



LEVEL 7 ASSESSMENT SPECIFICATION

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1. Introduction

Sharpe et al. (2016) described the Three Horizons for Strategy as a practical framework that helps business to emerge and formulate strategic pathways from present to future, whenever a revision is required. Horizon 1 represents business as usual and Horizon 3 is the long-term successor of Horizon 1, an emerging outcome from Horizon 2, which involves most of the transitional strategy corrections that businesses respond to in a changing world, showing in Figure 1.1.

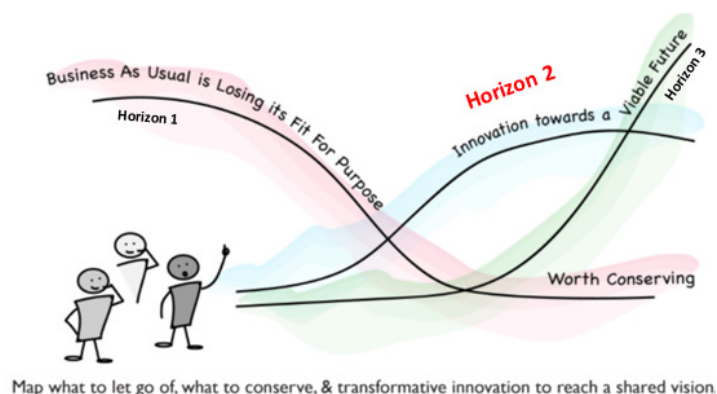


Figure 1.1 Three Horizons for Strategies, Focusing on Horizon 2 to Emerge
Source: Constructed by Author

COVID-19 restrictions on social distance and shorten business hours are bringing tremendous impacts to economy worldwide, especially for businesses with brick-and-mortar locations. Successful strategy emergence becomes increasingly important not just to maintain financial growth, but also critical for employees and customers.

From Annual Report (2020), Giordano's sales and profits had suffered significantly by 35.7% last year. Frankly, group's businesses have been undergoing losses for the past 10 years even before COVID-19, which just made its financial results even worse from 2019, showing in Table 1.1.

Table 1.1 Giordano 10-Year Financial Highlights

2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
3,122	4,852	5,509	5,412	5,145	5,381	5,545	5,848	5,673	5,614
1,736	2,846	3,250	3,221	3,055	3,097	3,214	3,551	3,331	3,283
55.6%	58.7%	59.0%	59.5%	59.4%	57.6%	58.0%	60.7%	58.7%	58.5%
(105)	397	625	689	568	556	542	828	1,005	909
-3.4%	8.2%	11.3%	12.7%	11.0%	10.3%	9.8%	14.2%	17.7%	16.2%
555	1,183	821	874	748	743	760	1,066	1,247	1,123
17.8%	24.4%	14.9%	16.1%	14.5%	13.8%	13.7%	18.2%	22.0%	20.0%
(112)	230	480	500	434	426	408	663	826	728
-3.6%	4.7%	8.7%	9.2%	8.4%	7.9%	7.4%	11.3%	14.6%	13.0%
-2.3%	6.2%	12.8%	13.5%	12.2%	11.5%	11.0%	16.1%	21.1%	21.8%
-4.4%	8.5%	16.8%	17.5%	15.2%	14.5%	13.8%	21.8%	28.8%	28.3%

Source: Constructed by Author

Clearly, a good handle of Horizon 2 by Giordano, could improvise itself well enough to deal with the external challenges at different strategic levels, building its competitive advantage over competitors.

1.1 Company Background

Giordano is one of the well-known apparel retailers in Asia and committed to deliver quality products and service in the global market, with leading products in men's, women's and children's apparels and accessories. The brand was created by entrepreneur Jimmy Lai in 1981, and listed at HKSE in 1991 (Giordano, 2021). Even after Lai stepped down in 1996 and new CEO Peter Lau took over, the service strategic objectives had only been heightened to be coherent with its value and culture (Giordano-me, 2021). Giordano's past achievements were fortified by company's unyielding focus on its key corporate values.

Trying hard to safeguard these fundamentals through the turbulent days since 2019 pandemic, Giordano has been struggling with customer loyalties and financial profitability. The group has lost 40.5% of its physical store footprints worldwide with a 5.3% gross margin reduction at the end of 2020, while its online revenues were increased but only made a limited contribution to total sales and a dividend of only HKD 0.1 was distributed (Announcement of Results, 2020).

Furthermore, Giordano also suffers setbacks on major product strategic repositioning (*see Appendix A*):

- Bluestar Exchange transformed into BSX targeting youngsters in 2007, with poor sales for years
- Beau Monde focusing on thrift and no-frill products in 2014 with unfavorable consumer feedback
- Giordano Junior (relaunched in 2015) and Giordano Ladies (a spinoff from Giordano Women relaunched in 2016), both were underperformance

These highlighted a gruesome reality for Giordano whose existing business strategies and financial performances are unquestionably worrisome, if without any further strategy emergence during the economic slumps.

1.2 Study Objectives

This study uses Giordano as a focus to review its strategy formulation and implementation, where different business tools could be utilized to evaluate and analyze its strategic efficiency and effectiveness. A list of objectives to be achieved at the end is presented here to guide the discussion flows.

- To identify whether strategic gaps are evident today since its original vision and mission formulation and implementation
- To gauge operational efficiency and strategy implementation competence
- To evaluate emerging strategies that could help Giordano in reclaiming competitive advantage

1.3 Study Coverage

With emergence in mind, the study intends to assess, based on publicly available literatures and data, the rudiments of Giordano strategy formulation, implementation, and possible deficiencies, where revised strategies could be further recommended and formulated to devise a meaningful improvement plan. Starting with an overview of the company, the study moves into an in-depth analysis of how Giordano vision, mission and values had evolved into its strategic planning today. A deep dive into both Value Chain analysis and a Balanced Scoreboard review will present Giordano's value achievements in operations and effectiveness from strategy implementation. The report will then conclude with feasible recommendations to look at areas for strategic improvements with time-bound plans, based on which Giordano could benefit from and further compete in today's challenging business world.

1.4 Importance of Study

Volatility is the nature of business world. No one could predict the pandemic in late 2019, consequently the stormy economic distress globally. A sustainable business needs courage and willingness to revise its mission-critical strategies proactively during the turmoil; thus to salvage its competitive advantage and further above average profits. This is exactly why the study would like to go into great lengths and identify where emerging strategies could help Giordano management team achieve its competitiveness again.

2. Vision, Mission and Values in Strategic Direction

In order to extend the product lifespan, Hou and Wang (2010) had rightly asserted, a casualwear retailer must carefully look at customer loyalties and value-for-money, enhancing product and market development, through which a brand should build around its strategies. This becomes progressively important during economic slowdown, when strategy revision is challenging businesses to emerge and respond with corrective actions.

Sever economic downturns constantly offered corporate leadership the clarity to see through historical and hidden shortcomings inside of strategies, upon which internal innovation could be most powerful if this is aligned with corporate vision, mission, and values with transparencies (Oster, 2009).

Figure 2.1 below illustrates a birds-eye view of how Giordano's vision, mission, values, and strategy interrelates each other and functions, pursuing further in each aspect of it.



Figure 2.1 Visual Illustration of Giordano's Vision, Mission, Values, and Strategy
Source: Constructed by Author

2.1 Vision

Vision provides business an ideal strategic roadmap from now to its future state. Nevertheless, this roadmap is seldom a straightforward boulevard, rather comes with curves and forks that a corporate must decisively handle its directions.

Being ideal, a corporate vision doesn't need to be amended all the time. This is exactly how Giordano was born and carried on with 'To be the Best and the Biggest World Brand in Apparel

Retailing' since debut. It was the dream from its founder Lai and what his successor Peter Lau tries to inherit the legacy. For 30 years, a simple visionary statement has led the growth of Giordano from an unfamiliar manufacturer to a renowned international brand for everyone regardless age, gender, and culture. Yet, there is still a long way to go, where this vision would guide Giordano to fulfill its different levels of strategies.

Giordano's long-term strategies have been consistent with the ideologies of 'the Best and the Biggest', of which its products are being diversified and differentiated, its service quality has been unswervingly maintained, and geographical markets are steadily being developed. Backward Integration was constantly fine-tuned to serve manufacturing and distribution efficiencies, which drives Giordano to be less dependent on manufacturers and suppliers financially, rather to create competitions among them, steering for quality and delivery. Market Development has been in the core to expand its business around the global with recent aggressive strategies on African continent and continuous expansion in South Asia and Middle East regions, aiming for a bigger business ecosystem. Both Product Development and Related Diversification Strategies were intermittently adopted at different emerging stages to maneuver for product varieties, where unprofitable Bluestar Exchange product lines could be replaced and popular related travel-gear products could be introduced.

Long-term strategies are serving the purpose of corporate vision, which navigate the entire company at different levels to focus on the same bigger goal.

2.2 Mission

While vision is an ideal dream for a corporate, the mission is something closer to reality. It usually describes actions to realize its existence and purposes. Papulova (2014) expressed precisely of this concept that mission, unlike vision, is directed in a nearer term, with the purpose to serve the essence of business and sustainability of being.

Giordano's mission statement of 90's '...(was) committed to provide customers with value-for-money merchandise, professional customer service, and comfortable shopping experience at convenient locations' (Wirtz & Ang, 2000). With the turn of century, Giordano's mission statement was simplified "To make people 'Feel Good' and 'Look Great'", reflecting the reality in existence

and stakeholders to serve, with the right products to supply. A simple word in this mission carries strategic weight, 'people', which differentiates the previous verse. The 'people' here is more than just customers, but also implies to its stakeholders at all levels – most importantly the employees to appeal to. This evolution of the mission statement makes fundamental impact in several ways of strategic formulation and revision.

When dealing with corporate strategy on Market and Product Developments, people mean dearly in both senses to be satisfied. One of Giordano's self-descriptions precisely captured this concept that the group provides essential fashion to all and cultivates design regardless ethnical or cultural boundaries (Giordano, 2021). Unfortunately, the strategy itself does not provide a clear guideline in addressing cultural or ethnical difference in diverse countries.

Giordano's rigorous recruitment process is to ensure the candidates are closely matched with desired job profiles. The overemphasis on service quality has made Giordano its own victim and employees were not motivated to do so (SCMP, 1997). Rather than going through stern recurrent training programs from the past, Giordano started initiatives to offer employees opportunities in attending community services, where warm returns would pragmatically inspire employees to proceed further on an autonomous service-learning journey (China Daily, 2003), which also rewards management to create closer bonding with the employees.

Other than being relentlessly sensible on service, value-for-money was one of the center pillars of original Giordano business. Along with product repositioning, Giordano has also developed into a mixture of low cost and product differentiation Business Strategies that are directing its business objectives today, away from its original service differentiation strategy. The subtle strategy shift is very much aligned with its modern mission statement, in which making customers feeling good through service is just an understatement but as importantly the additional goal of making people look great.

The early mission in selling cheap and supplying fast at convenient locations for just one brand also requires correction to serve the purpose. Places needed to diversify and complement enlarged product lines, CEO Lau explained, Giordano Ladies would be more suitable for a dedicated boutique space, rather than located at a convenient housing area or subway station (He, 2013).

Whereas vision provides company a dream to achieve, mission renders a much more realistic view of how strategies at different levels could be formulated and executed realistically. For Giordano, there is also a human touch circled in the center of strategy realization: people.

2.3 Values

When a corporate has a complete and executable set of values, the values communicate in a much more real sense to the stakeholders, equipping the business with a soul. Core values of a company are usually timeless and to bond the employees in an organization together for a higher purpose to exist, especially in the time of crisis for a moral guidance (Ferguson & Milliman, 2008; Barchiesi & La Bella, 2014)). Corporate values of Quality, Knowledge, Innovation, Service, and Simplicity served Giordano consistently since its birth.

The successful formulation and implementation of strategies at different levels requires a consistent team of people, who share common corporate values and behavioral norms through organizational culture (Groysberg et al, 2018). Giordano understands unmistakably of this; thus, a meticulous recruitment process to identify the best-fit employees for its cultural norm, with an encouraging performance based appraisal approach to secure human resources.

Lai's 'learn from mistake' and 'trial and error' approach has passed down to become part of group's underline organization culture, accompanying to his other belief in employee empowerment (Wirtz, 2011). All these are encouraging behavioral norms to align with Giordano's core values in innovation and knowledge but could also pose tremendous challenges internally when critical decisions were in dire needs.

Giordano CEO had expressed frustration with management team's unfailing refusal to take on 'zaratzation' and acknowledge the idea of fashion in casual apparel, during its crucial moments when year-on-year sales were continually suffered and competitors are knocking the door (He, 2013). Obviously, organizational culture is a double-edge sword and needs a careful managerial scrutiny.

Wirtz (2016) indicated that Giordano has kept its organization lean and flat, reflecting a simplicity value of the group. With a decentralized management team close to the employees, this creates fast communication among the teams, enabling efficient decision-making. Giordano even extends the same style to its major vendors, in order to keep simplicity in production and maintaining costs. A long-term Backward Integration strategy aligns with its vision and creates efficiency in JIT operations.

Core values provided company longevity with its soul and substance, making its mission and vision even more realistic and meaningful (Mirvis, Googins & Kinnicutt, 2010). Historical development of Giordano did demonstrate its inefficiencies in understanding the true significance, where improvements should be addressed.

2.4 Strategic Direction Streamlining

In the analogy of an individual, core values supply a company with its body and soul, when vision delivers a dream for it to pursue with mission packed actions and goals, throughout the live of the business.

Vision, mission, and values shouldn't be a slogan, but applicable guidance to steer a company in winning competitive advantages and always on course, where revised strategic adjustments could be rendered from time to time during critical moments.

Giordano has demonstrated at certain professional degree its abilities to formulate and emerge strategies at different levels, but inadequacies in handling certain strategies were evident, which requiring urgent corrective actions.

3. Macro Environment Analysis

Competitions among casual apparels are vicious, even like riding a roller-coast. Wirtz (2011) explained that the major competitors for Giordano were Bossini, Gap, Hang Ten, and Baleno in the value-for-money segment, while Esprit was on the high-end side. After just a year, Esprit was reported 98% revenue loss and closed most stores worldwide (Chan, 2012). Eight years later, loss-suffering Bossini was sold to Viva China (Liu, 2020), and Gap completely folded and exited Hong Kong along with other international brands: Victoria's Secret and Topshop (Coconuts, 2020). There

were of course new bloods flew into the city. Zara began its expansion in 2004 (Su, 2020). Uniqlo opened its first flagship store in 2005, continuing its expansion (Perez, 2013). H&M also started its first operation in 2007 (Su, 2020), but forced to close some stores due to rents and profitability in 2020 (Dean, 2020).

With the tightening quarantine and border controls, mainland-shopper traffics are virtually to none, causing a much larger impact towards retailing including casual apparels. The persisting economic slowdown, social instability and pandemic have changed brand sensitive shopping behavior to a more price cautious manner, where fast fashion and lifestyle stores are increasingly dominant (Santander Trade, 2021).

3.1 PESTEL Analysis

Dramatic events arisen in the past 2 years have made underlying impacts to businesses globally. Any financial achievements by the businesses were nearly wiped out with no mercy. Giordano is no exception in facing waves of shocks pounding its face. The study will utilize PESTEL to take a close look at what opportunities and threads presented ahead for Hong Kong apparel industry.

Economy

Newman (2021) interestingly commented “imported fast fashion is fast becoming old fashioned, opening up opportunities for Hong Kong to re-establish itself as Asia’s fashion hub.” Needless to say, this becomes more so true with pandemic at doorsteps.

Data in Figure 3.1 has shown, fast fashion grew rapidly at almost 10% per year before COVID-19, with strongest expansion in Asia due to its sophisticated consumer base in fashion taste (PWC HK, 2014). Noticeably, the data also reflected a projection of growth in Middle East, North Africa and Latin America, where export opportunities presented to Hong Kong apparel makers.

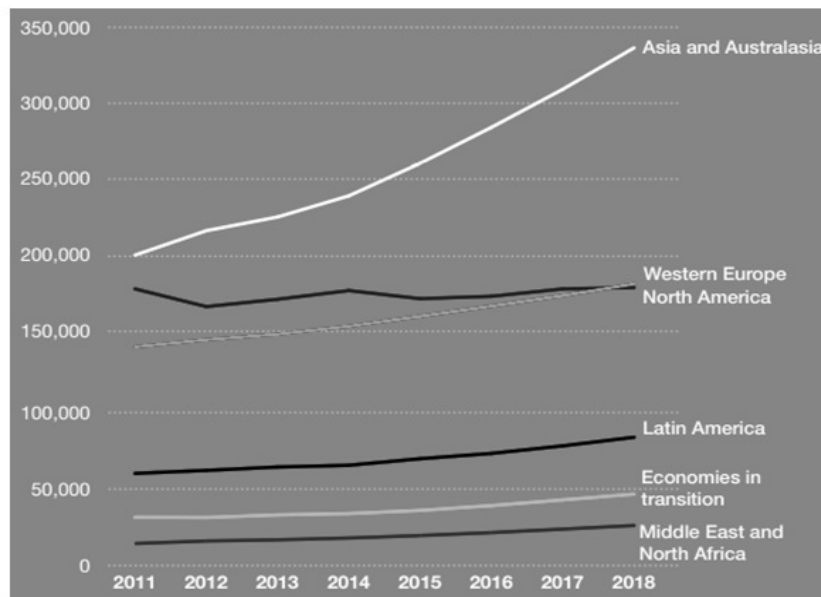


Figure 3.1 Apparel Market Demand in USD million (2011-2018)
Source: PWC HK (2014)

A study conducted by Trade and Industry Department (2018) also showed that Hong Kong was still world's No. 7 in clothing export, while concurring Newman's statement in decline of clothing import with 39% drop from 2001 (Clothing Industry Training Authority, 2018).

Even when pandemic into its second year, Hong Kong still grasped lion's share in US clothing imports accounting for 26% and registered an 8% increase in exporting to mainland, the third-largest market in 2020 (HKTDC Research, 2021). In Figure 3.2, strong apparel ecommerce demands are evidently demonstrated for HK producers to seize the opportunities.



Figure 3.2 Fashion e-commerce revenue forecast in China, by segment in USD million (2017-2025)
Source: Statista (2021)

Hong Kongers' affluence in apparel fashion has triumphed with many of its home-grown labels as Giordano and G2000, in turn also attracts western brands to enter the market and mainland where CEPA provides Hong Kong even further advantage into Chinese market, tariff free (Fibre2Fashion, 2014; HKTDC Research, 2021).

Census and Statistics Department (2021) also presents a significant recovery in apparel retail index, achieving an average 24% growth at the end of July this year in Figure 3.3.

Type of retail outlet	2020						2021							
	8	9	10	11	12	1-12	1^	2^	1-2^	3	4	5	6	7*
Wearing apparel	45.5 (-25.6)	51.4 (-13.5)	55.0 (-6.3)	56.5 (-9.9)	73.5 (-25.3)	55.3 (-37.7)	75.1 (-21.1)	70.5 (+93.9)	72.8 (+10.7)	63.7 (+71.1)	62.3 (+58.3)	70.9 (+10.4)	63.3 (+12.0)	67.8 (+27.5)
	44.1 (-23.4)	49.3 (-15.2)	52.9 (-8.2)	55.1 (-9.8)	73.2 (-24.3)	53.9 (-38.4)	71.9 (-19.2)	69.0 (+89.0)	70.4 (+12.2)	63.5 (+71.4)	61.2 (+60.0)	69.6 (+10.1)	62.0 (+14.4)	68.5 (+26.3)

Figure 3.3 Hong Kong Retail Apparel Index (August 2020-July 2021)
Source: Constructed by Author

Again, according to Census and Statistics Department (2020), Figure 3.4 illustrates Hong Kong population spread in the upcoming 50 years when old-age population will dominate the consumer markets. In that sense, casual apparel could have an even bigger potential to appeal this growing cost-conscious customer segment.

Reference time point (mid-year)	2019	2024	2029	2034	2039	2049	2059	2069
Percentage of population								
Aged 0 – 14	12%	11%	10%	8%	8%	8%	7%	7%
Aged 15 – 64	71%	67%	64%	63%	61%	59%	57%	58%
Aged 65 and over	18%	22%	26%	29%	31%	34%	35%	35%

Figure 3.4 Hong Kong Population Projections (2020-2069)
Source: Constructed by Author

There were obvious gains to compensate economic losses in the apparel industry from past 2 years. Unfortunately, the agonies were even more fundamental. Apparel export to US disappeared 48% by value in 2020. The same holds true for EU27, the second largest market for Hong Kong, sunk 33% in export value consecutively (HKTDC Research, 2021).

Data from Census and Statistics Department (2021) in Figures 3.5 pictured a struggling retail reality facing Hong Kong and Figure 3.6 explains a cruel fact of foreign businesses leaving Hong Kong in the recent years, aligning earlier mentions of Gap and Topshop's exit.



Figure 3.5 Hong Kong Retail Sales in Volumes (2011-2021)
 Source: The Government of Hong Kong Special Administrative Region (2021)

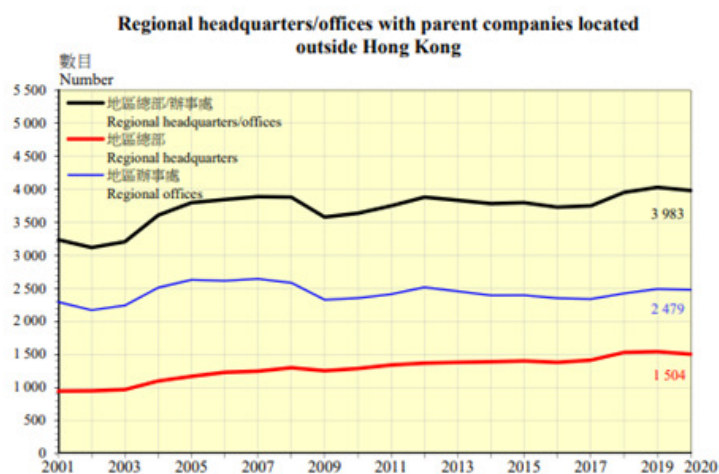


Figure 3.6 Regional HQs/Offices with Parent Companies Located Outside of HK (2001-2020)
 Source: The Government of Hong Kong Special Administrative Region (2021)

Political

Rather than blaming the unpredictable natural pandemic crashing world economy, political commotions have and still discharge its lethal effects on Hong Kong.

Started in July 2018 and reaching its summit in January 2020, trade wars between China and US have weighed forcefully on the global economy, by levying heavy tariffs at each other. To make things even worse, a huge political crash happened in June 2019, extending to further US and China conflicts politically in sanctioning governmental figures. Consequently, the historical special US treaty enjoyment under the British rule was gone. All products made in Hong Kong have to apply the same restriction as for mainland China under U.S.C. 1304 (see *Appendix B*) (Fibre2Fashion, 2020).

While the trade war doesn't see the light of the tunnel, the civil unrest has fortunately calmed down after many months of disrupting fragile retail economy. In Figure 3.3, it does correlate to a positive force in bringing back the recovery momentum; also, thanks to improved governmental measures in fighting COVID-19 with tightened border control and increased vaccination policies.

Social

COVID-19 has dramatically changed way how everyone thinks and shops for apparel. JLL (2020) has summarized a few valuable points on social behavior changes in apparel shopping: more packages at the door through ecommerce, trending work-from-home wear, and the disappearing of physical stores – all in the name of social distancing.

People are also more cautious on the environmental impact of fast fashion, from cheap materials and production in low-cost countries, only for the quick supply and poor quality endurance to be thrown away after a few washes (Newman, 2021).

Technology

Ecommerce has swiftly changed way how products are being sold and delivered, but also motivating and changing how products are researched and marketed, influencing how HK consumers shop and chose what they buy. Moreover, ecommerce is not just a posh tool for millennials, but also aged consumers who're starting to be technological savvy with the popular growth of smart devices to shop at home with ease.

3.2 Engagement

Fierce is probably the understatement of how dramatic nowadays among apparel competitors. External factors do impose tremendous pressures on the difficult environment businesses need to face.

Economy and socio-political stability seem on the right track to recover. For the long-term, Giordano should invest vigorously on its product development to catch up and be ready for recovery, winning time to be ahead of competitors. Technology is also another area worthy of continuous and aggressive investment to acquire competitive advantage, serving the priorities of ecommerce and B2B integrations.

In the mid-term, risk management should still be closely managed to engage the uncertainties. Store numbers and employee headcounts should always be maintained at a reasonable level. Suppliers and sourcing should be consistently managed to achieve cost efficiencies. Cash should also be balanced well enough for business flows as well as capital investment.

The only way to survive and sustain is to reposition Giordano's strategies and enrich its competitive advantages ahead of time.

4. Giordano Value Chain Analysis

While value-for-money is emphasized by Giordano, each step of the value chain processes becomes more critical to drive down costs and maintain quality, as a source of identifying strategic competitive advantages.

Figure 4.1 highlights the key activities of Giordano's value chain and will explore some of the critical activities in this chapter.

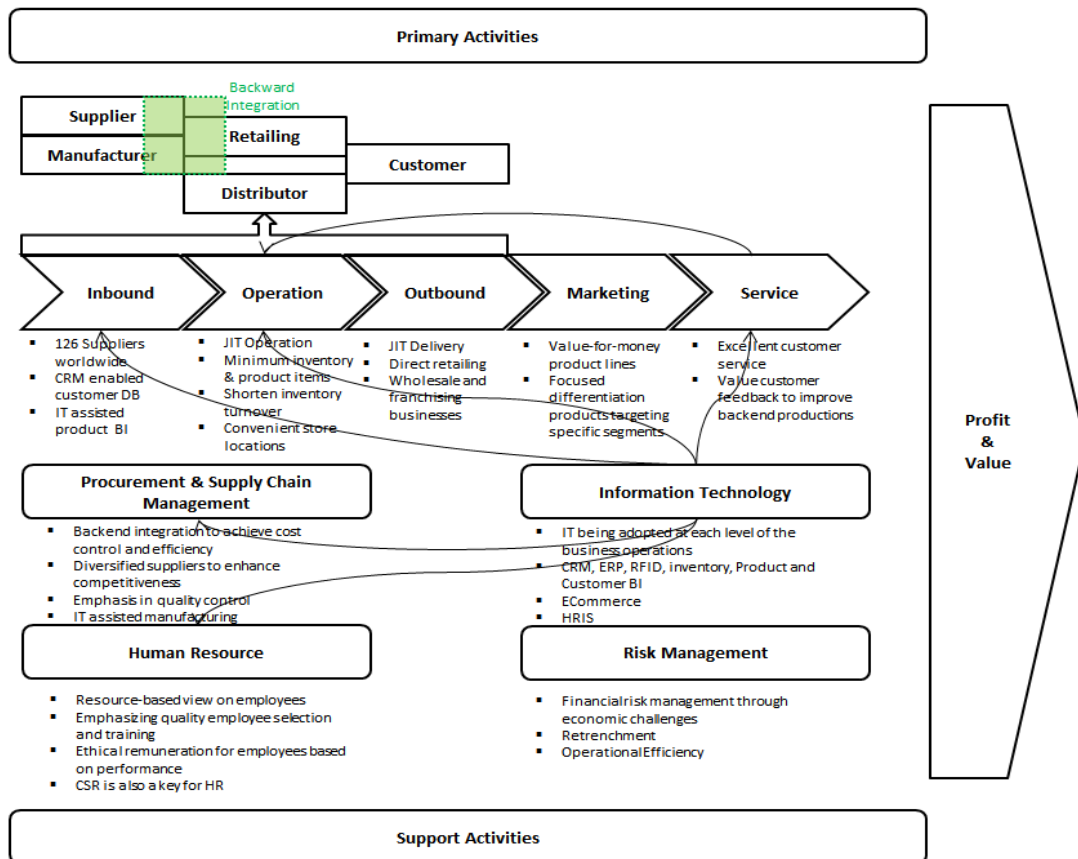


Figure 4.1 Giordano's Key Value Chain Processes
Source: Constructed by Author

4.1 Primary Activities

Giordano's Inbound, Operation and Outbound processes are critical process in adding values directly to the products.

Inbound

To align diversification and maintain cost goals, Woo and Jin (2014) explained that Giordano had divested its major interests in manufacturing and supplier chain, with 95% merchandizing is outsourced and kept only 5% through backward integration in joint venture. Giordano has 126 suppliers worldwide with the largest supplier takes 42% of its purchases and a 68% combined purchase from the five largest suppliers (Annual Report, 2020). Although Giordano has a strict procurement policy to protect its gross revenues, Ge (2019) found that most Giordano's products were procured in China, which affected its cost due to RMB fluctuations. The group has decided to gradually move overseas, where lower overall market costs in Vietnam and Bangladesh could help maintain product costs.

With assistance from efficient IT platform, Drate (2009) explained that Giordano's automated system could have a lifecycle view of production, while procurement staff globally can have the real visibility of ordering process. To manage better in TTM, Giordano keeps less than 100 items in a tightly controlled merchandise menu (Wang, 2013). As Wirtz (2016) also explained the IT system achieved production efficiency in reducing slow-moving products throughout the equation, replenishing stores the only hot merchandises.

CRM also stores millions of members information and preferences (Drate, 2009), which enables Giordano management team to conduct data intelligence analysis and predict what products are appealing for future buying (Giordano-me, 2021).

Operations

Giordano enforces a tight 'Zero Storage' policy in inventory (Annual Report, 2020), and switched its practice to central warehousing, reserving more space for the sales floor and more efficient Just-In-Time delivery (Wirtz, 2016). Benefiting again from its IT platform and setting up stores

wisely along major transportation lines, this enables Giordano to predict and move its inventories swiftly (Sina Finance, 2006).

With increased transactions on ecommerce, Drate (2009) also described how Giordano's IT system effectively searches for available stocks from store locations based on distance to the customers, rather than from warehouse alone.

Due to its efficient inventory management, Wirtz (2016) had concluded that Giordano's inventory turnover has managed to maintain around 30 days; but with recent increases to 115 days in 2020 because of COVID-19's impact on logistics (Annual Report, 2020).

Outbound

Giordano has adopted a mixed approach in outbound distributions, other than own direct retailing. Joint venture was not very successful in Japan and Germany after years of struggles but was working well in the Middle East (Wang, 2013). In order to diversify risks, Giordano mainly focuses now on franchising through wholesales, with its specific banner on website to recruit future franchisees.

4.2 Support Activities

Giordano's key support activities below are not directly adding values into products, but necessarily important as the primaries.

Human Resource

With a Resource-Based View approach, employees are perceived as worthy and creative strategic competitive advantages to develop (Barchiesi & La Bella, 2014; Boxall & Purcell 2011), of which the characteristics of RBV in being rare, difficult to imitate, and hard to substitute. Much different from the early days, Giordano realizes the fierce competition among competitors in recruiting experienced talents and high turnover rate in the industry, especially for sales associates. With strong belief in RBV, these have all demand Giordano to put increased efforts in selecting the right resources to be best trained with well-maintained knowledge base (Wirtz, 2011; Saxena & Khandelwal, 2010). Nevertheless, Giordano is no longer a local brand in HK; the expansion internationally has also introduced new challenges to its recruitment and training strategies, with

local labor laws and regulations could also impact the strategy formulation for these uncharted territories (Wirtz, 2016).

Information Technology

Giordano's swift adoption of technology is not just providing competitive advantage in supply chain and inventory controls, as Drate (2009) explained, but also provided benefits in the following areas.

ERP

Enabled by API, the IT platform could easily integrate into different B2B systems, where 3rd-party can effortlessly share data with Giordano in ecommerce and supply chain operations.

CRM

Customer data could be better managed for intelligence analysis in production and sales, with loyalty management customized down to individual level. Customer feedback from stores could also be quickly considered and fed to operations for improvement responses.

RFID

Along with CRM, RFID devices on merchandises at stores could gather valuable customers shopping behavior, footfall and focused products psychologically.

HRIS

Giordano VP HR China has strengthened the importance of its HRIS system in achieving HRBP objective and COE for the departmental functions (GaiaWorks, 2021).

Risk Management

During raging times, how well a company exercises its risk management would make a big difference in protecting its financial positions. Giordano has accomplished in several areas to apply these cautiousness (Annual Report, 2020).

Cash

Anticipates fluctuation especially in RMB to focus on forward contracts. Minimizes credit exposures and high interests with focus on flow management.

Dividends

Maintains a consistent payout scheme to uphold market confidence.

Operations and Distribution

Reduces operational costs and focus more on concessions and franchisees.

Supply Chain

Re-evaluates resilient suppliers with multi-locations and integrated IT platforms.

Workforce and stores

Reduction of work force by 19% and loss-making high-rental stores by 8%.

As a practical tool, value chain analysis provides a clear view of how efficient Giordano has been performing its key functions. Although the assessment demonstrates Giordano performs well in most of these activities, the tool alone is still not able to cover everything and the depth of strategy performance.

5. Giordano Strategy Monitoring

Economic downturn requires sensible business to respond quickly with countermeasures against the instabilities. Being emergent, the study evaluates whether Giordano's management team unfailingly governs levels of strategies and relevant tactics through a Balanced Scorecard.

Financial

- × Disregarding COVID-19, Giordano's operating profit year-on-year growth was forecasted at a 15% dip in 2019 (Hong, 2018), aligning 10-year financial highlights in Table 1.1. BSX has already shown losses of HKD 3M in 2018 (Annual Report, 2018).
- ✓ Even with looming profits, Giordano still maintained a consistent dividend payout at HKD 0.1 per share in 2020.
- ✓ Discounting COVID-19, Giordano's ROE has shown slight increase each year since 2015 from a major drop to 21.8% in 2013 comparing to 13.6% in 2014 (Hong, 2018).
- ✓ Diversification in Backward Integration and Market Development in developing countries had brought flexibility in supplier management and improved financial returns (Annual Report, 2008). Chang, Jackson and Grover (2003) argued that ecommerce itself could serve as a market along for development, which Giordano has benefited from.
- ✓ Horizontal Integration through PTEE acquisition on July 17, 2020 has strengthened its future competitiveness and influence in desired market (Annual Report, 2020; Ge, 2020).
- ✓ Risk Management was well executed through Retrenchment, where a reduction of workforce by 19%, loss-making high-rental stores by 8%, and wholesale shipment by 27% (Annual Report, 2020).

- ✓ With Focused Differentiation, Giordano Ladies was obviously unveiled to satisfy “women with relatively higher social status and purchasing power”, with extricated customer attentions to enhance revenues (Hong, 2018).

Learning and Growth

- ✓ Resource-based view of HR has helped Giordano to transform strategy in protecting valuable and knowledgeable human resources that are hard to imitate and substitute, with adequate knowledge and experience sharing. Training is not just classroom based, but also through various volunteer programs to fulfill personal rewards (China Daily, 2003).
- ✓ Giordano invests heavily in training management team, planning future leadership and promoting within for a skilled and motivated workforce. Wang (2013) concluded through his study that Giordano has maintained a healthy employee retention ratio, where staffs hardly leave for other incentives.
- ✓ Various rewards and government sponsored programs were presented in Annual Report (2020) (*see Appendix C*).

Customer

- × As mentioned in Financial, Giordano has failed making consistent net profits year-on-year; thus, a poor ARPU ratio logically, where BSX and other low-cost brands made even poorer returns.
- × While Hong (2018) emphasized more in financial domains, it does seem to direct the fact of lack of attractive product development to further compete with its international competitors at home and abroad.
- × Faced backlash in negative sexist ads in 2018 (Knott & Renfrank, 2018).
- ✓ Jeon and Choi (2012) stressed the importance between employee satisfaction and satisfied customers, where loyalty could be further built upon. Owing to a well-trained sales team, Giordano has built a strong relationship with customers (Wang, 2013).
- ✓ Giordano has won various customer awards in Hong Kong, Singapore and Middle East in years (Giordano, 2021; Annual Report, 2020).
- ✓ Giordano’s membership scheme and CRM had helped to further enhance its penetration and influence in customer shopping behaviors (Drate, 2009).
- ✓ Best-Cost Provider strategy does make people feel good; and good product quality and design do make people look great.

Internal Business Processes

- ✓ Echoing with the Mission of serving 'People', Giordano emphasizes the same message in supplier management where partnership is the essence (Annual Report, 2020).
- ✓ Highly adaptable IT platforms discussed in value chain enables Giordano to manage resources and processes more efficiently, adapting to effective TTM and JIT capabilities.
- ✓ Giordano Middle East was ranked 19th by Forbes as "Top 100 Making an Impact in the Arab World" in 2013, where local sourcing and franchising business through wholesale was highly adopted (Giordano, 2021).
- ✓ In order to grow with suppliers, Giordano also adopts ethical sourcing, while ensuring suppliers' social responsibilities as well as financial wellbeing (Annual Report, 2020).
- ✓ Wirtz (2016) found flat-approached organization made Giordano's internal communication flows transparent and efficient.

Obviously, Giordano has been performing reliably enough in most of the strategic implementation levels and areas, but it does expose major challenges in financial returns for the past 10 years. Thus, this could be further drilled down to the root cause of poor and uncompetitive product lines against its rivals.

6. Conclusion and Recommendation

The previous deliberations have well prepared the study to digest the issues that challenge Giordano nowadays and provide recommended remediations in mid-term and long-term, following with executable plans.

6.1 Recommendation

The study would suggest Giordano to concurrently maintain and improve on both corporate and business strategies.

Corporate Level

Backward Integration, Market Development, Horizontal Integration should be maintained to achieve long-term vision, while Retrenchment should benefit for mid-term benefits during the pandemic.

Local sourcing within Market Development could be further enhanced to achieve quick cost benefits, while ecommerce could be a new market on the priority. R&D in Product Development must be timely managed to secure its belated competitiveness against rivalries, alongside Market Penetration to grab WFH opportunities.

Business Level

The mixture of Best-Cost Provider, Focused Differentiation and Focused Low-Cost strategies should maintain, while Service Differentiation could serve the group well in mission fulfillment.

Nevertheless, Focused Low-Cost product lines are requiring dire attention to address immediately in Figure 6.1, where fashion-bearing concept must be gravely capitalized in long-term along with Product Development strategy in R&D.



Figure 6.1 BCG Matrix View of Giordano Brands
Source: Constructed by Author

Preplanning Evaluation

These recommendations are outcomes aligned with PESTEL and VMV discussions previously for its long-term and mid-term effects. The selected improvement plans are rationed and adaptive enough financially and resource-wise for Giordano to execute as quick-wins, where benefits definitely outweigh obstacles, brining unmistakable competitive advantages against competitors.

6.2 Execution Plans

Based on the findings and realistic economic conditions, the study would suggest two approaches to remediate where functional challenges could also be encompassed.

6.2.1 Plan A

In Table 6.1, Plan A is introduced to look at strategies that can make best sense throughout the pandemic, waiting for recoveries.

Table 6.1 Recommendation Plan A

Maintain	Corporate	✓ Diversified Backward Integration Strategy should be maintained to also take advantage of intensified ecommerce sales online ✓ Market Development into developing countries should continue to generate potential profits ✓ Horizontal Integration could continue if opportunity warrants ✓ Retrenchment should continue to be observed along with Risk Management, maintaining healthy financial KPIs before a clear economic recovery sign ✓ Dividend payout should maintain to keep stakeholders' confidence	
	Business	✓ The mixture of Focused Low-Cost, Focused Differentiation, and Best-Cost Provider could maintain ✓ Service differentiation should continue to serve the group well in attracting customers	
	Functional	IT	✓ Should maintain its proactiveness and efficiency in assisting other business units
		HR	✓ Should maintain its excellent management and programs in recruitment, training, and remuneration, based on RBV approach
		Supply Chain	✓ Should maintain its diversification in supplier management
Improve	Corporate	✓ To align with group's fast expansion strategies into Middle East and African continent, local sourcing could be enhanced where local skills are available, in order to minimize logistic costs and COVID related shipping challenges but also taking advantage of lower local labor costs ✓ By building localized sourcing and supply chain, this could also improve brand's awareness in conjunction with Giordano's emphases in CSR. Nevertheless, local ethical and cultural differences should be focused to adapt into a better-defined scope, meeting local rules and regulations ✓ As explored early on, Ecommerce being a market along should be continuously developed with also the right advertisements through social medias and 3rd-part platforms ✓ The adequate Product Development strategy should be brought up as a key agenda for group's management team, correcting the strategy to meet the reality of fashion trend and what rivals do best so far ✓ While each competitor is struggling with its poor performance under the looming economy, cash-rich Giordano should take advantage of timing to increase R&D reasonably and compete once pandemic is gone ✓ During the pandemic, thrifty in apparel needs becomes an instant trend and Giordano could adopt Market Penetration strategy to explore profit opportunities wherever is possible in the mid-term, along with improved advertisement context ✓ Corporate values should have a new meaning and be adaptive to the market trend	
	Business	✓ The actual effectiveness on Focused Low-Cost brands or product lines should be critically examined, but be watchful of where these brands could bring certain immediate benefits	
	Functional	IT	✓ Could improve CRM platforms for BI in cross selling among brands ✓ WeChat, WhatsApp, Line, and other social chat platforms could be better integrated for ecommerce selling ✓ Should cater for design, sourcing, supply, and BI requirements in local markets
		Supply Chain	✓ To evaluate the possibility in spread the procurement from top 5 suppliers, minimizing further risks and increasing bargaining power ✓ Increase local sourcing capabilities aligning with Market Development strategies
		Marketing & Retail	✓ Be social conscious avoiding negative ads, but increase and focus on local market focused advertisement ✓ Proactively work with R&D to improve product lines with reasonable efforts during pandemic and economic downturns
	Finance	✓ While maintaining cash flow is good for any company, too much cash without appropriate investment is also a waste ✓ Further looking for areas where operating costs could be reduced, and gross revenue could be increased	

Source: Constructed by Author

Figure 6.2 visually illustrates the plan timeline and priorities.

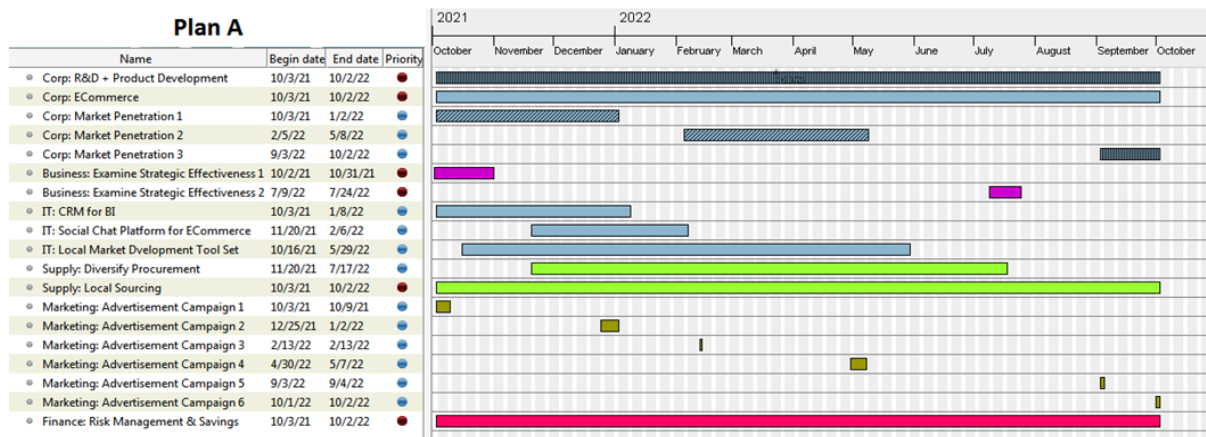


Figure 6.2 PLAN A Timeline with Priorities
Source: Constructed by Author

6.2.2 Plan B

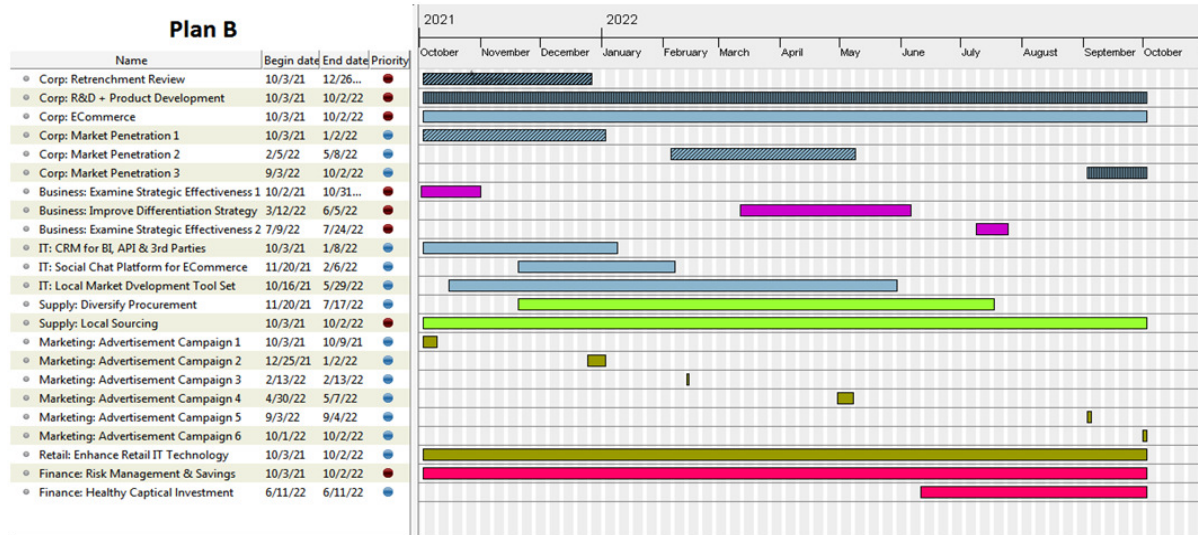
Table 6.2 is a game plan for strategies could be better utilized after pandemic, when a more aggressive approach could be adopted to meet group's needs.

Table 6.2 Recommendation Plan B

Maintain	Corporate	✓ Diversified Backward Integration Strategy should be maintained to also take advantage of intensified ecommerce sales online ✓ Market Development into developing countries should continue to generate potential profits ✓ Horizontal Integration could continue if opportunity warrants ✓ Previous Retrenchment should be reviewed, while business rebounds ✓ Dividend payout should maintain to keep stakeholders' confidence	
	Business	✓ The mixture of Focused Low-Cost, Focused Differentiation, and Best-Cost Provider could maintain ✓ Service differentiation should continue to serve the group well in attracting customers	
	Functional	IT	✓ Should maintain its proactiveness and efficiency in assisting other business units
		HR	✓ Should maintain its excellent management and programs in recruitment, training, and remuneration, based on RBV approach
		Supply Chain	✓ Should maintain its diversification in supplier management
		Finance	✓ Should maintain cautiousness in financial KPIs and opportunities in future growth
Improve	Corporate	✓ To align with group's fast expansion strategies into Middle East and African continent, local sourcing could be enhanced where local skills are available, in order to minimize logistic costs but also taking advantage of lower local labor costs ✓ By building localized sourcing and supply chain, this could also improve brand's awareness in conjunction with Giordano's emphases in CSR. Nevertheless, local ethical and cultural differences should be focused to adapt into a better-defined scope, meeting local rules and regulations ✓ As explored early on, Ecommerce being a market along should be continuously and heavily developed with also the right advertisements through social medias and 3rd-part platforms ✓ Product Development strategy should be seriously focused as a key agenda for group's management team, correcting the strategy to meet the reality of fashion trend and what rivals do best so far ✓ Giordano should lose no time to build R&D capability in materials and product lines, regaining competitiveness while rivals had done this for years ✓ Corporate values should have a new meaning and be adaptive to the market trend	
	Business	✓ The actual effectiveness on Focused Low-Cost brands or product lines should be critically examined, divesting unit that is absolutely no potential for growth ✓ Fashion bearing concept should be gravely invested not just for differentiated products, but also bring uniqueness for other product lines to enhance intangible competitive advantages	
	Functional	IT	✓ Consistent Clienteling platform could be invested to manage CRM and increase cross selling among brands as well as 3rd-part platforms ✓ WeChat, WhatsApp, Line, and other social chat platforms could be better integrated for ecommerce selling ✓ Should cater for design, sourcing, supply, and BI requirements in local markets
		Supply Chain	✓ To evaluate the possibility in spread the procurement from top 5 suppliers, minimizing further risks and increasing bargaining power ✓ Increase local sourcing capabilities aligning with Market Development strategies
		Marketing & Retail	✓ Be social conscious avoiding negative ads, but increase and focus on local market focused advertisement ✓ Work with IT in deploying footfall technology to track customer behavior, auto checkout, predictive discount pricing scheme enabling all-year-round sales promotions where rivals are lack of
		Finance	✓ When economy recovers, dividends payout could be adjusted meeting stakeholders' expectations ✓ Search for the right financing options and increase credit investment along with various levels of strategies, reducing cash reserve to a reasonable level for investment internally or externally ✓ Further looking for areas where operating costs could be reduced, and gross revenue could be increased

Source: Constructed by Author

Figure 6.3 plots out the plan timeline with associated priorities.



Understanding emerging needs is critical for Giordano, with a clear planning in strategy revisions. Prioritization of objectives and actions are also essential in execution, where dependencies must succeed in sequences to guarantee a smooth flow and resource availabilities.

6.3. Conclusion

The Giordano study transforms theoretical view on VMV and strategic planning into rational practice, from formulation, implementation to monitoring, the challenges and achievements at every level the group faces. Strategy should never stall at its absolute station, rather emerge and revise when external confronts arise. Value chain and Balanced Scorecards are effective tools to help examine and fine tune strategic corrections. Implemented successfully, management could always face economic turmoil with confidence.

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Appendix A

BSX and Giordano Ladies Financial Performance

5. 銷售額及營運分部 (續)

以品牌劃分之零售及分銷營運分部之進一步分析如下。

5. SALES AND OPERATING SEGMENTS (continued)

Further analysis of the Retail and Distribution operating segment by brand is as follows.

(以百萬港元為單位)	(In HK\$ million)	2020		2019	
		銷售額 Sales	經營 (虧損)/ 溢利 Operating (loss)/ profit	銷售額 Sales	經營 (虧損)/ 溢利 Operating profit/ (loss)
零售及分銷	Retail and Distribution				
Giordano及Giordano Junior	Giordano and Giordano Junior	2,482	(108)	3,831	307
Giordano Ladies	Giordano Ladies	235	4	395	34
BSX	BSX	45	(4)	101	(3)
其他	Others	176	-	273	10
		2,938	(108)	4,600	348

Source: Annual Report (2020)

Appendix B

U.S.C. 1304



FEDERAL REGISTER

The Daily Journal of the United States Government



Notice

Country of Origin Marking of Products of Hong Kong

A Notice by the U.S. Customs and Border Protection on 08/11/2020



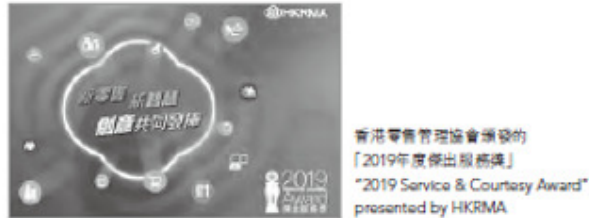
PUBLISHED DOCUMENT	
 	AGENCY: U.S. Customs and Border Protection, Department of Homeland Security. ACTION: General notice. SUMMARY: This document notifies the public that, in light of the President's Executive Order on Hong Kong Normalization, issued on July 14, 2020, suspending the application of section 201(a) of the United States-Hong Kong Policy Act of 1992 to the marking statute, section 304 of the Tariff Act of 1930, with respect to imported goods produced in Hong Kong, such goods may no longer be marked to indicate "Hong Kong" as their origin, but must be marked to indicate "China." DATES: The position set forth in this document is applicable as of July 29, 2020. A transition period will be granted for importers to implement marking consistent with this position for imported goods produced in Hong Kong. Such goods, when entered or withdrawn from warehouse for consumption into the United States after September 25, 2020, must be marked to indicate that their origin is "China" for purposes of 19 U.S.C. 1304. FOR FURTHER INFORMATION CONTACT: For legal matters, contact Yuliya Gulis, Chief, Food, Textiles and Marking Branch, Regulations and Rulings, Office of Trade, (202) 325-0042 or yuliya.a.gulis@cbp.dhs.gov. For policy matters, contact Margaret Gray, Chief, Trade Agreements Branch, Office of Trade, (202) 253-0927 or FTA@cbp.dhs.gov.
DOCUMENT DETAILS	
Printed version: PDF Publication Date: 08/11/2020 Agencies: U.S. Customs and Border Protection Dates: The position set forth in this document is applicable as of July 29, 2020. A transition period will be granted for importers to implement marking consistent with this position for imported goods produced in Hong Kong. Such goods, when entered or withdrawn from warehouse for consumption into the United States after September 25, 2020, must be marked to indicate that their origin is "China" for purposes of 19 U.S.C. 1304. Document Type: Notice Document Citation: 85 FR 48551 Page: 48551-48552 (2 pages) Agency/Docket Number: CBP Dec. 20-15 Document Number: 2020-17500	
DOCUMENT DETAILS	

Source: US Federal Register (2020)

Appendix C

Giordano Service Rewards

Awards and Recognition



- 2019 Outstanding QTS Merchant & Service Staff Awards

Hosted by Hong Kong Tourism Board, to award the retailers for their outstanding services and Giordano won a silver award. Also, Giordano has continuously recognized as a Quality Merchant by the Hong Kong Tourism Board for 15 years.

- Giordano Website won Top 10 eCommerce Website Award

The Retail Asia Expo has awarded Giordano's eCommerce website as one of the "Top 10 eCommerce websites" for 2018. This "Top 10 eCommerce Website Award", which recognized and awarded websites that have raised the bar for user experience and achieved outstanding operation growth, has acknowledged Giordano's eCommerce website for fostering and delivering continuous and exemplary e-commerce standards as well as enhancing user experience with an outstanding shopping platform.

- Giordano's Legal Team at Hong Kong Headquarters named in the GC Powerlist

Meanwhile, we are also delighted to announce that Giordano's Legal Team at Hong Kong Headquarters has been named in the "Team Powerlist" category of the GC Powerlist Hong Kong, published by The Legal 500 – which carried out the research to corroborate and validate our inclusion, in recognition of our in-house legal team:

- Giordano Junior was awarded with "2018 Parents' Favorite Family Brand"

Giordano Junior was awarded with "2018 Parents' Favorite Family Brand" under the "Children Clothing" category in 2018. This Award was presented by Baby Kingdom, a popular online parent-child platform in Hong Kong. Further to the assessment by the members of Baby Kingdom and a panel of professional judges, Giordano Junior stood out from the other 3 finalists, being in recognition of its creative designs and high-quality products.

Source: Annual Report (2020)