

Giordano: positioning for international expansion essay



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CASE 4 Giordano: Positioning for International Expansion Company

Background Giordano was founded in Hong Kong by Jimmy Lai in 1980. In 1981, it opened its first retail store in Hong Kong and began to expand its market by distributing Giordano merchandise in Taiwan through a joint venture. In 1985, it opened its first retail outlet in Singapore. Responding to slow sales, in 1987 Giordano changed its positioning strategy. Until 1987, it had sold exclusively men's casual apparel.

When Lai and his colleagues realized that an increasing number of female customers were attracted to their stores, he repositioned the chain as a retailer of value-for-money merchandise, selling discounted casual unisex apparel, with the goal of maximizing unit sales instead of margins. This shift in strategy was successful, leading to a substantial increase in turnover. In 1994, Peter Lau Kwok Kuen succeeded Lai and became chairman of the company. Management Values and Human Resource Policies

A willingness to try new and unconventional ways of doing business and to learn from past errors was part of Lai's management philosophy and soon became an integral part of Giordano's culture. He also believed strongly that empowerment would minimize mistakes—that if everyone was allowed to contribute and participate, mistakes could be minimized. Another factor that contributed to the firm's success was its dedicated, ever-smiling sales staff of over 11, 000. Giordano considered frontline workers its customer-service heroes.

Charles Fung, executive director and general manager (Taiwan), remarked. Giordano had stringent selection procedures to make sure the candidates

selected matched the desired employee profile. Selection continued into its training workshops, which tested the service orientation and character of a new employee. Giordano motivated its people through a base salary that probably was below market average, but added attractive performance related bonuses. These initiatives and Giordano's emphasis on training had resulted in a lower staff turnover rate.

Giordano was only too aware that managing its human resources (HR) became a major challenge when it decided to expand into global markets. To replicate its high service- quality positioning, Giordano knew it needed to consider the HR issues involved in setting up retail outlets in unfamiliar territory. Focusing Giordano's Organizational Structure on Simplicity and Speed Giordano maintained a flat organizational structure. The company's decentralized management style empowered line managers, and at the same time encouraged fast and close communication and coordination.

Service

Giordano's commitment to service began with its major Customer Service Campaign in 1989. In that campaign, yellow badges bearing the words "Giordano Means Service" was worn by every Giordano employee, and its service philosophy had three tenets: " We welcome unlimited try-ons; we exchange—no questions asked; and we serve with a smile. " Management had launched several creative, customer-focused campaigns and promotions to extend its service orientation. One service-related campaign, over 10, 000 free T-shirts were given to customers for giving feedback and criticizing Giordano's services.

To ensure customer service excellence, performance evaluations were conducted frequently at the store level as well as for individual employees. Internal competitions were designed to motivate employees and store teams to do their best in serving customers. Every month, Giordano awarded the “Service Star” to individual employees and “Best Service Shop” award was given to the top store. Customer Feedback cards were available at all stores and were collected and posted at the office for further action. Increasingly, customers were providing feedback via the firm’s corporate website.

Value for Money Consumers are learning a lot better about what value is. So we always ask ourselves how can we sell it cheaper, make it more convenient for the consumer to buy and deliver faster today than [we did] yesterday. Giordano was able to sell value-for-money merchandise consistently through careful selection of suppliers, strict cost control, and by resisting increased retail prices unnecessarily. Inventory Control Information technology (IT) was used to facilitate inventory management and demand forecasting.

When an item was sold, the barcode information—identifying size, color, style, and price—was recorded by the point-of-sale cash register and transmitted to the company’s main computer. Another advantage of its IT system was that information was disseminated to production facilities in real time. Such information allowed customers’ purchase patterns to be understood, and this provided valuable input to its manufacturing operations, resulting in less problems and costs related to slow-moving inventory. Product Positioning

Giordano stores featured no more than 100 variants of 17 core items, whereas competing retailers might feature 200 to 300 items. He believed that merchandising a wide range of products made it difficult to react quickly to market changes. It ventured into mid-priced women's fashion with the label "Gio Ladies"—featuring a line of smart blouses, dress pants, and skirts—targeted at executive women. Among other things, the employees were trained to memorize names of regular customers and recall their past purchases.

To create alignment between the new up-market positioning and brand image, Giordano Concepts and Giordano Ladies stores were distinctly different from its mainstream stores. During the late 1990s, Giordano had begun to reposition its brand by emphasizing differentiated, functionally value-added products clothes and broadening its appeal by improving on visual merchandising and apparel. In 1999, the firm launched Blue Star Exchange (BSE), a new line of casual clothing for the price conscious customer. Additionally, having earned success in its value-for-money lines, Giordano now wanted to penetrate the "upper-premium" segment.

This was done via the introduction of Giordano Concepts and its existing Giordano Ladies range. The lines focused on quality lifestyle and targeted the fashion-conscious consumer in the affluent market segment. To continue connecting with customers, Giordano launched several promotions. Among its successes was the "World without Strangers" slogan. First launched in South Asia as a means to raise funds for the Tsunami victims in Phuket, it gained quick favor with its other markets and in 2005 was launched across

the region Giordano's Competitors

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To beat the intense competition prevalent in Asia—especially in Hong Kong—founder Jimmy Lai believed that Giordano had to develop a distinctive competitive advantage. So he benchmarked Giordano against best-practice organizations in four key areas: (1) Computerization (from the Limited), (2) A tightly controlled menu (from McDonald's), (3) Frugality (from Wal-Mart), and (4) Value pricing (as implemented at the British retail chain Marks & Spencer). The emphasis on service and the value-for-money concept had proven successful.

Giordano's main competitors in the value-for-money segment had been Hang Ten, Bossini, and Baleno, and at the higher end, Esprit. Giordano's Growth Strategy Giordano's management had realized that regional expansion was required to achieve substantial growth and economies of scale. By 2007, Giordano had over 1,800 stores in more than 30 markets. To reduce its dependence on Asia in the wake of the 1998 economic meltdown, Giordano set its sights on markets outside Asia. Australia was an early target and the number of retail outlets increased from four in 1999 to 56 in 2008.

It also expands market in China, Indonesia, and Malaysia. The senior management team knew that Giordano's future success in such markets would depend on a detailed understanding of consumer tastes and preferences for fabrics, colors, and advertising. In the past, the firm had relied on maintaining a consistent strategy across different countries, including such elements as positioning, service levels, information systems, logistics, and human resource policies. However, implementation of such tactical elements as promotional campaigns usually was left mostly to local managers.

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Question's answers * Describe and evaluate Giordano's product, business and corporate strategies. Product Strategy: Giordano sees itself as being more than just a retailer of casual apparel. It was able to successfully incorporate customer service as part of its product. Besides its brand name, logo, style and quality, excellent service has become part of the tangible products sold at Giordano stores. Customers have come to associate service excellence as an integral component of Giordano's merchandise. Giordano focuses on the concept of value-for-money.

Giordano is constantly aiming to improve the value of the product. Being customer-oriented allows Giordano to focus on what the company's products mean to the consumer. Customers are often encouraged to request certain product adaptations if current products fail to meet their expectations. For instance, Giordano removed its logo from some shirts. Another example is Giordano's invitation to customers to set the price of its jeans. Giordano's other product strategy is to sell a small number of core products in its stores.

While other retailers have 200-300 items, Giordano features no more than 100 variants of 17 core items. Flexibility and speed is essential in the retailing industry, especially when the fashion trend is evolving constantly. Maintaining a restricted range of core products has allowed Giordano to respond to market changes faster than its competitors, and to keep costs down. Business Strategy: There are three generic strategies advanced as business strategies (Porter): cost leadership, differentiation and focus, and combinations of these three pure strategies.

Giordano seems to pursue a combination, i. e. a focused differentiation strategy. The primary source of differentiation comes from Giordano's commitment to quality, in terms of the products it sells and the service it provides to customers. Giordano is changing its focus to expand the market niche that it has been serving to include a more up-market segment. However, this is done carefully to prevent a loss of existing customers who may become confused by the value proposition that Giordano provides to them.

For instance, its launch of the Blue Star Exchange (BSE) line clearly indicates its commitment to the existing value-for-money segment, but at the same time it is upgrading its core brand's position so that customers may perceive that Giordano stands for more than just 'low priced' apparel. Corporate Strategy: Giordano initially adopted a tapered vertical integration (backward) strategy, as it had manufacturing plants in the Philippines and Mainland China, while also sourcing from external suppliers.

This was deemed necessary to allow better cost and quality control, and the strategy worked until the currency crisis hit Asia. Competition amongst suppliers (manufacturers) of good quality apparel became so intense that prices came down dramatically and rising operating costs, putting pressure on the firm to look for alternative sources of supply. In fact, in 1999, the Philippines plant was closed down, and Giordano is now concentrating on their core business in retailing/ distribution. This can also be evident in their allocation of investments to expand its retail outlets. Describe and evaluate Giordano's current positioning strategy. Should Giordano reposition itself against its competitors in its current and new markets, and should it have <https://assignbuster.com/giordano-positioning-for-international-expansion-essay/>

different positioning strategies for different markets? Giordano's current positioning strategy is value for money or quality merchandise at affordable prices. That's differentiating their products compare to other rivals. Moreover they put their service different with high level of service provided to customer; their sales staff is dedicated, ever smiling, well mannered and helpful.

Giordano reposition itself against its competitors in its current and new markets The possibility of changing current positioning in the light of developments in the industry, particularly with respect to consumers desire for trendier fashion, as well as the increase in the number and strength of competitors should also be discussed. This was apparent from the failure of its Giordano Ladies venture, because the positioning strategy failed to differentiate the up-scale segment from the value-conscious segment. Giordano has fought hard to establish its brand name for its value-for-money proposition.

However, it can be seen that Giordano took measures to avoid the problems of brand dilution, and to overcome its apparent difficulty in moving consumer's perception of Giordano towards a high-end positioning. For instance, it established a new product line, Blue star Exchange, to cater to the needs of its existing value-for-money segment and revamped the core brand with extensive marketing communications and gave its stores a new look. * What are Giordano's key success factors and sources of competitive advantage? Are its competitive advantages sustainable, and how would they develop in the future?

Designs Fast and market-driven NPD: - Systematically collects ideas from customers, front line and experienced designers - Relies on effective organizational communications and other intangible sources of Advantage, which are difficult for competitors to copy and implement effectively - Competitors could increasingly use technology to assist in their design process . On Giordano's part, effort must continually be made to obtain and utilize feedback from target customers and Attracting and retaining good staff in design is important. Operations, Logistics and IT

Excellent management of systems and integration of activities Minimized due to: - Daily sales reports (facilitated through IT& systems) - Limited stock in shops that are daily restocked - Rapid market-driven manufacturing - Needs to continually look for new ways to improve and build its advantage inside and outside its industry For example: benchmarking against retailers like The Gap and Liz Claiborne, which are well-known for their integration of IT systems and efficient operations Branding and Marketing Giordano's Brand: -Positioning - helps instant transfer of key values Giordano offers value-for-money, good quality casual wear, excellent service) - Excellent brand recognition due to high advertising budget Brand equity helps to build customer loyalty - However, Giordano faces threat of strong competitors with similar positioning and also from brand dilution (e. g. ? cheap image?) as the market in general shifts upward along with increasing incomes. Biggest threat comes from reputable players like The Gap - Giordano should continue to invest in strengthening its brand equity through heavy advertising and excellent customer service - It could acquire another brand to serve higher end segment.

Customer Service Fantastic customer service: - Service orientation is pervasive in many of its activities - Recruitment, selection and training of staff - Empowerment and motivation of staff somewhat sustainable - A service culture is one source of advantage that competitors would find difficult to copy - However, Giordano needs to ensure that this culture can be maintained as it expands rapidly in existing and new markets - Other competitors have not yet attempted to follow Giordano's service strategy

Location Good, high traffic shopping and convenience locations: High contributions allow aggressive retail location acquisitions Difficult to sustain - Giordano's sites are an important source of advantage, but other competitors could Also do the same -Competitors and new entrants will successfully compete for good locations. * Could Giordano transfer its key success factors to new markets as it expanded both in Asia and the other parts of the world? Giordano Company's main competitive strengths which can be transferred to other market are: the experience of the employees, inventory controlled system, HRM practices but the policies should be different for each country and can use the established distribution, marketing and inbound channels members in order to market their product outside the home country. IT strategy which is currently used by Giordano, it should not adopt the same strategy for other countries where they are planning to expand their business. Because the IT infrastructure for each country in Asia and other continents may not be the same and the current IT strategy of Giordano may not be supported by that particular country's technological structure.

Giordano needs more efficient, cost effective, and secure internal communication platform which will link its many sites in Hong Kong and other host countries. The marketing mix strategies that are followed by the Giordano for the existing market should not be the same for new markets where the company is willing to enter. The marketing mix strategies mainly deal with arrangements of the 4 Ps'. So the strategies regarding product price, price, place and promotion should not be the same for all target countries as the market differs in terms of their economic, cultural, social and political environment.

But the successful strategies which are currently used for other market can be used by Giordano as guidelines and can develop tactical strategies for different market according to the market situation and customers' requirement. * How do you think Giordano had/would have to adapt its marketing and operations strategies and tactics when entering and penetrating your country? Marketing strategy - positioning with value-for-money - Giordano should continue to invest in strengthening its brand equity through heavy advertising and excellent customer service Operation strategy Excellent management of systems and integration of activities - reduce cost with good coordination and continuously searching customer need -store placed in a convenience places What general lessons can be learned from Giordano for other major clothing retailers in your country? Several lessons for our retailer are___ - Systematically collects ideas from customers, front line and experienced designers - Excellent management of systems and integration of activities - make positive brand image with

differentiation and positioning - empower employee to give superior service for customer -Good, high traffic shopping and convenience locations