

The Success of Luxury Goods Branding in China: A Case Study of Gucci

Huatong Lai^{1,†} Zijun Xian^{2,†,*}

¹ Guangdong Country Garden School, Foshan, 528000, China

² Guangdong Country Garden School, Foshan, 528000, China

*Corresponding author. Email: guanghua.ren@geccademy.cn

ABSTRACT

The luxury products businesses have been flourishing in China in the past few decades. Gucci, one of the most prominent leaders of luxury brands, is taken as the focal case of this study. Specifically, in this paper, some core branding strategies implemented by Gucci are reviewed and discussed. Aside from the delineation of the competitive advantages of Gucci, some challenges it faces have also been revealed. This case study would shed light on the ensuing branding and marketing management of ensuing luxury products companies in Chinese context.

Keywords: *Branding Management, Strategic Management, Chinese Context, Gucci*

1. INTRODUCTION

Under the background of globalization and China's economic development, we have witnessed a dramatic growth in the domestic market of luxury goods. As more and more Chinese customers can afford high-end and high-priced products, increasing internationally well-known luxury brands, such as Coach, Hermes, Prada, etc., have entered into the Chinese market to expand their businesses.

Among all these famous international luxury brands, Gucci is considered as one of the most successful cases that has succeeded in occupying a huge proportion of the Chinese luxury goods market. As a brief introduction, Gucci is an Italian luxury company founded in Florence in 1921 [1]. It mainly produces various fashion-related products, such as high-end clothing, perfume, shoes, bags, cases, glassware, etc. [1]. Thus, Gucci can be deemed as one of the worlds' most world-wide renowned luxury brands, targeting consumer groups with high income.

For any luxury products, the main reason why they could be sold at such a high price is that they not only offer basic functionalities, but more importantly, are able to provide massive added-values that aim to meet customers psychological needs [2]. This process of adding other intangible values for the original products, by using an array of marketing techniques including marks, symbols, special designs, etc. or the combination

of the above elements, can be called as the value-based branding process [3].

As a result of the successful branding, customers can identify the name of the seller as well as its goods and services, making it to separate from its competitors and stand out among all likewise products. According to the branding theories, by adopting the branding practices such as naming and designing through logos and symbols, pertinent brand equity can be greatly enhanced [4]. This would explain why Gucci and similar luxury brands can set the price premium in the market compared with other common fashion goods producers.

In this study, the strategic positioning of Gucci is introduced in line with the existing branding theories. In this review study, a set of branding strategies that contribute to the success of Gucci are delineated, comprising its product and logo design, integral marketing and branding strategy and promotional efforts. Consequently, it can be said that the management of all these strategic procedures has enabled Gucci to win the Chinese customers' preferences and market.

In spite of the tremendous success of Gucci in China, Gucci is also facing lots of challenges, including the increasing competition from other luxury brands and ever-changing Chinese customers' profiles. Therefore, this review study will explore the success factors of Gucci and evaluate the challenges it faces. Combining relevant branding theories and the authors' personal insights, some recommendations can be proposed. In

consequence, this study would contribute to both the business development for Gucci and pertaining luxury business development in China.

2. PRODUCT DESIGN STRATEGY OF GUCCI

In general, the secrets of Gucci's success can be ascribed into two dimensions: the product design and branding and marketing based on its product design. These two parts can never be separately discussed, as the appropriate interplay between the product itself and the marketing should be always understood consistently in the brand value construction process [5].

First of all, it should be noted that Gucci has been very successful in terms of the product and product packaging design. As one of the pioneers of luxury brands in the world, Gucci has a very high standard in terms of its product material selection, style design, manufacturing, processing and the following storage and delivery. It can be said that Gucci takes all the factors of production into careful consideration, with a constant pursuit of innovation and high-quality, making it has always led the fashion rather than following its competitors.

An instance of Gucci's insightful design is in the 1990s, Ford, who was a creative designer, was hired as the director of design to be in charge of a series of provocative fashion style construction tasks, which successfully differentiates itself from other competitors. At that time, noble and formal styles were still the mainstream design language of luxury brands, Gucci, however, changed this into a sexual, energetic, easy-going and relaxing style, rebuilding a brand-new image among customers. This product design strategy has tripled the income of Gucci in the 1990-2000s [1].

For now, Gucci has brought a young flavor. The industry believes that Gucci's new products are no longer as conservative as before but adopts more bright colors and fresh designs. This product design style is the result of an array of market research adopting the combination of demographic and psychological segmentation strategies to identify different segmentation variables. Therefore, the new launch of products has made Gucci become far ahead of the fashion industry [6]. To date, Gucci not only follows the trend of the times, but also becomes the first choice of the modern young rich second generation and urban women.

Aside from the innovative and exquisite product design, Gucci's extraordinary branding and marketing practices should be considered as the most crucial success factor, making it to attract the attention of Chinese customers [7]. The following sections would review some prominent branding and marketing strategies of Gucci.

3. INTEGRATED BRANDING AND MARKETING STRATEGY OF GUCCI

Integrated and personalized marketing has been gradually becoming an important tactic of creating a long-lasting strong brand [7]. China has its special context and market environment compared with the western world; therefore, Gucci's strategy is to specially look into its target market in China and concentrate on those Chinese market trend and characteristics.

For instance, Gucci has set its retailing stores in almost every high-end shopping malls in major cities in China, such as in Beijing SKP, Shanghai IAPM, Shenzhen international financial center, all of which are fashion hubs of the city or top high-end shopping centers. This kind of layout of the retailing stores co-construct a net for promoting Gucci in Chinese customers minds, as they would attach the high-end image of the shopping mall to the Gucci brand.

Not only the comprehensive retailing shop configuration, in each shopping center and retailing store, integrated promotion techniques are implemented [6]. For example, consumers can learn about the introduction of Gucci products in the store catalog, can scan and view the real products through the display in the window, try and touch them with the help of sales assistant, and understand the material of goods through the store sales personnel as well as through a variety of interactive technologies [7].

In addition, Gucci has also launched co-branded products with many artists in its own online stores, hoping to attract more young consumers. This change can expand the market and make more people recognize Gucci [7]. Also, a series of promotional activities are regularly held not only within the shopping center but also in major events in the city such as music festival, art exhibition, and consumer communication events [6]. Based on some statistics, the marketing campaign of Gucci would cost more than 10 million yuan each year for Gucci in China.

4. MARKET PROMOTION STRATEGY OF GUCCI

The 21st century is an era of information. Especially in China, the development of media platforms has been dramatic. In this context, Gucci has noticed this trend and researched a variety of media platforms in China. After that, it sets out to expand its influences through those media channels to attract more consumers.

The early promotional investment of Gucci was put into those paper-based publications [3]. A lot of advertisements were published in those high-end magazines in China so as to introduce and deliver the sense of "noblesse" to the magazine readers who are the target consumers of Gucci. Other than the tradition

printed channels, Gucci has opened its online official retailing store in such as Alibaba Tmall and JD.com to perform B2C retailing business. All of these practices can show that Gucci is really an adaptive luxury brand that could actively accommodate to the emerging and trendy marketing and promotional channels.

The advertising of Gucci has recently entered into the Chinese social medias such as Weibo, WeChat and Tiktok, as previous study has shown that the Internet has become a buyer's second largest message channel for luxury brand [8]. As for its own website, at the end of 2019, Gucci launched several versions of its homepage based on the regions of its business. The new website is rich in content, massive pictures, selected content and brand stories. The company builds such a platform to establish a brand connection with customers, because they believe that the Internet is an important channel for brands to communicate with consumers [9].

Moreover, Gucci has adopted a lot of influencer marketing strategy by collaborating with those spokesmen who are well known by Chinese customers, such as Ni Ni, Li Yuchun and Wu Yifan, who have great influence in China. More than those celebrities, Gucci has also cooperated with the popular social media channels for better exposure [9]. Lastly, Gucci's promotional films are of high quality and full of fashion sense. Many people are attracted by the promotional films, which are very in line with the trend and attract the audience.

Thus, in recent years, it can be concluded that Gucci has invested massive efforts in the social media marketing to deepen partnership with the new online marketing channels and influencer marketing means. From the result-driven perspective, the huge promotional and marketing efforts made by Gucci have successfully penetrated the Chinese luxury market, leading Gucci brand to one of the most recognizable luxury brands in China.

5. LOGO AND COLOURING ADOPATION OF GUCCI

Logo is the visual design and expression of the trademark of the enterprise [8]. Using logos for branding is a crucial strategic process of positioning those intangible features and elements of product characteristics into customers' minds [3] [4]. All business enterprises would adopt a delicately-designed logo to compete with their competitors. Nevertheless, the design of a logo is a very complex process. Some factors needed to be considered during the designing process are comprised of a set of visual elements such as size, color, wording, style, format, shape and other implications beyond wordings such as the metaphor and innovativeness [4] [5].

As shown in Figure 1, Gucci has a very simple but direct design for its logo, and this logo has been used in

almost all of its market campaigns and product design. To introduce the design language of this logo, the double interlocking "G" denotes the founder of the Gucci brand "Guccio Gucci" in a very impressive and simplistic way. The Gucci logo has now become a representation of dedication, sophistication and luxury.

According to previous studies, the consistency of using a brand logo will enhance the customers' perception and impressions [6]. As for the case of Gucci, the massive adoption of its double G design has made Gucci's logo one of the world's most successful and recognizable luxury brand logos in China and the world.



Figure 1 Brand Logo of Gucci

Other than the brand logo, Gucci has also created a lot of fashion and popular elements and signatures, such as its double G horse chain and flora. All these designs have been in line with the same color language. As can be seen in Figure 2, Gucci would consistently adopt the combinations of certain codes of color. In fact, this famous blue-red-blue and green-red-green stripe have now already become an iconic representation of Gucci Design. This consistency of the design leads to a better expression and communication of the exquisite Italian craftsmanship.

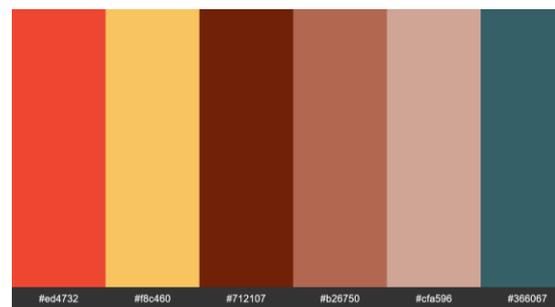


Figure 2 Gucci Color Palette

6. CHALLENGES FACE BY GUCCI

Despite the great success of Gucci in the Chinese market in the past decades; nevertheless, it also faces lots of challenges and uncertainties, posing higher needs for optimizing its branding and marketing efforts. Currently, the major challenge faced by Gucci is derived from the COVID-19 pandemic. As a global health crisis, this

pandemic causes huge impacts on both the supply and demand of the luxury product industry.

On the supply side, since most of Gucci's products are purely handmade, the cost of production will be much higher than before due to the decrease of the available labor forces and availability of manufacturing capabilities [7]. Also, the shutdown of the economy and lock-down of business forces many Gucci offline stores to close. Many retailers cannot afford the high rent without a stable cash flow. All of these uncertainties create risks for the sustainability of Gucci's business.

On the demand side, the target market of Gucci is also encountering a huge shrink due to the decreasing purchasing power and disposable incomes of the buyers. In the meantime, due to the tariff and other issues, foreign luxury goods in mainland China are more expensive than those in Western markets or other Asian countries or regions. A lot of Chinese customers would then do not want to afford such a high and unreasonable cost. Also, more and more local luxury brands have been emerging in the Chinese market [9], increasing the competition level for Gucci as well. To sum up, all of these barriers may pose further challenges for the attractiveness of Gucci for Chinese customers.

7. CONCLUSIONS

In conclusion, there is no doubt that Gucci has been successful in the Chinese luxury products market. Based on the aforementioned review and discussion, its success can be ascribed to its comprehensive branding efforts, from its product, logo and coloring design, to a set of strategic branding and marketing practices, which enables customers to recognize the value of Gucci among the competitive luxury products offerings. However, the recent COVID-19 crisis and increasing competitiveness also create new challenges for Gucci, requiring constant updates and adjustments to its branding and marketing strategies.

Accordingly, some suggestions can be proposed for Gucci in the end. Foremost, in China, since luxury goods were deemed as the symbol of the elite, Gucci should strive to maintain its high-end customer image, even if this may lead to a stagnation of its expansion. In the long run, if Gucci can ensure its core competitiveness, that is, establishing an extremely luxurious brand image among customers, we have confirmative reasons to believe that Gucci can increase its price and gain a higher price premium in the Chinese market. Meanwhile, the preferences of Chinese shoppers were also transforming. After all, if an enterprise wants to continuously obtain

and maintain its competitive advantage, it must always keep an eye on the state-of-the-art. Only in this way, in the foreseeable future, we can expect Gucci to keep attracting younger generations to purchase its products.

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