell lost the trust of their consumers when a customer, Jeff Jarvis, blogged about his poor experience with Dell's computers and customer service team. The blog went viral. More and more people commented, so much so that when searching Dell Computers on Google, Mr. Jarvis' blog was the first site to come up, not the Dell web site. The CMO of Dell immediately took action to reverse Dell's negative perceptions. The company considered the complaints and responded by changing their customer service model, thereby regaining the respect and trust of the public.

Reciprocity

Once you gain Respect + Trust, the natural progression is Reciprocity, which is the third driver in our model. Brands must commit to their customers, "if you invest in us, we invest in you." The concept of Reciprocity targets the greater good on a global scale, and on the Maslow hierarchy touches upon the top level, Self-Actualization.

Brand Example: A company dedicated to reciprocity is Procter & Gamble, with their Live, Learn and Thrive Program. P&G's major commitment under this program helps to improve the lives of children in developed and emerging countries. This program specifically targets over 1 Billion under-privileged children who do not have access to clean drinking water, and is a true example of how to successfully incorporate reciprocity into a brand.

A NEW Brand Example for the NEW Middle Class: Now that we have introduced you to the three drivers in our new model, valuing consumers' new values, Respect + Trust and Reciprocity, let's take it to the next level.

Three billion times a day, P&G brands touch the lives of people around the world. As mentioned, P&G is already a trusted partner to consumers, who gives back in a big way. However, we all can learn from the brand and build upon it.

In 2008, P&G reported revenue totaling over 80 billion dollars. Last year's sales were as large as the gross domestic product of 43 countries worldwide. In the years ahead, the financial equity and reach of global brands may prove more effective to sustain the Middle Class than the governments we know today.

We would like to build on Procter & Gamble's existing philanthropic efforts, by incorporating our model. What if P&G created a program targeted to support and sustain the global Middle Class?

Introducing a concept called P&G TRU.S.T.:

This would be a program dedicated to eradicating the mounting cost of educating children around the world. With TRU.S.T, P&G could instill greater value into their portfolio, while impacting millions of Middle Class children globally... all while teaching social responsibility and the power of reciprocity.

Across the world, when parents enroll their children in school, they would have the opportunity to register their child with P&G TRU.S.T. Students would be expected to participate in various forms of community service. For example, young children could plant trees while older students could volunteer with the elderly. In return, for their participation, P&G would deposit money into their individual trust accounts. Similar to a 529 tax free plan, the money could be used for any future educational need.

Another program opportunity could be for students to interact with each other on a global scale. Students in developed countries could be partnered with those in emerging countries. Whether it's communicating online, participating in exchange programs, or attending global summits, the possibilities are limitless.

Overall, this program incorporates all three drivers of our model for New Governance and could serve as a model for all global firms. It builds upon P&G's existing successful efforts at reciprocity, and will serve as an example to other firms in building lifelong brand loyalty, thereby helping to sustain the global Middle Class.

Conclusion

The explosion of the global Middle Class is without precedent. As the population soars over the next thirty years, government and environmental resources will be strained and consumer values and spending behaviors will evolve. Humanity will have to adapt to extraordinary pressures.

As stewards of brands, it is our responsibility to anticipate this shift. We must be at the forefront and prevent any crisis to the economic engine of society, the global Middle Class.

Our model is a holistic approach to business that all brands can follow, regardless of their size.

The New Governance is the new form of Leadership.

There are 2 Billion people counting on us.

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The New Face of Aging

Authors: Laurie Lam, Keri Dixon, Sarah Ostrower, Jackie Stewart

The New Face of Aging

There is a common misconception that 50 marks the beginning of old age. While many still hold to this construct, individuals at 50 actually have nearly half of their lives ahead of them. With advancements in medicine and a surge in both health and wellness, today, life expectancy can reach 83 years of age and, in the next 20 years, will reach 90 years of age. This is a considerable shift from a century ago, when the average life expectancy reached only 47 years old.

The new life expectancy is the underpinning of the new face of aging. We are experiencing a demographic age shift in the U.S., in which nearly one half of all Americans are over the age of 40. Moreover, nearly one third of all Americans are over 50. In the U.S., it is someone's 50th birthday every eight seconds. With a population of over 306 million people, the fastest growing age segment is individuals over the age of 65.

Despite the size of this group, as a culture we dismiss aging and have not truly considered the impact of this demographic shift. This is evident in our social security and healthcare platforms, and particularly in our work models and available resources for the aging consumer. Aging in the workplace is stamped with a "traditional" retirement age of 65, which puts a premature end to economic, emotional and social livelihood. Life expectancy coupled with a new economic climate brings new challenges to the aging population. This is a very unique and vulnerable moment in history and, therefore, we need to rethink our approach to aging.

We will introduce a new paradigm to address these challenges, as it affects every one of us, whether we are approaching retirement today or in the next 20 years.

The Baby Boomer

In order to rethink our approach to aging, we look at the Baby Boomer, as they comprise the largest generational group in the U.S. aging population. Baby Boomers are those individuals born between 1946 and 1964, encompassing the 45 to 63 age spectrum. There are over 77 million Baby Boomers in the U.S., and their size will impact and shape the face of aging.

Focusing on the Baby Boomer is the ideal starting point to create a new paradigm. Having protested everything from civil rights

and women's fight for equality to the Vietnam War, we expect this cohort to protest aging with full force. This group is an agent of change. Redefining what was considered old age and refusing to adopt the attitudes and lifestyles of their parents, Baby Boomers are going to great lengths to preserve their youth. From a consumer marketing standpoint, this group has the greatest amount of purchasing power of all generations and has demonstrated that they can influence the marketplace.

We focus on this age group to find viable solutions to pave the way for future generations.

New Challenges with the New Economy

As a result of the economic downturn, dreams of a happy retirement have been shattered. It is estimated that only a quarter of the Baby Boomer generation is financially prepared for retirement. This group lost approximately 35-40% of their retirement savings in the recent stock market turmoil. As a result, 87% of consumers over the age of 60 are cutting back consumption. While this impacts their quality of life, it has a broader impact on the overall economy.

There is a two-fold implication of the 77 million Baby Boomers set to retire. On one end, there will be a continuous exodus of people leaving the workforce. On the other side, this creates an influx of beneficiaries seeking Social Security income. Faced with this equation, there will be overwhelming repercussions on our Social Security system, in which the demand will greatly outweigh the supply. In 1960, five workers supported the Social Security costs of a single retiree. This ratio has decreased to 3:1 today and will continue to decrease to 2:1 by 2030. This means that every two people in 2030 will be supporting more than double of what their parents had to in the past.

While all age groups are affected by the challenges of the new economy, we need to focus on the concerns of the aging demographic, particularly with the immediacy of the issues when economic security, employment and retirement are at risk.

Global Community on Aging

As with the U.S., in most developed countries, the number of individuals aged over 65 is set to double over the next 20-30 years. By 2030, one quarter of the European population will be over the age of 65. The populations in Germany, Italy and Japan are already well into their forties and, by next year, the UK, France and Canada will join them. Some countries

have extraordinary programs to sustain economic security and care for their aging population. While these countries are small in relation to the U.S., we can learn from the best practices from these three examples to enhance our U.S. platforms regarding aging.

Denmark's highly supportive system provides free education, healthcare and in-home assistance to all Danish citizens. At age 65, every Dane is entitled to basic national pension benefits, which are not based on income during work life, but rather on years of residency in Denmark.

Singapore is home to one of Asia's oldest and best known defined contribution retirement plans called the Central Provident Fund. Member contributions go to three accounts where they earn government-set interest rates.

The healthcare system in France is ranked first in the world. Ninety-nine percent of residents are covered by the national health insurance system, which is largely financed by the government.

Universal Design

As we leverage our learnings from the global community regarding aging, we can expand our reach to even the broader U.S. population through the concept of Universal Design. Universal Design is the philosophy of delivering products or services that are easy-to-use for the widest spectrum of users. What was created with one demographic in mind can be useful for everyone, ensuring that no demographic feels targeted for his or her age, gender or income. This can be applied in developing a new paradigm to approach the workplace and available resources for aging.

Examples of Universal Design can be seen in everyday household items such as OXO consumer products, Target's ClearRX bottles and Closed Captioning on TV. Each was designed with a particular audience in mind but enhance the lives of all, benefiting all age groups.

The philosophy extends beyond products and services and can become a vehicle for necessary change in the new economy. Applying Universal Design, we can build a more successful model to:

- Take better care of our aging and broader population
- Create and restore economic security
- Sustain the socio-emotional livelihood of every age group

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Solution #1: Career Continuum

As we challenge the existing retirement model that ends prematurely for many at 65, we find ways to revitalize the workplace to enhance the economic, emotional and social livelihood of the aging population. Retiring at 65 leaves many individuals without social interaction, a sense of purpose or a way to contribute their valuable experience to society. In addition, there are individuals ready for retirement but a recent peek at their diminished 401K statement may likely drive the need to postpone leaving the workforce.

Career Continuum is a structured program to address the changing needs of individuals approaching retirement or with life-changing situations, such as maternity leave or disability. It will harness the expertise of experienced employees through a three-dimensional paradigm.

1st Dimension: Career Continuum Specialist

A talent manager within Human Resources will specialize in facilitating career extensions, providing guidance, flexible work schedules and a new income structure for employees.

2nd Dimension: Skill- or Project-specific Roles

Career Continuum Specialists determine strengths within each employee and match them with specific business goals or project roles based on their talents.

3rd Dimension: On-going Training and Development

360 degree training platforms that will address the needs related to diversity, with the inclusion of aging, new technology and mentorship programs.

Career Continuum aims to:

- Protect the financial and emotional livelihood for Baby Boomers, as well as all employees
- Harness the expertise of a range of experienced employees
- Foster the diversity and leverage the talent of a cross-generational pool

As this new paradigm in the workplace becomes the norm, it will subsequently change the way our culture views aging. It becomes less about a number and more about maximizing valuable experience.

Solution #2: Vitality

To enhance all aspects of this individual's life, we must create a credible, simple and convenient all-encompassing resource to meet

their range of needs and interests. We aim to set forth a golden standard of resources available to our aging population. The AARP is a credible resource on healthcare and financial planning, with powerful lobbying efforts at the state and federal government levels. The organization serves as an advocate on issues, including social security and healthcare.

However, some people feel that receiving the AARP card at 50 is an unpleasant reminder of old age. Individuals have very different needs at 50 than they do at 75. As AARP's resources are not targeted, individuals feel marginalized.

With that, we propose a rebrand and repositioning of AARP to address the upcoming demographic shift in the new economy. The new organization will be called Vitality and it will position aging in a positive light. Applying Universal Design, Vitality will engage the population at a younger age in a more appealing way to reach a broader age group.

Vitality's VISION

To become the leading resource for individuals to fulfill their social, emotional and economic needs.

Vitality's MISSION

To enhance the quality of life for all, as we age, creating positive social change and building a better world for future generations.

Vitality is an all-encompassing information hub to enhance all aspects of the individual's life and deliver valuable information ranging from financial planning to travel, healthcare, wellness and nutrition. Starting at 40, Vitality members are given the opportunity to customize their own personal network of resources and receive information based on their interests and needs. The other option is to choose one of three pre-selected membership levels, Bronze, Gold or Platinum, based on what is most relevant at various stages of life. Vitality will feature the myvitalitynow.com website and a re-branded magazine to reach the target in a more impactful way with the most relevant information.

Conclusion

The proposed solutions will create a new approach to the issues surrounding aging. By taking cues from other countries, introducing workplace revitalization and providing a useful and engaging resource like Vitality, we address the social, emotional and economic needs of not just our target but all future generations. We may never be a culture that likes to think in terms of getting older, but we can surely become a culture that looks forward to the

opportunities for a more enriching life as we age.

The information above is the work of students in FIT's Master's Degree Program: Cosmetics and Fragrance Marketing and Management, and any reproduction or use of this material requires their written permission. ■

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New Paths of Communication

Authors: Virginia Graham, Melinda Katz
Samira Khzam, Jake Nagle, Katie Pitko

Leveling the Ivory Tower: Leveraging New Media to Humanize Your Brand

The Ivory Tower represents an old way of thinking about communication. As popularized by the dawn of television in the 1950's, brands towered over consumers, talking at the consumer, not with the consumer.

In the digital age, brands need to learn how to come down from the tower and "stand next to the consumer" to participate in the front-lines of communication. Brands can no longer push the brand on the consumer, but rather let the consumer pull the brand.

This paper illustrates a new way of thinking about communication. This approach combines a network of old and new media touch points, in order to create a more meaningful connection with the consumer.

Leveling the Tower

In today's new ecosystem of communication, it is critical for brands to recognize that they are no longer in control. A distinct shift in thinking about communication consists of core concepts that allow brands to effectively use new media to humanize their brand.

The key concepts are intimacy, shared narrative, and sensorial.

It is the checklist that brands not only need to implement during their media and retail planning process, but even as early as the conceptual stage to ensure that all communication efforts are cohesive, effective, and authentic.



Intimacy

Consumers want to feel like they matter. Brands are now charged with acting as life enablers, simplifiers, and navigators for consumers. To foster intimacy with the consumer, brands must be a trusted resource, make the brand message easily understood, and change the tone from formal to conversational.

Some examples include:

Intimacy: Traditional		Intimacy: New
Talk to consumer	➡	Talk with consumer
Give information	➡	Cultivate a relationship and commitment
Formal tone	➡	Informal tone
Market research/analysis/data	➡	Consumer feedback/blogs/conversations

- **Connect One-on-One** – President Barack Obama changed the rules of intimacy by weaving the internet, social networks, e-mail advocacy, text messaging, and online video into the fabric of his campaign. As a result, each voter felt like a part of his life and his success.
- **Be A Guide** – JetBlue is bringing humanity to travel through Twitter by promoting an open dialogue with consumers. The company uses consumer feedback to make valuable policy changes and take its customer service real-time, thereby helping consumers navigate their air travel experience.
- **Promote a Consumer-Voiced Process** – Starbucks has involved consumers in the dialogue of its future through mystarbucks-idea.com, where consumers share, discuss, vote and see which ideas Starbucks takes action on. Starbucks is being transparent and is opening up the door to criticism in order to facilitate (positive and negative) customer feedback.

Shared Narrative

New technology has fostered the need to create Shared Narratives. Word-of-mouth is more trusted than information from official sources. Creating a strong narrative with anticipation is key to a more meaningful connection. Brands must embrace the power of networks and both enable and participate in this activity.

Some examples include:

- **Host the conversation** – Philosophy enabled its clients to share personal stories and pictures online with their "Your Mom's Philosophy" campaign. Philosophy received more than 1,000 stories, and customers voted on their favorites. The brand was

successful in creating the stage for people to share their story about their mothers.

- **Skittles** created an "Interweb" that lives on top of other websites' content, such as Wikipedia, Facebook, Youtube and Flickr. The consumer essentially views the brand through the eyes of the web content that is already out there. Skittles is turning it over to the people to define their brand and share the narrative.
- **Real Time Narrative** – The band Nine Inch Nails introduced an application for iPhones, where you can upload and share pictures and comments from the concert instantaneously. A GPS function also allows fans to connect with other NIN app users. This application enables the fan to share their experience in real time.

Sensorial

Humans are powered by emotion, not only by reason. The sensorial world is interactive, thought-provoking, and engaging. Most importantly, it is how to make your brand fun and create a deeper connection. It is the means to extend that moment beyond the traditional 30 second television advertising.

Some examples include:

- **360 degree experience** – The Clo Wine Bar in Manhattan creates an experience where wine is not just a beverage, but a vehicle that uses smelling, tasting, and interactive heat and touch-sensored screens to educate, excite and interact with others while enjoying wine.
- **Virtual Enhancement** – Nissan brings the showroom into the consumer's home through augmented reality (3-D) technology. The

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Shared Narrative: Traditional		Shared Narrative: New
Positioning statement	➡	Story
Present to	➡	Share with
Exclusive	➡	Inclusive
Targeting demographics	➡	Targeting communities

Sensorial: Traditional		Sensorial: New
Conscious	➡	Unconscious
Static	➡	Interactive
Message	➡	Experience
Utilitarian	➡	Lifestyle
Transaction	➡	Enjoyable exchange

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consumer can explore in 3-D the car's unique features, exterior colors, and accessories.

- **Physical Engagement** – Nike Plus Human Race sparked emotions around the world by connecting themselves to the consumer in an ultimate race day experience using the love of running and live music. Nike also used their Nike plus IPOD technology to allow anyone to participate in the race in any city by downloading their race online.

Common Fears around New Media

In measuring new media, brands commonly fear giving up control, as they learn a new way of thinking about the return on investment (ROI).

- **The Wisdom of the Crowds** – If a brand is strong, has integrity, and a cohesive story, then the wisdom of crowds will prevail. By giving up some control of your brand, you allow consumers to create their own stories about you. (This activity is going to happen with or without you, so it is in the brand's interest to participate).
- **Re-Defining Goals** – Set your objectives and then determine what/how to measure these goals. For example, do you want to measure your conversations, online reputation, or number of followers? You must determine upfront what you want to achieve.
- **Reach as ROI** – Though traditional advertising is a mainstay, digital media is the means to connect directly with the consumer and expand reach. If you think about ROI in terms of reach and awareness, a traditional campaign's reach is finite, but new media touch points have endless reach. It can continue to grow over time as more and more people talk about it and share it.

Getting Started

Here are a couple pointers to effectively utilize new media:

- **Get Involved** – Start exploring social media sites like Facebook, Twitter, and blogs. Listen to what consumers are saying about you, and then join the conversation. Design

a new page on Facebook, create a Twitter account, start your own blog.

- **Be Authentic** – When establishing a presence in this new media, take an honest approach in communicating with consumers. This will facilitate an open dialogue between your brand and your consumers.
- **Show Vulnerability** – Vulnerability is an integral pillar in creating long-lasting meaningful relationships. The same is true in this new media; by being more exposed, consumers will feel more connected to your brand. Brands also need to trust the consumer, and let them talk about you in their language. The brand's role is to foster these relationships.
- **Monetize** – Only as a final step should you monetize. Frequently, brands use new media to seize the consumer's attention, but once they have the consumer's attention, brands have no way to build upon, optimize, or add value to it. Brand communities often fail because their leaders get hung up on the number of followers they've attracted. It's not about the size of your community – it's what you do with them (or what you ask them to do for you) that matters most.

Conclusion

New models are being formed. We need to listen to and trust our consumers, understand the benefits of collaborating with them, and accept their generosity as a basis of a new relationship. New media are the gateway for brands to strengthen their relationship with the consumer, enhance traditional media tools, and ultimately come down from the Ivory Tower.

The information above is the work of students in FIT's Master's Degree Program: Cosmetics and Fragrance Marketing and Management, and any reproduction or use of this material requires their written permission. ■

For Further Reading

Books

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New York, New York. ISBN 9780061709715. Bernoff, Josh and Li, Charlene (2008). *Groundswell: Winning in a World Transformed by Social Technologies*. New York, New York. ISBN 9781422125007.

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<http://www.youtube.com/watch?v=NJzk4JxXgPw>

Graduates Urge New Thinking in the New Economy

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Stephan Kanlian, FIT; Candace Corlett, WSL Strategic Retail; Francis Cholle, Author, Intuitive Intelligence; Marc Pritchard, Procter & Gamble; Mark Gobe, emotionalbranding.com; Karen V. Grant, The NPD Group.



Leslie Harris, L'Oréal USA (Alumni presenter with scholarship award winners); Bill Hughes, MAC Cosmetics; Suzanne Della Pella, Links of London; Kory Marchisotto, Shiseido – BPI; Melinda Katz, L'Oréal USA; Virginia Graham, Elizabeth Arden; Laurie Lam, L'Oréal USA. Mr. Hughes also received the Victoria's Secret Beauty Leadership Award.



Virginia Graham, Elizabeth Arden and Laurie Lam, L'Oréal USA shared the Outstanding Scholar and Department Medal Awards. Professor Mark Polson, Estée Lauder Cos., presented the Department Medal.



Graduating class of 2009

BARBIE MEGASTORE PINK IS THE COLOR OF HOPE

Undeniably the most amazing and hopeful retail experience in a long time is the new **Barbie** megastore in Shanghai, China. It rises up six stories, 40,000 square feet of pink splendor on Central Huaihai Road. Inspiration for children and adults alike.

Several students we mentor from the **Fashion Institute of Technology's Master's Program in Cosmetics and Fragrance Marketing and Management** were lucky enough, as part of their Capstone project, to visit the store the week it opened.



Deirdre Carlough, Suzanne Della Pella, Jessica Rosenthal, Emmie Salaj and Nicole Trager provided us with their Barbie's eye view.

In Shanghai, Barbie is more than just a doll, she's a lifestyle. To commemorate her 50th anniversary, Mattel

opened a dream house in Shanghai on March 6, 2009. The store is part of a global strategy to redefine Barbie as a true lifestyle brand.

The retail journey begins as you ride the glowing pink escalator to the main floor. There, you are greeted by a whimsical, three-story spiral staircase featuring 800 Barbies. The pink retail dream surprises and delights with merchandise ranging from Barbie scooters, books, and stationery, to adult fashion by designers such as Vera Wang and Kate Spade, jewelry, cosmetics, spa treatments and food.



Imagine our delight when we learned we could design our own Barbie. At the Design Center, we were whisked behind a curtain and dressed in pink smocks. Computer stations allowed us to create the Barbie we always dreamed of. In the spa, there are Barbie branded cosmetics and facial products (Plastic Smooth, Plastic Tan). There's a yoga studio. In the Pink Room you can enjoy Barbie Chocolates or a Barbie-tini.



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Leadership in Action: Leaders Training Leaders



Fabrizio Freda (center), newly named CEO of the Estée Lauder Companies, spoke to the class of 2009 about “Change Management” as part of their Leadership course, on March 24, 2009.



Industry Leaders serving as Executive Mentors to the MPS classes of 2009 and 2010 gathered at the annual Executive Mentor Luncheon at LVMH, February 6, 2009.



Rose Marie Bravo (center), former Vice Chair of Burberry, was the speaker for the FIT/Wharton Alumni Breakfast held at LVMH on April 29, 2009. She is pictured with Erin Armendinger of Wharton and FIT’s Stephan Kanlian.



Elizabeth Arden CEO Scott Beattie (3rd from left) and EVP Ron Rolleston (2nd from right) attended a presentation by class of 2009 students Suzanne Della Pella, Alexis Stern, Lauren Bitet and Kory Marchisotto, who developed a repositioning strategy for Geoffrey Beene fragrance, on May 4, 2009. Also pictured is Steven Zucker, FIT Dean of Graduates Studies (far right).

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