Mini case for gucci group

Evaluate the industry structure of luxury goods industry(40%). Industry structure of luxury goods industry should be analysis from Porter's five forces model which are threat of entry, threat of substitute products, the power of suppliers, the power of buyers and rivalry among existing competitors. Threat of entry depends mainly on the entry barriers and the likelihood and capabilities of actual players to retaliate. The barriers of new entrants can be technological, financial, strategic and linked to the actual legislation.

Also, in the luxury industry, most competitors already have established strong distribution channels. If the luxury brand do not have distribution channels, which will have bad effect on their plan of technological developments. The barriers of luxury goods industry cannot be overcome very easily. The main barriers are about financial capabilities, the difficult to build a brand capital and finally the complicatedness to be distributed in top retail shores. Therefore, there is lesser influence on threat of new entry.

The threat of substitute products on luxury goods industry depends on the willingness of customer to substitute and relative price and quality of substitutes. For luxury goods industry, threat is low. Because most of luxury goods are unique. And most customers are loyalty to the brand which they like. . The bargaining power of buyers: most consumers in the luxury good industry are professionals who rely on mobile and expensive gadgets and expect seamless services every time they use them. The bargaining power of buyers in the luxury goods industry is relatively high because there are only few, large players in the industry.

Suppliers of luxury goods have relatively lower bargaining power because their products have yet to eastablish consistency in the market. This is in contrary to ordinary brands where these products have been able to secure the confidence of its customers worldwide. The rivalry increase in luxury good industry. Each group wanted to increase its brand portfolio by taking over independent brands. Also, because the entry barriers are high in the luxury goods industry, the competition is more intensive. For example, Gucci group add new brands to its portfolio such as Alexander McQueen in 2000.

Also, Gucci and LVHM are competitors for each other. LVHM's multi-brand strategy had outperformed the entire Gucci Group in recent years. Also, if the entry barriers are high, the competition in the luxury . 2. The competitive position mapping was based on five key competitive advantages. Cost-based advantage: Gucci's outsourcing manufacturing model has helped to reduce cost and minimize fixed investment and helps to maintain its return on invested capital at 36%. Differentiated product or service: Gucci focus heavily on the unique customer service experience to maintain its brand image.

It has different ranges of products. Time-based advantage: Gucci's revamp effort has reduced manufacturing time considerably in many product lines. Technology based advantage: heavy focus on technology by senior management is visible as part of Gucci's revamping effort. This includes online sales. In those different players in the luxury goods business, LVHM and Gucci are best positioned to take on the competition and grow further. There are several reasons for this. Firstly, they have aggressive leadership at the Headquarters level.

Second, they focus on creativity and innovation in product design and every aspect of business. Thirdly, they have aggressive acquisition strategy to grow the top line by adding unique brands and good marketing strategy. What's more, both of them have diversified portfolio. For example, in LVHM's sales by product in 2007, the selective retailing is 25%, wine an spirits is 19%, fashion leather goods is 34% and perfumes and cosmetics is 17%. 3. How is the industry changing (since 2000) ? what are the factors driving such changes? (20%)

The luxury industry marketing in European and American has already reaching a saturation point. Therefore, they moved to some emerging market such as China, India, Russia, and Brazil. For example, Gucci open 16 directly operated stores in china. They are the fast-growing markets for luxury brands. And there is strong growth from 2005 through 2007. The main driver is economic. For those developing countries, the economic is growing very fast so that increasing in the income of consumers. Therefore, the purchasing power is improved.