

Versache international marketing flashcard



The only form of segmentation that applies to Gucci is concerned with income levels and persons ability to afford the product basically the pricing of the product places the product in a certain segment whereby its is only affordable to a certain sector of society based on income levels so in that way the product is positioned and geared towards wealth individuals looking for exclusivity 2. Answer to Question 1: Evaluation of the extent of standardization The ethnocentric approach is one whereby the general attitude of a firm's senior management team is that nationals from the organization's home country are more capable to drive international activities forward than non-native employees working at its headquarters or subsidiaries. The practices and policies of headquarters and of all subsidiaries need to comply.

This mind set has as advantages that it overcomes a potential shortage of qualified managers in host nations by expatriating managers from the home country, creates a unified corporate culture and helps transfer core impotence's more easily by deploying nationals throughout the organization. The main disadvantages are that an ethnocentric mindset can lead to cultural short- sightedness and to not promoting the best and brightest in a firm. Len today's global world, where consumers travel more, watch satellite television, communicate and shop internationally over the internet, the world now is becoming a lot smaller.

Because of this there is no need to adapt products to local markets. Brands such as Coca-Cola, MAT, Nikkei, Levis are all successful global brands where they have a standardized approach to their marketing mix, all these products are targeted at animal groups globally. In many circumstances a company

will have to adapt their product and marketing mix strategy to meet local needs and wants that cannot be changed. McDonald is a global player however, their burgers are adapted to local needs. In India where a cow is a sacred animal their burgers are served with chicken or fish.

In Mexico burgers come with chill sauce. Coca-cola is some parts of the world taste sweeter than in others, but in the case of Gucci and the type of products they offer there is little or no value to be derived from adaptation. . Gucci has definitely adopted the ethnocentric home country approach with very little variation, this is actually one of their most important critical success factors in their history and continues to be their unique core competence the simple fact that all their products are made in Italy.

The ' Made in Italy slogan carries so much credibility in the luxury goods industry which is something that Gucci definitely leverages . NNE hundred percent of Gucci leather goods shoes and ready to wear clothing is still being produced in Italy where 45, 000 persons are employed in Italy. Product: the product offering of the Gucci Brand include handbags, shoes, clothes, hats, fragrances, hats and gloves, fine Jewelry, silver and other Jewelry, scarves, small accessories, sunglasses, wallets and travel/business. Gucci offers a Luxury Brand product offering to its customers.

The product branding of the Gucci Brand is quite strong as the interlocking as which form the logo along with the trademark striped webbing which appear on all of the goods mentioned previously, and are displayed prominently on all Gucci goods. The product offering of the Gucci Brand is also categorized based on the Collection which the good falls under. The

products of the Gucci brand are mostly standardized with the same collection being offered worldwide, some may not be offered depending on the region where the brand is being sold.

For example, a product which may not be sold by Gucci in the Central America Region would be scarves and gloves. There is some level of basic adaptation with the packaging of these products in terms of the local language being displayed on the packaging e. G. Spanish in Latin America but the core product is very much standardized. Most products are never 100% percent standardized but Gucci is very close to being one of the most standardized brands in the world with very little adaptation done to its core products. The head office in Italy with very minimal adaptation done with some consideration with respect to exchange rates.

Handbags for women sold by Gucci range from US \$500 to IIS\$5, 000 and Shoes for men range from IIS\$300 to IIS\$1, 500. These goods are priced as such given the fact that it is a good of ostentation, offering high quality and the boast of the Gucci Brand price is not a competitive factor in the luxury goods industry. Prices are available on the Gucci Website for all its items in US Dollars. The standardized pricing of Gucci products actually adds to its reputation, attraction and received exclusivity as stated in its mission statement " The price is forgotten long after the quality remains" .

Prices are therefore standard across the board no matter where it is sold.

Place: One hundred percent of Gucci products are standardized in that they are all still Manufactured in Italy and disseminated to its various store locations around the globe the strength Of Gucci is in its established, very

strong brand image and international presence. Gucci has also the Ability to control its distribution channels. This is part of Gucci defensive strategy in the value chain to capture the value deed instead of giving it to the middlemen such as suppliers and retailers.

The Company has also increased the number of their Directly Operated Stores (DOS) as part of the Defensive strategy of taking more control of the distribution process. The idea is to control the brand from creation to production to distribution thus maintaining consistency. All stores were designed to have the same look stores are checked for consistency of brand guidelines . The branch locations can be viewed on the Gucci Website as well. Gucci is also available via its Online Store, which can be accessed using the Gucci Website. Gucci currently has 454 stores . Worldwide and franchises through boutiques and departments stores.

Source: Goldman and cash report A Goldman Cash research as shown above uses a detailed approach to analyze the industry attractiveness, the company attractiveness and general brand identity with Gucci placing first overall with the best balance overall criteria which is directly linked to the success of their standardized approach to promotion and marketing.

Promotion: The focus of the Gucci brand is on promoting the products offered. Based on the Gucci website, the “ Cruise 2012” Collection is the current focus with one tankard ad campaign being run worldwide with only language being the only variation.

It is displayed prominently on the homepage of the Gucci Website. Sale prices are offered on certain goods, which can be found under the sale

section of the Gucci Website. Gucci mostly promotes the luxury branding of their products and get customers to buy in to this. The promotional element is standardized, however the reward for purchasing the brand is the brand itself (the status associated with purchasing Gucci). Cultural frameworks and fashion are closely tied; and to facilitate assign on a global scale, consideration of local differences and cultures in most cases is a critical factor.

There are a few exceptions to this strategy with Gucci being overall marketing strategy. Gucci transcends any sort of local cultural differences and are active on a global scale without having to make any modifications culturally or strategically to be accepted by consumers. To be successful in a global environment labels such as Gucci typically have well defined and strong market image. What enables these ' Super Brands (Moore and Burt, 2001) to operate on a global scale to he extent that they do is the fact that they appeal to all sorts of consumers in spite of variations in cultural or ethnicity.

Overall the Marketing Mix of the Gucci Brand is standardized and offer an indulgent product which is provided at a premium cost. Based on the fact that there is a standard good offered to the Target Markets of the Gucci Brand, this offers consistency on the Brand being offered internationally. For most consumers, country of origin may also serve as an affective image Attribute which associates a product with status, authenticity and exoticness (Verge & Statement, 1999).

When making eyeing decisions, consumers may link country of origin to personal memories, to national identities and to feelings of “pride” associated with the possession of products from certain countries (Hiroshima, 1985). Gaffe and Carols (1995) found that the factor “proud to own” had a significant influence on Mexican consumers purchases of products from Japan and the United States, this same sort of feeling is expressed by consumers who purchase Gucci products ‘Made in Italy has so much significance in the luxury goods industry.

Chuck and Mahoney (1999) also demonstrated that country of origin is significantly more important than price and there product attributes, such as reliability and safety, in Nigerian consumers’ preference, this again has a correlation to Gucci as price is not a very important factor to persons who purchase luxury goods as well, Therefore, even after controlling for perceived quality and performance, country of origin may influence consumers’ products evaluations and buying decisions.

I do believe that Gucci approach to standardization is an appropriate strategy, as the aim of the brand is to be both recognizable by its various markets and to be consistent amongst the relevant markets. Customers purchase the brand because it s both recognizable and expensive. Gucci therefore maintains its Brand Promise by delivering on these two important aspects to its consumers.

Gucci is such a strong brand that transcends cultural and national boundaries that standardization is without a doubt and most appropriate strategy for the type of industry that they operate in and reputation that

they hold in the consumers mind, standardization affords them control which is a critical success factor in maintaining its unique competence and strong brand identity which is the key to their success 3. Answer to Question 2:

Internationalization process theories Internationalist is established, maintained, developed, broken and dissolved in order to achieve the objectives of the firm. It is the process of embroiling, accumulating and developing resource stocks for international activities. As opposed to Globalization which means that the company is managed on a global scale, this focuses on a few selected countries.

Internationalization arose out of the growth and accessibility of technology, the breakdown of trade barriers and relaxing of financial regulations as well as the expansion of markets into the Central and Eastern Europe and Asia. Some advantages include increasing the long term competitive advantage of the organization, product and process innovation, improved business performance, improved productivity, and intensification of competition, integration and liberation's and overall future growth of the organization.

MODELS /THEORIES ADVANTAGES/STRENGTHS DISADVANTAGES/CRITICISM

Internationalist theory Avoid search and negotiating costs Avoid costs of moral hazard (hidden detrimental action by external partners) Avoid cost of violated contracts and litigation Capture economies of interdependent activities Avoid government intervention Control supplies Control market outlets Better apply cross-subordination, predatory pricing and transfer pricing Reduction in transaction cost is only one of many motives for international business.

The assumption that transactions are always possible for a firm, whereas in practice firms may need to first take measures in order to enable international transactions. Monopolistic Advantage theory An MNE has or creates monopolistic advantages that enables its operate subsidiaries abroad more profitably than local competitors Monopolistic advantage comes from: Superior Knowledge- production technologies, managerial skills, industrial organization, and knowledge of product.

Economies of scale through vertical or horizontal FDA Less local knowledge of laws, economy, society, culture, and language lead to higher information cost and risk. Foreign companies often face discrimination regulations from government regarding taxation or employment. The transfer of earnings is exposed to exchange rate fluctuations. The geographical distance between parent company and subsidiary leads to communication and coordination cost. Upscale (U model) Model of the firm's choice of market and form of entry when going abroad. ; (1) that companies appeared to begin their operations

Abroad in fairly nearby markets and only gradually penetrated more far-flung markets. (2) it appeared that companies entered new markets through exports. ; Four different modes of entering an international market, where the successive Stage 1: No regular exports activities (sporadic export) Stage 2: Export via independent representatives (export modes) Stage 3: Establishment of a foreign sales subsidiary Stage 4: Foreign production/manufacturing units. The model is too deterministic Does not take into account interdependencies between different country markets Not valid for service industries

Not valid in situations of highly internationalization firms and industries The world has become more homogeneous -?+ psychic distance has decreased therefore are the firms willing to enter into large markets. Reduce uncertainty -?+ buy knowledge about legal and financial standards from international consulting firms. Firms today has easier access to knowledge ex throw information technologies The Internationalist process is viewed as being dynamic, in that the outcome of one decision regarding foreign market entry constitutes the input of a subsequent decision according to Johansson and Value.

Knowledge of the market is divided into Objective and Experiential which means that knowledge of markets can be taught and is generic (Objective) while there is some knowledge that is unique and acquired through personal experience according to Penrose. The firm is impacted by the level of commitment it has in acquiring and using this knowledge as well as Knowledge of the Market. This is further supported by the change aspects which include the Commitment Decisions and Current Activities of the firm within the host country.

Gucci utilizes the Monopolistic Advantage Theory, as there is a unique proposition which is inherent to the product they provide. As a Multinational Enterprise, their Monopolistic Advantage lies in the fact that they can provide its products through superior knowledge through its manufacturing processes, brand name, differentiated product, organizational talent and technology used to create the product being sold.

Gucci commitment is to ensuring that the brand remains consistent and through the knowledge gathered from the relevant markets the company services, it is known by Gucci that their customers value the luxury brand that is offered around the globe. Therefore the Monopolistic Advantage is maintained through the Commitment Decisions and the Current Activities of the organization for the Gucci brand. The Pascal Study was engaged in, in order to determine whether and to what extent do international business operations and running a business in a single country differ according to Carlson.

The U Model explains how the company increases its international involvement through their learning and that their involvement levels a carried out in small incremental steps in the foreign markets. The Stage Model of Gucci is the Pascal Internationalist Model (U-Model) whereby the Gucci Brand started off as a small family owned business in Florence Italy in 1921, and gradually ever time started operations in other international locations, and is now part of a larger group company whose operations are also extensive. To date there are 56 countries where the Gucci Brand is sold to its customers.

In the sass Gucci opened establish the brand incrementally in other locations around the Globe. The learning which the Gucci Brand encountered is that the Brand Awareness of the Gucci Brand was increasing and so was the demand for the product in other countries. Therefore the resources and commitment level to delivering to these customers increased in increments in order to provide these customers with the product in demand. The product was not changed, as the knowledge gathered indicated that the luxury brand <https://assignbuster.com/versache-international-marketing-flashcard/>

is what the customers seek. 4. Answer to Question 3: Country of origin effects Theories on country of origin effects Consumer Ethnocentrism Global Openness Country of Origin Consumer Ethnocentrism: Shims and Sahara (1987) coined the term consumer ethnocentrism to represent the belief held by American consumers about the appropriateness, indeed morality, of purchasing foreign products. The construct of ethnocentrism relies on the presumption that the consumers' patriotic emotions will have significant effects on attitudes and purchase intentions and their ultimate behavior Global Openness.

Such and Swoon (2002) define global openness as a consumer's mindset or consumer's openness to globalization. A number of studies have found a significant negative relationship between global openness and consumer ethnocentrism. Among these studies are Sahara (1995) and Such and Swoon (2002). This negative relationship has been proven to exist because consumers high in global openness have more opportunities to interact with other cultures, and therefore, their bias towards foreign countries, in the form of ethnocentrism, is created Country of Origin.

Elliot, Cameron, and Chary (1994) define the country of origin effect (COO) as the country of origin or the country of manufacturing for a specific product. Numerous studies have found that consumers have biases in favor and against products made in certain countries. Lie, Murphy, L', and Lie (2007) also found that the country of origin effect has a significant impact on consumers' attitudes and intentions to buy foreign products Country of Origin Effects refer to the intangible barriers to enter new markets in the form of negative consumer bias towards imported products.

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It is established that in the modern marketplace, it is very difficult to define firstly the Country of Origin as some firms produce the parts for a good in different location, assemble it elsewhere and distribute the product from another location. The purpose of the Country of Origin Effects study is to show the impact of Country of Origin on the customer perception and opinion of the product itself from customers buying the product in other countries. One theorist, Schooled, describes the Country of Origin study as a product having an effect on the consumer's opinion of the product.

This opinion can be either positive or negative based on the products Country of Origin. There are several studies which demonstrate the effect of the Gucci brand on customer opinion of the product. Mashing in 1970 conducted a study on the familiarity and Sweden, I-J, Germany, USA, Japan and Russia were looked at as the Countries where goods originated. Of these countries, the study showed that knowledge of the Country of Origin affected consumer attitudes towards the products purchased.

These attributes related to product - quality, workmanship, style, dependability, technology as well as the attributes of marketing values - credit or terms, value for none, on time delivery and reputation. Gucci offers a certain standard of workmanship where their products are concerned as well as consistency. In addition, the perception of customers purchasing from a brand like Gucci from Italy (where most leather goods are made) is bound to be tipped in Gucci favor in the mind of the Gucci customer.

Respondents generally felt that products from the USA, UK and France were of a better quality than other products offered by companies of other

countries. Therefore the Country of Origin in these instances informed the customer's perception of the product in a positive manner. Another aspect of the Country of Origin is the Aggregate Image which is derived of the product by customers. Another study looked at the response of customers to American goods versus goods made in Japan.

As the American Goods are what Americans use or purchase more often, their Aggregate Image would be sound based on the amount of experience they have with these products. On using a Japanese brand, Americans may be far from impressed with the brand offering. The Aggregate image for a customer using the Gucci brand and experiencing its luxury, would be a tough act to follow by other competitors. Therefore the country of origin and the effect of Aggregate Image will also impact a customer's perception of the Gucci Brand. One other study emphasizes the Country of Origin Effects on how customers perceive products offered by firms.

One study sought to establish a correlation between gender and the type of product purchased and how the Country of Origin influences this. For example it is noted in the study carried out by Johansson et al, that females ranked Italy the highest for women's shoes over Canada versus the males preferring Italian clothing over Canadian clothing in terms of quality. For the Gucci brand this means that their expert knowledge developed in 1921, in producing leather goods, is a factor which produces significant advantage for the firm.

Customers purchase the Luxury Brand of Gucci, as their perception is that higher quality is offered. Han states that the Country of Origin is very

important when looking at products offered to customers in another country for purchase. It is noted that there are two ways a product can be evaluated, and this can impact your brand positively or negatively. The Halo Construct looks at the customer's knowledge of a particular country being used as a yardstick to consider the value of the product.

The quality of Italian leather goods are perceived by customers to be high in quality, therefore knowledge of this would be transferred onto the Gucci Brand. The Summary Construct looks at the customers view of the product through use of products produced in the country. So by customers purchasing other good Italian Brands, Gucci benefits in this way. Another study relates the Country of Origin of the product and the quality of the good being purchased, to the price of the product. This perspective according to Chaos, who noted that customers perceived that price connoted the quality, based on the country of design.

The researcher looked at mostly the purchase of electronic Brand is what customers seek. The study notes that there are three major dimensions when looking at this - innovativeness, exclusiveness and stylishness. This can be translated to the Gucci brand in terms of the features which customers value when purchasing a Luxury Brand of Products. Further, the studies outlined in the article entitled "Country of Origin Effects: A Literature Review" look at the different aspects which influence the buyer from another country's perception of a good.

Among these are demographics - such as age, product quality and consistency, the ultra of the host country and their attitude towards the good

offered by the home company, the terms of reference of persons in the host country - what are they evaluating your product against, the level of stereotyping which exists, the service offered when purchasing a product and finally the type of product being sold to the host country consumer - durable good, ostentatious good, industrial good or consumer good.

The impression of Italy as a country and Italian products has done much to deliver a good perception to consumers about the Gucci Brand. The prestige of being 'Made in Italy' draws fashion consumers to the brand. Therefore this is a significant advantage to the Luxury Brand of products offered by Gucci. Conclusion The Gucci Brand has existed for a long time, maintaining the consistency of the brand and therefore the attachment which customers have to the brand.

The company has expanded into various regions systematically by maintaining their Monopolistic Advantage as well as using the Pascal Internationalization Model. These studies however, look at the customer to company relationship in a vacuum, forgetting that there are many other factors which determine how and why customers buy. It is up to the company to conduct informed research on their target audiences to ensure that they are maintaining their brand promise and delivering to the customer what is expected.