

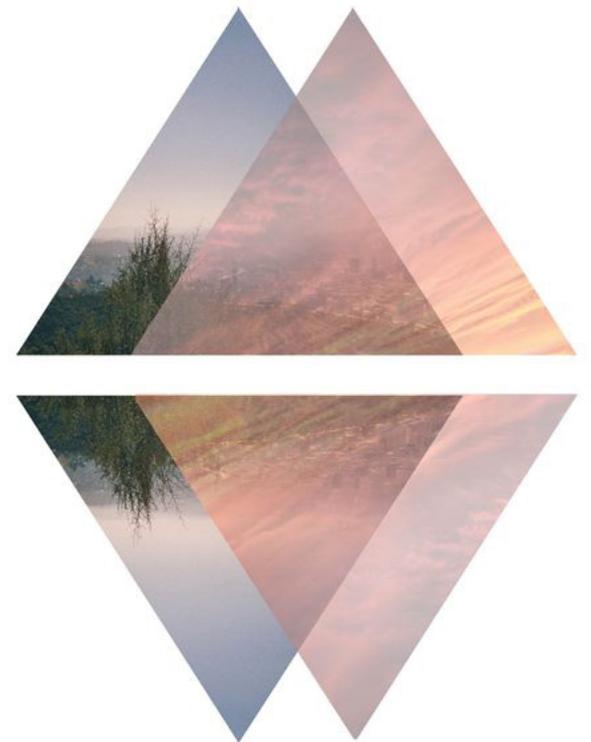


ITALIAN FASHION BRAND IN CHINA

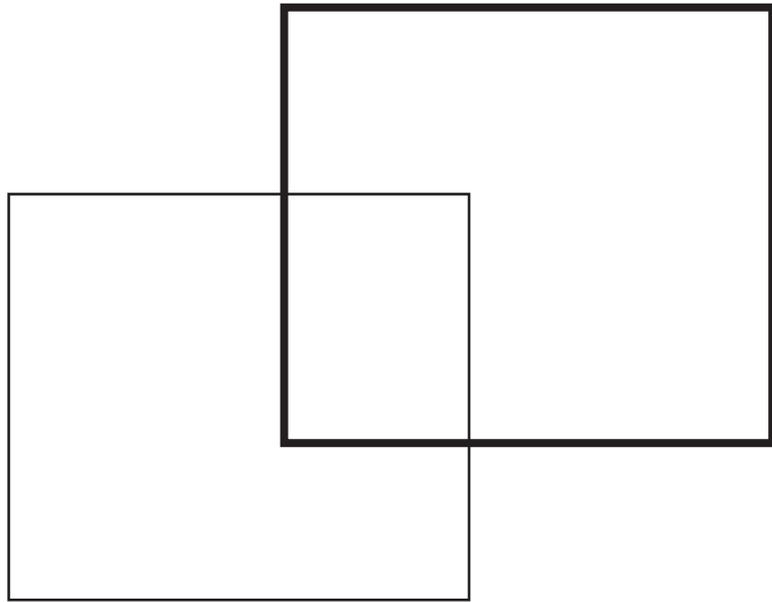
CASE STUDY.

MADE BY

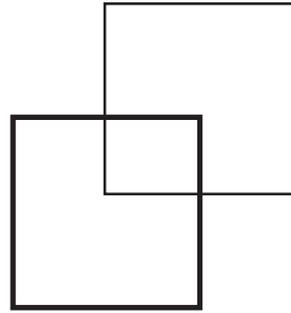
DEVINA MARDIPUTRI



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Gucci is an Italian company founded in Florence and considered to be the most recognizable fashion brands all over the world

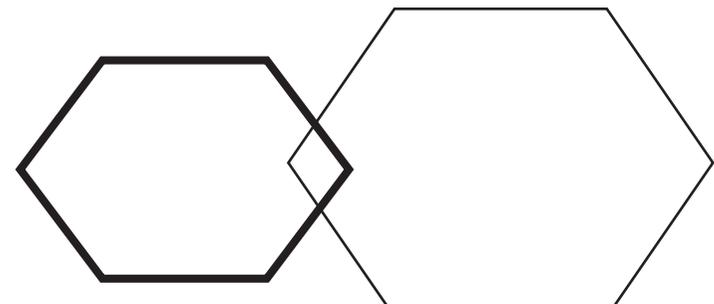
Gucci is known for their high quality leather products and hand-making shoes

Gucci accelerated internationalization in 1989 and targeted at young generation and Asia Pacific Region

At present, Gucci is operating 450 stores worldwide

Brand values stands at USD 9.4 BILLION in 2012 compared to the average brand value of the luxury market .i.e. USD 7.8 BILLION

Today, it is one of the world's leading luxury brands, in fact the name of Gucci



Mission :
To become a group leader in the luxury market at world-wide level through : putting into effect and maintaining

A B O U T G U C C I



GUCCI

Found by Guccio Gucci, he was born in Florence
Guccio Gucci was an Italian business man and fashion designer,
Is the founder of The House of Gucci,
a son of Italian merchant from the country's northern manufacturing region.

GUCCI TARGET MARKET

SEGMENTATION

- Demographic . Age 26-40
Gender : Female
Higher Income Group
- Geographic . Mainly in USA & Europe
- Pshychographic . Fashion Conscious
Socialities
Status Quo

Trendy
Bold
Confident
- Behavioral . Occasion
User Status
Loyalty



TARGETING

26 - 40 Years Old

- .Loves Shopping. Partying & Reading VOGUE.
- .Is Ambitious & Confident.
- Is Fun. Friendly. Fashionable
- .Belongs to the high income group.

POSITIONING

BOLD.
GLAMOROUS.
EXCLUSIVE.
CLASSY.

STRENGTH

- » Very strong brand image
- » Control in distribution channels
- » Strong chain value with suppliers & Retailers
- » Directly operated stores
- » More control its distribution process

WEAKNESS

- » The instability of its management
- » The financial base is weak and alarming

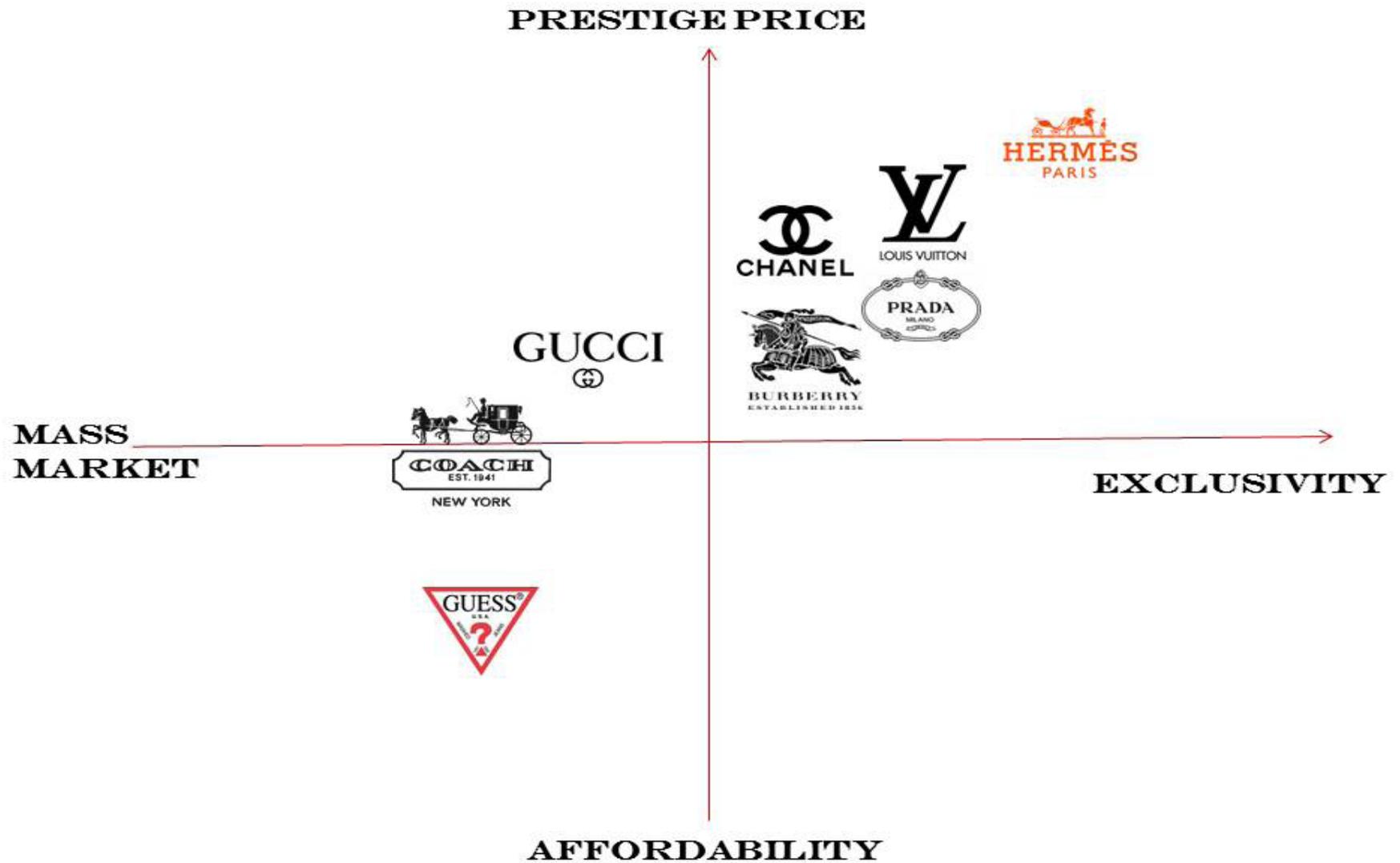
OPPORTUNITIES

- » The emerging luxury markets in growing economies from Asia such as India and China
- » Creating competitive advantage in different business segments
- » The need to expand and create more luxurious product arise

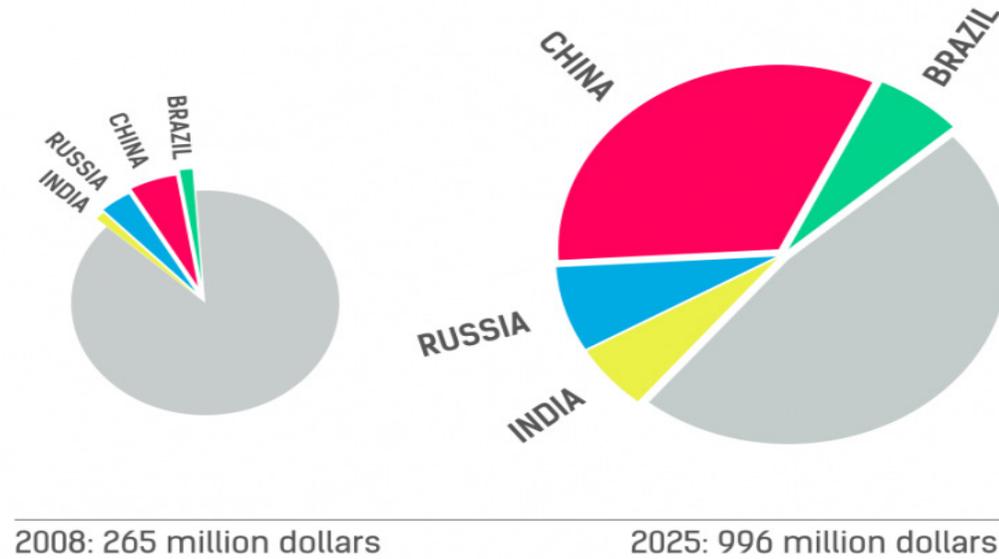
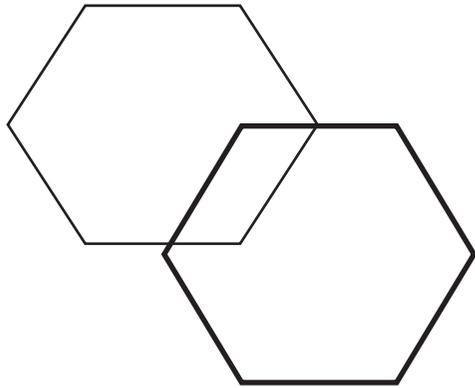
THREATS

- » Companies can carry several brand- and business segments
- » Invest huge money in brand promotions in order to maintain their image

GUCCI S.W.O.T ANALYSIS



GUCCI BRAND POSITIONING



Luxury In China : How are Made in Italy Brands Doing?

Emerging countries currently represent the most important markets for Made in Italy, one of the finest and most appreciated brands in the world, particularly for its luxury goods. In fact, it is the BRIC (Brazil, Russia, India, China) consumers who will constitute the biggest part of the global luxury market. From the data above can be seen that most of the biggest potential market are in China.

INTERNET & THE LUXURY MARKET IN CHINA

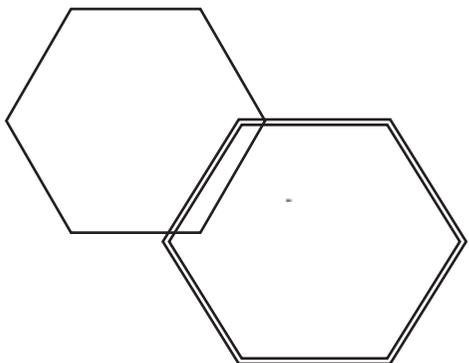
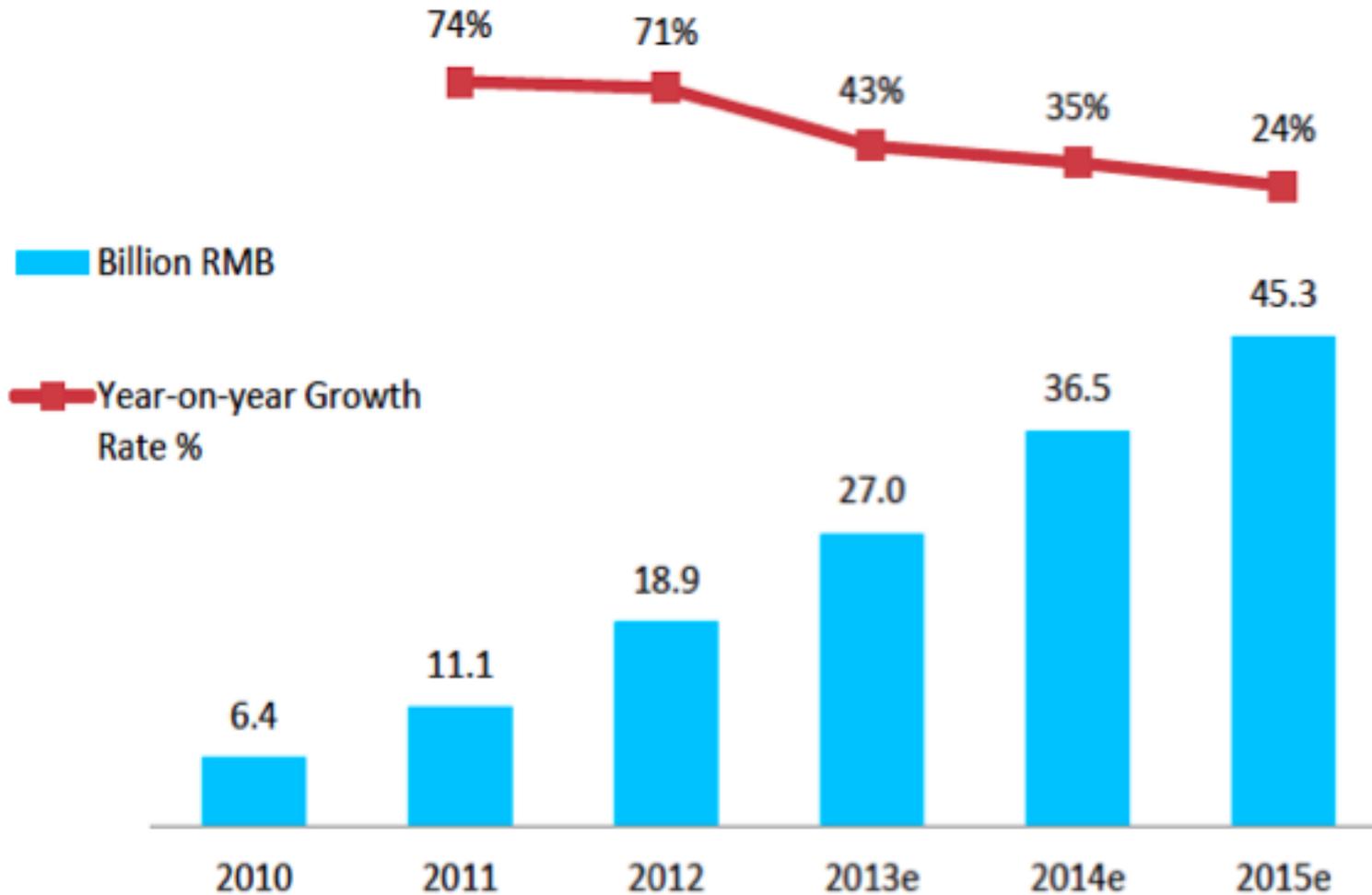
China became the first luxury market: it is estimated that nearly 20% of global activity in this sector is influenced by Chinese demand, and growth prospectives are high. It is indeed expected that Chinese middle-class, currently constituting between 6% and 10% of the population, will grow to 50% within the next 10 years, significantly affecting the purchase of high range products, icon of such status upgrade (source: Observer solutions, 2013).

Chinese buyers' characteristics include average young age (with 80% being under 45), an attraction to western brands and high internet consumption. Therefore it is the Internet itself the ground on which the challenge for Chinese consumers' conquest it to be played. With a 45.8 % of internet penetration, China is in fact the online biggest population: 618 millions of people, with a 10 million per month increase (source: China Internet Network Information Center, 2013).

Amongst them, 91% has a social network account, and in fact Chinese users' habits have changed when compared to past years: they now spend much longer in community oriented activities such as blogging (+128%), particularly on Sina Weibo (+376%) and e-commerce (+152%) (source: Boston Consulting Group, 2013).

Another relevant point is that on-line shoppers' number is 302 millions, obviously likely to increase in conjunction with web users. Expecting 701 millions internet users by 2015, 363 millions Chinese will shop online, 51.8% of the whole population.

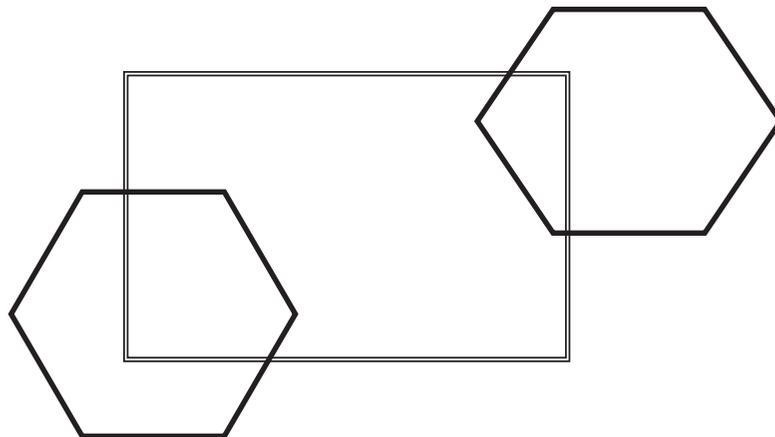
Particularly, the Chinese e-luxury market grew by 71% in 2013 for on-line transactions when compared to 2012. And these are the numbers of China's Internet users and on-line shoppers, since 2009 to 2015 (source: Observer solutions, 2013).



Some brands experiment with alternative strategies, for instance Gucci can be found on Douban, a feedback website where it publishes articles and multimedia contents (more info on Douban can be found on this report). Here it promoted “Cut&Craft”, a contest that challenged its most creative fans to create home-made bags with the help of tips and a small handbook, and rewarded the best creations with original Gucci handbags.

Fendi is also very proactive, creating contests that require Sina Weibo followers to express the meaning of some particular items and allowing them to become involved with theme photographs. By doing so Fendi receives a lot of response, proving that Chinese users do read and follow blogs, but only interact when directly involved. Unfortunately users never receive a reply, even when asking information on how to purchase said goods.

Fendi’s contest for the brand anniversary, on the official Sina Weib page (Sina Weibo, 2013):



恰逢品牌88周年，FENDI特别以“8”为灵感，诚邀您一同庆祝这一纪念时刻。只需
①关注@FENDI ②以手势“8”为元素，拍摄一张你的照片③上传照片至微博，加入#FENDI
年致敬匠艺#话题并@“@FENDI”，将有3位幸运粉丝获得FENDI精美卡包一枚（价值
RMB 1580）。活动截止至11月3日。



MADE IN ITALY IN CHINA: THE STATE OF THE ART

Thanks to this, luxury brands have a large array of opportunities in China, as long as they are able to understand its peculiarities and can combine e-commerce to a strategy aimed at social media marketing.

An example of the importance of localising contents is found in Versace's Sina Weibo account, where are mainly shown products rather than any particular initiative. When comparing photos of stars in Versace, the most appreciated pictures are those inherent to Asian celebrities.

在寒冷的纽约，穿上VERSACE 2014 春夏最新印花裙的@SooJooPark_official，心情也花漾了起来～！期待-ing @伊周Femina

@SooJooPark_official 

Do you like this look?     



2月12日 12:32 来自iPhone客户端

 (43) |  (42) |  (21)

2月12日 16:20 来自微博 weibo.com

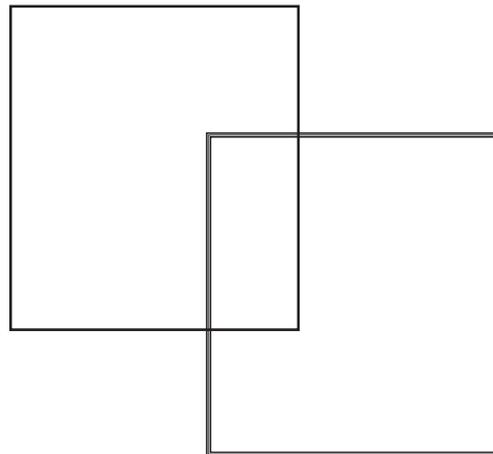
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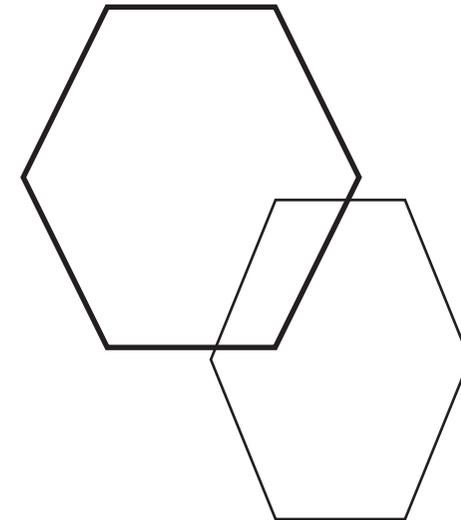
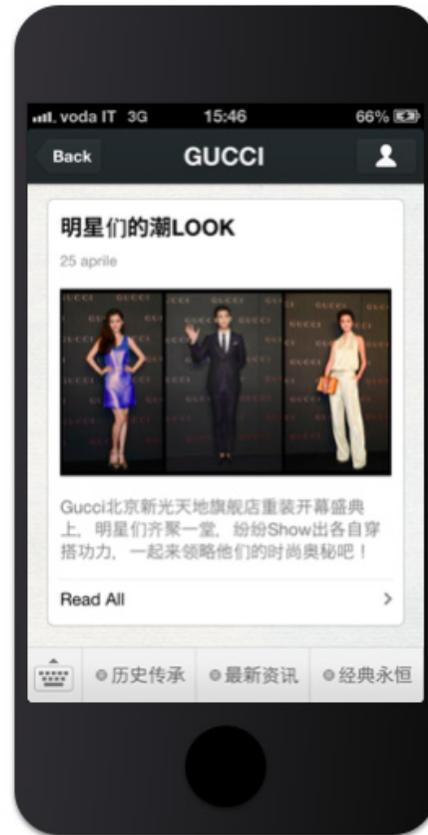
Salvatore Ferragamo is the only one to offer privileges, discounts and gifts for owners of Sina Weibo VIP accounts.

These are interesting initiatives that show a certain (limited) degree of experimentation, but they do lose value when it comes to completing the purchase: for a lot of Italian brands e-commerce in China is not actually available (e.g. Gucci, Bottega Veneta, Zegna, Fendi, Versace, Prada).

Prada, on top of having a disorganised and slow Chinese website, is totally absent from any Chinese social network. Explanation of this can be found in Miuccia Prada's statement, who declared herself to be against e-commerce and not convinced by other competitors' trials, although she admits it is fundamental to be present on the web.

In fact, the fact that there was no official social media channel for China allowed the creation of a fake Prada profile with a quite large fan base, posing a risk of creating misinformation and a distorted brand image, besides that of losing potential customers.





Although it must be noted that the same thing may happen even for those brands that have well-established presences on Chinese social media, such as Dolce&Gabbana.

Some brands invite users to follow their official accounts on WeChat via a QR code, where they personally thank new followers for the subscription, but then post very few updates. Yet the trend is changing: many brands are getting more and more active on their official WeChat handles (such as Gucci), that are sometimes directly managed by local distributors, as in the case of Max Mara.

FOR THIS REASON...

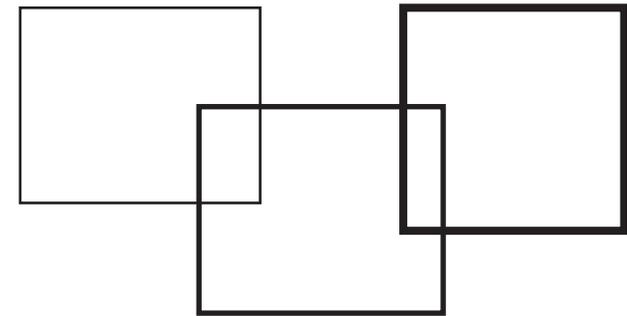
For this reason it is of uttermost importance to base user targeting on the city they are from, as they will have different desires. To exploit social commerce, updating official profiles and making it simpler for the user to move from purely informative and entertaining contents to an actual purchase, does not mean to denaturalise luxury's communicative essence, which can easily possess a detached and prestigious register, but to take advantage of products going viral by digital word of mouth.

The key is to therefore relate with the Chinese audience with new eyes, and to export Made in Italy socially and digitally in order to conquer this important emerging market.



LUXURY GOODS MARKET IN CHINA

For a long time, China bucked the global trends of having a luxury market powered by female shoppers. Back in 1995 only one in ten high end purchases in China was made by a woman. Men had more money, and before the Chinese government introduced new laws to clamp down on bribery, used to give lots of luxury presents to their business partners. Now Chinese women are catching up, and account for roughly half of consumers in the China luxury goods market



What do Chinese women buy?

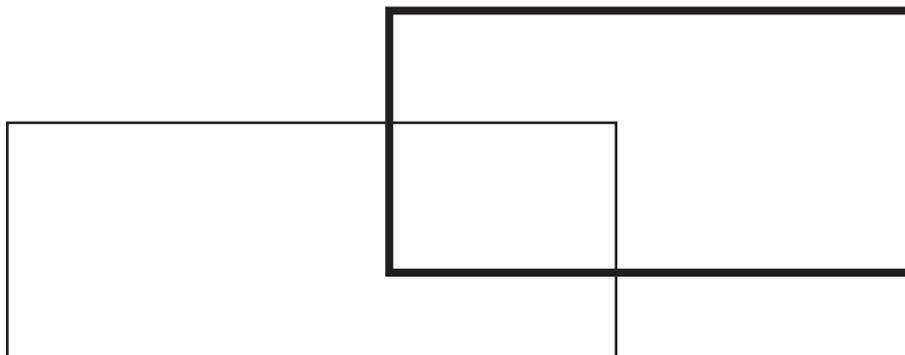
In China, giving an expensive gift is a sign of your own personal success, so Chinese women give only the best. Louis Vuitton used to reign supreme in the luxury fashion market, although it has now been knocked down two places. Rival firm Chanel had taken the number one spot in 2013, according to the volume of internet searches performed for luxury goods China. As of the beginning of 2015, however, the top spot goes to Apple.

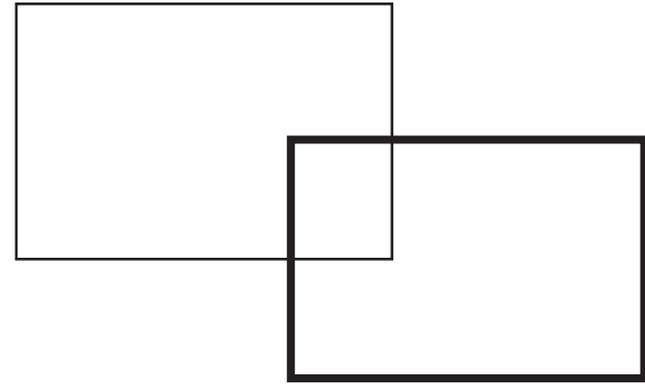
LOUIS VUITTON IN CHINA

There was a time where Louis Vuitton was the must-have fashion for Chinese women in the China luxury goods market. It was so popular that one French outlet has to introduce a rule that only one handbag could be bought per passport, otherwise Chinese tourists would clear out their entire inventory (source: English.People.CN). Now only 10% of Chinese women prefer LV when gifting, placing it firmly in the number 3 spot.

FASHION ADDICTS ADDICTED TO LUXURY GOODS IN CHINA

While sale of watches and expensive menswear fell last year, demand for cosmetics, perfume, and women's wear grew by 10 per cent. Middle income women, from wealthy urban cities such as Beijing, Guangzhou, and Shanghai, are driving the demand in the China luxury goods market. These women are knowledgeable about fashion brands and want to impress their friends and peers (source: Bloomberg).





SELLING LUXURY GOODS IN CHINA

There is a gradual shift happening in the China luxury market. Women have more purchasing power and the gender split in shoppers is starting to move towards global averages. Products targeted at women are gaining popularity, and the general rule still applies that if you want to succeed in the Chinese market, you must customise your offering to meet the demands of domestic shoppers.

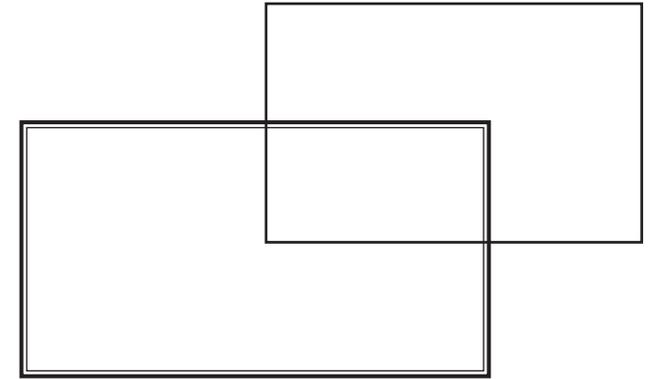


WHY DOES CHINA LOVES LUXURY GOODS?

In 2014 China was the world's fifth largest consumer of luxury goods, beating the United Kingdom and Germany by spending €15 billion. Chinese consumers are expected to spend around £18.6 billion on luxury goods in 2015, accounting for 20% of global luxury sales, rising to £53.8 billion by 2020. It's not just at home that the Chinese are spending big: they are expected to spend £62.5 billion abroad by 2020. The fastest growing items in the Chinese luxury market are high-end watches, women's and men's clothing, and leather goods (source: Statista).

YOUNG MONEY

Traditionally luxury items are seen as products for older consumers, who have most disposable income and highly-paid jobs to justify their spending. In China, however, it is the younger shopper who is increasingly keen to have the latest luxury goods. Shoppers aged 18-34 account for just under half (45%) of the luxury consumers in China. The fast growing Chinese economy is creating more consumers with considerable amounts of disposable income – two thirds of people buying luxury good in 2010 were doing so for the first time. Apparel advertising has now become one of the fastest growing areas of online advertising to keep pace with the demand (source: Business Insider).

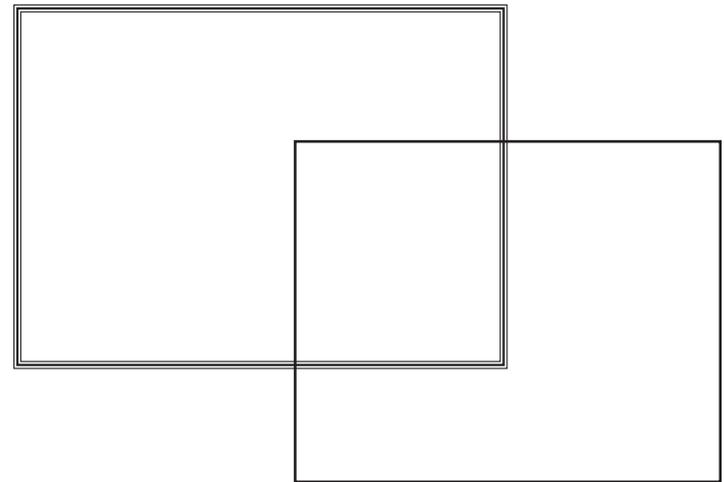


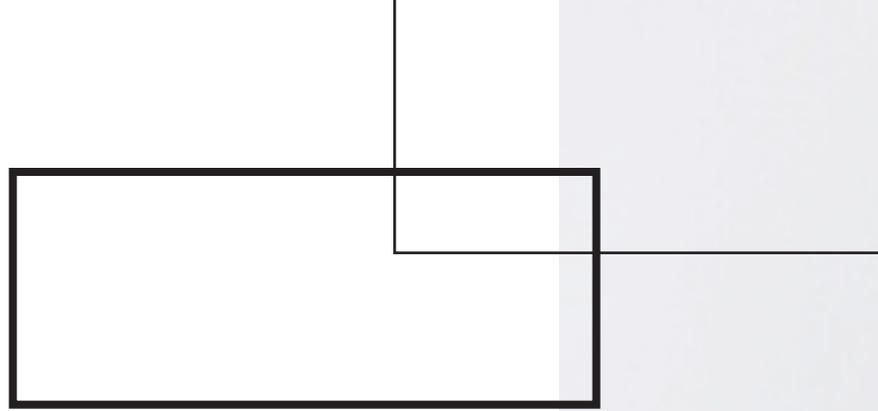
INCREASED EXPOSURE

Chinese people are more aware of luxury brands than they were a few years ago. The internet, in particular social media, has helped to spread awareness, as has the increasing number of luxury retailers opening stores in China. Being able to afford to travel abroad means that Chinese consumers can discover new luxury items and bring knowledge of these back home. Between 2008 and 2010, brand awareness grew quickly, with consumers becoming twice as aware of luxury brands (source: McKinsey).

GREAT DEALS ABROAD

China's large import duties make buying luxury goods at home very expensive. Chinese consumers are becoming more price savvy, with a falling number of shoppers automatically assuming that the most expensive items are the best quality. Luxury consumers in China now compare products and prices online to find the best deals, and there is an increasing awareness that products are much cheaper overseas than they are at home. This explains why Chinese shoppers are happy to spend £1,700 each per trip on luxury goods when they come to Britain – a figure three times the average for the market (source: Economist).





MAKING THE MOST OF THE CHINESE OBSESSION WITH LUXURY GOODS

Being one of the fastest growing luxury markets in the world means China is a viable and worthwhile focus for your business. The Chinese middle class is growing fast, and there are a huge number of millionaires in the country (around 2.8million, currently), many of whom are young (source: Economist). From entering the foreign market, or attracting the attention of Chinese tourists visiting the UK, there is plenty you can be doing to benefit from this lucrative market segment. The Chinese demand for luxury goods is going to increase. Are you going to be there to meet it?

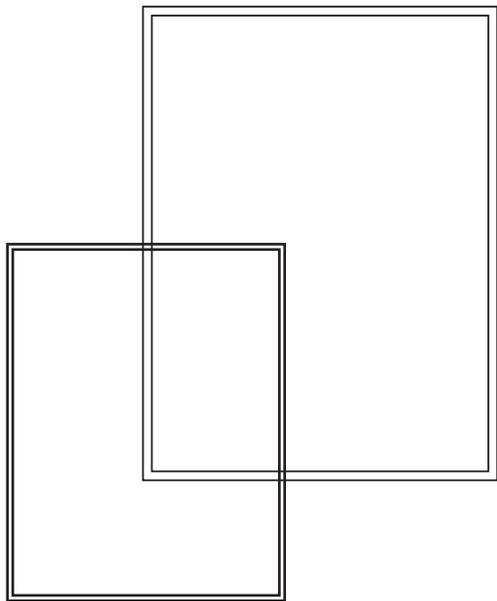


A photograph of three women walking on a cobblestone street in a European city. The woman on the left is wearing a black dress with a large fur collar and a large brooch. The woman in the middle is wearing a colorful, multi-colored dress with a large fur collar and red high-heeled shoes. The woman on the right is wearing a white dress with black spots and a large fur collar. The background shows a street with buildings, a red circular sign, and a man in a suit walking in the distance.

**STRATEGIES OF LUXURY
BRAND ADJUSTING IN CHINA**

BUILD TRUST

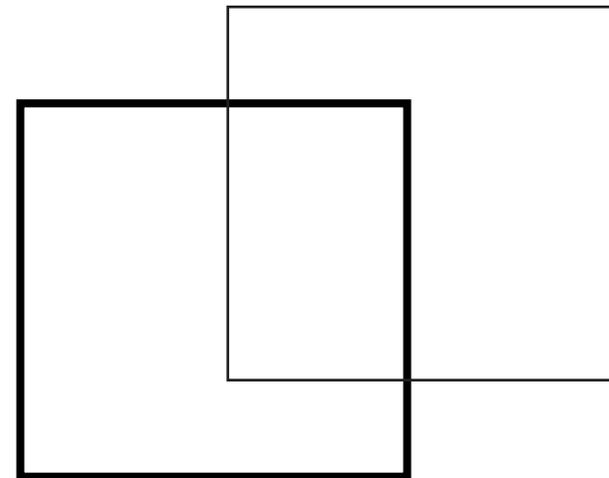
When it comes to luxury goods, fraud is a big problem in China. Globally, fraud is worth \$600 billion per year, and Chinese shoppers are very wary of it (source: Global Legal Post). It is vital that your luxury brand marketing works to build an element of trust. While just over 50% of online shoppers report feeling more confident about buying online, 78% still want to visit a store in order to see a physical version of the product (source: Enterprise Innovation). Your marketing will therefore have to work hard to ensure you build a trustworthy brand that people feel comfortable buying from.



CREATE EXCLUSIVITY WITH YOUR LUXURY MARKETING

Western goods show off a person's success in China. Just as in the West, certain brands are valued for their exclusivity. If everyone owned them, nobody would want them, and Chinese consumers have the same attitude. We've seen in previous posts how Chanel have managed to curate an image of selectness by only opening one boutique in Shanghai, despite the city's vast population. Other luxury brands have seen their perceived value fall simply because they opened too many stores.

Even if you are planning to target China online shopping, creating luxury brand marketing that suggests exclusivity can serve to attract wealthy consumers who want to stand out from the crowd.



PRESENT THE RIGHT FACE OF YOUR BUSINESS

We say this all the time, but being aware of cultural differences is the most important thing to remember. Global companies often fail in China because they didn't adapt their offering. What Chinese people value can be different to western consumers. Luxury marketing in China isn't about making your product seem different to what it is, it is about choosing which features and benefits to highlight to the new market. Get your luxury brand marketing right, and China will reward you greatly.

IDENTIFY BRAND AMBASSADOR

There was a time when celebrity endorsement was a marketing tactic that could only be used by the biggest companies. Modern social networks now create a wealth of minor celebrities (many of whom won't be known at all outside of the online sphere), who are called KOLs (Key Opinion Leaders). These people have a strong platform of loyal followers, and therefore make perfect influencers.



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