

Marketing plan for brand of giorgio armani



**ASSIGN
BUSTER**

In taking a look at one of the most respected designer empires to date whose founder is very active in maintaining his post a marketing plan for the next three years the brand of Giorgio Armani will be examined. This high end luxury brand has survived over thirty years in the capable hands of its lone founder Giorgio Armani (Roll 2002). The designer fashion brand of Armani is iconic as well as considered superb within the fashion industry well known for its place among the competitors with premier names Chanel, Gucci, Yves St. Laurent and the like. With an empire worth more than three million euros, a look at the organization's marketing strategy will be studied to determine how to continue growing the brand over the next three years (Roll 2002).

Strategy

Consider the opulent testimony of standers by and the media that flock to the yearly event to view celebrities at the Academy Awards to gaze at stunning beauties and attractive men dressed in their designer choices from Armani and other red carpet design houses. Hundreds of articles and photos are written and taken, relatively, to report on what each Hollywood star wore and how they wore it. The fashion buzz and marketing strategy of Armani is obvious, let the celebrities sell his product through modeling his best offerings in front of a worldwide audience. Primarily on television, Internet, and print magazine, and video media (Roll 2002). Many are designer originals specially designed or haute couture for the most prominent actors and actresses in the spotlight.

Introduction

The Giorgio Armani sense of style features a very understated yet opulent elegance which the wealthy and high society nobles find appealing. Armani grew up in Piacenza Italy his birthplace of 1934. First Armani tried his hand in the field of medicine afterwards deciding to pursue a career in fashion (ArmaniPress 2007). His first job was in Milan, with a reputable store, La Rinascente. Perfecting his designing craft, he launched his company in 1974 (ArmaniPress 2007).

Britain's royalty, the presidential echelon, the far east (China, Japan) and even middle eastern princes and princesses, all enjoy donning the Armani brand of couture (Roll 2002). The entire empire is held privately by Giorgio Armani who has not gone public with his company.

There are multiple lines that are housed within the parent company that are designed to meet the demand of multiple market segments. The company is global and well established in the designer industry as a luxury leader that is well respected and considered at the top of its pinnacle of success (Roll 2002). There are several offerings within each brand that have attempted to extend Armani into every opportunity for expansion. There is a dilemma however, the brand was built on the founder's unique style, vision, and personality. Finding a successor to carry the company into the future with the same charisma and approach is a problem that needs to be addressed as Giorgio Armani is at present aged 74 without a successor (Roll 2002).

Monitoring a strategic marketing plan requires that some challenging questions have been asked, direction for the company's future has been set, and specific, measurable goals have been targeted, identified as viable, and

assigned via a budget (Balbi, 2011). A marketing strategy should include defining the vision on products, placement, pricing and promotion and then detailing the vision within a budget that specifies monthly goals.

The Giorgio Armani Brand Marketing Structure

With the success of Giorgio Armani comes the prospect of keeping the brand position obtained thus far by reaching out to new potential markets while maintaining its current target market. This trend is part of every successful venture no matter what industry it stems from (Roll 2002). The need to extend into new product lines and varying segments of the population are opportunities that Armani eagerly grasped over the past 30 years. Some of the fashion following segments of society include the corporate original and five sub branding segments that are designed to attract various types of customers at varying prices.

Brand Philosophy

The Armani brand hinges on the personality of the founder, Giorgio Armani. Therefore it is important for the fashion influence to remain in that arena for the customers. Any deviation from this expected ingredient could spell disaster for the company. The blueprint of the designer should be evident in the apparel and fashion accessories that carry his name (Roll 2002). It is important that this competitive advantage uniquely Giorgio, is apparent and maintained. This is what differentiates all products from other designers in the industry.

These sub-brands help Giorgio Armani to operate in many segments of the fashion apparel market. But this is not all. Not only does Armani straddle many segments of the same product category, but also many different product categories.(Roll 2002)

First there is the first line of Giorgio Armani originals

This line features genuine Armani suits for men, such as Black Tie and Tuxedos. For the women there are designer evening gowns and little black dresses for premier events such as Movie release premiers, Concert Theatre, and Royal weddings. These items are priced at the ultimate premium to target adults in the age demographic of 35-50 years of age (Roll 2002).

Second there is Armani Collezioni

This line is 20% below the ultimate collection for those that desire to wear Armani apparel but are not able to pay the premium prices. It is also designed for those that wish to collect the designer wear (Roll 2002). It is still priced for an exclusive market of luxury buyers.

The third line is Emporio Armani

This segment is a much younger group of professionals and career individuals who are in the age range of 25-35 (Roll 2002). The style is distinctly Armani with a contemporary flare to please the younger market. This is a demographic that will be expected to later move up to the upper price range as they become older (Seckler 2002).

Armani Designer Jeans

This line is considered the lowest price point for the Armani line and directed at the 18-30 year old demographic that desires luxury clothing at an affordable price. This apparel line has designs that are all the latest fashion trends for the younger segment. Again it is expected as this group gets older and becomes more economically advantaged, they will move up to the higher levels of the Armani lines (Roll 2002).

A/X Exchange

Retailer outlet stores for clothing released from the Armani fashions for direct purchase. The demand here is for Armani originals and other clothing that can be sold within a retail environment creating demand and a testing ground for other Armani entrants such as accessories and relevant fashion market research and analysis. For some this is an introduction to the world of Armani. A way for Armani to test the market and introduce its designs to the public at large. Mobile strategies for experiencing sales pushed directly to mobile devices through text and video are used extensively by A/X (Admob 2011).

First let's look at a PESTEL strategy to determine what the external factors are that affect Giorgio Armani as a company. Defining PESTEL or Political, Economical, Social, Technological, Environmental and Legal factors that may affect the company.

Political

Armani has expanded into the Asian Pacific market and expects that growth in this area will be quite advantageous as the population in this area is well

into the millions of potential customers. To date the number is roughly 12 million for the Chinese population alone. As long as the countries in this area remain stable from a political standpoint there should be no disruption to meeting the demand. Armani has several stores that self sufficient in that market. For example in Shanghai there is a Emporio Armani store and plans for over 30 additional stores in the area over the next few years. (Seckler 2002)

Economical

The fact that Armani has no debt due to being the sole owner of the brand and all of its holdings allows a single person to make all the decisions related to running the company. There is only one person that has the final say and decides how to handle its financial expenditures or investments. This is both a blessing and distressing mainly because if there is something that other managers and leaders desire to do in terms of expansion or investment, Armani has the final say to go or no go. All financial decisions rest on his shoulders alone ultimately. In the case of making a bad decision, the losses also are attributed to his judgment.

Social

Well the ability to rub shoulders with the wealthiest and most renown members of society on every continent is definitely a plus. Armani has opportunity to tap into unlimited media options to gain publicity through offering haute couture gowns and men's apparel for royal events and even celebrity weddings such as Hollywood stars Tom Cruise and Katie Holmes (. The media are quick to jump in with unlimited publicity to showcase Armani's

<https://assignbuster.com/marketing-plan-for-brand-of-giorgio-armani/>

classic style to a world wide audience through print media, audio, video, Internet, and digital communications. Examples of typical social opportunities that Armani is involved in:

Excerpts from Giorgio Armani Press (GiorgioArmani. com 2000-2001):

2000 GIORGIO ARMANI Women's FASHION SHOW at the Royal Albert Hall in London.

2000 The SOLOMON R. GUGGENHEIM MUSEUM in New York opens the Giorgio Armani exhibition, created by Germano Celant and Harold Koda, a study of 25 years of

Giorgio Armani's work.

2000 Giorgio Armani hosts at the Emporio Armani store in Saint Germain in Paris an exhibition dedicated to young artists in collaboration with DAZED AND CONFUSED magazine.

2000 Presents the book ESPRESSO, a study of Contemporary Art , in Armani/Via Manzoni 31.

2000 Presents a book on architect ACHILLE CASTIGLIONI in Armani/Via Manzoni 31, Milano.

2001 Presents the book ' UNIFORMS. ORDER AND DISORDER', in collaboration with Pitti Immagine and Esquire magazine in Armani/Via Manzoni 31, Milano.

2001 Hosts ' H()ME,' an exhibition of sculpture by Loris Cecchini in Armani/Via Manzoni 31, Milano.

2001 The ' Giorgio Armani' exhibition opens in the GUGGENHEIM MUSEUM in Bilbao, Spain.

2001 Presents in Armani/Via Manzoni 31 the new commercial of F. A. I. (Fund of Italian Enviroment) produced by Giorgio Armani.

2001 Presents ' SMILE,' an exhibition to celebrate the 25th Anniversary of i-D magazine at Wapping Project in London and in Armani/Via Manzoni 31, Milano.

2001 EMPORIO ARMANI FASHION SHOW in the Tokyo Forum to celebrate the opening of the new Emporio Armani.

2001 Giorgio Armani launches a project in Korea to save the KOREAN TIGER and contributes to building a modern breeding facility for the tiger within the Everland Zoo, Seoul.

2001 PIRELLI chooses to dress the stars of the 2002 CALENDAR exclusively in designs by Giorgio Armani. Photography by Peter Lindbergh.

2001 Giorgio Armani launches a wide-ranging programme of activities to help raise awareness and money for the ' Afghanistan Emergency' campaign of the United Nations High Commission for Refugees (UNHCR).

Technological

The new opportunities to expand on the Internet through online sales and now even sales by Smartphone have allowed Armani yet another channel to market. The number of users currently tied into Armani through digital communications is 40% of those using wireless devices for shopping (ArmaniPress Co. 2007). This trend is expected to grow over the next few years and Armani is poised to take advantage of the wave through its AIX channel.

Environmental

Being aware of the ecological need for environmental friendly manufacturing and materials is part of the Armani strategy. The company is very active in contributing to several causes that support conservation and ecological stability. One of its environmental initiatives was titled "DON'T BUNGLE THE JUNGLE" related to tropical rain forest preservation (ArmaniPress Co. 2007). Another project that was related to the environment was the sponsorship of Earth Tech at a ecological Earth Summit in Brazil in '92', 2002' (ArmaniPress Co. 2007).

Understanding these PESTEL factors reveals the external opportunities of the Armani empire. It is apparent that the company has definitely prepared itself for longevity as far as expanding its market segment and target audience. However has Giorgio Armani considered a strategy that will allow the company to retain its competitive advantage for the future.

Looking at a SWOT (Strengths, Weaknesses, Opportunities, and Threats) Analysis will help determine areas that require further research and decision

support versus areas that are stable and positioned for the trends concerning world events in the future.

Strengths

The private holdings of Giorgio Armani span over 35 countries. They include 16 Armani casa home furnishing stores. 13 Armani Junior stores offering clothing for early to late teens and the twenty something crowd. 11 Collezioni, 120 Emporio, 94 A/X Retail outlets and 60 Giorgio Armani Boutiques for Couture offerings (ArmaniPress Co. 2007).

Giorgio Armani is the sole owner of the Armani brand and all of its revenues.

Giorgio Armani has full control over how the organization is run, making all final decisions and having input into every board decision that is questionable or under consideration.

No Debt to stockholders, Armani has no investors unless they are joint venture. Therefore he is under no obligation to meet demands that are not in agreement with his wishes. There are no liabilities to creditors that could eat up profits.

Finance independence, as the only shareholder all the investment capital has stemmed directly from the owner. There is no pressure from investors or other shareholders to move or hold back from making investments. Armani has been able to tests whichever markets he chose without interference.

This gave his new entrants the needed time to become profitable without the plug being pulled by nervous investors. The everyday pressures of business

are not a part of the organizational culture since operations are not plagued by lack of funding.

Giorgio Armani is worth 3 billion euros (Roll 2010).

The company is global so if there are PESTEL issues related to political dilemmas, Armani can refocus on other markets that are not encumbered to recoup any losses or redirect inventory.

Weaknesses

The main internal problem faced by the owner as CEO and brand identity to the empire, is what happens when there are no plans for the company after he dies. During an interview Armani appears to respond nonchalantly to the idea of preparing a successor. He is quoted as saying “ not for the today, not for tomorrow but perhaps for after tomorrow” (Roll, 2010). The trend in the industry is that after the original founder dies the company soon follows.

Many feel that Armani is making a mistake in not making plans for the future after he is no longer able or around to run the company. Many feel he should develop a management team that has similar tastes and can continue to invent designs that are uniquely “ Armani” though he is no longer there to give his approval. This being the main advantage that Armani has over his competitors. One would think he would understand how crucial the continuation of the brand is to the success of the Armani stores.

The Brand is also facing saturation with the advent of so many different business segments. The numerous categories of the Armani brand from sunglasses to pastries and hotels are somewhat off center and could over

time cause the Armani Brand to lose its unique quality. Appearing more of a label that a Brand that differentiates it from other labels. This is called over stretching the Brand and is only necessary when a company has no options for expansion. With Armani it is only required to keep strengthening the brand already created. Not expand it into other areas which is really not necessary as profits are at a premium. The market is a niche based on the Brand alone and not simply selling duplicate products. It is a pull market where the customer is asking for the product versus having to push the product out to get noticed by a mass consumer audience. By diluting the Brand, it loses its premium value and becomes just another designer label.

This may have begun to happen through the two lines Collezioni and Emporio which are very similar. The only difference is in the price, therefore some of the same designs are offered and the consumer is sometimes confused as to which apparel comes from either line. This is an example of diffusion. It may become necessary to clearly delineate between the brands with a totally different material or design.

Opportunities

By taking advantage of its Brand awareness and equity in the market whereby Armani is easily identified and desired by consumers, other categories of accessories has been released. There are now Armani jewelry, perfumes, watches and makeup lines that can be expanded into the high end department stores such as Neimann Marcus, Nordstrom's, or Macys (NM.com, 2011). This natural progression from clothing to accessories allows even more chances to reach new targets that would never consider an

Armani purchase, but now are potential prospects due to accessibility of the Brand through this medium.

The new expansion into furniture and baked goods as well as Florists and even hotels can be a source of longevity for the company by allowing it to become more locally accessible (Roomu. net, 2011). This breeds familiarity for potential consumers that may be drawn into one of the other segments through trying one of these entry products.

Accessory markets are considered very lucrative as the products are often the source of repeat purchases to replace out of style or change of season events that occur each year. For example the style of eye wear changes year to year. Therefore a favorite pair of Armani eye wear would need to be replaced the following year. This ensures another sale.

Armani may wish to consider expansion into handbags, purses, luggage or shoe wear. These areas are also very lucrative markets that require seasonal purchases.

Armani may want to consider a credit or debit card offering for gifts or easier purchase options at some of the lower end market segments.

Armani should consider an acquisition with a global retailer.

Possibly merging with another designer line such as Versace to continue the exclusivity and personality of the brand.

They could also form an alliance with certain retailers that would agree to continue the Brand as an exclusive component of their retail chain. For

example all of Neimann Marcus, Nordstrom's, or Macy's would sell Armani as their own house Brand.

Armani may want to franchise the Brand in order to form smaller retailers within a Mall setting. This would transform the Brand immensely but allow it to continue beyond the life of the founder.

Threats

Armani has his hands full. There are a great number of product offerings, market segments, stores, and target audiences worldwide to track as far as trends, demands, prices, and changes in demographics. The more the Brand is stretched or the more product lines, it becomes difficult to manage any individual one well. This creates a challenge to keep track of what is working and what is not.

If Armani begins to franchise his brand it may lose its identity and visibility to the external world. Much like Calvin Klein has ceased to exist as a signature brand (. The fact that the fashion apparel side of the business is being compromised through extensions into the hotel and furniture industry. This may eventually cost the Brand its exclusivity and therefore its high end luxury clientele.

The major transformation from the fashion industry to hotels may require additional outlays of resources to handle potential regulatory and trade laws associated with the travel industry. The cost of these type of pursuits should be carefully researched and considered in order to protect the Brand.

The need to find a new figurehead for the company or Brand is necessary at this time. Once Giorgio Armani is no at the helm, it will be difficult to continue advancing the design of Armani without the Designer. It is very important to find a successor once again to prepare the company Brand for its new look once Armani is gone. Though this aspect of the fashion industry provides fashion houses with a strong sense of differentiation that can be conveyed in a tangible and visual form, it also poses a serious threat. When an entire brand and fashion house are built on the basis of the founders' personality and identity, it becomes a major challenge to keep the brand going after the demise of the founder, something many of the fashion houses have realized in the recent past.

Competition from other designers who are ready to take over where Armani leaves off after he steps down or is no longer around to head the company. Currently there are many designers eager to step in to gain market share in the luxury circles Armani runs in. Having exclusive access to celebrities, the Royal family, the Music and Movie icons as well as the wealthiest families in each country, is definitely a target that designers are shooting for.

Since the company is global there are possible problems due to political situations in other countries that can affect operations.

For example the unfortunate quake in Japan, can result in the closing one or more stores temporarily. Not to mention the costs of rebuilding.

Alternatives based on SWOT Analysis

Product Mix

Reexamining the product mix for Armani. The original Armani Couture product line is the most well respected, developed and successful. Over the next three years this line should release all ties to the other products and become a stand alone business to differentiate itself and reestablish itself as the face of Giorgio Armani retaining its exclusivity and Brand distinction. This is the signature line of Armani and should remain under his management and direction. The other products Emporio, Collezioni, Armani Jean, A/X, Armani Jr. should all be franchised to retain the Brand image yet capitalize on explosive growth potential.

Pricing

Remember to keep prices set in relation to the target market audience niche for which they were designed. Emporio should not resemble Collezioni for example. The styles, quality of fabrics should remain distinct. The target audience remain in the age demographic for which it was originally designed (NM, com. 2011). Advertisements should contain models and images of that age group, in order to capture the attention of the niche and remain within that targeted segment.

Consider the immense competition for the youth market. If sales are not profitable, determine what is going on by researching the competition. Review the trends of the age group and observe using social media such as twitter, mobile strategies, ask questions, take surveys through the A/X retailers determine what consumers are looking for and give it to them (Butcher 2010). Take note of the trends reported in surveys and make necessary adjustments. Provide adequate training and resources to support

employee staffs. Conduct performance reviews to determine needs of employees to remain productive. Remove clothing lines or styles that are not profitable(Butcher 2010).

Product placement and Promotion

Use of social media is definitely an advantage. Informing consumers of newly released clothing or sale items by digital media will allow them to respond quickly to new releases. When a product is placed before consumers appropriately for purchase when they want it, this is instant profit. Track where sales are being made and make sure proper inventory is replenished where needed.

Consider new areas for placement such as Airport Terminals or High End Mall Stores. These prices can be marked at an extra premium as consumers expect to pay more. Offer discounts for shopping online and ordering online. Text specials at certain dates and times to capture huge numbers of responses when sales have slowed or are failing in another country. A sales slow down due to PESTEL influences can be an opportunity to leverage promotions in another area of world to regain lost revenues.

Packaging and advertising is a small part of promotion. The culture of the Armani organization must remain at the forefront of everything within its stores. They retail chains must employees that dress with the same simple yet elegant and classic chicness of what they are selling. The stores appearance must reflect the Armani persona. Employees must understand the Brand and be aware of how they respond to customers. The customers must feel they are in the presence of Giorgio Armani whether he is physically

in the store or not. They should be treated with respect and experience a level of customer satisfaction should be over and above. The company should continue to extend its hand in community services, environmental programs and sponsoring education and world outreach opportunities.

Objectives of Marketing Plan

The new vision of Armani will be centered on the following objectives.

Increase market share, Strengthen Brand and Customer Loyalty, and increase expansion and growth.

Objective number one at this point are to increase market share. Armani should consider expanding his successful original brand by continuing to design for his exclusive luxury high end market. The 60 Armani Couture stores will continue to be run and managed by Giorgio Armani himself until he retires. Then these stores could be sold to Versace or another high end competitor.

Objective number two strengthen Brand loyalty. He should also consider selling all of his holdings not associated with the fashion industry. That would include the hotels, baked goods outlets, florists shops, and the furniture holdings primarily. This is important to preserve the Brand and the Armani legacy.

Objective number three increase expansion growth. He should retain his family members in the company two nieces and a nephew and make them the CEOs of all of his remaining stores. They should then franchise out all of these stores and manage them to adhere to the present Armani polices and

procedure according to purchasing, the store names, business function and structure, and design, purchasing, manufacturing and advertising. By franchising the Brand under the careful management of the family members the market can continue to expand far beyond what Armani alone could accomplish as investors around the world decide to become a part of the Armani empire. In this way the Armani Franchise can increase far beyond the 200 or so stores currently in existence under Emporio, Armani Jeans, A/X, and Collezioni.

BCG Matrix (Netmba. com 2011).

Evaluate Solutions

The best opportunities for growth are the original Armani Couture Holdings. These will remain under the direction of Giorgio Armani until he decides to retire or at his death. These are the original 60 stores that most represent the Armani Brand and should be preserved. After Armani retires, these could be sold to Versace and retained under a single designer. The remainder of his holdings will be sold. The other retail outlets Collezioni, Emporio, Armani, Jeans, and A/X will be franchised. The franchisees will be run based on the regulations and policies of the current stores and managed by Armani's nieces and nephew who work in the company at present.

The Stars in this case are the 60 original Armani Stores. The cash cows are up and coming are the franchised holdings of Armani Jeans Emporio, A/X, and Collezioni. The question marks are the furniture holdings which have a high market potential yet have not shown strong cash generation or market share.

<https://assignbuster.com/marketing-plan-for-brand-of-giorgio-armani/>

The dogs which have not shown much market growth due to world economies nor generated much cash are the hotels, floral shops, and confection bakery shops. These will also be sold to the partner alliances within the countries they reside.

The Financial Plan for the next three years follows including a break even analysis and Business Ratios follows.

Financial Plan

First Armani will sell off all stores as franchisees except the 60 flagship Couture original stores. These will remain exclusive to current luxury and high end clientele which will be merged with Versace after the retirement or death of Giorgio Armani (Zargani, 2009). The merger of the designer originals with Versace will require some capitalization which will be arranged over the next three years. Also planned over the next three years will be the required franchise fees and royalties. In addition, franchising of its existing lower end stores such as Collezioni and Emporio will open up as opportunities for expansion franchisees long term.

Initially, Armani will offer Private Placement of \$10 million will be sold, \$500,000 is assist franchisee prospects with incentive to match start-up.

An additional \$500,000 is infused from a continuation of the same placement. The \$100,000,000 infusion will be offered after sell of the majority of existing stores as franchisees and allow for the merging of corporate headquarters and allow franchisees to open by end of year one

(Zargani, 2009). Franchises are marketed successfully and on schedule that revenue will fuel growth to positive cash flow and profitability in year one.

Important Assumptions

The following assumptions are used in this plan.

There is no projected borrowing.

Retail sales and franchise fees are treated as cash when collected. There are no payment terms on these items.

Royalties are also treated as cash even though they lag 30 days to collect from the time period incurred. They appear as collected.

Other assumptions appear in the table below:

General Assumptions (Zargani, 2009)

millions

Year 1

Year 2

Year 3

Plan Month

1

2

3

Current Interest Rate

10.00%

10.00%

10.00%

Long-term Interest Rate

10.00%

10.00%

10.00%

Tax Rate

33.00%

33.00%

33.00%

Other

0

0

0

Key Financial Indicators

The key indicators in our plan illustrate increasing sales, control of costs, and increasing margins as market maturity is attained.

Break-even Analysis

The following assumptions are used for the purpose of this break-even analysis. If the consolidation of Versace with Armani incurs overhead and additional salary associated with the sell off to buyers or franchisees this analysis explain how much month revenue in either franchise sales is required to maintain business. Hiring and franchise sales are figured at 90% gross margins for this purpose. Month overhead approaching \$200, 000 at that point in time (Zargani, 2009).

The break-even sales required to stay in business is shown below, in either franchise fees or combined franchise fees and retail hiring revenue. The example plan is the numbers for one sell of either a hotel interest