

**Warby
Parker**

Luxottica

Corporate Entrepreneurship & Design 2017

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Content

- Introduction
- 01** About Warby Parker
- 02** About Luxottica
- 03** Business model: Why B2B vs B2C?
- 04** Retail models
- 05** Innovation
- 06** Decision making
- 07** Ethical Approach
- 08** Design-centric or design-driven?
- 09** Who is entrepreneurial?
- 10** What's next?
- Final words
- Resources

Introduction

This case study is made as a course group project for the master's level course Corporate Entrepreneurship and Design, in Aalto University. The task was to think about similarities and differences between entrepreneurial activity in large established corporations and organizations versus startups and young companies, and recognize and propose how companies could benefit, especially the big ones of startups' company culture, ideology and methods in the future.

The eyewear industry

We started our project by searching for interesting and successful startups. Most of them seemed to concentrate on virtual products or services, so when we found an eyewear startup, we got curious, as all of us saw the eyeglass industry as boring and static, where new innovations happen rarely.

Warby Parker, an American company that started as an idea and **frustration**, quickly became a successful startup and nowadays is a company that can compete with the biggest monster in the eyewear industry. It is interesting to see entrepreneurs that aim to **disruption** and

that can even change our perceptions of such an old and static industry.

Warby Parker tries to take over the eyewear industry with their **customer-centric**, ethical and technology-driven model and that has been successful and growing at such a rate that they have proclaimed themselves the direct competitor or Luxottica, the biggest and the most powerful company in the industry, the one who owns and produces almost 80% of the eyeglasses and eyeglass brands consumed in the United States and also in the world. So how a group of American students came

to make such a statement? That is what this research and analysis is trying to discover.

By looking closely at the comparisons between these two companies, we aim to unveil what is the key component of the entrepreneurial practice of Warby Parker that can compete with the organizational model of the biggest eyewear company in the world. We also aim to discover what is the role of design and how it is or could be tied to these companies' destinies. First of all we can take a look to each of the companies' profile.

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01 About Warby Parker

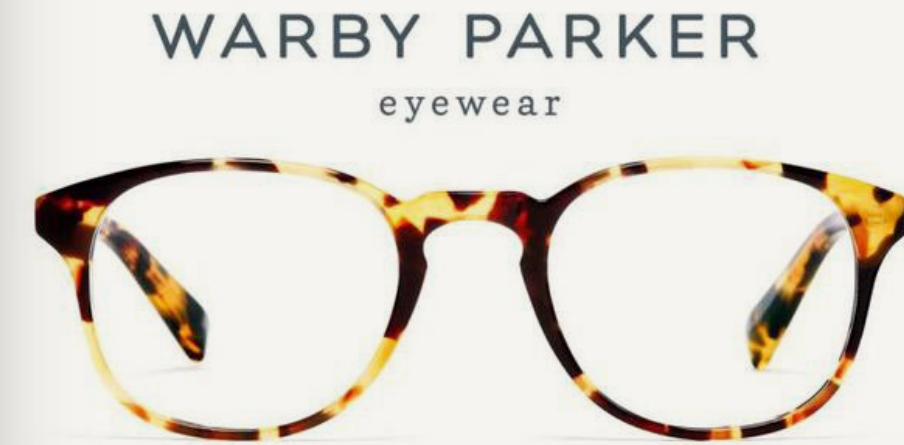
Warby Parker is an American startup brand of prescription eyeglasses and sunglasses. Warby Parker was founded in 2010 by David Gilboa, Neil Blumenthal, Andrew Hunt and Jeffrey Raider. It was born from the need of accessible eyewear through a transparent and honest business model that makes the most out of technology.

The story of Warby Parker starts with a young David Gilboa forgetting and losing his \$700 Prada glasses in a plane. Frustration led him to think about why eyewear is as expensive as an iPhone and how ridiculous this situation is.

The idea of offering cheap glasses was complemented by the serendipity moment, as described by Andrew Hunt in an interview for FastCompany (2015), of meeting Neil Blumenthal who had experience working for Spring Vision program which focus on teaching people from poor communities to survive through the optical health industry, and therefore, knew every aspect of it. They

came up with an honest business model that cuts the costs that Luxottica's monopolistic practices had brought to the industry and that disrupts it by being technology-driven and customer-centered.

Today Warby Parker is known as a successful and independent online-based eyewear manufacturer and retailer, who also designs all their products. They mostly concentrate on selling products online through their "Home Try-On program", but they currently also have 61 physical retail showrooms and stores in the United States and Canada. They are known for their tailored customer experience, collaborations and service model that Ben Lerer from Lerer Hippeau Ventures suggests, "sweat every detail and every touch point." Now, Warby Parker is valued in \$1.2 billion and they have 500 employees.



Home-Try-On program

"Home-Try-On program" allows customers to choose five frames from the website, get them delivered for five days try on at home. Sending them back is free.

Buy a pair, give a pair -program

From the day one, Warby Parker has used a "buy one, give one" model, where for each pair of glasses purchased, the company pays for the production of another pair of eyeglasses for someone in need through VisionSpring, non-profit organisation.

02 About Luxottica

Luxottica Group S.p.A. is the world's largest eyewear company. It is based in Milan, Italy. It was founded by Leonardo del Vecchio in 1961. The organisation owns many of the eyewear market brands and retailers and is also producing frames under fashion and designer brands.

An article from FastCompany (2015) described it from the point of view of the American territory quite accurately in the following way: *"Founded in 1961, the Milan-based company takes in about \$9 billion a year, running the eyewear business for most major fashion houses. Luxottica markets its own frames too: Oakley, Oliver Peoples, Persol, and Ray-Ban are all Luxottica brands. Consumers find these frames for sale at LensCrafters, Pearle Vision, and Sunglass Hut, all of which are (you guessed it) Luxottica subsidiaries. Luxottica also happens to own one of the top vision-insurance companies, Eye-Med, which, if you have coverage from Aetna or Anthem Blue Cross Blue Shield, is your carrier."*

So not only does the Italian giant own most of the brands available, but their business model is a circular one that offers a sweet illusion of diversity to their customers but, in practice, is just a big monopoly that controls the product, the retailing process and the additional services related to eyewear.

Luxottica has owned a fair amount of power and innovation by acquiring more small brands and companies that may either compromise their comfortness and status or that might bring new markets to them. Luxottica is valued in \$25.9 billion, and they have 82,282 employees across the world.



Divisions:

Ray-Ban	Persol
Oakley	LensCrafters
OPSM	Sunglass Hut
Eyemed	Apex by Sunglasshut
Glasses.com	Sears Optical
Onesight	Pearle Vision

The house brands:

Alain Mikli	Arnette
Oakley	Oliver Peoples
Persol	Ray-Ban
Sferoflex	Vogue Eyewear
Eye Safety Systems (ESS)	

Makes eyewear under license for:

Giorgio Armani	Bulgari
Brooks Brothers	Burberry
Chanel	Coach
Dolce & Gabbana	DKNY
Michael Kors	Miu Miu
Polo Ralph Lauren	Paul Smith
Spectacles	Prada
Ralph Lauren	Starck Eyes
Tiffany & Co.	Tory Burch
Valentino	Versace

Warby Parker timeline



2010

Founded by David Gilboa, Neil Blumenthal, Andrew Hunt and Jeffrey Raider



2011

100 000 pairs of glasses donated
Certificated as B Corporation
60 employees

Superman wore their glasses!



2013

First physical store to SoHo
100 employees



2014

1 million pairs of glasses donated
10 physical stores



2015

Estimated value 1.2 billion



2017

3 million pairs of glasses donated
300 employees
100% carbon neutral



2016

30 physical stores

Luxottica timeline



1961

Founded by Leonardo Del Vecchio in Agordo, Italy



1967

Started to sell eyeglasses under Luxottica brand



1974

Aquired a distripution company Scarrone



1990

Listed in New York



1981

First international subsidiary to Germany



2000

Listed in Milan, Italy



2003

Aquired OPSPM (Australia)



2017

Aquired Essilor (France)



2007

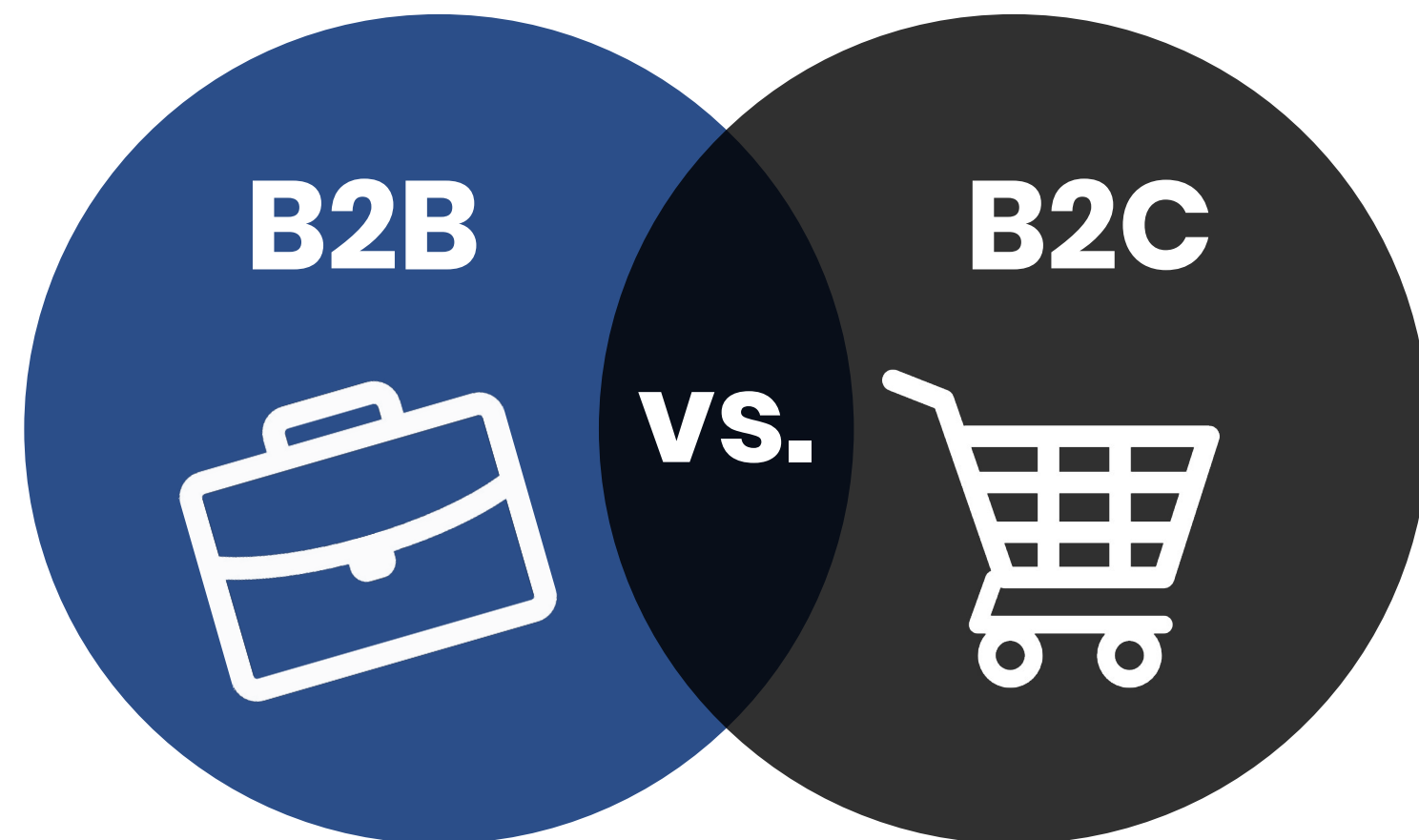
Aquired Oakley (US)

03 Why B2B vs. B2C?

Bringing the giant down. The modern David and Goliath:

One of the main things that caught our attention when researching and comparing these two companies was the fact that they are actually not playing in the same league, not only because of the size or presence of them in the world, but because basically they have completely different business orientations.

On one hand, Warby Parker follows a B2C model, which means that they serve directly to the customers and all their efforts and strategies work towards that. In other words, they serve the people directly.



On the other hand, Luxottica is basically a B2B company that owns brands and works to provide to those brands as separate business branches and to other businesses as well. In essence, both companies have different goals and so, they act and behave in a very different level and if they do, why are we comparing them? Wouldn't it make more sense comparing Warby Parker to Ray-Ban, for example? We have two main answers for these questions:

1. In almost every interview or video we have come across, Warby Parker co-founders have always pointed out Luxottica as the main competitor they have. Even if they are not in the same league, Warby Parker is the self-declared competitor that aims to bring the giant down.

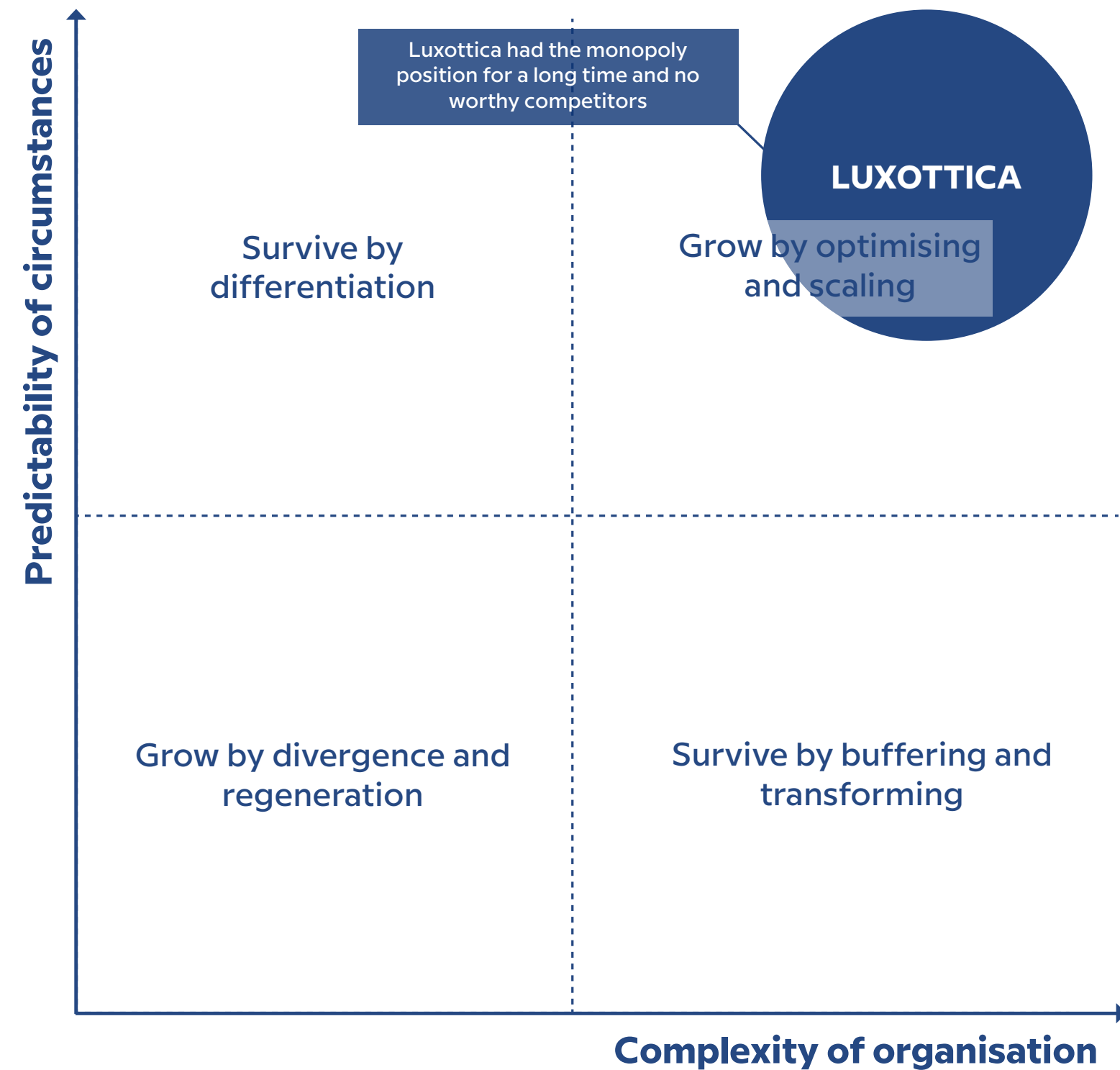
2. Considering that companies that might rival Warby Parker in the market belong to Luxottica and most of their actions are triggered from Luxottica's office, it makes more sense to compare them to the giant that pulls the strings of all the rest of the eyewear companies.

Once said this, we can proceed comparing the two companies in order to find out their relation with entrepreneurial approaches and design. For this analysis we chose four different relevant categories: retail models, innovation approach, decision making and ethical approach.

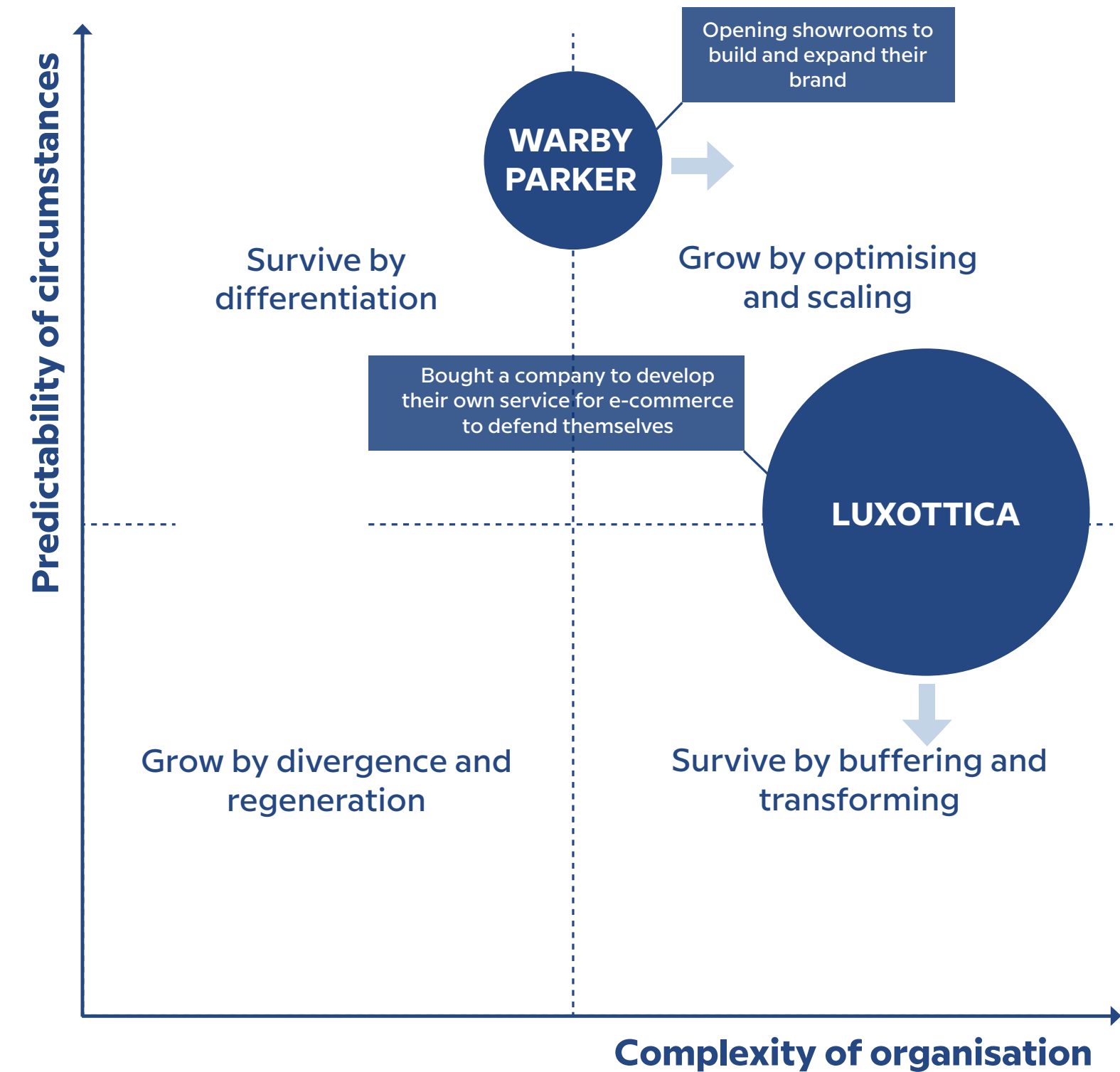
Leading growth

Based in the matrix tool presented in the lecture 13.11.2017 by Katarina Segerståhl.

Before Warby Parker



Now



04 Retail models

Warby Parker



Mainly online sales + trial program

One of the first companies to think about selling optics through internet. The company solved the problem of internet-skepticism towards fashion or “wearable” items by complementing their online sales model with their “Home-Try-On program” which allows customers to receive up to five frame models so they can try them on at home and can buy those which they really liked. Warby Parker has also opened 61 stores in the United States and Canada expanding their retail model out of the web.



Reputation and work + partnerships

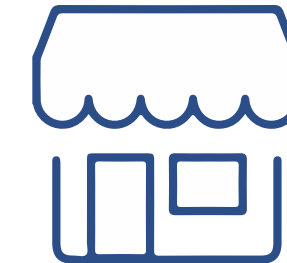
From the beginning, Warby Parker has been known for their work towards pleasant user experience, strong unique brand and thinking every detail of their business carefully. This has led them to a quick growth since beginning. They are also willing collaborate and support different companies and that has given Warby Parker a solid reputation not only among their customers but partners too.



US and Canada

At the moment, Warby Parker has a strong presence in North America, specifically the US and Canada. This has positioned them as a “local” brand in the eyes of many customers.

Luxottica



Mainly sales through retailers and physical shops

As Luxottica controls most of the retailers in the US, their retail model relies on the sales through physical stores. They also produce frames and lenses sold in even their competitors shops.



Monopolistic actions

Beside the design of many of their main brands’ frames and licence brands’ frames, Luxottica also produces and offers insurance for its customers creating a monopoly around a circular business.



Worldwide presence

Luxottica controls most of the market in the world. According to Luxottica’s web page, Luxottica is present in 150 countries, approximately 9000 retail stores, 13 distribution centres and 12 manufacturing facilities mainly in Italy, China, United States, India and Brazil.

05 Innovation culture

Warby Parker



Technology-driven

The company has disrupted the industry by innovating the optical retail market online. Before it hasn't been possible to order prescription eyeglasses online, without visiting at the physical store even once.



Service and branding

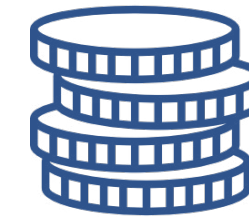
Caring service and strong, clear and unique graphic style and brand. For Warby Parker, customer experience, service and branding are the main targets of innovation.



Customer centric

Customer and user experience extremely important, no matter what it costs to Warby Parker. Innovations are inspired and developed with the customer in the center.

Luxottica



Business control

Luxottica have been in control of the eyeglass market for a long time, so creating new or innovating hasn't been an issue for them until now.



Retail strategies

The strategies and effort are directed towards how to sell more.

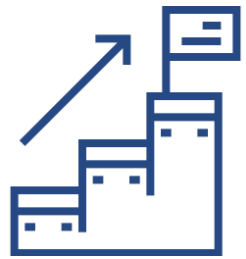


Innovation acquisition

Not clear innovation culture inside the organisation. Luxottica doesn't have too much resources, time or interest in developing innovation so they buy innovations as acquisitions instead when needed.

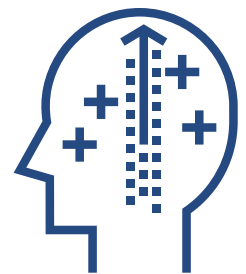
06 Decision-making

Warby Parker



Effectuation

Taking actions regardless the risks. Action has a bigger weight than planning.



Spontaneity

Quick actions and testing to find out what works fast and without big time and money investments.



User inspiration

Users are involved to give their opinions and as source of inspiration to develop new products, improve their service and their experience.



Ethical value

Most of the decisions are made from an ethical perspective taking values such as sustainability, transparency and justice to account.

Luxottica



Corporate mindset

Actions are carefully planned, based on how the market behaves. As Luxottica is a massive organisation, it takes a lot of time and effort to make changes.



Static over years

The industry has remained static and so is the company. So most of the decisions are made relying to numbers, based on just a revenue.



Luxury and fashion inspired

The decisions are made towards becoming a luxurious and fashionable brand.



Survival (new)

After Warby Parker came to shake Luxotticas monopoly, the company has strived and nowadays, some of their decisions like the acquisition of Glasses.com, are a clear signs of Luxottica taking action to defend themselves and their position.

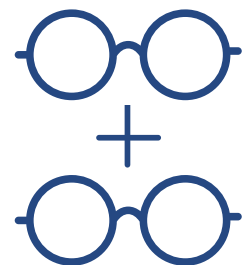
07 About ethics

Warby Parker



Ethical origin

Warby Parker was founded with strong ethical values and approach. These values are still a driving force.



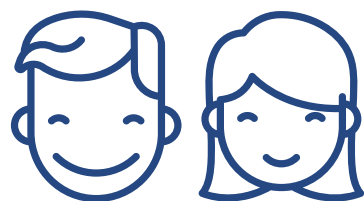
Buy one, give one

From the day one, for each pair of glasses purchased, the company pays for the production of another pair of eyeglasses for someone in need through VisionSpring, non-profit organisation.



Sustainability & Environment

Warby Parker is one of the only carbon-neutral eyewear brands in the world. They also encourage people to change only lenses when needed and keep the old frames when possible.



Employee appreciation

Different opportunities for employees to develop and grow with the company.

Luxottica



Monopolistic control

Luxottica is known for his monopolistic control. They don't allow more competitors. In the past, when competitor has appeared, Luxottica has bought them. Problem solved.



Ethics not a focus

Each sub-brand and license brand has their different ethical approaches and so does Luxottica, but there isn't clear information about it.

08 Design-centric or design driven?

Based on our comparison, we have recognized two different kinds of companies, with aims and strategies that differ a lot. However, after all this analysis we were curious about what's the role of design in these companies? Are these companies design-centric or design-driven?

As the companies didn't have clear description of their design practises, like Apple or BMW has, we had to make conclusions based on our reseach.

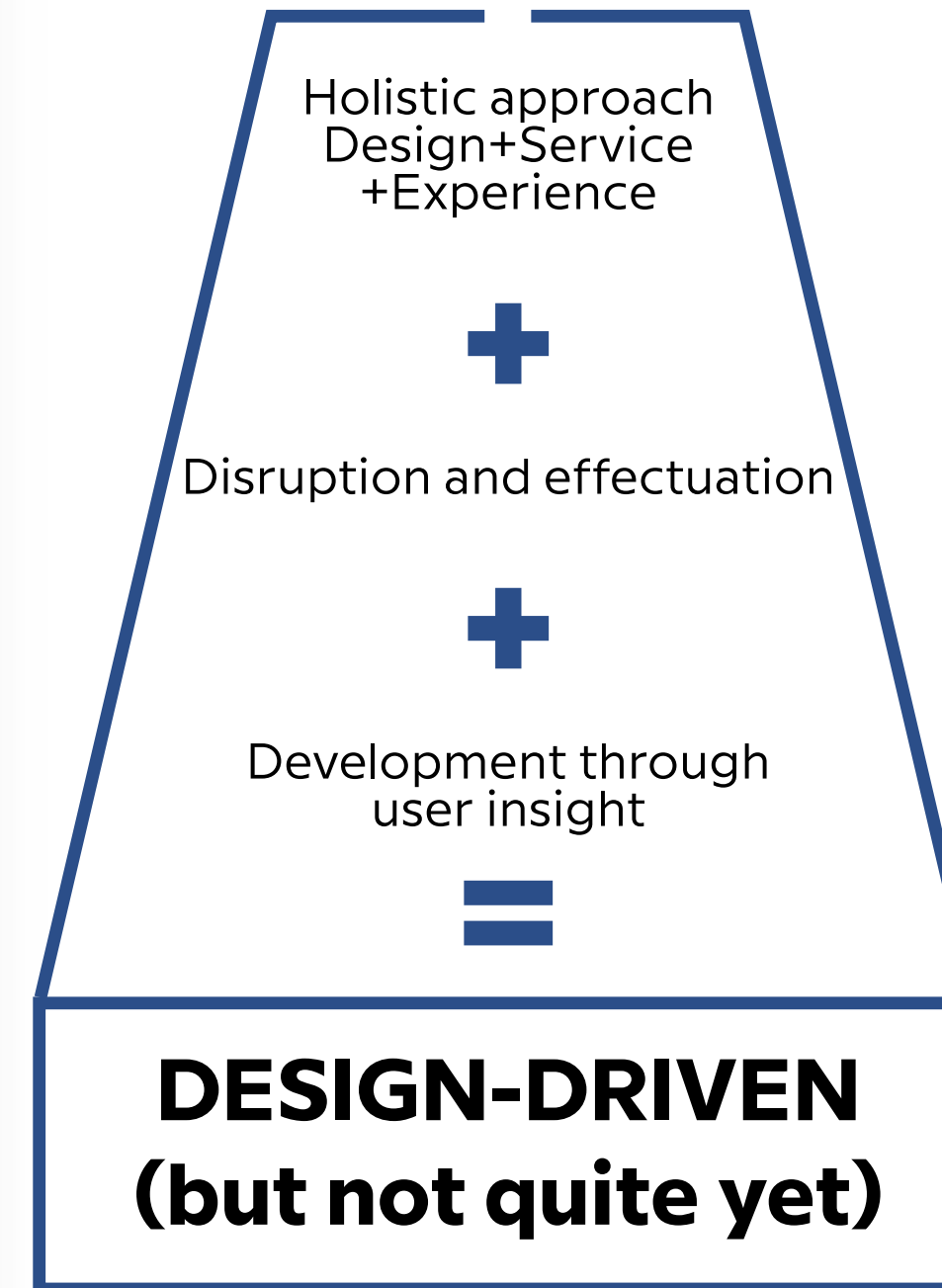
On one hand, Warby Parker has a holistic approach of the business combining graphic, product, service and experience design, even if they don't claim it in those words, since they refer to experience as branding. Warby Parker has proven to be a practitioner of effectual reasoning, which means they believe in "doing" more than long-term planning. On top of this, they aim for disruptive innovation rather than other levels. Finally, their interactive relationships with the users give them insights. However, that focuses more on

involving them to get ideas but not to co-creating quite yet. Based on this, our conclusion is that Warby Parker is on it's way to become a design-driven company but still needs more conscience about design, its correct use and potential of its practices like co-designing.

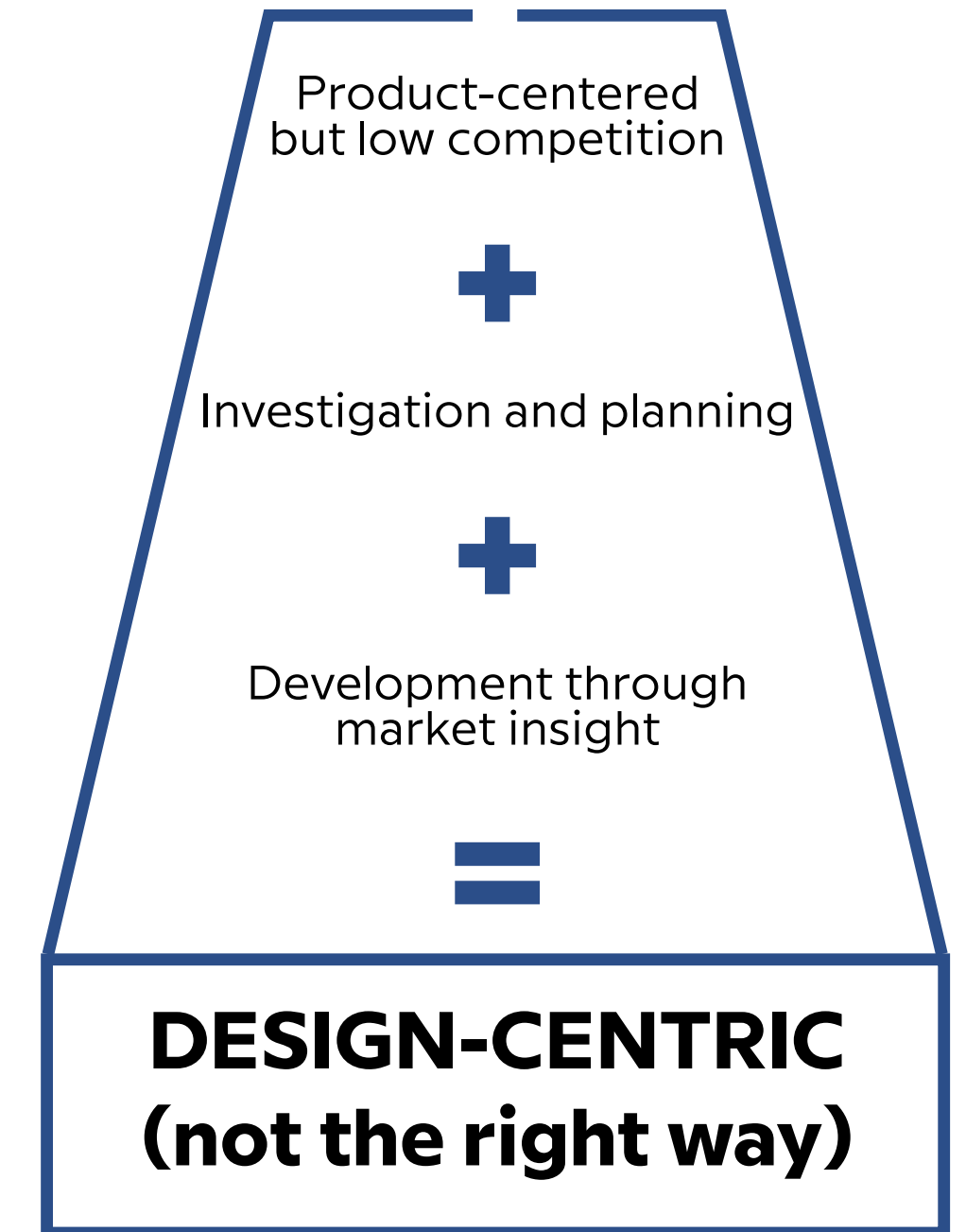
Luxottica, on the other side, is a product-centered/profit-centered company that aims to design the most luxurious and desirable products. For many years, the company has been comfortable without any competitors. The way it works is by investigating and forecasting the markets and fashion, and planning based on that. They develop through customer insights meaning that the user is a mere inspiration that dictates which path to take to keep the sales.

So we can conclude that, in contrast with Warby Parker, Luxottica aims more to a design-centric approach, however, the vision of design is still quite superficial and is merely a resource part of a strategy but not the strategy itself.

Warby Parker



Luxottica



09 Entrepreneurial?

Warby Parker

“The best businesses solve real problems. Think about frustrations in your own lives, things you often hear people complaining about, or things that just don't seem to make sense. And once you hone in on solving that problem, stay focused

on that core mission. Its easy to get distracted by new shiny objects and explore new opportunities constantly, but discipline and focus tend to lead to the best outcomes.

-Dave Gilboa to USA TODAY College

Based to our research, we can confidently say yes. As Warby Parker is a young company, founded in a time of startups, online retail and marketing, they have been able to build their company to meet the needs of the users today straight away.

As have born in a time when services, user experience and sustainability has been important to the consumers, they have been able to build their production systems, ways of doing and company culture based on that from the very beginning. With big, older companies it is a huge investment to change their

systems, and it can be really difficult to change the whole company culture.

Warby Parkers entrepreneurial actions we saw where: quick actions, fast testing, investment to services and experience, constantly seeking for innovations and marketing with the values that are important for customers today. However, we didn't find any sign of them using now so fashionable design thinking anywhere. The reason for that can also be that mentioning and highlighting design thinking doesn't say anything to their target customers, if they don't happen to be designers.

Luxottica

“We are pioneers of change. We see opportunities that others don't and understand the value of taking risks so that we continue to be the innovators of our industry. Respect,

accountability and transparency model the way we lead.

-Excerpt from Luxottica webpage

If we reflect the quote above to what we have concluded based to our research, what he says is not what we see. If Luxottica has entrepreneurial practices, it is not visible in their website and other sources. However, as Luxottica is a massive organisation with many subsidiaries, it is possible that some of them is really entrepreneurial, as we couldn't research them all.

Luxottica is so big and old company that they don't "ride" or advertise themselves with the inspiring origin story like Warby Parker. Luxottica was born in a time way before startups, online shops or

marketing and service & user experience centered consuming, so it is relatively difficult, expensive and time consuming to transform themselves and their whole organisational culture like that. But now, because of Warby Parker, they are forced to defend themselves and start to invest and make a change.

10 What is next?

For us, eyewear users, competition in eyewear industry is more than welcome. Now that Warby Parker has entered to the game against Luxottica, the door has been opened for more entrepreneurs to enter the industry of eyewear. This is particularly interesting since it will be design, strategy and an entrepreneurial mindset which will determine the future of both companies.

We have seen Warby Parker starting from the idea of cutting down the cost of the ridiculously expensive frames from Luxottica's brands to a more affordable price, but newcomers like *Lensabl*, are planning to enter the game, even if it's not in the same level. This small startup

is trying to take a twist by answering the need of replacing the lenses without needing to change the frames. Basically they act as a direct link between labs and customers and the service is quite similar to Warby Parker's one. Customers contact to Lenslab in internet, send them their old glasses and get them back with new lenses directly to their homes.

In the future, startups like Lensabl can become a strong competitor for Warby Parker and to the already decadent Luxottica. Could they keep their actions entrepreneurial enough to keep their innovation level at a competent level or would they see the potential of design to maintain the magic?

Final words

Comparing entrepreneurial activities and company culture of young startup/small company and big old organisation is not an easy task. It is easy to find that kind of information of the young companies, as they market themselves with that, but comparing it to the organisation what doesn't have that information available that easily, is challenging.

However, exactly the fact that it was challenging makes it a good practice for learning. We really had to think and discuss what we found out through research, reflect them to our opinions, experiences and learnings from the lectures and course materials.

Resources

<http://college.usatoday.com/2017/06/30/how-we-became-eyewear-entrepreneurs-warby-parker>

<https://hbr.org/2017/06/the-4-types-of-innovation-and-the-problems-they-solve>

<https://www.funglobalretailtech.com/research/warby-parker-versus-luxottica>

<https://www.lensabl.com>

<https://www.fool.com/investing/2016/07/10/could-warby-parker-be-worth-more-than-luxottica-on.aspx>

<https://www.linkedin.com/pulse/warby-parker-vs-luxottica-compare-valuations-chris-knight>

<http://www.luxottica.com/en>

<https://www.warbyparker.com>

+ Lectures and course materials

