

CORPORATE BRAND MANAGEMENT AND REPUTATION

MASTER CASES



Doing a Gucci

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Corporate Brand Management and Reputation: Master's Cases

The "Corporate Brand Management and Reputation: Master's cases" is a case series for applying the case method of teaching and learning in higher education. The cases are relevant to brand strategists in private and public sector organizations, as well as academics and students at universities, business schools, and executive education.

The cases are written by groups of master's students as a course project. The specially developed case format is defined as: *"A management decision case describes a real business situation leading up to a question(s) that requires assessment, analysis, and a decision reached by discussion in class. The alternative approaches and recommendations from the class discussion are followed by a description of the choices made by the case company. This description is then discussed by the class."*

The student groups select the topics of their case providing updated and relevant insights into the corporate brand management. The cases can be used as "written cases" (handed out and read in advance, later to be discussed in class) and/or as "live case" (presented by the teacher following a discussion in class). Each case includes teaching notes, visuals with speaker's notes, learning objectives, board plans, and references.

The mission of the series is *"to develop cases for discussion providing insights into the theory and practice of corporate brand management and reputation, with the intent of bridging the gap between academic teaching and managerial practice."*

The series is a result of co-creation between students and teachers at the elective course Corporate Brand Management (BUSN35 – five-credit course/eight-week half-time studies), part of the master's program International Marketing and Brand Management at Lund School of Economics and Management, Sweden. The cases represent the result of the intellectual work of students under the supervision of the head of course.

Although based on real events and despite references to actual companies, the cases are solely intended to be a basis for class discussion, not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. The cases are free to be used and are to be cited following international conventions.

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Doing a Gucci

WRITTEN CASE

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MANAGEMENT DECISION CASE

02 – 2022

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Tom Ford's fax machine roared to life and started spitting out a rather executive-looking document...

Mister Ford, I hope all is well.

7th of September 1994

As you know, Gucci has had a rocky few years, with Maurizio mismanaging the finances. We are pleased with your work so far as creative director, and we would like your perspective on the future of the brand.

Please present yourself in my office on Monday the 14th of September next week at 9.30 AM. I have scheduled a meeting with the board of Investcorp. Please prepare a sales pitch on the future positioning of the brand.

Signed,
James Jamesson
Vice Chairman, Corporate Investment North America - Post Acquisition Management

Tom had to read the message over twice. Meeting the board could only mean one of two things. Either big things are about to happen in the company if they are willing to listen to his ideas and perspectives. Or maybe they will find another creative director if his ideas do not align with Investcorp's future plans. But Tom Ford is a designer, not a businessman. Why would they want his input on positioning? Perhaps they have realised that creativity must be put front and centre, and that the designs are the physical embodiment of the positioning policies. Contemplating the possibilities of positioning is no small task. Gucci has a rich heritage and a long history of being an exclusive Italian brand with a classic style, and that is what has taken them so far. Tom is a more daring, creative, and modern designer. Is Gucci ready for a more modern positioning? Is Investcorp ready? Or would such a drastic change only plunge them further into debt... For now, he must consider everything about the brand, from past to present: The founding and expansion of Gucci, the intense 80's, Gucci's competition in the market, and their options to escape bankruptcy....

Doing a Gucci

Gucci is arguably one of the world's most recognizable fashion houses, with a rich history throughout the 1900s, all the way up to the present day. Known for their exclusive Italian leather products, Gucci became a go-to brand for the rich and famous, movie stars and even royalty. But the history of Gucci is a dramatic one, with scandals, twists and turns and many major changes to the organisation. In this case we will be tackling perhaps one of the most monumental challenges Gucci has had to face, set in the 1990s.

The Founding and Expansion of Gucci

The luxury brand Gucci was founded in 1921 by Guccio Gucci, in Florence, Italy. In 1881, Guccio was born into a family that made leather goods, and later in life, he also saw himself drawn to the material, especially in relation to the luggage craftsmanship. Fast forward to 1921, Guccio launched the first Gucci store in Florence's Via Della Vigna Nuova. Guccio started out with selling imported leather luggage and a small assortment of handcrafted Italian leather goods. Slowly but surely the company grew, but during the 1930s a trade embargo on Italy affected Italian goods and leather specifically, forcing Guccio to innovate, which resulted in a new leather tanning technique that has since become the Gucci trademark. In 1937, Gucci launched its first handbags, which also is a staple product even to this day.

From the 1950s onward, Gucci experienced worldwide renown as a label of choice amongst wealthy travellers, the upper-class Hollywood stars, and even royalty, and was famous for its extravagant and opulent designs. It was during this time, following World War II, Guccio distributed the shares of the company to his three sons, Aldo, Vasco, and Rodolfo, who had joined the company only shortly prior to the war. Unfortunately, Guccio passed away in 1953. Now the company went from one visionary to three, and this would prove to become a volatile mix of impressive expansion and success, as well as drama, intrigue, and tumultuous in-fighting between the Guccis.

Just before Guccio's death, Gucci opened its first store in New York, USA. This period was known for international expansion. For instance, in 1961, Gucci opened another store in both London and Palm Beach, and then another one in Paris in 1963. During this time, Gucci was without a doubt popular, and the world-renowned actress and Princess of Monaco, Grace Kelly, was a notorious consumer of Gucci products. Grace Kelly was such a popular customer and advocate for Gucci that Rodolfo commissioned an entire floral scarf collection in her honour. Finally, in 1968, Gucci opened a store on Rodeo Drive, Los Angeles, making themselves accessible to

even more Hollywood stars, who continued to be a symbol of popularity, wealth and cementing Gucci as an exclusive brand.

Gucci's breakthrough in the US led to further global development in Asia and the Middle East, and The US President at the time, John F. Kennedy, even called Aldo Gucci the "first Italian ambassador to fashion". Gucci's success in the United States continued throughout the 1970, landing a collaboration with the American Motors Corporation and Rolls-Royce to launch a Gucci luggage set. In 1974, Vasco Gucci passed and resulted in the remaining brothers Rodolfo and Aldo splitting the company evenly. This ushered in a new era of intrigue within the family.

The 1980s: The Gucci War

From the 1980s and onward, the two Gucci brothers Aldo and Rodolfo had very different visions for the future of the company. This period was signified by different business ventures by each of the brothers, oftentimes being done without the knowledge of the others. For example, Paolo Gucci, son of Aldo, tried to launch a new brand, Gucci Plus, on his own. Aldo disapproved, threatening to cut off any supplier who did business with Paolo and even sued him Aldo was in turn criticised internally for focusing too much on the American market via Gucci America, the part of Gucci which he owned. While much of Gucci's success lay in progress in the American market, a sole focus on America was not a particularly alluring prospect for Rodolfo, especially since Gucci was an Italian company.

In 1983, Rodolfo Gucci died, leaving his son Maurizio Gucci his stake in the company in inheritance. This took the internal feud, if not outright war, between the family members to new heights. Maurizio championed a legal battle against his uncle, Aldo Gucci, for full ownership of the company, a battle which he subsequently won. As revenge for his dad suing him, Paolo helped Maurizio remove Aldo from the company entirely. Furthermore, Paolo also exposed Aldo's tax fraud to the IRS. Aldo was subsequently sentenced to prison for tax evasion in the United States, leaving Maurizio free to control the company.

Besides, or perhaps due to, widespread internal strife, this period was also characterised by mass-production of counterfeit products, otherwise known as fakes, and sold on the black market. The cheaper fake Gucci products appealed to an entirely new audience, at the cost of Gucci's exclusivity. Not only did they lose sales due to this, but after a period of time, Gucci finally decided to put a lot of resources into legal efforts to strike down these Italian counterfeit manufacturers. This naturally cost them a lot of money. Combined with tax troubles and mounting debts in the United States, this plunged Gucci into a deep decline. At one point even to the brink of bankruptcy.

The mass-production of counterfeit products had also damaged Gucci's image as an exclusive brand, and the Gucci name had also lost a lot of respect within the fashion world. Now, fashion houses that were "newer", "fresher", more innovative, and modern came into play, whereas Gucci was generally seen as a stagnated relic of the past with old fashioned designs and not enough innovation. In 1989, Maurizio hired Dawn Mello, a renowned businesswoman, to get the company back on track.

Mello reduced the number of stores from over 1000 to 180 in an attempt to restore the brand's exclusivity. She also reduced the number of items sold by the company from over 22,000, to around 7,000, and focused on the classic fashion styles that the company had always been known for. She moved Gucci's HQs back from Milan to Florence, where the history of Gucci is deeply rooted.

At the start of the 1990s, Gucci's finances were still in the red despite Mello's best efforts to restore the image of the brand. Even though Gucci had relatively good sales in the late 1980s, the numbers still looked bleak. Focus turned to Maurizio who was blamed for ruining the momentum with his extravagant spending. Despite this, Investcorp, a global private equity firm, had become interested in investing in the brand. At first, they bought Aldo's 50 percent share in 1989 and later in 1993, Investcorp also decided to take Maurizio out of the picture and bought the remaining 50 percent of Guccio Gucci S.p.A. This ended the era of the Gucci family ownership. Simultaneously, the creative ownership had been taken from the Gucci family when Dawn Mello in 1990 hired Tom Ford to oversee the women's ready-to-wear collection. By 1994, he had grown in the ranks and was named the creative director of Gucci. 1994 and onward, Tom Ford had full control of the brand's direction and was eager to help Gucci avoid complete bankruptcy.

The 1990s

Although Gucci's finances looked bleak during the 1990s, the opposite can be said for the general economic state of the US. The United State economy grew by an yearly average of 4 percent, and 1,7 million jobs were added to the workforce yearly, which decreased unemployment rates and increased the median household income. The prospering economy was combined with generally few other things to worry about. This was partly because of the dissolution of the Soviet Union and a national decreasing crime rate and made Americans hopeful and creative.

The start of the decade was characterised by a varied and lively music scene. Rock bands like Nirvana and Red Hot Chili Peppers, the gangster rap scene with Biggie and Tupac, and R&B hits from Whitney Houston, all had their place on the music charts. TV-shows and movies were also created at an explosive rate with Seinfeld, Friends and Twin Peaks playing in most American homes and Pulp fiction, The Bodyguard and Groundhog Day drawing people to cinemas and video rental

stores. The movie industry was booming, creating more and more celebrities that walked the red carpets and became household names.

The Golden Era of Fashion

The Hollywood celebrities were not the only ones inspiring American consumers at the time. Some of the most influential style icons at the time were the supermodels who pioneered the many trends present during the 1990s. When Gianni Versace, the owner of Gucci's rival Versace, sent Linda Evangelista, Christy Turlington, Cindy Crawford, and Naomi Campbell arm in arm down the runway in his fall 1991 show (see Exhibit 1), it settled the models' role as the upper echelon of fashion inspiration, both on and off the runway. Magazine covers, talk shows, music videos and the red carpet; the supermodels were seen everywhere. With them, feminine high fashion became the pinnacle of style in the early 1990s.

Furthermore, fashion became increasingly casual. The extravagance and bright neon colours of the 1980s were a memory of the past and minimalistic neutrals trailed their way into every closet. However, some trends from the past decade stayed, such as sportswear (see Exhibit 2) like bike shorts and oversized sweatshirts. However, in many ways, the early nineties focused less on utilitarian clothes and moved on feminine silhouettes, such as miniskirts and slip dresses. The slip dress was monumental and launched the underwear as outerwear movement with sheer, spaghetti-strap dresses from John Galliano, Calvin Klein and Versace filling the red carpets (see Exhibit 3). Another spin on the feminine silhouette came close to the middle of the decade when many younger women donned the so-called "sexy school-girl" look featuring knee-high socks and plaid skirts.

Juxtaposing this, the Seattle-born grunge trend (see Exhibit 4), grew to its height with the rise of the rock band Nirvana. Second hand, baggy jeans, oversized flannels, and chunky boots were worn by men and women all over the US and influences of the style even trickled into the luxury runway scene. The glamour of the four original supermodels did not mesh with the rougher garments and the run-down locations used for the grunge shoots, which opened up the supermodel scene for a different type of talent. Enter the "heroin chic"-look, characterised by Kate Moss' delicate, frail frame, and slightly more unkempt exterior. Despite uproar about Moss' appearance in an iconic 1992 Calvin Klein ad (see Exhibit 5), where she was naked from the waist up, she soon became the most sought-after model working for Dior, Burberry, Chanel, Versace, and Dolce and Gabbana. Moss' affiliation with parties and rock stars bolstered her grungy aura, which made her the new fashion icon of the mid-nineties.

Internationally, the US was now considered the fashion "capital" of the world where New York fashion week set the tone for what was fashionable and trendy,

along with many celebrities and Hollywood movie stars as previously mentioned. The impact of these figures created a golden era of fashion for luxury brands. However, in many ways this era seemed to have impacted every luxury brand except Gucci. A selection of Gucci's competitors at the time were Calvin Klein, Versace, Prada, Chanel, and Louis Vuitton (see Exhibit 10). For these brands sales were good and the many twists and turns in 1990s fashion seemed to inspire the creatives and designers behind the brand to create iconic pieces and fashion shows. A closer look at the competitors' position during 1994 looks as follows:

Calvin Klein

After new investments in the early 1990s American brand, Calvin Klein was thriving. Minimalist slip dresses on the runways and red carpets were combined with simpler ready to wear collections. These collections featured denim on denim looks and logo underwear which made Calvin Klein the brand everyone wanted to wear (see Exhibit 6). The trendy brand and its accessible pricing garnered immense popularity.

Versace

Versace is another exclusive Italian fashion brand, perhaps one of Gucci's biggest competitors. Their positioning can be described as a fusion of classic elements with modern style, leading to their signature sexy and avant-garde style. The founder continued his close relationship with supermodels which made his runway shows iconic (see Exhibit 7). Naturally they were also a very exclusive brand.

Prada

Prada is yet another Italian brand. Like Versace, it is also considered exclusive but has a more classic and retro style. During the 1990s, Prada was one of the most successful luxury brands with bags in every department store and understated, cool clothes that held true the essence of the brand's military influences (see Exhibit 7). With the rise of grunge, the brand's mid 1990s collections felt fresh and up to date while honouring its classic roots.

Louis Vuitton

After close to 100 years of using the same iconic monogrammed pattern, Louis Vuitton bags were still in high demand. Although ready-to-wear garments and runways were not the brand's forte, the leather goods were a relevant staple for many. Louis Vuitton was considered an attainable luxury, both exclusive and accessible.

Chanel

Chanel is perhaps one of the most exclusive brands out of Gucci's competitors. By following avant-garde artistic work, Chanel managed to utilise their classic materials and signatures in new ways making them stay relevant compared to other fashion brands (Exhibit 9). Their historical art connotations and avant-garde fashion was considered the height of exclusiveness, luxury, and elegance during the 1990s.

Management Question

Tom Ford nodded to himself. After having considered the role of Gucci's past and its positioning throughout the years, he was sure that there was a lot of wisdom to be gathered from its history. For example, what made them perform well throughout the years, the changes Gucci had gone through, and how every twist and turn had changed and affected the brand. Gucci's reputation among their competitors is also a factor, as well as their image as an exclusive brand. The family feud. Their competitors, the current climate in the fashion world, and who was responsible for setting the trends was also a potential source of inspiration. He was certain that he had come to a decision that he could stand proudly by, and he was confident that it would lead Gucci towards a bright future. While a few different paths were quite appealing, he had decided on one of three alternatives. Either they should continue with being an exclusive brand with a classic style. Or they can position themselves lower on the exclusivity scale but keep the classic style that they are known and loved for. Or they can turn to a more modern style and positioning while retaining their exclusivity.

On the brink of bankruptcy, Tom Ford (you) is promoted to creative director in 1994. You must now prepare and present your plan for Gucci's future positioning for the shareholders at Investcorp. You are struggling choosing between three different options to lead Gucci forward...

Option 1

Gucci should position themselves as an Exclusive brand with a Classic style. The combination of an exclusive and classic positioning refers to an expensive price-range, luxury goods for the upper-class, movie stars and royalty, with their traditional classic design that has little regard for current trends.

Option 2

Gucci should position themselves as an Accessible brand with a Classic style. The combination of an accessible and classic positioning refers to a cheaper price-range than normal, for a broader consumer group, with their traditional classic design that has little regard for current trends.

Option 3

Gucci should position themselves as an Exclusive brand with a Modern style. The combination of an exclusive and modern positioning refers to an expensive price-range, luxury goods for the upper-class with a modern twist, innovative designs and with current trends at the forefront.

Exhibit 1 Supermodels at Versace 1991 show



Exhibit 2 Sportswear



Exhibit 3 Slip-dress



Exhibit 4 Grunge



Exhibit 5 Kate Moss' 1992 Calvin Klein ad

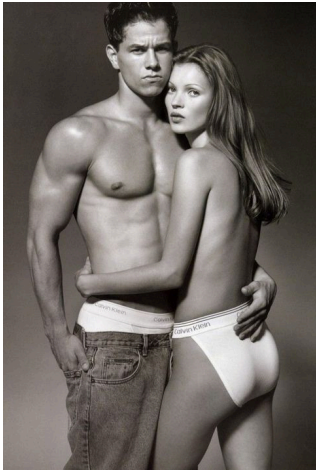


Exhibit 6 Calvin Klein in 1994



Exhibit 6 Versace in 1994



Exhibit 7 Prada in 1994



Exhibit 8 Louis Vuitton in 1994



Exhibit 9 Chanel in 1994



Exhibit 10 Market Analysis Map

