

Analysis of GUCCI Business Strategies

Cheng Chen

School of Economy, Nanjing Audit University, Nanjing 213324, China

Abstract

Along with the development of Chinese emerging customers of luxury comes more opportunities and challenges. And Gucci is one of famous and successful luxury brands in Chinese market. Therefore, the main aim of the report is to analyze the business strategies and its customers and provide reasonable suggestions for Gucci. In this report, Gucci is an example of luxury goods which is chosen to be analyzed in Chinese market. The full report uses specific examples to carry out a specific analysis around Gucci. First of all, in the introduction, the report analyzes the background of the luxury industry in today's Chinese society, and it briefly introduces the relevant information of the luxury brand Gucci. Secondly, the report analyzes Gucci's market segmentation, target market and consumer behavior. The market segmentation analysis includes Gucci's geographic, demographic, psychographic and behavioral segmentation analysis in China. And report critically evaluates and thinks about the market segmentation of Gucci in different angles. In addition, the report mainly focuses on the analysis of Gucci's strategies for creating, communicating and conveying value. These strategies are sequentially and specifically analyzed according to different processes and combined with corresponding cases. Finally, in view of the above analysis, the report lists some suggestions and analyses for Gucci. And then, the report summarizes the all opinions in the conclusion.

Keywords

GUCCI; Management; Business Strategies.

1. Introduction

The global luxury brand market is growing rapidly. The massive demand from emerging market countries such as China[10], India, and Russia is an important source of the expansion of the luxury market. The current luxury consumer may be a teacher, a banker or a plumber. Large-scale consumption of luxury goods is the democratization of luxury goods. First, the increase in disposable income has given consumers financial support to purchase luxury goods. More and more consumers can afford luxury goods. The second factor is that celebrities from the sports, music, fashion, and entertainment industries who pursue fashion have brought luxury brands from fashion magazines to popular media and the public's vision. The last reason is that consumers can easily buy luxury goods. The Internet makes it easier for mass consumers to access popular designs. Consumers can buy their favorite brands in many ways.

GUCCI is an Italian luxury brand of fashion and leather goods. GUCCI has high quality, strong reputation and brand loyalty. Gucci has different products, including bags, shoes, belts, jewelry, perfumes, hats, gloves, scarves, sunglasses, wallets and watches. GUCCI is one of the global boutique brands, it has unique creativity and innovation, superb Italian craftsmanship and so on. In addition, Gucci belongs to the global high-end boutique group-Kering Group (Kering), which owns a series of well-known brands such as fashion, leather goods, jewelry and watches.

2. Analysis of GUCCI 's Market Segments and Customer Buyer Behaviour

2.1. Geographic Segmentation of GUCCI

As a leader in luxury goods, GUCCI not only pursues high quality, but also delivers lifestyle. It provides consumers with high-end services and products. For consumers, it is a symbol of status and wealth[11]. Consumers buy Gucci not only for Gucci's high-quality products, but also to demonstrate their status and wealth. But as people increasingly pursuing fashion and trends, Gucci has no advantage in this regard, and it is not feasible for Gucci to pursue quality and lifestyle blindly. Obviously, GUCCI pays much attention to the market segmentation because they are exclusive and of great quality. Market segmentation divides a market into smaller segments of buyers, and targeting selects the segment to enter. Both segmentation and targeting create value for targeted customers[8]. The analysis of segmentation of GUCCI includes geographic segmentation, demographic segmentation, behavioural segmentation and psychographic segmentation[8].

Geographic segmentation divides a market into different geographic units, such as nations, regions, countries, cities and so on[5]. Many companies are localizing their products, advertising, promotion, and sale efforts to fit the needs of individual regions, GUCCI is no exception.

In China, Gucci mainly develops business in cities with high living standards such as first-tier and second-tier cities, because people in these places have high income levels, high spending power and high living standards, and the demand for luxury goods such as GUCCI in large urban areas is also relatively high. In cities like Shanghai and Beijing, GUCCI's stores are located in business districts and other places with a high flow of people and a developed economy.

In general, GUCCI's geographic segmentation in China is reasonable, but in the world, Gucci's geographic segmentation is not very good, because it tends to ignore developing countries and emerging markets such as China. Most of Gucci's business is basically carried out in a few regions in the Americas and Europe. Consumer behavior in these regions is unique in terms of quality. But it ignores emerging markets.

2.2. Demographic Segmentation of GUCCI

Demographic segmentation divides market into segments based on age, life-cycle stage, gender, income, occupation, religion and so on[5]. GUCCI's products are aimed at children, men and women of the upper class between 25 and 55 years old, who are generally high-income groups. GUCCI's children's clothing line adds a new target market for GUCCI. According to demographic segmentation, GUCCI produces male and female products, children's and adult products. Their products are mainly aimed at men and women with a higher social class and a strong financial foundation. In addition, the Gucci brand does not consider the economic class or the middle class, so its utilization of the market population is inefficient.

2.3. Behavioural Segmentation of GUCCI

Behavioural segmentation divide markets into segments based on consumer knowledge, attitudes, uses or responses to a product[5]. In China, GUCCI has high consumer loyalty due to its excellent quality. The first segment is fashion traditionalists. Conservative luxury consumers value high quality and service[9]. GUCCI is very good for them to select. The second is fashion leaders. For those who care about image, fashion leaders are people who lead fashion trends, such as celebrities, who are more inclined to buy brands based on style. The third is fashion followers, they are more inclined to buy high-priced things to meet their needs[3]. Quality is not very indispensable to them, what is more indispensable for them is the appearance and the degree of matching with the trend.

2.4. Psychographic Segmentation of GUCCI

Psychographic segmentation divide a market into different segments based on social class, lifestyle, personality characteristics[5]. Psychographic segmentation is the most important thing that GUCCI pay attention to. Due to the increase in disposable income, unemployment, the increase in female employment and wealthy class in China[10], Gucci is very concerned about lifestyle[9]. Its customers are mainly celebrities, high class people and nobles, and their buying decisions are mainly influenced by the groups they belong to. However, due to the epidemic and economic recession, people try to reduce impulsive purchases and are more cautious about consumption of luxury goods. In addition, as purchases of counterfeit luxury goods increase, this may result in a decrease in the customer loyalty.

2.5. Evaluation

In China, Gucci's market segmentation is too narrow and its high level of attention to lifestyle has led to the difficulty of diversified development [6]. In recent years, with the rapid development of China's economy, people's living standards have been continuously improved, and their consumption capacity has also been continuously improved. It can be seen that the Chinese market is very important, and the luxury industry's dependence on the Chinese market is gradually deepening. This also promotes the further deployment of brands in China. The strong growth of Gucci's performance is inseparable from the pursuit of Chinese consumers. Therefore, Gucci should consider more deeply in market segmentation in China.

3. Analysis of GUCCI's Strategies for Creating, Communicating and Delivering Value to Their Target Markets in China

3.1. Product Strategies

Product strategies create value for customers[8]. GUCCI's products have four main features. The first is classic products such as equestrian chains and bamboo handles. The second is that the concept and characteristics of the product are very distinctive, it is mainly nostalgic style, insists on hand-made, and emphasizes creativity and innovation[4]. The third is brand designers, Gucci designers are very famous and powerful designers such as Tom Ford. The fourth is that Gucci often cooperates with artists to improve the culture and style of Gucci in consumers' hearts[7]. There is no doubt that Gucci's products have high level of quality and its packing and design is also unique.

3.2. Brand Management and Integrated Marketing Communication Strategies

Organisations communicate value through their integrated marketing communication strategies and brand management strategies[8]. Gucci has adopted many marketing methods that are personalized to the target customers. The first is that Gucci organizes fashion shows, art exhibitions, launches themed magazines, and high-quality themed art advertisements[1]. The second is that Gucci has done a lot of social welfare and cooperated with well-known artists and artist cooperation. While carrying out these activities, Gucci's cultural philosophy and history were conveyed, and the brand awareness was further improved. In addition, GUCCI uses a complete aesthetic system to let everyone accept the new GUCCI, uses exhibitions and online digital art plans to make everyone fall in love with GUCCI, and a series of co-branded series and DIY customized services to achieve the drainage of product sales. These marketing methods not only increased Gucci's popularity, but also increased Gucci's sales. Besides, Gucci is very cautious when choosing spokespersons. In China, only Huang Xiaoming, Li Yuchun and Ni Ni have spoken for Gucci. They are both influential figures in the entertainment industry and have a large fan base. Therefore, this has brought good economic benefits to Gucci.

Gucci embodies more changes in content production and content output. A large number of cross-border cooperation, artist projects and digital media projects provide more activity for the brand. The marketing strategy that makes Gucci stand out is content production, especially gathering a number of people for content production. Gucci provides a platform for many people to share ideas and produce innovation, to achieve the scale effect of collective creation, so as to achieve high-quality effective interaction. Gucci's art exhibition model is becoming less and less easy to be copied, and it is moving away from competitors. Throughout the various projects of Gucci, the common point is to deepen and broaden the connotation of the brand, and continuously produce ideas. Uninterrupted artist cooperation projects allow the brand to continuously output fresh ideas through collective creation[4].

3.3. Customer Engagement and Relationship Building Strategies and Distribution Strategies

3.3.1. Pre-purchase Touchpoints

Firstly, "My good life" is the advertising slogan of GUCCI, it well conveys the characteristic of GUCCI to customers. GUCCI makes the special advertising video based on Chinese culture and matched on the preference of Chinese. It catches eyes of customers on GUCCI's products[4]. For example, In 2019, to celebrate the Chinese New Year, Gucci launched a special series based on the concept of the zodiac. This series uses pigs with different looks and naive attitudes as themed patterns, decorated with many iconic Gucci items, once again showing creative director Alessandro Michele's imagination of combining natural elements with modern aesthetics. In this collaboration between Gucci and Disney, the original three little pigs pattern is decorated in the form of stickers on Ophidia series handbags, Ace series sneakers, wallets and denim shirts. This classic pattern is also decorated in a The dial of an exclusive watch. In addition, elements from the original poster of "The Three Little Pigs" have also been re-engraved on T-shirts and sweaters.

Secondly, it is obviously that GUCCI has good customer loyalty and good reputation in China. However, some negative events influenced the goodwill and reputation of GUCCI. Racial discrimination is a sensitive and important topic in today's society. Gucci is deeply caught up in the public debate of racial discrimination because of a kind of sweater. This incident has brought many negative effects to Gucci. In China, this case of racial discrimination affects the image and status of GUCCI in the minds of consumers, because many Chinese people are very concerned about and resist racial discrimination.

3.3.2. Purchase Touchpoints

With the rapid development of China's Internet, logistics and economy, China as an emerging market has brought much convenience to the luxury goods industry[10]. Due to some special reasons, Gucci reduced the expansion of the number of offline stores in China and increased online purchase channels such as brand websites, flagship stores, and live purchases[2]. Due to the rapid development and regulation of China's logistics and e-commerce, many consumers can buy luxury goods online with confidence[7]. Therefore, with this opportunity, Gucci has increased its online sales channels. Chinese consumers can buy more easily and conveniently, and it is more convenient for after-sales services.

3.3.3. Post-purchase Touchpoints

After purchasing products, on Gucci's official website in China, it has a dedicated after-sales service section including online consultants, customer service consultation hotlines, store appointment services and customer service emails. However, many consumers in China have complained about Gucci's after-sales service. The main problems include: when they encounter after-sales problems, the service process is complicated and lengthy, and it is even more difficult to return the goods. It is worth noting that the return and exchange of luxury goods is

not a problem abroad, and "only exchange but not refund" is common in the domestic luxury goods market. Experts believe that this is a disguised overlord clause.

4. Recommendations

Based on the above analysis of Gucci's market segmentation and strategy, it is not difficult to see that Gucci's marketing has some problems. First of all, Gucci's market psychographic segmentation and behavioral segmentation are somewhat narrow, which is not conducive to Gucci's diversified development. Secondly, although Gucci's integrated marketing and other strategies are diverse and very effective, Gucci's racial discrimination incident has brought some negative impacts to it. And as Gucci is a leader in the luxury goods industry, its after-sales service needs to be strengthened. In addition, in the Chinese market, the loss of fake and inferior products to Gucci is very large. Fake and inferior products not only cause huge sales losses to Gucci, but also dilute Gucci's brand value. Many retailers like Zara have settled in China, which provide designs similar to those of big brands at low prices, which has a certain impact on the development of Gucci.

How to improve and solve these problems is very important. Firstly, in terms of market segmentation, Gucci should expand its market to increase market segmentation such as psychographic segmentation. For example, Gucci should think more about psychographic segmentation. Although Gucci has good customer loyalty and cares about lifestyle, Gucci can consider the different social classes and personal characteristics of consumers, and segment the market for people of different classes and personalities. For example, for celebrities and trend-seeking people, integrate fashion and trend elements into products. For people of high social class, elegance and other elements can be incorporated into the product, because such people tend to pay more attention to a solemn personal image.

In addition, in making strategies, first, Gucci should maintain a good brand image and reputation. Gucci should not only maintain high-quality products, but also avoid negative social influences in terms of ethics and values. A good image and a good culture are important factors in attracting customers. Secondly, in terms of after-sales service, although Gucci's after-sales mechanism has been perfected, its implementation needs to be strengthened. For customers' return and exchange requirements, Gucci should standardize and strengthen the service process to avoid consumer losses. Thirdly, in China, corporate social responsibility is an important way to improve brand image and reputation. Gucci can organize social welfare activities in China to increase brand awareness and positive image. Finally, Gucci can make more special changes in its product designing in order to stand out among its competitors and avoid plagiarism. For example, it can integrate some new elements that are unique about Gucci's culture.

5. Conclusion

In China, Gucci can be regarded as a luxury product with relatively successful marketing. Although the market segmentation is slightly inferior, in general, Gucci's market segmentation and strategy are successful, but Gucci needs to pay more attention to diversified development and segmentation and corporate social responsibility to avoid negative social impact. In addition, many factors in society now drive Gucci to improve its marketing strategy. For example, the first factor is that the epidemic and economic recession have affected Gucci's sales volume, especially the sales of offline stores, and the second factor is that Chinese consumers' taste has undergone tremendous changes and the aesthetic level has greatly improved. The third factor is that the substantial increase in the consumption level of China's middle class has brought opportunities for Gucci. This shows that the development of Gucci in China is a

combination of challenges and opportunities. Gucci should optimize its strategy to improve its deficiencies and disadvantages.

Acknowledgments

Natural Science Foundation.

References

- [1] Bai, H., McColl, J., & Moore, C. (2017). Luxury retailers' entry and expansion strategies in China. *International Journal of Retail & Distribution Management*, 45(11), 1181-1199.
- [2] Bai, H., McColl, J., & Moore, C. (2018). Hong Kong, a gateway for mainland China? Examining the impact of luxury fashion retailers' ownership structures on expansion strategies. *International Journal of Retail & Distribution Management*, 46(9), 850-869.
- [3] Gao, L., Marjorie J.T. Norton, Zhang, Z., & To, C. K. (2009). Potential niche markets for luxury fashion goods in China. *Journal of Fashion Marketing and Management*, 13(4), 514-526.
- [4] Henninger, C. E., Alevizou, P. J., Tan, J., Huang, Q., & Ryding, D. (2017). Consumption strategies and motivations of Chinese consumers. *Journal of Fashion Marketing and Management*, 21(3), 419-434.
- [5] Kotler, P., & Armstrong, G: *Principles of marketing*.15th edition.(Pearson College Div, American 2014).
- [6] Li, G.(2012). Luxury fashion brand consumers in China: Perceived value, fashion lifestyle, and willingness to pay. *Journal of business research*, 65(10), 1516-1522.
- [7] Prange, C: *Market entry in China : case studies on strategy, marketing, and branding* (Springer, Switzerland 2016).
- [8] Reed, P: *Strategic marketing : Decision making and planning*. 4th edition (Cengage Learning, Australia 2015).
- [9] Wang, Y., Sun, S., & Song, Y. (2011). Chinese Luxury Consumers: Motivation, Attitude and Behavior. *Journal of promotion management*, 17 (3), 345-359.
- [10] Information on: <https://martinroll.com/resources/articles/asia/chinese-luxury-consumers-trends-and-challenges-for-luxury-brands/>.
- [11] Zhang, B. (2013). Luxury fashion consumption in china: Factors affecting attitude and purchase intent. *Journal of retailing and consumer services*, 20(1), 68-79.