

Versace management issues



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Background/context to the management issue

Versace is an Italian fashion label founded by Gianni Versace in 1978. The first Versace boutique was opened in Milan's Via Della Spiga in 1978, and its popularity was immediate. Today, Versace is one of the world's leading international fashion houses. Versace designs, markets and distributes luxury clothing, accessories, and fragrances, make up and home furnishings under the various brands of the Versace Group.

Versace's Style Department employs a group of designers and stylists who work in teams. Each team is specifically dedicated to each fashion line or label. These teams operate under the close supervision and guidance of Donatella Versace, the Creative Director for Versace.

Versace reported a decline in annual revenue during the last few years which is a matter of concern for the Fashion Brand which is globally one of the best brands and has carved a niche for itself in the Fashion World. (Chaudhari 2007)

Versace's Annual Sales Revenue for 2010 has reported decreased by 19 per cent with losses widening to £41 million.

Losses before interest, taxes, depreciation and amortization added upto £1.87 million. Giangiacomo Ferraris, ceo of Gianni Versace SpA, credited the losses to diminishing B2C relationship of the Business house with its clientele globally and it is strongly felt that there is an urgent need to bring about an improvisation in the Business-Consumer relationship for rectification of the current state of affairs in terms of profitability. The International Fashion

Industry is extremely competitive and the need to improvise by way of introduction of new strategies is necessary to sustain and achieve simultaneous growth in the market as stated by Akbar (2010)

The introduction of eco-friendly initiatives is believed to improve B2B and resolve the diminishing profits as it is an innovative strategy to be employed by a fashion brand. This provides an opportunity for the brand to contribute to environmental conservation and spread awareness for the same.

The motivation of this research is also to know if eco-friendly technology would prove to be a boon to Versace in terms of higher profit. If so to understand and analyze critically how and why their clients are willing to pay a higher price in order to avail eco-friendly services. Is it solely to contribute to the environment or is the eco-friendly technology and its usage a trend or both? This research would make provision for providing justifications and solutions to several aspects of the incorporation of eco-friendly technology by Versace.

The enhanced relationship if in existence between the service provider and the clientele i. e. The Versace and its clients will be focused upon and the research would provide reasons for the same.

External: Kotler (2005) states that Green is the way to go, so since we're in the age of technology, why not go green? In order to go with green technology, you need to fully understand what green technology is.

Basically, green technology is that in which the technology is environmentally friendly and is created and used in a way that conserves natural resources and the environment. You may hear green technology

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being referred to as environmental technology and clean technology. Green technology is a field of new, innovative ways to make changes in daily life. Currently, this Clean Technology is in the beginning stages of its development, so the future will only bring bigger and better things for this field.

Eco or Green technology is the future of this society. Its main goal is to find ways to produce technology in ways that do not damage or deplete the Earth's natural resources.

Hakansson (2004) states that in addition to not depleting natural resources, green technology is meant as an alternative source of technology that reduces fossil fuels and demonstrates less damage to human, animal, and plant health, as well as damage to the world, in general.

Next, green technology is so that products can be re-used and recycled.

The use of green technology (clean technology) is supposed to reduce the amount of waste and pollution that is created during production and consumption.

It is observed that we live in a world which is constantly under the threat of environmental degradation. The recent tsunami, the earthquakes, Katrina and other natural catastrophes have brought forth the necessity of protecting and conserving the environment. People in general are becoming by and large aware of this need and the repercussions on account of failure to do so.

Environmental conservation laws (Strauss and Frost, 2009) have imposed rules and regulations on business thereby making it mandatory for them to operate their businesses in a manner which does not prove detrimental for the environment. Versace being in the fashion industry is rendering values services to its clientele for the last several years need to incorporate eco-friendly approach in their business operations specifically catering to their clientele with intent to provide a specialized service. This strategy could be directed at the clientele with not only a social intent but a view to increasing profitability as eco-friendly services provided by the Fashion Brand Versace would be exclusive and customized to suit the need of the client.

The consumer response is expected to be positive because of the fact that a sense of awareness has been increasing in the minds of the general populace on account of the recent catastrophes and the constant environmental awareness programs carried out by governmental organizations and environmentalists internationally.

Versace would be thus fulfilling a social and environmental obligation and strategically would improve the profits by the introduction and employment of eco-friendly technology in its services.

Research Objectives and /or Hypothesis:

This research proposal for the Dissertation is aimed at presenting for comprehension and analysis the issue confronted by the Fashion House Versace which is the declining profits primarily on account of diminishing B2C relationships between the Fashion Brand and its clientele across the globe. The issue of declining profits could be resolved by the introduction of

eco-friendly technology by the fashion house and this initiative could help in creating environmental awareness. This technology could be incorporated in the production process, product lines and packaging departments. This research study focuses on analyzing the commercial and social viability of the proposed eco-friendly technology in terms of Global Acceptability and profitability and improvement in B2C relationships.

The Value of this work:

This research study aims at analyzing the eco-friendly initiative which are proposed to be carried out with an intent to bring improvement in the Business to Consumer (B2C) relationship of the Fashion Brand Versace. Versace reported a substantial decline in annual profits for the year 2010 and is a matter of concern of the business house. The introduction and employment of eco-friendly technology is proposed to assist the firm in bringing an improvement in the annual sales turnover and profitability and in addition to contribute to the social cause of conserving the environment. (Vardarajan 1988)

Research design:

Research design in a simplified manner could be understood in accordance to (Peattie, 1995) the conduct of business research in context to a general orientation. The basic fundamental approaches towards the research of Versace's strategy would be quantitative and qualitative. The material so collected by way of research would be indicative of the difference in the two methods. Here, the area of research is the adoption of eco-friendly technology by the Fashion Brand Versace with intent of the corporate business house in the Fashion Industry to increase profitability and fulfill a

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social obligation thus attempting to achieve two diverse objectives. The objective being diverse and complex to a certain extent brings about the need to adopt research strategies which are not only qualitative but quantitative too in order to make full justification for the research conducted in this particular area which is contemporary and gaining priority in every sector. The qualitative research would focus on the nature, the depth and the proximity to the truth of the data collected. The quantitative research would focus on analysis of a large volume of data collected. Qualitative and quantitative modes of research differ in context to their connection between theory and research.

Qualitative and Quantitative Research:

Since Eco-technology (Phillips, 1999) and its application in the fashion industry by Versace is the area of research; primarily qualitative research assumes high degree of importance. The perception of this technology and its application by Versace in their day to day business operations rendering service to a niche market of high priority, high-income clientele with intent to gain higher profitability and present the Versace's philanthropic stand could be best comprehended and analyzed through Qualitative research techniques primarily consisting of e-mail correspondence with the C. E. Os and Board of Directors of Versace. These email correspondence would present clarity of their objectives and help present gravity of the research. As the issue is crucial in terms of environmental conservation and high profitability, qualitative research would be adopted for full justification.

Confidentiality Agreement with the C. E. O and Board of Directors by the researcher forbid the researcher from presenting contents of the email correspondence in the dissertation.

Responses of the questionnaires with the consumers and board of directors are however made available as they contain basic information yet vital for the dissertation.

Berger and Luckman (1967) state quantitative research as an objective, formal and systematic compilation of data primarily numerical to gain information of the world. The final aim of quantitative research would be to develop and test mathematical models, theories and hypothesis in context to social phenomena. Here, the quantitative research under question is the utility of eco-friendly technology by Hilton Hotel, Mumbai to increase profitability and fulfill a social goal of conserving the environment.

The adoption of quantitative research would be as a complimentary measure which would add on to the primarily qualitative research. This quantitative research would second the finding of the qualitative research and cement the findings. Research tools would be specific questions drafted in the questionnaire. Questionnaires drafted would be directed at the consumers or patrons of Hilton Hotel, Mumbai and perspectives and levels of acceptance of the on the part of the consumers would be collected, analyzed and inferences could be established.

Research Sample:

Personnel records (Hart and Ahuja, 1997) of the top end staffing of Versace would be obtained from the Human Resource Department. E-mail

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correspondence will be carried out with the C. E. Os and Board of Directors of Versace. Specific questionnaires would be drafted to gain better insight into the success of the application of eco-friendly technology by Versace in terms of profitability and creating awareness of environmental conservation.

Written correspondences would be well co-ordinated and conducted as per the convenience of the C. E. Os and Board of Directors.

To gain the consumers perspective, a different questionnaire will be mailed to the consumers of Versace. The list of all the clients of Versace would be accessed from the Public Relations Officer of Versace. The questionnaire will e-mailed to all the clients and responses would be compiled for analysis.

Confidentiality, Anonymity and Informed Consent

Walley and Whitehead (1994) state that harm could present itself in different facets. In the case of this the consumers' best interest, present and future, in context with the utility of the services of Versace could be at stake.

Furthermore, the Academy of Management states that the participants' confidentiality and anonymity must be highly honored. Failure to do so would stain the very purpose of the research.

Since the area of research is a vital one in understanding the commercial acceptance of eco-friendly technology by Versace, it is necessary that the responses be truthful to the core. The respondents will be assured that all the data collected from them will be accessible to the researcher and no other individual.

Theoretical Underpinnings:

This chapter is essentially aimed at the theoretical underpinnings for the research to be carried out on Versace. To begin with, a review of social marketing is presented. This would essentially be in context with the promotion and propagation of eco-technology to be propagated and implemented by Versace in the Fashion Industry. The commercial success of social marketing will be analytically reviewed in terms of producer consumer relationships, profitability and social obligations of Versace.

Social Marketing

In order to arrive at (William and Kelley, 1973) the right comprehension of the term of social marketing an attempt to understand the definition of social marketing presented perhaps by the best author who is known to have developed several innovative concept of this nature and discipline. The definition of the author could be understood at the use of marketing skills to convert a present social action into programs which are more effective and well designed that bring about the expected response from the people intended for as is the case with Versace. Versace's mode of social marketing is the utility of eco-friendly technology in providing services to consumers with intent to bring about a social environmental awareness to conserve the environment which is under constant threat and in the process increase profitability by fulfilling a social obligation.

The Evolution of Corporate Philanthropy:

Versace could be a perfect exemplification of corporate involvement in social well-being. They could start off as responsive actions towards societal issues and problems and later the phase of mandatory corporate involvement could

emerge and now the current trend is that of corporate philanthropy being greatly associated with the concept of investment by business houses (Andrews, 1983). With a view to attain a clearer picture of cause related marketing as a form of corporate philanthropy, these phases or sections are described in brief. Corporate or Voluntarily philanthropy and social responsiveness are activities taken on by organizations with public welfare such as the Versace. There is no doubt that such activity to a huge extent reduced profitability because they used the available corporate resources, some business analysts and writers are of the belief that even these voluntary actions were not entirely selfless. For instance, points out that (Goodpaster and Matthews, 1982) corporate philanthropy is inclusive of many activities, some that may in a good way affect the profit of participants as is the case with Versace and others based on purely altruistic considerations. They note that the alignment of corporate and social needs marked the first 50 years of corporate philanthropy.

Corporate and Marketing Objectives:

An examination (Varadarajan and Menon, 1988) case histories reported in several articles on this topic suggests that CRM is a versatile tool that can be used to realize a broad range of corporate and marketing objectives, Versace, through CRM seeks to achieve the following corporate and marketing objectives:

Achieve acknowledgement and national visibility,

Improve corporate image

Counter attack negative publicity

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Satisfy clientele

Creation of high incremental sales

Induce repetitive purchases

Induction of Multiple membership

Promotion of varied utility

Creating brand awareness and loyalty

Establishing brand recognition

Enhancement of the brand image

reinforcing brand image through services

widening consumer base

creating new market segments and geographic markets

Developing level of merchandising activity at the retail level for the brand.

Confronting negative publicity:

Versace believes that (Stroup and Neubert, 1987) CRM can also be very effective in countering negative publicity. For example, in 1981 American Express and its credit card services were confronted with a situation a boycott organized by the British Hotels, Restaurants and Caterers Association. American Express' situational response to this adverse campaign was an offer to make a contribution to the Duke of Edinburgh Award (a charity for young people that was named for Prince Philip) each

time its card a consumer utilized the card to complete a transaction.

Propaganda of this offer and the association with the award resulted in the gradual seizure of the boycott.

Facilitating market entry:

Versace opines that CRM could facilitate entry into different avenues for business markets. Several case histories illustrate the use (Dunlap and van Liere, 1978) of CRM to facilitate market entry. The Versace has altogether could enter into a new market segment of eco-friendly products and services. Versace could create a new market in the fashion industry concerning utility and sale of eco-friendly products and services. This is a market where in there are no players as such and Versace could be the pioneers of this technology in the Fashion industry will have entered with ease this market segment after creating it.

Outcome with timeline:

August: Mailing formal requests to potential candidates for interviews

Making an Assessment B2C candidates of interviews

Compilation, Interpretation and analysis of gained questionnaire data

Continuation with the process of secondary research

Approach supervisor with compiled data for guidance and approval

September: Collect and compile research data through interviews

Interpret interview transcripts

October: Arrange chronologically, interpret, and compile all primary data

Begin dissertation write-up

Oct-Nov: Conclude dissertation write-up and submit for evaluation