

# **Marketing Fundamental**

**LCBB4004**

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## Contents

|                                                  |    |
|--------------------------------------------------|----|
| Introduction .....                               | 4  |
| PESTLE analysis .....                            | 5  |
| •Political factors.....                          | 5  |
| •Economic factors.....                           | 5  |
| •Social factor .....                             | 6  |
| •Technological factors.....                      | 6  |
| •Legal factors .....                             | 6  |
| •Environmental factors.....                      | 7  |
| Porters 5 Forces model.....                      | 7  |
| The threat of new entrants (Low).....            | 7  |
| The threat of substitutes (Low) .....            | 7  |
| Bargaining power of customers (Low).....         | 8  |
| Bargaining power of suppliers (High).....        | 8  |
| Competitive rivalry (Medium).....                | 9  |
| SWOT Analysis .....                              | 9  |
| Strengths.....                                   | 9  |
| Weaknesses.....                                  | 10 |
| Opportunities .....                              | 10 |
| Threats.....                                     | 11 |
| Segmentation, Targeting & Positioning (STP)..... | 11 |
| Segmentation .....                               | 11 |
| Targeting .....                                  | 12 |
| Positioning .....                                | 13 |
| The marketing mix (7ps) .....                    | 13 |
| Product.....                                     | 14 |
| Price .....                                      | 14 |
| Place .....                                      | 14 |
| Promotion .....                                  | 14 |
| People.....                                      | 15 |

|                               |           |
|-------------------------------|-----------|
| <b>Process .....</b>          | <b>15</b> |
| <b>Physical Evidence.....</b> | <b>15</b> |
| Conclusion.....               | 16        |
| Recommendation .....          | 17        |
| Reference .....               | 19        |

## Introduction

Philip Kotler characterizes marketing as the science and specialty of finding, creating, and providing some benefit to an objective market while creating a gain. Unmet desires and wants are recognized through marketing. It characterizes, measures, and evaluates the size and benefit capability of the recognized market. It figures out which client categories the organization can best serve and makes marketing promotes the significant services and products (Woolley, 2016). This report is a market analysis of the Gucci brand.

Gucci is a high-end Italian fashion house. Kering, the French fashion conglomerate, owns it. The company was founded in 1921 by Guccio Gucci in Florence, Italy. Gucci's CEO is Macro Bizzarri. *Gucci's mission statement is "to become the global leader in the luxury market" (Gucci, 2022).* It has grown to be one of the most influential luxury fashion labels globally. Gucci had 487 stores open in 2019. The company employed an average of 17,157 people in 2019. It made € 9.62 billion in revenue in 2019. This report describes Gucci's PESTLE, Porter 5 Forces, and SWOT analysis. The report relates to Gucci's Segmentation, targeting and positioning. Then the marketing mix elements of Gucci have been defined. At last, the report presents the conclusion and recommendations.

## **PESTLE analysis**

Gucci's "PESTLE analysis" looks at how "political, economic, social, and technological" aspects affect its business, as well as "legal and environmental" factors (*Alanzi, 2018*).

- **Political factors**

The political component fundamentally affects Gucci; changes in government rules and guidelines could straightforwardly affect Gucci's purchases and deals. Laws, taxes, regulations, and policies are instances of political factors that influence Gucci. Gucci is steadier in the market because of the government's low tax rate. Then again, an expansion in the assessment rate will unfavourably influence Gucci, causing an ascent in the cost rate and, accordingly, an increase in item costs.

- **Economic factors**

The economic component is fundamentally concerned with purchaser buying power. The greater the interest for an item, the almost certain Gucci is to help its item sales income. In the interim, Gucci's reputation will endure because of lower purchaser demands for the products. Gucci confronted market issues attributable to economic factors, for example, sliced pricing and clients looking for high protection before buying. These challenges had never been raised before over the most recent ten years, and they financially affected Gucci.

- **Social factor**

Shoppers' characteristics, like occupation, age, character, and way of life, make up the social variable. Gucci has generally given the best luxury items that client's

request, for example, fur garments and leather packs, yet this has prompted social activists to scrutinize the unrefined substances used in these items. Gucci's result is intensely impacted by social media promotion and media inclusion (Shaw, 2020).

- **Technological factors**

Gucci benefits from technological advancement by acquiring openness. This will bring about a strong brand image and buyer loyalty in the commercial centre. YouTube, Twitter, Facebook, Snapchat, Instagram, Pinterest, and Google are spots where you can track down Gucci. More people know about the brand because of technological advancements. The progression of technology will bring down the expense of creation for Gucci's things, permitting the organization to raise its income.

- **Legal factors**

Gucci thoroughly keeps the guidelines regarding selling the brand and giving shoppers their unique items available. Employment limitations and wellbeing and security guidelines make up the legitimate perspective. Purchaser assurance should be offered when clients buy things over the web or via telephone. Gucci's employees should be dealt with genuinely concerning pay, and their functioning circumstances should be protected. Gucci is committed to 'submitted material,' which incorporates any idea, data, or other data. Besides, as far as the rightness of the brand offered to clients, warranties, restricted liability, etc.

- **Environmental factors**

Top of the line marks, for example, Gucci, which produces crocodile handbags and fur garments, are apparent objectives for animal rights activists; however, Gucci claims that because their manufacturing includes natural assets, they are

keen on securing and supporting them. Gucci should think about the effect of its items on its clients.

### **Porters 5 Forces model**

“Porter's 5 Forces model” assesses Gucci's position in terms of threats such as “new entrants, substitutes, customer bargaining power, supplier bargaining power, and competitive rivalry” (Dobbs, 2014).

#### **The threat of new entrants (Low)**

Gucci caters to a particular market and has a strong brand reputation. Gucci makes unique things that are just accessible at their stores. This top-of-the-line style firm has an external threat of new entrants. The brand likewise has a high degree of uniqueness, making it challenging for newbies to create a brand that can compete with Gucci. Since famous creators are essential, the capital expected to develop and work a brand for new entry would be impressive.

#### **The threat of substitutes (Low)**

In the luxury market, famous brands like Chanel, Prada, Christian Dior, Armani, and Louis Vuitton, for the most part, rival Gucci. Modest and fake imitations of the Gucci logo put to the thing with a slight modification to the logo style are a danger to the brand. Individuals who have an eye for design or have been in close contact with the business can differentiate immediately. Notwithstanding, because the differentiation between a premium and a non-premium item is so self-evident, this threat is low (Henry, 2018).

**Bargaining power of customers (Low)**

Customers of this lofty foundation are focused and spread across the globe. While Gucci is a luxury brand, numerous different organizations contend on a similar level, making moving generally economical among these concentrated customer groups. Since the things in this industry are genuinely fixed, “customers' bargaining power” is low.

**Bargaining power of suppliers (High)**

Most of Gucci's plants are in Italy. Suppliers have higher bargaining power since they can quickly help their results or work costs. Since they work in a similar spot, they are impacted by similar political guidelines and can shape an association on the off chance that they are discontent with their income or pay rates. Simultaneously, if the world fell into lockdown, as on account of the Covid-19 outbreak, the whole supply network framework would be tossed out. Regardless of whether forward coordination of unrefined components is conceivable, it will be unable to match Gucci's top status. Designers are additionally significant because they might be enrolled by different organizations.

**Competitive rivalry (Medium)**

In the business where Gucci works, there are very few competitors. Most of these are likewise very gigantic. This implies that organizations cannot take action without being perceived. Thus, existing firm rivalry becomes a more vulnerable

power in the area. Gucci's items are exceptionally unmistakable inside the business in which it works. Subsequently, contending organizations observe it trying to acquire clients because every one of their things is remarkable. Later, existing firm rivalry turns into weaker power in the area.

## **SWOT Analysis**

SWOT analysis of Gucci examines the brand's "strengths, weaknesses, opportunities, and threats" (GURL, 2017).

### **Strengths**

- Brand recognition

A fashion brand that sells at a high cost needs a ton of brand value. Gucci's brand value was over 17.62 billion dollars in 2020. In 2019, the brand was valued at 10.18 billion dollars in the USA (Sabanoglu, 2020).

- Several CSR initiatives

Gucci partakes in various CSR drives. One has an extensive history with UNICEF, while the other is "Chime for Change."

- Products of exceptional quality

Usually, Gucci products are of the best quality and greatest things available, given the quality and brand name it addresses. As far as fashion, a couple of brands can rise to Gucci's norms.

- Strong worldwide market presence

Gucci has around 500 stores around the world. It has severe areas of strength in the UK, the USA, and Japan, as well as other developing business sectors.

### **Weaknesses**

- Revenue decline

Gucci's revenue fell 22.7 per cent to €7,440.6 million in 2020 and fell 21.5 per cent on an equivalent premise. On equivalent speculation, sales created at straightforwardly run stores declined 19.5 per cent, with a significant expansion in the last part (down 5.9 per cent).

- Issues with quality

Gucci's growth is diminishing and keeping in mind that the Gucci style has been a raving success, numerous customers are switched off by the truth of the products and their quality hardships. The item's quality has left multiple clients miserable.

## **Opportunities**

- Digital fashion

As of late, the fate of fashion has moved to the web, and firms like Gucci can adjust how they plan and offer things to make them fit in this new environment. With additional purchasers selecting internet purchasing, fashion retailers should stick to this same pattern. Customers are progressively inclining toward the simplicity and speed of online buying, despite the moving Covid-19 cut-off points. Gucci may likewise utilize AR and VR technology to permit clients to essentially "try on" things from the solace of their own homes (Shamsul, 2021).

- Emerging markets

Gucci is a focal point in arising economies like India and China, where ultra-premium brand consumption is supposed to rise.

## **Threats**

- Competition

Gucci faces an enormous threat in that, similar to some other industries; it is at this point not the solitary lion in the wilderness. Others are correspondingly enormous, yet not generally as huge as Gucci. Ralph Lauren, Christian Dior, and Burberry are only a couple of the organizations that have reliably aggravated Gucci.

- Fake products

Another threat is the significant expansion in the number of fake products on the underground market or in low-income nations. This adversely affects Gucci's image (Jamali et al., 2021).

## **Segmentation, Targeting & Positioning (STP)**

The STP (“Segmentation, Targeting, and Positioning”) is a well-known strategic marketing method.

## **Segmentation**

- Geographical segmentation

Customers from industrialized nations represent most of Gucci's business. Accordingly, they have elevated standards and spending power. Notwithstanding, geographic segmentation of the brand isn't as expected organized, as it recently disregarded developing markets and nations in the subsequent world (Casey, 2020).

- Demographic segmentation

The brand is partitioned into demographic segments in light of age and gender. The organization makes items for all kinds of people, as well as youngsters and teens. Gucci things are intended for people who like affecting others.

- Psychological Segmentation

Gucci gives close consideration to lifestyle principles. From the beginning, the association has focused on notable figures with clout in the top-of-the-line market. Gucci has been ranked one of the "hottest luxury brands."

- Behavioural segmentation

Brand and customer loyalty are characterized by behavioural segmentation. Gucci has a long history of being known for its incredible quality and constancy, and accordingly, the organization partakes in an elevated degree of customer loyalty. While giving labour and products at an exceptional price, the organization can work on its positioning and regarded among clients.

## **Targeting**

Targeting is utilized to decide the number of beneficial shopper classifications an organization can focus on with the budget put away for significant marketing exercises (Kotler and Armstrong, 2013). The company takes care of people aged 25 to 50. It essentially targets athletes, businessmen, and celebrities in this segment bunch. Gucci expects to develop item production for the child area by 40% by 2021 because rich people incline toward excellent things for their kids.

## **Positioning**

Step by step instructions to position the organization's item according to a potential purchaser is called positioning (Romppanen, 2021). Brand positioning

uncovers a different and distinct side of the firm that separates it from its rivals and market position. Gucci offers an exceptional market with an assortment of brands; the market is an exclusive luxury. The utilization of top-notch materials in light of custom is one of Gucci's one-of-a-kind manufacturing systems. The organization's USP (exceptional selling point) is the utilization of their logo "double G" in all products. The utilization of countless blossom prints and light tones is the brand's second Unique Selling Point (USP). Besides, ESP (emotional selling point) portrays an item to clients utilizing sentiments and feelings instead of logic.



**Figure 1: Gucci's brand positioning in the fashion industry**

### **The marketing mix (7ps)**

The “marketing mix” is a bunch of marketing strategies and elements that an organization utilizes to increment market infiltration in wanted market segments. “Product, place, pricing, promotion, people, process, and physical evidence” are all significant parts of branding and marketing for a firm to think about while utilizing the marketing mix in an intelligent way. The following is Gucci's marketing mix:

#### **Product**

Gucci sells its things in five unique classifications, every one of which has its product offering. It offers a wide scope of things to browse. Believes its things

are of predominant quality than those of contenders. Therefore, customers will pay more for these.

### **Price**

The current pricing strategy for deciding the accompanying cost level is a cutthroat pricing procedure. Gucci's items are costlier than those of its rivals. This is because it has more elements, which the high price compensates for.

### **Place**

Gucci has two promoting channels through which it offers their products. The first is through its site, where it sells directly to clients. The subsequent methodology is to sell to wholesalers, who then, at that point, propose to various stores around the country. These are then offered to clients. You can find Guccis products in over 500 stores the country over.

### **Promotion**

Gucci utilizes an assortment of media sources to sell its items. It utilizes conventional media, like TV and radio ads. Due to its colossal month to month use, it promotes on an assortment of social media channels, with an emphasis on Twitter, Facebook, and YouTube. These pages have more than a hundred thousand likes or customer followers. It partakes in an assortment of sales promotions consistently, including events and trade shows (Bhasin, 2019).

### **People**

People that work for Gucci's sales team are essential to the organization's marketing exercises. It utilizes people in its customer service segment. It likewise includes faculty obtaining raw materials from providers. Gucci has employees working in retail foundations who help clients on the spot by addressing requests and helping them in choosing the right item for their necessities.

### **Process**

Gucci involves an online delivery framework in which orders are placed into a PC framework, and the suitable item from the stock is dispatched to the delivery service providers because of the orders. It is effectively associated with statistical surveying to more readily comprehend client needs.

### **Physical Evidence**

Gucci's items are packaged in a distinctive colour scheme that makes them immediately apparent on store racks. It incorporates a straightforward web presence that licenses clients to see its things in high-resolution photographs taken from various perspectives.

### **Conclusion**

Gucci's PESTLE research analyses the brand's business methodologies. It helps Gucci better comprehend market patterns and reliably work on its business. The Porter Five Forces approach inspects Gucci's area as far as its appeal in light of its procuring potential. Gucci's cutthroat scene, as well as the powers affecting its area, are shrouded in Porter's Five Forces investigation. Gucci distinguishes the allure of the business, makes successful passage/leave choices, and evaluates the impacts of these elements on their own business and rivals using the Five Forces investigation. A SWOT investigation permits an organization like Gucci to think

about its business and execution against that of its rivals. Albeit the organization's segmentation technique hasn't changed a lot, it has turned its target to a more youthful client base, depending on brand reputation to keep its more established clients steadfast. It has had a ton of achievements with its expanded online presence and emotional news plan choices, positioning itself to keep this rapidly developing segment's consideration. Gucci utilizes the marketing mix in a precise way to accomplish marketing as well as bigger corporate objectives.

### **Recommendation**

In dealing with client relationships, the executives should assist Gucci with building brand faithfulness. It will build the mental expenses of exchanging. Gucci should alleviate the danger of substitute items or administrations by underlining how its given item or administration is better than the other options. To further develop the distinction premise, Gucci should focus on the verifiable necessities and assumptions for its clients. Gucci's situation against suppliers should be fortified by decreasing its dependence on one or a few suppliers. It will turn out to be more cost touchy. Gucci can build its store network effectiveness

by growing long haul legally binding binds with providers from different regions, which diminishes their haggling power as well as brings down their bargaining power. Gucci might control purchaser haggling power by extending and differentiating its customer base. Present new things, target new market fragments, and use item broadening strategies to accomplish this. In this specific circumstance, advertising and limited time techniques could likewise be valuable. Gucci, then again, should acknowledge that its monetary worries are very genuine and that its worldwide activities might have significant consequences for the brand's future. Gucci should keep up with its standing as an innovator by using present-day technologies to associate with youthful buyers and investigating new courses to keep steady over their game. Gucci should embrace and examine new segmentation procedures, for example, culturally diverse and cross-national segmentation to help brand quality, returns, and sales. It should send off new items that are as per current market patterns. It should track down market amazing open doors and present new merchandise that makes the most of those opportunities. It should carry out limits and stipends, in which it brings down prices temporarily to captivate clients and win market share. It can do as such by bringing down the price of its things to a specific extent. It should construct organization worked retail stores where each of its items is accessible. Since retailer and distributer edges would be dispensed with, the company would save money. It should employ virtual entertainment powerhouses, like bloggers or notable TV/film characters, and element them in its ads. Bloggers can promote themselves by posting content on their web-based entertainment profiles. Clients' acknowledgement of an item can be expanded by including TV/celebrities in publicizing. It should employ faculty who are devoted to the firm and recognize clients. To support productivity and ideal delivery to clients, it should utilize PCs to deal with its cycles as a whole. Gucci should request feedback from its clients on its bundling with the goal that it can upgrade it.

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