



LEVEL 7 ASSESSMENT SPECIFICATION

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1. Introduction

Clear corporate vision, mission and values are fundamental elements for any corporations to operate, set goals and formulate strategies. It is essential for any corporation to have these because it strengthens the belief in organizational steps and justifies any sense of movements towards decision made, as well as inspiring and motivating people (Džupina, 2017). Without this, corporations may become lack of directions for forward planning, risking themselves to business loss and long term sustainability.

1.1 Company Background

This report selected Giordano International Limited ('Giordano') as a case study. Giordano is one of the Hong Kong largest retailers of men's, women's and children's apparel. It was founded in Hong Kong in 1981 by Mr. Jimmy Lai, soon after its launch, Giordano expanded its market by distributing Giordano merchandise in Taiwan and it entered to the Southeast Asia Market in 1985. In 1991, Giordano is listed in the Hong Kong Stock Exchange under the stock code 709. Over the years, Giordano has become the leading apparel retail in the Asia Pacific Region and has around 2,100 stores in more than 30 countries and regions worldwide, including Mainland China, Japan, Malaysia, The UAE, South Korea, Taiwan, Singapore, Australia, Sri Lanka, India and Africa (Giordano, 2021). The company has also grown to cover a wide range of clienteles by having subsidiary brands such Giordano Ladies, Giordano Junior, BSX and Beau Monde. These brands reach to the market through retails stores, third party franchisees and e-commerce platform.

The 2020 Annual Report of Giordano highlighted that it had \$3,122 million in sales revenue with a net loss of \$112 million. Its inventory turnover days increased from 100 days to 115 days from 2019, and the Group decreased 8% of the total number of stores from 2,375 to 2,185. These were the result of overall economic downturn and the COVID-19 pandemic influencing globally and will be addressed in detail in Section 3.

1.2 Purpose of this study

This report uses Giordano as a case study, to review and evaluate its corporate strategies in relation to its vision, mission, and value. It also discusses how the value chain activities can contribute to Giordano values and evaluate its strategies based on the Balanced Score Card principles. Recommendation and implementation plan will be made based on its current performances.

2. Vision, Mission and Values (VMV) and the formulation of strategies

The Vision, Mission and Values (VMV) of Giordano are clearly listed on the company's website (Giordano, 2021). It has a wide vision to be the 'Best and the Biggest World Brand in Apparel Retailing' and have the mission to make people 'Feel Good' and 'Look Great'. It is apparent that Giordano is developing towards its vision as it has developed globally to 30 countries and has entering to new geographical area (Giordano, 2021, Pg. 17). The Corporate Values 'QKISS', emphasizes on doing things right; updating expertise and sharing knowledge; thinking out of the box; exceeding customer's expectation; and less is more (Giordano, 2021).

On the company's website it is stated that simplicity is the core of Giordano culture, and the Group is dedicated to providing simple, clean and comfortable design to its customers (Giordano, 2021). This does not apply to its product only but also extends to the store design, display and customer interaction. Its stores feature no more than 100 variants of 17 core items, as compared to 200 to 300 items for the competitors, allowing customers to focus on the products, and the corporate to quickly react to market changes (Wirtz, 2016). Its signature Giordano Men and Women series are designed for relaxed, ready-to-wear fashion pieces that can be worn on any occasion with mix and match style. In 1997, it has adopted Product Differentiation Strategies to launch Giordano Ladies, which conquers the high- end female fashion with the focus on its contemporary interpretation of simple, clean, timeless and modern classic designs. The launch of a budget brand, Beau Monde, in 2014, also puts its focus on 'The Style of No Style' (Giordano, 2021).

These show that the corporate value of simplicity plays a relatively important role in determining the directions of product strategies of Giordano.

In both Customer Service and HR Strategies, Giordano focuses on quality in substance. It is committed to superior service, outstanding quality and value that has enabled the Group to successfully execute its global and branding strategies (Saxena and Khandelwal, 2009). The good service quality starts from the Group's HR strategies, where it focuses heavily on training and attractive incentives to motivate good performances. Its Customer Service strategies ensure customer service excellence by conducting performance evaluations frequently at the store level. Customers can nominate 'Service Star' of the store and performances are monitored by mystery shoppers (Wirtz, 2016).

The above examples highlighted that Giordano's put its VMV into actions. It is important for an organization to have a clear VMV so that strategic directions can be set to facilitate future growth and development. However, many organizations do not have a clear VMV or either the VMV is too general, lacking the uniqueness and clear goals to set a realistic strategic direction. Strategic planning and directions should be at the implementation level of the VMV. It is not just what the business will do in the future, it is what the company does and performs currently (Džupina, 2017). Sipayung et al (2019) studied the relationship between mission statement and the company's performance and with the corporate image and that there was a strong correlation between vision and mission and the company's performance and image. Without the VMV, it is hard for any organization to be managed systematically and the management will lose the insight to make any decisions at both strategic and tactical levels. This is very dangerous for business sustainability and for future growth.

3. Macro-environmental Analysis

2020 was a challenging year for many industries in the world. The COVID-19 pandemic has caused many disruptions to normal activities, disabled travels and caused closure of businesses and unemployment. The world has suddenly entered to the new normal and

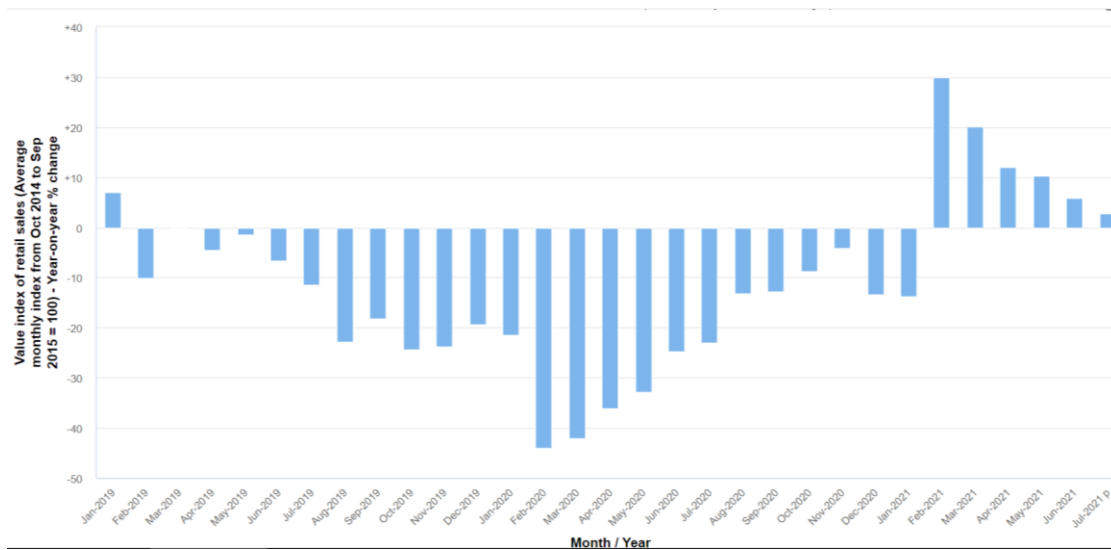
many industries and corporations had to come up with contingencies for business sustainability. While surviving from the pandemic, it can become difficult for the corporations to follow the founding vision, mission and values and the strategies developed to deal with the contingency may become diverse from its own principles. This section critically analyses the current macro-environment situation and identify the challenges the industry is facing

3.1. The Economic Environment

The social distancing measures and the travel restrictions have reduced the number of visitors in many countries. In Hong Kong, the overall economy and the tourism industry started to be affected since 2019, the social unrest year. In 2019, the total number of visitors arrival dropped by 14.2% (HKSAR, 2020) and the recent data reflected that the number of visitors in the first half of 2021 dropped by 99% as compared to same time last year (HKSAR, 2021). The Gross Domestic Product (GDP) index contracted by 6.1% in 2020 full year, with the unemployment rate of 6.6%, the highest in 16 years (Government of Hong Kong Administrative Region, 2021).

This economic downturn has impacted the total retail sales in Hong Kong. Figure 1 shows the Value Index of the Total Retail Sales in Hong Kong from 2019 to July 2021. This reflected that the total retail sales remained in a recession since early 2019 and it only started to record a growth from February 2021. The retail performance of wearing apparel also recorded a 14.6% and 41.3% decreased in whole year of 2019 and 2020 respectively (Census and Statistics Department, HKSAR, 2019; 2020). This indicates that Hong Kong apparel industry has been facing challenges in the previous two years.

Figure 1. The Value Index of Total Retail Sales (Year-on-year % change)



Source: Census and Statistics Department (2021)

Although the COVID-19 pandemic has not been resolved globally and the travel restriction is still in place, the retail performances have been improved since the beginning of 2021. This may be related to the stable control of the COVID-19 situation in Hong Kong and the availability of the COVID-19 vaccine. The Government's Consumption Voucher scheme starting from August this year may also be stimulating the buying activities from the public. From January 2021 to July 2021, the retail performance of the clothing apparel industry has recorded a positive increase of 27.3% (Census and Statistics Department, HKSAR, 2021). However, business growth and long-term sustainability will still be reliant on the number of visitors in Hong Kong, and without the opening of the boarder, it will become difficult for companies to sustain the high operation cost in Hong Kong.

3.2 The Social and Political Environment

The Covid-19 pandemic has not only affected the number of visitors to a country, it has also disrupted the global supply chains to the clothing industry, where companies are facing production and logistics bottlenecks, poor external demand and cash flow

challenges (Lam, 2021). Exports of the manufactured clothing from Hong Kong and Mainland have started to lose the competitiveness to other developing countries as the labor costs and product costs have been increased. In 2020, the total export value of clothing in Hong Kong dropped 34% to HK\$64 billion, which was the highest drop since 2018 (Man, 2020). Manufacturers must find alternatives to sustain businesses and entering to the retail markets in other countries may be an exit to the current situation. Some well-known manufacturing retailers like Giordano, Baleno, Bossini, etc., have extended their retail market to both developed and developing countries.

During the COVID-19, many retailers have explored alternative e-commerce channels as a business contingency and traditional retailers are tempted to adopt the online to offline (O2O) model as they could sell 24/7 online. 78.3% (almost 4 out of 5) of the merchants believed that being operational round the clock would give them a competitive advantage (Abbas, 2021). The increased in the online purchase has also brought positive influences on other industries such as logistics, online payment gateway, and marketing and customer service strategies have also shifted towards providing a seamless online shopping experience to this new group of customers.

3.3 The Environmental Impact

However, critics have been given to the casual wear industry regarding their fast production and the product turnaround time. Niinimäki et al. (2020) stated that the environmental impacts of the fashion industry are widespread and substantial. This includes water, energy and chemical use, CO₂ emissions and waste production. A Redress survey revealed that two in five people in Hong Kong only have clothing for one year or less and almost a third of them discard unwanted clothing items in the rubbish. This contributed to the approximately 196 tons of clothing to Hong Kong's landfills every day (Redress, 2020). This has become an important part of the apparel industry especially on the corporate social responsibility level to plan and implement measures to protect the environment.

3.4 Concluding comment of the current macro-environment

In summary, there is an economic challenge globally due to the COVID-19 pandemic. Many countries are facing travel restrictions and social distancing measures, resulting in economic downturn. The global supply chain has also been affected globally. Many manufacturing sectors of the industry are relocating their manufacture lines to developing countries with decreased production cost, however, Hong Kong still has a good reputation and a solid industry base for good quality products in a short lead time. During the difficult time, the industry has shifted the business strategies to e-commerce which has demonstrated positive sales performances and potential under the new normal. As part of the corporate social responsibilities, the industry needs to pay attention to its production causing environmental damages, ensuring measures are in place to protect the corporate images for business continuity and sustainability.

4. Value Chain Analysis

When comparing Giordano with other competitors within the same industry, it is important to understand its value chain. The value chain describes the categories of activities within an organization which, together, create a product or service (Johnson et al., 2014, p.83). The value chain within an organization comprises of primary activities and support activities. In this section, several areas relating to the value chain of Giordano will be critically analyzed and discussed how the pandemic environment may have changed or added value to the current value chain. All these primarily activities are supported by the supporting activities which are critical for service delivery and business sustainability.

4.1 Inbound and Outbound Logistics

Giordano focuses on efficient supply chain management as part of its environmental and social responsibilities. It emphasizes on satisfying customers' needs and better coordination between different functions, from supplies, manufacturing, warehousing to

distribution. Through better planning and sharing of information, costs can be reduced to enhance efficiency.

As part of its global vision of the Biggest World Brand, Giordano once gathered all designers around the world and created different designer campaign. It started in 2013-2014 with the two-tee campaign in Asia, then expanded to the 'One World, One Love' campaign in 2016 covering designers in another half of the hemisphere (Giordano, 2015). The supplies of product are partly manufactured or through the supplies. It set up a joint venture of manufacturing with a supplier back in 2005 in Guangdong, China, supplying for the Group and the third parties (Giordano, 2005). Giordano focuses on Core Ethical Sourcing Requirement which includes protection of labour and the compliance of some health and safety standards. There are 126 suppliers for Giordano of which 83.3% is from China; 7.1% is from Europe; 5.6% from Southeast Asia and 4% from the rest of the world (Giordano, 2020, p. ESG 30). With reference from its previous data, the number of supplies from Europe was significantly increased from 2.6% to 7.1% from 2019 to 2020. This could be explained by its global expansion to Europe and America (Giordano, 2020, p. ESG 35) where the style of the products must be suitable and relevance to the culture.

To ensure the quality of all Giordano products, the Quality Assurance Mechanism ensures the supplies meet its standards by regular and random audits as well as suitability and quality consistency tests by the Quality Assurance Team. These reinforce the Group's corporate value of 'Doing things right'. As of the recent growth of online business, the Group works with the third-party platform as well as on its own platform for any online purchase. It has good logistic support for the delivery of products to Hong Kong and Macau and free shipping is offered for purchased over \$350. There is also online to offline (O2O) option where customers can pick up the orders in store. This is a good business strategy model to draw customers to the store for further purchase opportunities.

4.2 Marketing and Sales

The Marketing and Sales as part of the value chain entered to a challenging year in 2020. The total number of sales decreased by 35.7% in 2020 (Giordano, 2020, Pg. 6) and the

Group had to reduce the business scale by closing 62 high rental loss-making stores. Despite this, the Group saw the opportunity to develop online sales platform which contributed 10.5% of the total Group Sales in 2020, a 5% increase since 2019 (Giordano, 2020, Pg. 6).

The marketing strategies of Giordano have changed depending on the public demand and the competitions within the industry. In late 80s where Giordano realized that there was an increased number of female customers, the product strategy has shifted to increase the diversification by opening a new brand, Giordano ladies, as well as developing a series of unisex apparel. In recent years, Giordano partners with some signature brands to create a series of cross-over products, increasing the market penetration to new customers. It has also appeared that in many advertisings of Giordano, a family photo has been used with at least four people, reflecting they use demographic and lifestyle as their main market segmentation, targeting children from 4 years old to around 50 years old.

Since the business focus has shifted to online platform, it is important for Giordano to also enhance its marketing through online platforms. It has placed advertising on Google and social media such as facebook and has a youtube channel with around 8,000 subscribers. During the pandemic, the Group responded well to its online customers by publishing a youtube video on COVID-19 measures and response. This was an excellent marketing strategy to give reassurance to customers under the pandemic.

4.3 Operations and Customer Services

The retail store design remain the company's vision of simplicity and it is always proud of its 'Zero Storage' as a core competence of inventory control. It makes use of a central distribution center to replace the function of a back storeroom in its outlets. It uses of information technology on inventory management and forecasting, where information of sales is transmitted to the company's main computer to replenish the stock every day. In addition, the product positioning strategy of Giordano focuses on simplicity and stores a

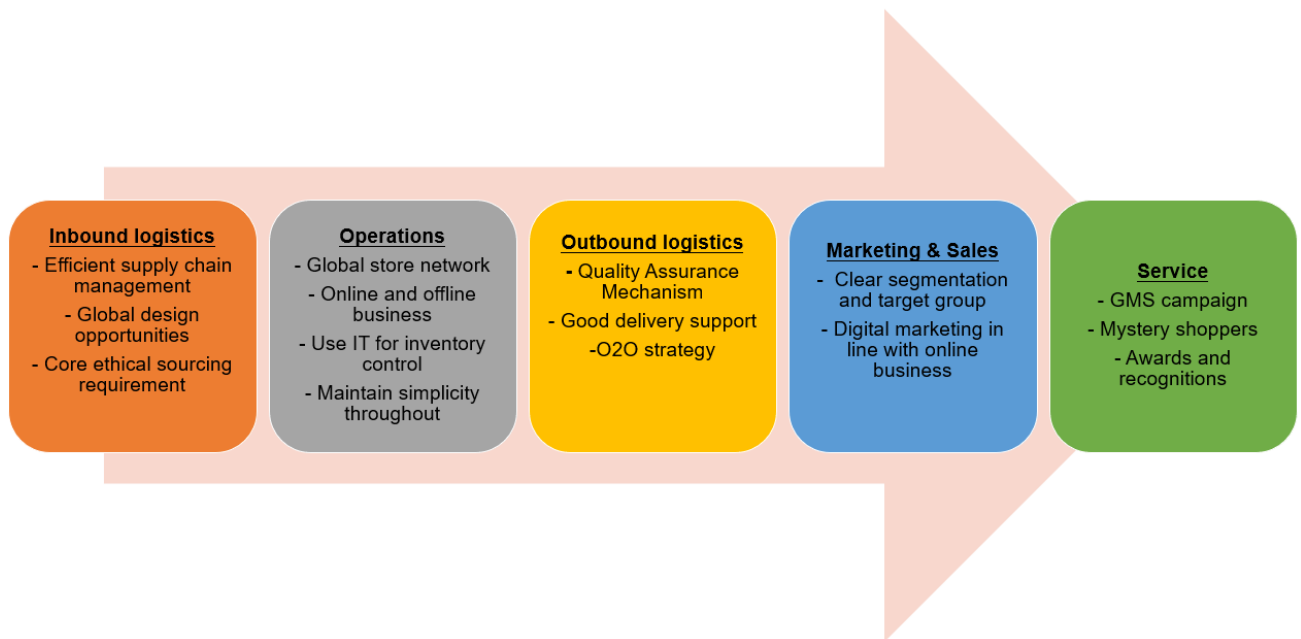
limited number of items to enable reactive response to market and seasonal changes (Wirtz, 2016).

Focusing on Customer Service is in one of the core values of Giordano. "Service has always been top priority for Giordano. We constantly strive to improve our service standards by reinventing ways to interact with customers, improving our store facilities and enhancing our merchandise mix. Our aim is to create an enjoyable and satisfying shopping experience for our customers since we believe a satisfied customer is Giordano's best brand ambassador." said by Mr. Ishwar Chugani, the Executive Director of Giordano Middle East (Saxena and Khandelwal, 2009). Giordano treats its frontline workers to be the customer service heroes and they invested heavily in employee training. 'The only way to keep abreast with stiff competition in the retail market is to know the customers' needs and serve them well. Customers pay our pay checks; they are our bosses...' said by Charles Fung, the Executive Director and General Manager of Giordano Taiwan (Wirtz, 2016). With these values in mind, Giordano has a mission to 'Make people feel good and look great' and they have developed a 'Giordano Means Service' (GMS) Campaign since 1989 (Giordano, 2020). With this campaign, performance evaluations and mystery shoppers are frequently done at the store level and the service level is always endorsed by different awards and recognition.

4.4 Concluding statement of Giordano's value chain activities

Figure 2 highlights the summary of the parts of the value chain activities of Giordano. The value chains of Giordano are run in line with the corporate's VMV which aims at delivering with simplicity and quality. These have been consistent throughout the development of Giordano, and this is important to maintain and differentiate from the competitors amongst the apparel industry.

Figure 2. Summary of Value Chain Activities of Giordano



Source: Compiled by the author

5. Evaluation of the corporate and business strategies

Giordano has developed various corporate and business strategies recently. In order to meet its corporate vision, the group has expanded to reach the global market and it has recently shifted towards the developing economies such as Southeast Asia and Africa, as the operating cost is relatively lower (Giordano, 2021). As described in Section 2, it has also adopted several business strategies to expand its market. For example, the low cost strategies to open the budget brand, Beau Monde, and the product differentiation strategies to open Giordano ladies.

The Group started to formulate the e-shop strategy worldwide from 2009, yet the financial performance on e-commerce had not been increased until the COVID-19 pandemic. In recent years, they have also launched a new initiative on e-shop, which is tailor made product and the uniform production for corporations, differentiating its core product line to reach the B2B market. The upcoming business strategies will be focusing on the

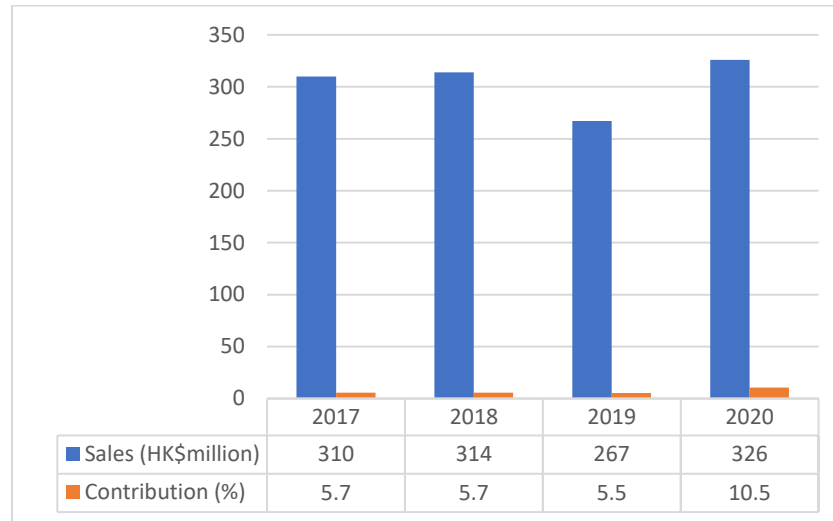
development of e-business as the COVID-19 pandemic is still believed to last in short to mid-run. To reduce the capital spending, the Group's will be focusing on partnering with the third-party channels.

The recent strategies can be evaluated through a Balanced Score Card (BSC) which directs the measures of the Key Performance Indicators. The BSC is an adequate tool to analyze a set of indicators and objectives reflecting the strategic vision of the organization. It balances between external measures related to shareholders and customers and internal measures related to critical processes, such as innovation, learning and growth (Quesado et al., 2018).

5.1 Financial Perspective

The financial perspective represents to how does the company look to shareholders. GlobalData (2018) published a report in 2018 analyzing the financial indicators and the SWOT analysis of Giordano. It highlighted that Asia- Pacific region is the major contributors to the Group's revenue stream. From the period of 2016 to 2017, after the budget brand, *Beau Monde*, was launched, the financial performance was strong, and the company was able to provide high return to its shareholders. However, the COVID-19 pandemic influenced the financial performances of the Group and the overall sales dropped to the lowest in recent 10 years, resulting in overall operating loss. This became difficult for the Group to evaluate the growth strategy as it has been influenced by the macro-environmental factors. On the other hand, the e-commerce performance has not shown significant increase until 2020 (Figure 3) although the majority of the income were from Mainland before. In 2020, the online sales resulted in 123.5% increase outside Mainland (Giordano, 2021, Pg. 8). This indicated that although the Group had been investing on the online business since 2009, the success of this strategy was only driven by the macro-environment.

Figure 3. Total Sales and Contribution of Online Business (2017-2021)



Source: Compiled by the author (Giordano, 2021)

5.2 Internal Perspective

The internal perspective investigates internal operations that will lead to the company's success. As highlighted in Section 3, Giordano's inventory management is governed by its corporate vision on simplicity. Although the number of inventory days has been increased during the pandemic, it remains as 115 days in 2020, with benchmarking to the industry figures, it is lower than Bossini (123 days) (Bossini Enterprise Limited, 2021) and Uniqlo (148 days) (Uniqlo Co.Ltd., 2021). This reflects that the inventory control mechanism from Giordano is cost effective and efficient amongst the industry.

The rapid response to shift to online business was also recognized as a contingency for the Group. Under the pandemic, the Group had to downsize the operation by reducing the retail stores as well as the staff cost by 31% (Giordano, 2021, Pg. 122) Resources has also been relocated to proprietary online services thus the total online business has been increased by 5% (Giordano, 2021, Pg. 11). Unfortunately, there is no data or write up on the Annual Report to show the performance of the new B2B online initiatives thus the process or outcome of this cannot be evaluated.

5.3. Customer Perspective

In relation to the customer perspective, customer service has always been a key focus for Giordano. As indicated in Section 3.5, Giordano has several campaigns monitoring the service level from the frontline and it is endorsed by various awards and recognition such as the '2019 Service & Courtesy Award', '2019 Outstanding QTS Merchant & Service Staff Award'. The Group also obtained the 'Top 10 e-Commerce Website Award', representing the delivery of an outstanding e-commerce experience to online customers.

With reference to its downward extension to budget branding, Zeng et al. (2019) studied the consumer attitudes on the downward extension of Giordano. A sample size of 203 data was used in the study and the results indicated that the familiarity with the parent brands and the perceived quality of the parent brand's products would positively influence on the consumer's evaluation of the downward extensions. This related to the consumers of Giordano who were willing to consider Giordano's brand extension. A key to this success is the excellent quality control mechanism of Giordano products and its sourcing, originating from its corporate values.

Unfortunately, there is no published data regarding the customer satisfaction level by Giordano. However, the customer service information on the e-commerce platform is transparent and it has listed various contact information for customer support, this is essential for any online business

5.4. Learning and Growth

The employment and talent development of Giordano focuses on co-operation, teamwork, and trust. The Group recruits new talents based on ability and merit and promotes based on performance. They believe and respect in diversity and the long-term success depends on individual contribution in the organization. They have many policies such as Code of Conduit, Whistle-Blowing, Flexi-Time Arrangement, Maternity benefits, etc, in place to ensure equality and fairness. They invest heavily on talent development to maintain its competitiveness. In response to recent global strategic development, the

Group has a global Talent Development and Retention Initiative (TDRI) creating opportunities to develop global talents to become global senior management.

Despite the Group has faced several challenges under the recent pandemic, the training and growth development has not stopped. Apart from the routine staff training, the Group has tried to run interactive training sessions to drive motivation. For example the Hiking talk, the Putonghua and English Talks, Live Sales training and Awareness on Phishing. Some of these trainings were essential and allowed staff to grow with the recent corporate development on e-commerce.

It is important to note that the demographics of the staff has changed in recent years. Giordano used to have over 50% of staff aged less than 30 years old in 2016, however, this has now decreased to 32.6% in 2020. Instead, the number of staff aged 30-50 years old and over 50 years old has reached the highest in 2020, with the percentage of 61.2% and 6.2% respectively (Giordano, 2020, p. ESG12). This reflects that fewer fresh graduate is entering to the company, and the ageing trend of the employees may become a challenge for continuous grow and development for long term sustainability.

6 Conclusion and Recommendations

Giordano's Vision, Mission and Values are clear and have enabled the Group to set corporate directions on global expansion. It has a global consistency of values on simplicity, good quality and value for money. In the past 30 years, its development in Southeast Asia and China has supported the Group to become one of the leading global apparel companies. The Group has developed number of business strategies including low-cost strategies, product differentiation strategies to increase its market share. It has excellent corporate culture focusing on customer services, which originates from the HR strategies on recruitment and training. The value of simplicity has extended to the operation, and they have a systematic control of inventory which results in a shorter inventory day as compared to the competitors. However, with the fast-changing macro and microenvironment; the rise in competitors in fast fashion; as well as the changing consumer behavior, Giordano is facing challenges in keeping up to date and

the Group needs to be more innovative and competitive to sustain or achieve business growth in long run.

6.1 Recommendations

The recommendations for Giordano can be focused on review of the current strategies and to develop new strategies for business growth. There are three main recommendations listed in the below sub-sections and these recommendations are for long term strategic planning, for both corporate and business level for the upcoming three years.

6.1.1. Review the positioning of Giordano within the apparel industry and reposition to fit the market needs

At the corporate level, a comprehensive positioning map should be carried out to review corporate branding and position in the market. Giordano has a long history on retail apparel industry and the market has shifted vigorously in recent years towards online stores and fast fashion. A study on consumer behavior is required to understand the market needs and the Group needs to reposition itself in terms of the cost, variety, and the accessibility. For instance, the simplicity of store design and the number of items display may match with the corporate value, however, this can be perceived as 'boring' or little variety as compared to other competitors such as Uniqlo, H&M or Zara. The market's perception of the brand also needs to be assessed. For example, Giordano may be perceived by the Hong Kong population originally as a low-cost brand instead of high-quality brand, but the recent price strategies of the product do not reflect this. This will result a discrepancy of the perception affecting the willingness of spending from the customers. As a result, the overall branding and corporate image needs to be adjusted as according to the fast-changing environment.

6.1.2 Enhancing business through e-commerce

While the online business has shown an increased trend globally during the pandemic, this has become a new normal for many customers. At the business level, the Group must invest further in and target further sales growth from this area. As mentioned in the Annual Report that the Group will focus on the third-party platform (Giordano, 2020), it is also important for the Group to select an appropriate and reputable platform with an audit planning of the logistics, payment gateway and the customer service in order to maintain the quality-of-service delivery. It is also risky for the group to target on multi-channels as it creates competitions for its own sales and marketing.

On the other hand, it is still important for the Group to invest on its own platform to maintain the service standard and corporate image. A seamless customer service journey and a good customer relation management system can enhance the customer loyalty and the repurchasing wills. It is good that the Group has some new product initiatives such as uniform production or tailor-made product launching through the online platform. It has also opened opportunities for purchase for other sister brands, which gives convenience to customer to purchase all products in one platform.

6.1.3 Setting up a flagship store

There are many different brands under Giordano, and they are all located in different stores. This can become very segregated and results in high operation cost for low sales revenue per store. The Group can consider opening a flagship store to cover all products in one single location. The flagship store can include all brands under Giordano giving customers a wide variety of choices. This is aligned with the current market practice of the retail apparel industry such as Uniqlo, Zara, H&M and satisfy the current consumer behavior. A flagship store often drives attention to the public and it gives an impression of energizing and motivating to the customers. This may also be beneficial for the Group to plan and allocate resources, as well as increasing the sales revenues per store.

6.2 Implementation Plan

The implementation plan for the above recommendations can span across a three-year time frame and is summarized in Figure 4. In general the implementation plan can be divided into five directions involving different departments. The implementation should commence with market research led by a professional marketing firm to understand the consumer behavior in Hong Kong or the focused regions. Based on the market research report, review the corporate VMV and identify areas of changes. This can be done at the same time as the service auditing of the current third-party platforms including the sales conversion rate, delivery pledge time, payment gateway, refund and return policy and customer satisfaction.

With the market research result and the audit reports, the sales and marketing team can then design a customer relationship management (CRM) programme to retain customers. For example, membership points and rebate, membership VIP sales, priority purchase of co-branded products, etc. The management team should also review the VMV and identify any new strategic directions to increase market shares. When all these are in place, the business plan for the flagship store will be able to pinch the correct market and direction and other strategies such as talent recruitment can be planned as according to the new corporate needs.

Figure 4. Gantt chart for the implementation plan

		1st year				2nd year				3rd year			
	Responsible personnel	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Market Research													
i. consumer behavior in Hong Kong or the focused regions.	Marketing team												
ii. review the corporate VMV and identify areas of changes.													
iii. market review on apparel flagship stores													
Service Auditing													
i.third party platforms auditing	E-commerce team												
ii.internal platform auditing													
Customer Service													
i. development of innovative CRM strategies	Customer Service & Marketing team												
ii. implementation of CRM strategies													
Business strategic planning													
i. business plan for flagship store	Business Development team												
ii. target launch of the flagship store													
ii.PR/ communications and implementation plan for the revised VMV	PR team												
HR strategic planning													
i. review on the HR strategies and develop plans to attract recruitment for young talents to run the flagship stores.	Human Resources Team												

Source: Compiled by the author

6.3 Contingency Plan

The plan to run a flagship store is to consolidate all the Giordano brands into one single location, thus increasing exposure to customers and increase sales opportunities. It is recommended that the flagship store is chosen in a popular location that is suitable for its target customers and only one or two flagship stores are launched at the beginning. The business team will then need to review the retail stores around the area and may need to close some stores and direct the customers to the flagship stores. In cases whether the flagship stores are not meeting the sales target, the Group needs to suspend the plan to opening further flagship stores and to review the business strategies and sales of the individual items, finding innovative ways to increase the sales within the stores such as increasing the marketing activities with co-branded products to attract the sales.

As it is a high investment and risk for the company to change its business strategy to open a flagship store, therefore a detailed business planning, market research and risk assessment must be completed before implementation the plan.

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