

Research on GUCCI's Business Strategies and Their Implications

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Abstract. The essay dissects GUCCI's comprehensive business strategies, encompassing design innovation, brand identity, marketing prowess, sustainability, and corporate social responsibility. It highlights the brand's adeptness at blending traditional motifs with modern trends, evidenced by its iconic logos and motifs. The significance of marketing campaigns, including collaborations and celebrity endorsements, is examined, alongside the brand's engagement with social causes. The essay also underscores GUCCI's commitment to sustainability and ethical practices, discussing its efforts to trace materials, reduce environmental impact, and uplift the lives of those involved in production. The conclusion assesses the impact of these strategies, emphasizing GUCCI's exceptional financial performance and competitive advantage. The brand's ability to thrive in a challenging market while maintaining its iconic status speaks to the effectiveness of its strategic approach. In essence, this essay showcases GUCCI as a paragon of brand strategy, highlighting the intersection of innovation, identity, marketing, sustainability, and responsibility. GUCCI's journey serves as a compelling example of how these elements can lead to enduring success in the ever-evolving luxury fashion landscape.

Keywords: GUCCI, strategies, future trend.

1. Introduction

The world of fashion is dynamic and volatile. It is difficult to build a lasting legacy on such shifting sands, and only a few brand names have achieved this: Luis Vuitton, Hermes, Chanel, and GUCCI. GUCCI, with the movie *House of Gucci* (2019) recently hitting the screen, has been the center of attention for this essay. It is a fascinating topic including family feud and brand building, as well as a traditional brand trying to keep up with the modern youth. The fact that GUCCI is a brand that started as a humble leathery shop and transcended into a symbol of wealth and elite is in itself more than a commercial success. This essay will explore how GUCCI has got over the bitter conflicts of family members over the control of the company, how GUCCI has come back from the dire conditions and grasped the trends of the new generations where many others have failed, and how GUCCI employs its panoply of strategic approaches to navigate the treacherous waters of fashion industry. The research on GUCCI may serve as a window to peek into the world of fashion and luxury brands. Hopefully, through the study of a popular brand such as GUCCI, this essay will reveal how to build a brand with enduring legacy, how a traditional company should adapt in a changing world, and how to justify high prices in the face of ever more intense competition and the generally downward world economy. In the composition of this essay, the author primarily uses online sources, including articles from Google Scholar and CNKI. This essay also takes as evidence data of the stock performance of Kering Group, GUCCI's holding company. In addition to these, news reports and blog essays on the internet are also taken into account. To gather firsthand information and sensory experience, the author investigated the storefronts of GUCCI in Beijing and Changchun, China, to learn GUCCI's service and products. The author also acquired GUCCI's product to study its craftsmanship and pricing strategies. The field research has verified the conclusions drawn from the data and research reports gathered online, generating a more convincing study of the company. [1] The main body of this essay will be structured in 5 parts: Introduction, Brand History, GUCCI's Business Strategies, Implications of GUCCI's Strategies, and Conclusion. Through these analyses it is hoped that insights can be gained as to the lessons of GUCCI's business model.

2. Brand History

Luxury brands usually boast their heritage back to the gilded years of preindustrial Europe, and Gucci is no exception. Though the Gucci family alleges that the brand originated back in the 1400s in Florence [1], during the height of the Renaissance, the widely acknowledged start of the brand was in 1921, when the founder Guccio Gucci opened his own shop in Florence, Italy. Mr. Gucci's outstanding know-how of leatherware derived from his earlier experience working in a high-end hotel in London, where he studied the tastes and qualities of his clients' luggage. The circumstances in which the Gucci brand was launched forced Mr. Gucci to explore and innovate. Prior to the Second World War, the League of Nation imposed trade embargo on Mussolini's Italy, which limited the supply of leather. In the condition of shortage, Mr. Gucci ventured other materials for his products, such as fiber, wood, and linen. The company's cotton canvas handbags, emblazoned with the classic double-G symbol, became a distinguished product line of Gucci. This innovation borne out of material shortage culminated in the company's renowned product of Bamboo handle bag in 1947 [2]. Guccio Gucci died in January, 1953, after 32 years in the company's reign. Later the same year, Gucci began expanding its global presence. It opened 3 stores in New York, USA in 1953, 1960, and 1973. In Europe, it established storefronts in London (1961) and Paris (1963). Gucci also had its foothold in Asia in the 1970s, when the Tokyo store was opened in 1972 and Hong Kong store two years later. The successful running and expansion of the Gucci company fueled the conflicts between stakeholders. With the decease of the founder Guccio Gucci, the shares of the company were split among his heirs. Different visions and strategies for the company built tension among family members. To resolve these conflicts, in 1982 the family decided to consolidate the firm and turn it into a listed company, a.k.a. Guccio Gucci SpA. The truce only lasted one year until Rodolfo Gucci, son of Guccio, died in 1983 and sent the family once again into chaos. Maurizio Gucci, son of Rodolfo, took charge of the company after a series of lawsuits and maneuvers, only to be shot dead in his office in 1995. Despite the family disputes, both sales and brand value of Gucci soared in the mean time. As of 2018, the company received €8,285 million in revenue, opened 540 stores, and hired 14,628 employees on average [3].

3. GUCCI'S Business Strategies

3.1. Product and Design Innovation

The core of Gucci's value lies in its products. Gucci, as a company, emphasizes its distinctive designing approaches and innovative efforts. It also spares no effort in retaining its exclusivity so as to charge a premium from its customers. Gucci's products are a heady mix of traditional heritage and innovation. It repeatedly employs its double-G logo in its motifs, as well as the horse bit design, allegedly inspired by Guccio Gucci's fascination with the English racing wares [4]. Its products also frequently adopt time-treasured color schemes such as red-green stripes and red-blue patterns. These tributes to the company's tradition build brand legacy and reinforce brand recognition. They also impart continuity and design unity to the consumers. But Gucci as a brand is not fettered by its deep-rooted fashion tradition. Innovation is in Gucci's genes: in times of austerity, the founder Guccio Gucci experimented with new materials, textures, and shape to fit the needs of the clients, and produced memorable products including the bamboo bag. Following his footsteps, the designers of later generations have been incorporating the spirits of their times into Gucci's products. After 2015, Alessandro Michele, chief designer of Gucci, introduced an overhaul to the design philosophy of Gucci, embracing a more eclectic and maximalist style. This shift in design was soon greeted with passion by the younger generation for its emphasis on expression and individuality. The popularity of Gucci design has not made it a popular brand, however, as the management has been taking pains to keep its products exclusive to the fashion elite. In the 1990s, Dawn Mello was hired to oversee Gucci's transition from mass-production to exclusive brand. She closed up 80% of the storefronts,

reduced the items sold to one third its original size, and boosted up prices: the “hobo” bag, for example, sold in the 1960s for roughly \$90 was restocked in the 1990s with the price tag of \$600 [5].

3.2. Brand Image and Identity

For an exclusive luxury brand such as GUCCI, it is crucial to build a unique and irreplaceable brand image in order to command premium prices. GUCCI has enormous success in this area and reaped long-lasting financial reward. GUCCI’s construction of its world-renowned brand name involves three main aspects: history and legacy, logo and motifs, and fusion of tradition and modernity. As mentioned earlier in the passage, GUCCI’s history dates back to the 1920s to a leathery shop in Florence, Italy. Rather than obscuring or glorifying the rather modest beginning, GUCCI celebrates it as a symbol of the brand’s devotion to craftsmanship. The history of over 100 years and multiple generations also serves as an advantage over new-comers, as purchasers of luxury goods often look for long lasting brands as a sign of the products’ lasting value. In addition to the building of legacy, GUCCI reinforces its brand by employing its logos and motifs profusely. The logo adopted by the founder Guccio Gucci, and still in use today, was the double capital G, initials of the found, locking with each other. After the death of Guccio Gucci, a more complicated logo, a shield shape with a knight standing within it holding a suitcase, was used for a short period of time [6]. But it was soon abandoned in favor of the simpler designs, because they can be incorporated into more products. Because of the simple and elegant logo design, the double G has become one of the most memorable logos in the business world. Besides emphasizing on tradition and legacy, GUCCI makes tremendous efforts to embrace modernity in order to attract a new generation of customers. Back in 1994, when Tom Ford was the chief designer of GUCCI, he took the road of “sexy and aloof”, designing clothes that are sharply tailored and dark in color. This approach, though effective at the time, failed to capture the fragmented and individualistic tastes of the new generation [7]. Alessandro Michele, chief designer of GUCCI since 2015, captured the change in consumer tastes and adopted a maximalist line. Vintage styles, animal totems, contrasting colors, and rich details were the major characteristics of Michele’s designs. The lively and quirky style soon attracted a great number of young consumers.

3.3. Marketing and Advertising

Marketing is central to the value of a luxury brand in that it builds and solidifies the brand’s position in the fashion world. A fashion company needs marketing campaigns to seize attention, generate conversation, and increase the presence of the brand in public’s eyes. GUCCI’s public campaigns, including collaborations and limited editions, celebrity endorsements, and storytelling, have been a textbook for fashion brands. In recent years, GUCCI has constantly been engaging with artists, designers, and other brands to produce unique and limited-edition products that ideally raise value for both parties. The collaborations imbue the brand with fresh ideas and perspectives, as well as offering valuable talking points for marketing. In a recent campaign, GUCCI released a new Mickey Mouse-themed collection that enriched its GUCCI x Disney product line, giving the century-old brand a breath of playful, uninhibited air [8]. In addition to collaborations with other intellectual property holders, GUCCI, much like other fashion brands, enlists the endorsements from a carefully selected set of celebrities to connect with a broader audience. It is common sense that an idol figure who wears a certain brand of clothing will inspire the idol’s followers to do the same. This has been the fact since the era of paper media, and is compounded in effect in the era of social media, as celebrities are ever more exposed in front of their audiences. Therefore, GUCCI has doubled down in its investment in celebrities, as big names like Harry Styles, Billie Eilish, and Miley Cyrus stand for the brand in most public appearances [9]. Finally, GUCCI is not absent on the humanitarian front. GUCCI, though merely a brand of expensive attires, connects itself with broader themes such as equality, anti-war efforts, environmentalism, and gender parity. In 2022, GUCCI deepened its cooperation with the United Nation High Commissioner for Refugees, or UNHCR, and vowed to help refugees from war-torn regions of the world, Ukraine in particular. It donated 500,000 dollars through

UNHCR to help Ukrainian refugees in need [10]. Modern consumers typically look for brands that align with their values and ideals, and campaigns such as these build brand value and customer loyalty.

3.4. Sustainability and Corporate Social Responsibility

Expensive brands that pay no heed to social responsibilities usually come off as casual and nonchalant. Though this attitude may serve some niche brand well, it would wreak havoc on huge brands such as GUCCI, whose products cater to a huge range of audiences. Well aware of the imperative to address environmental and ethical challenges, GUCCI takes steps to position itself as the responsible leader in the fashion world. GUCCI's main products, clothing and bags, are of significant environmental and ethical concern. Leathers and furs may be inhumanely acquired, dyes may pollute the waters, and outsourced tailoring may enlist child labor in the developing countries. In order to alleviate these concerns, GUCCI vowed to attain complete traceability for its raw materials in 2025. It also increased sustainable materials in its collections and reduced waste during its processes. In addition, GUCCI made pledges to enhance the lives of people who made its products [11]. GUCCI is also committed to reducing its carbon footprint in its manufacturing and operations. It made claims to reduce total environmental footprint by 40% by 2025 from the 2015 basis, in addition to a 50% decrease in greenhouse gas emissions. It promised to use 100% renewable energy by the end of 2022, which should already be achieved. The group is also encouraging innovative approaches to reduce environmental impacts and increase efficiency [11]. By making the aforementioned efforts, GUCCI presents itself as a brand that not only sells overpriced bags but also brings constructive changes to the world.

4. Implications of GUCCI's Strategies

In the evaluation of the effectiveness of the strategies mentioned above, this essay mainly focuses on two aspects: how the strategies have benefited GUCCI financially and what other non-financial advantages these strategies offer to the fashion brand.

4.1. Financial Performance

To understand GUCCI's financial performance, it is necessary to learn the financial structure of GUCCI. The fashion brand is 100% controlled by the luxury-brand corporation Kering Group, which also has total stakes in fashion brands including Yves Saint Laurent, Balenciaga, and Alexander McQueen. Despite this diversity, GUCCI contributes over 60% of the group's luxury revenue and is the undisputed core brand of the group. GUCCI's financial performance is reasonably reflected in the financial data of Kering Group. According to report, from 2004 to 2015 the growth of GUCCI sales plateaued, with stagnating and occasional shrinkage of sales. From 2015 onwards, however, the sales soared. It is also revealed that 2016 is a turning point for stock prices of Kering Group: the price tripled in the 3 years from 2016 to 2018 [7]. This phenomenal rise corresponded in time with the appointment of Alessandro Michele as chief designer, who adopted a vintage, maximalist style in the design. It also overlapped with GUCCI's increased presence in social media and celebrity endorsement. It can be concluded that the outstanding financial performance of GUCCI is attributable to the change in design and media strategies. By meticulously executing its strategies, GUCCI has maintained revenue growth and profitability in a downward market. Its brand identity and legacy allow it to command high prices and generate healthy cash flow.

4.2. Competitive Advantage

More than revenue and profits, GUCCI's strategies allow it to stand out in the already crowded fashion landscape and lead the trends of design and style. The success in GUCCI's brand strategies, partly resulting from the innovation in design and marketing, in turn fuels more innovation in its operations. The freedom bestowed by the stellar financial performance gives GUCCI's managers and designers room to maneuver and perspective into the future. This gives GUCCI an edge over those

competitors mired in financial struggles. The excellent implementation of the brand strategies also reinforces GUCCI's brand value. It made the rank 31st in Forbes's World's Most Valuable Brands, only behind Louis Vuitton (9th) and above Hermes (32nd) in the luxury category [12]. The brand's continual gain in value is thanks to the emphasis of the management on the brand's legacy and image. With high brand value, the company's products can command high prices that derive from customer loyalty and engagement.

5. Summary

In conclusion, GUCCI's business strategies encompass a holistic approach that blends product and design innovation, brand image and identity, marketing and advertising, sustainability, and corporate social responsibility. These strategies have led to both financial success and a substantial competitive advantage for the fashion brand. GUCCI's emphasis on product and design innovation serves as the cornerstone of its success. By seamlessly integrating traditional motifs with contemporary trends, the brand has managed to maintain a sense of continuity while appealing to evolving consumer preferences. The shift initiated by Alessandro Michele, adopting an eclectic and maximalist style, breathed new life into the brand, capturing the imagination of the younger generation. GUCCI's marketing and advertising strategies, including collaborations, celebrity endorsements, and meaningful campaigns, have amplified its reach and relevance. Collaborations have injected fresh ideas into the brand and elevated its desirability, while celebrity endorsements have harnessed the influence of pop culture to drive sales. Furthermore, GUCCI's engagement with social and humanitarian causes has aligned the brand with contemporary values, enhancing its reputation and fostering customer loyalty. One of the most commendable aspects of GUCCI's strategies is its commitment to sustainability and corporate social responsibility. The brand's efforts to trace raw materials, reduce environmental impact, and improve the lives of those involved in production showcase its dedication to making a positive difference. By integrating ethical practices into its operations, GUCCI has not only elevated its brand image but also contributed to broader societal goals. The implications of GUCCI's strategies are evident in its financial performance and competitive advantage. The remarkable growth in sales and stock prices after the adoption of new design philosophies and marketing approaches highlights the effectiveness of its strategies. GUCCI's ability to thrive even in a challenging market underscores the resilience and adaptability of its business model. Moreover, the successful implementation of its brand strategies has bolstered its competitive edge, making it a trendsetter and leader in the luxury fashion landscape. In essence, GUCCI's multifaceted strategies have propelled it to the forefront of the luxury fashion industry. By skillfully intertwining innovation, identity, marketing, and responsibility, the brand has not only achieved financial prosperity but has also secured a lasting position as an iconic and socially conscious fashion powerhouse. GUCCI's journey serves as an inspiring testament to the power of strategic vision and creative ingenuity in shaping a brand's trajectory in a rapidly changing world.

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