Strategic Management and Brand Management on the Luxury Brand GUCCI

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Abstract

In recent years, on the one hand, Japanese apparel companies are suffering badly from decreases in profits under the variable markets, but on the other hand, many luxury brand companies are advancing into Japan or overseas markets and achieving market share with high profit ratios.

This paper reveals which strategy and brand management is effective for luxury branding through the case of the luxury brand GUCCI. It shows that the luxury brand companies have to manage and control the quality of products, prices, distribution channels and promotions to establish and maintain their position as a luxury brand. That is to say, they take “Luxury strategy”. It also shows that sustaining innovation and disruptive innovation are necessary to establish and maintain their position not only in the HDD industry, but also in luxury brand industry.

Keywords: Luxury Brand, GUCCI, Strategic Management, Brand Management, Brand Innovation

Introduction and Objectives

This paper will examine the luxury brand Gucci. It aims to confirm how luxury brands that have been wielding strong power in the global market in recent years or the companies that own them have established their positions, and, during the course, to identify what makes corporate management and brand operation either superior or inferior. Certain brand management techniques, it is called "luxury strategy", and sorts of innovation are considered to be involved there.

Nowadays, commoditization is rapidly developing in the Japanese fashion & consumer goods market. Japanese apparel companies, with the exception of a few, are falling behind overseas fast fashion companies or luxury brand companies in terms of both size and profitability. Moreover, it seems that the market is about to be split into the fast fashion market at one end and the high-end consumer goods market centering on luxury brands at the other end. The luxury brand market is setting the trend, and the market players are creating absolute value that is not comparable in terms of product quality as well. In short, it is a differentiated market, and thus it is quite unlikely for luxury brands to converge with fast fashion brands even in the future. Therefore, by identifying management strategies and brand management techniques of luxury brands, we may be able to offer a suggestion in such a market where commoditization is so significant.

The reasons why Gucci is to be examined are as follows. At one time, Gucci's brand value was undermined by the harmful effects of its family management, and the company was pushed to the brink of bankruptcy, with its position as a luxury brand about to be lost. However, Gucci achieved a dramatic revitalization owing to changes in both management and designers, and not only regained its position as a luxury brand but also achieved further development. This event has overturned the general idea that a change in designers alone can regenerate a brand. For this reason, identifying brand management techniques and management strategies during the start-up period when Gucci had penetrated the market and during the brand regeneration period means deriving techniques to managerially control brand value. In addition, we can see a kind of innovation happening in the process where Gucci has established its brand. Therefore, it is considered to be a good example to clarify that innovation plays a role in building a luxury brand. Moreover, such innovation is considered to be commonly seen during both the start-up period and the regeneration period. Based on the above, this paper examines Gucci.

Previous Studies

There are a number of published works on Gucci. They describe scandalous quarrels in the Gucci family or Gucci acquisition stories by LVMH Moët Hennessy Louis Vuitton SA (LVMH) and Pinault-Printemps-Redoute SA (PPR) in a non-fiction novel style. In addition, as a paper that describes a collaboration system between Gucci and small- and medium-sized enterprises in Italy, we can cite “Large and Small Firms in the Italian Fashion Industries” (Sandrine Labory, 2003). Meanwhile, one of Harvard Business School’s case study materials “Gucci Group N.V.” mainly describes Gucci’s genealogy as an enterprise until 2000 and its turnaround by Domenico De Sole. Among other papers, “The Nature of Parenting Advantage in Luxury Fashion Retailing - the Case of Gucci Group NV” (C.M. Moore and G. Birtwistle, 2005) discusses Gucci Group’s superiority as a conglomerate. As the research about luxury brand management, there are “The Luxury Strategy-Break the Rules of Marketing to Build Luxury Brands-“(Kapferer, Jean-Noël, and Vincent Bastian 2009), “The principle of LOUIS VUITON”(Shinya Nagasawa 2007), “CHANEL STRATEGY-Management of the Ultimate luxury brand-(Shinya Nagasawa and Kana Sugimoto 2010). Among these researches, they show how luxury brands control and manage their brands to maintain or enhance their brand position and they advocate ‘Luxury Strategy’. About innovation domain, there are many researches such as “Innovator’s Dilemma:When New Technologies Cause Great Firms to Fail”(Christensen, Clayton M. 1997) and so on. These are the main previous literature and studies. However, as far as this author can tell, no study has ever focused on Gucci's brand-building and the success factors of brand management during the start-up period and the regeneration period as well as its innovation, and thus these themes have never become main subjects for analysis and verification. Accordingly, this paper will analyze and systematize this untested area with references including overseas literature.

Outline of Gucci

In the following sections, we will cover Gucci. More specifically, we will analyze and examine in detail how the highly profitable luxury brand Gucci has been built and what kinds of brand management techniques have been applied. First, let us review Gucci's start-up and regeneration periods, respectively, in order to analyze success factors of Gucci's brand management. Now that Gucci is a brand under the control of a conglomerate company called PPR, we will also touch on the outline of this PPR, and then will analyze Gucci.

Start-up period

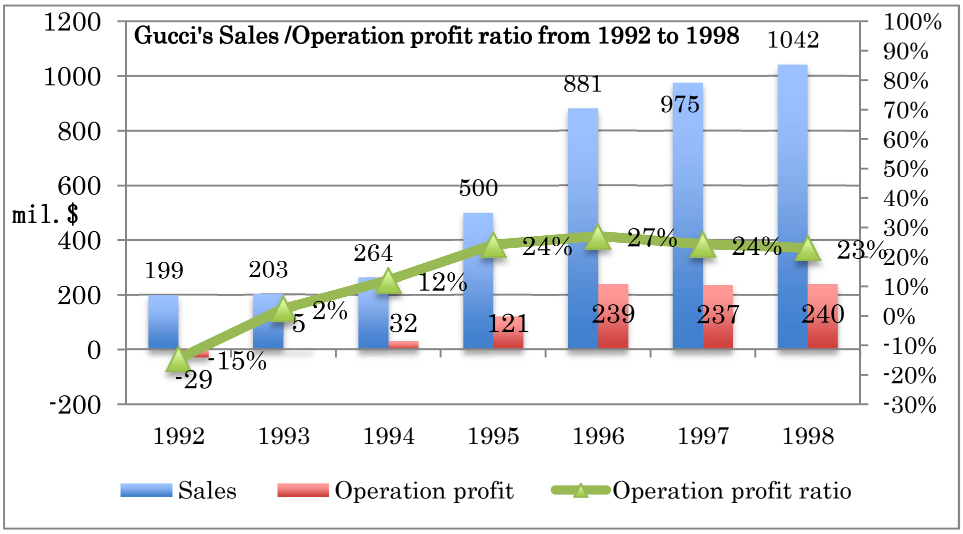
Gucci's origin dates back to 1921 when Guccio Gucci opened a sales store for leather goods in Florence. The founder imported luggage from Germany and sold them, and also provided repair services. After that, Guccio started to design products on his own. He constructed a self-owned factory, and brand production started. Gucci enjoyed prosperity in tandem with the increase in tourists to Italy during the 1920s after the war. When imported leather was in short supply, he adopted new materials such as canvas, and produced leather fancy goods such as wallets and belts. But it was after the World War II that Gucci developed into a world-famous brand. In 1953, Guccio opened the first overseas store in New York.

Regeneration period

Gucci's loss amounted to 102 million dollars between 1991 and 1993, owing to adverse effects mainly from the Gucci family's longstanding infighting and poor cost management by Maurizio, the last president from the family. In response, Investcorp, a Bahrain-based investment company that was involved with Gucci at that time, had Maurizio step down, and appointed Domenico De Sole, who doesn't come from the founding family, as the headquarters' COO in 1994. In the same year, Tom Ford assumed the position of creative director, with a larger occupational field than a position of ordinary designer. In 1995, Investcorp consolidated Gucci's seven operation companies, appointed Domenico De Sole as the Group's CEO, and thereby embarked on corporate revitalization. In this way, the new tug of Domenico De Sole as CEO and Tom Ford as a designer, was formed. De Sole and Ford carried out reforms in each field of products, distribution and promotion. As a result of these efforts, Gucci won over fashion-minded customers with a high motivation to spend, and its business results significantly improved from sales of 203 million dollars and an operating profit of 2% in 1993 to sales of 1,042 million dollars and an operating profit of 23% in 1998 as the chart1 blow.

(This section was prepared by this author with reference to Harvard Business School's case study materials "Gucci Group N.V. (A) (B) (C)" (2001, 2002). Some parts are quoted).

Chart1. Gucci's sales and operation profit (1992-1998)



Sources: authors made chart by "*Gucci Group N.V. (A)*[1]"

Outline of PPR (Kering)

Here in this section, we also describe the outline of PPR, the conglomerate company that controls the Gucci brand. The following Chart 2 is an organizational chart by PPR's business company as of 2011. As seen in this chart, Gucci is a brand within the Gucci Group, which is positioned as PPR's luxury business division. PPR's sales for 2010 amounted to about 14.6 billion euros (equivalent to about 1.72 trillion yen at the exchange rate of 1€=117.89 yen as of 2010). This figure reveals that PPR is the second largest company in the luxury industry after LVMH, the French conglomerate company that owns Louis Vuitton among other brands, with LVMH's sales for 2010 totaling about 20.3 billion euros (equivalent to about 2.4 trillion yen at the exchange rate of 1€=117.89 yen as of 2010). And yet, after tracing the history of PPR, we find it was inaugurated as a lumber business company in 1963. After that, PPR aggressively carried out M&A deals and developed into a conglomerate company with its main pillar of retailing business including furniture, department stores and mail-order retailing. Even now, this retailing division accounts for more than 50% of total sales. Accordingly, in

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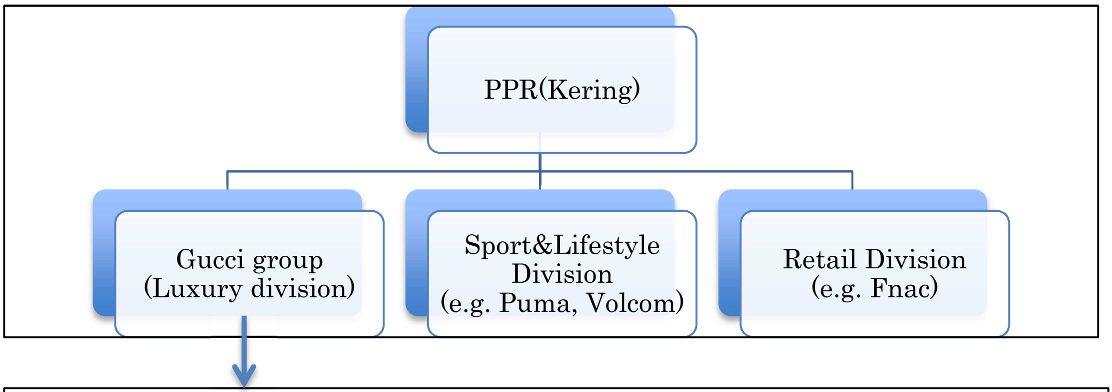
1 Yoffie, David B., and Mary Kwak, *Gucci Group N.V. (A)* , Harvard Business School, 2001

terms of consolidated sales that include these business companies, PPR is boasting the second largest position among luxury companies.

Chart2. The organization chart of 2011' PPR



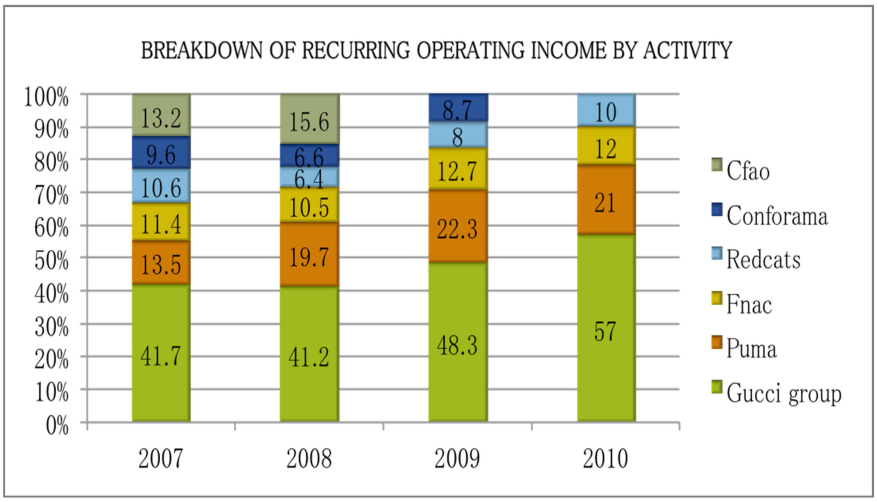
GUCCI, BOTTEGA VENETA, YVES SAINT LAURENT, ALEXANDER McQUEEN, BALENCIAGA, BRIONI, STELLA McCARTNEY, SERGIO ROSSI, BOUCHERON, GIRARD-PERREGAUX, JEAN

Source:PPR's Reference Document 2011

PPR's business portfolio

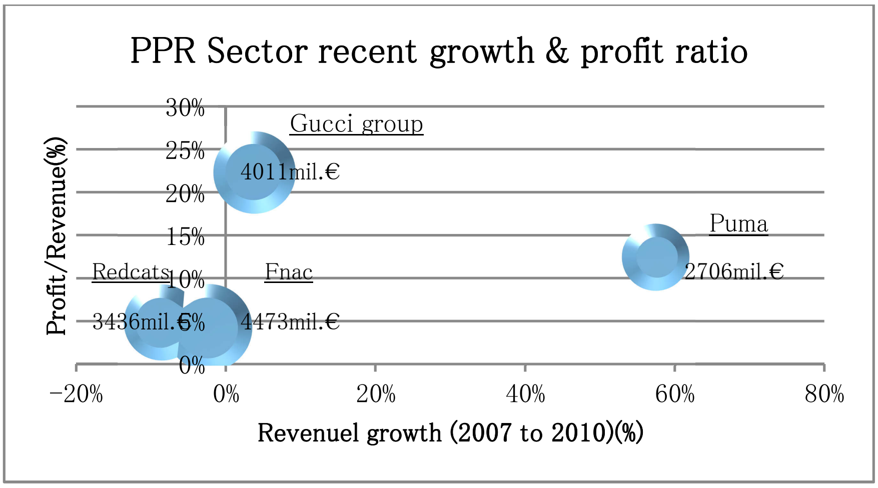
Since PPR brought the Gucci Group, the luxury group with Gucci at the core, under its control, the company has been selling off parts of its retailing division in a proactive manner, while acquiring luxury brands and fashion & consumer goods companies in a gradual and steady manner. According to some sources, such as an interview with the current CEO of PPR, this series of movements is expected to accelerate and most of its retaining division is intended to be sold off between 2012 and 2013. The following two charts respectively show the profitability and growth rate of each business within PPR. Chart 3 reveals PPR's earnings trend by business type during the period from 2007 to 2010. As of 2010, the luxury business Gucci Group accounts for less than 30% of PPR's total sales, but the same group accounts for about 60% in terms of PPR's earnings (in other words, profit). The profit share was about 40% in 2007. Meanwhile, Chart 4 plots the combination of growth rate and profit margin, with its horizontal axis indicating sales growth rates for the four years from 2007 to 2012 and its vertical axis indicating operating margin as of 2010. The size of each bubble representing each business type is proportionate to sales for 2010. As seen in Chart 3, Fnac and Redcats, both of which belong to the retailing division, are characterized by their low profitability and low growth potential. Conversely, the Gucci Group, in the luxury division, indicates high profitability, and Puma in the sports lifestyle division indicates high growth potential. Based on this observation, we can assume that PPR has been changing its portfolio structure with a focus on the luxury division because of its high profitability. Moreover, Gucci accounts for about 60% of Gucci Group's total sales, and it is a core brand of the luxury division that has an 80% share in PPR's operating profit. As indicated above, the ownership of a brand that has established such a solid brand position as Gucci leads to ensuring high profitability. This suggests that utilizing the brand management techniques of a luxury brand and establishing one's own brand may contribute to increased profits. This suggestion possibly serves as a useful reference for domestic apparel companies with low profitability.

Chart3.Breakdown of recurring operating income by activity



Source:PPR's Reference Document 2007-2010

Chart4.PPR sector recent growth & profit ratio(2007-2010)



Source:PPR's Reference Document 2007-2010

4P Analysis of Gucci's Brand Management during the Start-up Period and the Regeneration Period and Luxury strategy

In this section, we will analyze the luxury brand Gucci by means of the Marketing Mix (4P) Analysis in order to identify success factors of Gucci's brand management techniques. However, before this analysis, we will introduce 'Luxury strategy by Shinya Nagasawa' of 4P analysis and we will verify that Gucci's these 4P analysis correspond to 'Luxury strategy'. During this process, we will compare management techniques during Gucci's start-up period when its position was established as a luxury brand and those during Gucci's regeneration period when its luxury brand position recovered, and then will derive success factors. In the rest of this section, we will analyze the start-up period and the regeneration period, respectively, by each item of 4Ps.

And we also verify that these Gucci's strategy correspond to 'Luxury strategy[2] by Shinya Nagasawa' of 4P analysis or not. Shinya Nagasawa advocated the Luxury marketing strategy such as table 1 through analysis of some luxury brands' strategy, for example, Louis Vuitton and Chanel. Shinya Nagasawa indicated that Luxury brands' target is mainly the limited

2 Shinya Nagasawa and Kana Sugimoto, *CHANEL STRATEGY-Management of the Ultimate luxury brand-*, Toyokeizaishinposha, 2010

wealthy people in the world, and thus, they take different marketing strategy from the other brands. So we need to verify the Gucci's 4P strategy is also correspondent to the luxury strategy.

According to table1, we find that luxury brand's strategy based on 'luxury strategy' is quite different from general marketing strategy. Luxury brands companies seek for extraordinary/absolute quality product, high and fair price, using limited channels, taking importance of utilizing publicity about promotion.

Table1.Luxury strategy's 4P

4P Analysis	General marketing strategy	Luxury strategy
Product	・Enough quality(not extraordinary quality) ・Comparable quality ・Function and benefit	・Extraordinary quality ・Absolute value ensured quality ・Sensitive quality (customer experience)
Price	・Low or reasonable price ・Comparable price	・High pricing and fair pricing based on absolute value above function
Distribution	・Extensive channel(large number of stores, mail-order, wholesales, a mass retailer and so on)	・Limited channel(only the channel which they can control, directly-managed stores and so on)
Promotion	・large amount of public notice (TV's commercial, newspaper advertisement and so on)	・Mainly-utilized publicity

Source: CHANEL STRATEGY, Shinya Nagasawa and Kana Sugimoto 2010[3]

Product

First, during the start-up period, Guccio Gucci himself and skilled craftsmen in Florence were engaged in product making, and sought absolute value above function by crafting products of the highest quality. Even the Gucci family and craftsmen designed products when

3 Shinya Nagasawa and Kana Sugimoto, *CHANEL STRATEGY-Management of the Ultimate luxury brand-*, Toyokeizaishinposha, 2010 pp.3 table1.

needed. When procurement of leather goods became difficult in the wake of the League of Nation's embargo on Italy, which was triggered by Mussolini's invasion of Ethiopia, a leather process called cuoio grasso, which applies fish oil to leather, and canvas bags were developed. At the time of supply shortages after the World War II, Gucci created luxury but sporty products with innovative designs and distinctive character, including one of the contemporary Gucci's icons the Bamboo Handle Bag (named after the handle made of bamboo). Next, during the regeneration period, Domenico De Sole himself visited suppliers one by one to select master craftsmen with distinct skills, based on which he pursued products with absolute value. Furthermore, product lines, which had been dispersed by the Gucci family members owing to their respective licensing and/or product launches, were refined, and their quality was unified under De Sole's initiative. (At one time, Gucci even put out on the market products such as ashtrays and lighters bearing the Gucci logo. As a result, the number of items amounted to about 22,000.) Meanwhile, Tom Ford initiated the concept of the powerful and sexy Gucci woman, and created innovative products rich in Gucci's unique fashion sense. For this reason, emphasis was placed on high fashionability of products, and the rate of new products rose from 27% to 54%. De Sole later said in an interview at IMD business school, Switzerland: "The situation where no product message is conveyed is the worst for any business" and "We devote all our energy to crafting products of the highest quality. We would like to sell truly worthy products to our customers." These remarks also symbolize the pursuit of absolute value in the context of Gucci's product management.

Price

First, during the start-up period, Gucci dealt in high-priced luxury leather goods, since their target customers were defined as wealthy, Hollywood stars, or tourists to Europe or the US. But at the same time they were rigidly committed to good quality above price, and aimed to deliver fair value to their customers. Among Guccio's sayings is: "Quality is remembered long after the price is forgotten.” During the regeneration period as well, they looked for a price endorsed by tradition and quality. They sought quality and prices representing value from the customers’ points of view; improved products and enhanced quality; and then reduced prices by about 30% on average. For example, the price of the Gucci Bamboo Bag was marked down from about 1,350 dollars to 950 dollars. The revised price is still more expensive than ordinary bags, and yet it was considered as fair value to customers.

Distribution Channel

First, during the start-up period, they used a limited distribution channel confined to directly-managed stores located in 5th Avenue, New York City as well as major Italian cities such as Florence, Milan and Rome. And when they opened up a new store in Rome or 5th Avenue, they stressed a plush interior appropriate for the Gucci brand and invested a great amount of money. During the regeneration period, instead of a sales channel through which consumers can purchase Gucci products everywhere, they limited their channel by narrowing down outlets to directly-managed stores, some FCs, department stores, duty-free shops and the like so as to create a brand image. As a result, the number of directly-managed stores increased from 65 in 1995 to 126 in 1998. Furthermore, Tom Ford aggressively renovated directly-managed stores jointly with architect Bill Sofield, and made them a place where the new Gucci’s brand image is conveyed. This project resulted in increased capital spending from 20 million dollars in 1995 to 92 million dollars in 1998. De Sole said in an interview: “In Gucci’s case, over 80% of the sales outlets are directly managed. Directly-managed stores are essential for conveying the product and brand image in a precise manner.”

Promotion

During the start-up period, the founder promoted Hollywood stars’ store traffic by opening a Gucci store in Rome where movie shooting frequently took place, and their presence raised the publicity of the brand. Furthermore, his son Rodolfo also gained support from actors and actresses, including Sophia Loren, by capitalizing on his previous career as a movie actor. In addition, the brand's publicity was raised by Queen Elizabeth II's visit to the Gucci store in Florence before her accession and the scene in the movie Viaggio in Italia, directed by Roberto Rossellini, where Ingrid Bergman appeared while carrying a Bamboo Bag and a Gucci umbrella, among other popular stories. During the regeneration period, they aggressively invested money in advertising to make the sexy and fashionable lifestyle and brand image initiated by Tom Ford appeal to the public, instead of the conventional classical image. Advertising expense as percentage to sales increased from 2.9% in 1993 to 13% in 2000. In addition, they made topical gimmicks by means of media interviews with star-like Tom Ford or the renewal of their flagship store, and effectively utilized publicity.

The above is our 4P analysis with the subject periods being the start-up period and the regeneration period. The start-up period and the regeneration period share some common grounds in terms of these 4Ps: for the product, Gucci sought well-selected unique absolute value and sensible value; for price, they sought high but fair prices; for the distribution channel, they narrowed down channels to limited outlets, basically centering on directly-managed stores; and for the promotion, they effectively utilized publicity in a proactive manner.

According to the 4P analysis, these are common elements in Gucci's brand management during the start-up period and the regeneration period. Moreover, each of these elements is considered to be common in other luxury brands and therefore essential for the brand management of every luxury brand. The above 4P analysis is summarized in the following table. And we can recognize that these elements correspond to luxury strategy's 4P(extraordinary/absolute quality product, high and fair price, using limited channels, taking importance of utilizing publicity about promotion). So Gucci also take the same strategy with Louis Vuitton and Chanel during start-up period and regeneration period when Gucci established its brand position and recover it.

Table 2. 4P Analysis of Gucci during the Start-up Period and the Regeneration Period

4P Analysis	Gucci's start-up period	Gucci's regeneration period
Product	・High-quality leather goods made by skilled craftsmen in the Tuscany region ・New products, including Bamboo Bag and canvas bags, launched under the embargo	・Absolute value ensured by well-selected skilled craftsmen ・Narrowing down of licensed products ・Highly fashionable and unique products supervised by Tom Ford
Price	・High prices with target customers being the wealthy and tourists; fair prices in terms of quality	・Quality was upgraded but prices were reduced; fair prices were proposed from the customers' points of view ・High pricing based on absolute value above function
Distribution	・Limited channel, confined to several directly-managed stores in Florence, Rome, Milan and other major Italian cities at home and 5th avenue, New York	・Centering on directly-managed stores (65 stores in 1995 → 126 stores in 1998) ・Limited to image-fitting department stores and duty-free shops ・Renovation of directly-managed stores under the supervision of Tom Ford and other measures to reflect the brand image
Promotion	・Utilized publicity as products were used in movie scenes and other media as well as by celebrities in various quarters	・Aggressive and focused investment in highly fashionable advertising ・Utilized publicity with Ford as a poster boy

Gucci's Value Creation Through Innovation During the Start-up Period and the Regeneration Period

Innovation was taking place during both the start-up period and the regeneration period as a supporting factor for Gucci to establish its brand, and thus it is considered to have created new value for customers. Accordingly, we will analyze and verify the fact that Gucci established its brand position while maintaining its tradition and innovation by means of the innovation theory of Christensen (2001). Christensen instanced a case of the US HDD market as an innovation category, and advocated that there are two types of innovation: sustaining innovation which promotes the improvement of conventional products; and disruptive innovation which creates such radically new value that the value of conventional products may be disrupted, and he cited three features of each innovation. In this section, we assume that the same things happened to Italy-based Gucci during the start-up period and the regeneration period. Accordingly, in the rest of the section, we will analyze the respective features of sustaining innovation and disruptive innovation by applying them to the case of Gucci.

Sustaining innovation

Christensen cites three features of sustaining innovation. The first feature is “enhanced performance in the attribute on which the most demanding customers place the most importance.” This corresponds to the case where Gucci needs to seek high quality and has to keep providing designs that are acceptable to well-informed customers because this brand’s customers include European imperial families and famous movie stars. The second feature is “most attractive customers, who are willing to pay for the enhanced performance in a mainstay market.” This corresponds to the case where Gucci’s attractive customers include the nobly-born European wealthy and the emerging U.S. wealthy who have succeeded in business, while the brand’s main customers are celebrities in various quarters such as imperial families, political circles and the movie industry. The last feature is “to improve or maintain the profit margin by utilizing the existing process and cost structure and by fully capitalizing on the current competitive advantage.” This correspond to the case where Gucci has formed a kind of manufacturing group with small- and medium-sized enterprises that employ craftsmen in the Tuscany region, and maintains high-quality product efficiency and profit improvement by providing these enterprises with technology and/or investment in plant and equipment among others.

Disruptive innovation

Christensen cites three features of disruptive innovation as well. The first of these is "inferior performance in a conventional type of attribute, but enhanced performance in a new attribute." In the case of Gucci, this corresponds to the fact that they created innovative products to suit the times while at the same time maintaining leather goods backed by the Tuscany region-based craftsmen's skills. For example, the Bamboo Handle Bag used bamboo materials as its handle for the first time at the time of supply shortages during the post-World War II period, and thus this item was not a conventional full leather product but an innovative product with a new sporty appeal. We can say that Gucci ventured to make a new type of bag by combining different raw materials and enhanced its performance within a new attribute. The next feature is "non-consumption is targeted. In other words, the target is customers who didn't have sufficient money or skills to purchase or use a certain product until then." With regard to this feature, Guccio tapped potential customers who had not been Gucci's customers by adopting new materials and dealing in leather fancy goods such as wallets and belts. Tom Ford added a powerful and sexy flavor to Gucci's existing classical products, and his strategy also conforms to this feature in the sense that it enabled Gucci to gain a new type of customer who was more forward-looking and sensitive to fashion trends. The last feature of disruptive innovation is "a business model which makes a profit even if the price per sales unit is low and the initial production volume is small (gross profit per sales unit is quite low)." This applies to Gucci in the example where the Apparel Division launches a certain collection of which the profit margin is low and promotes a new brand image there, and use of this brand image leads to the purchase of conventional-type highly profitable leather goods. Chart 4 below puts these features of sustaining and disruptive innovations during Gucci's start-up and regeneration periods into the form of a diagram.

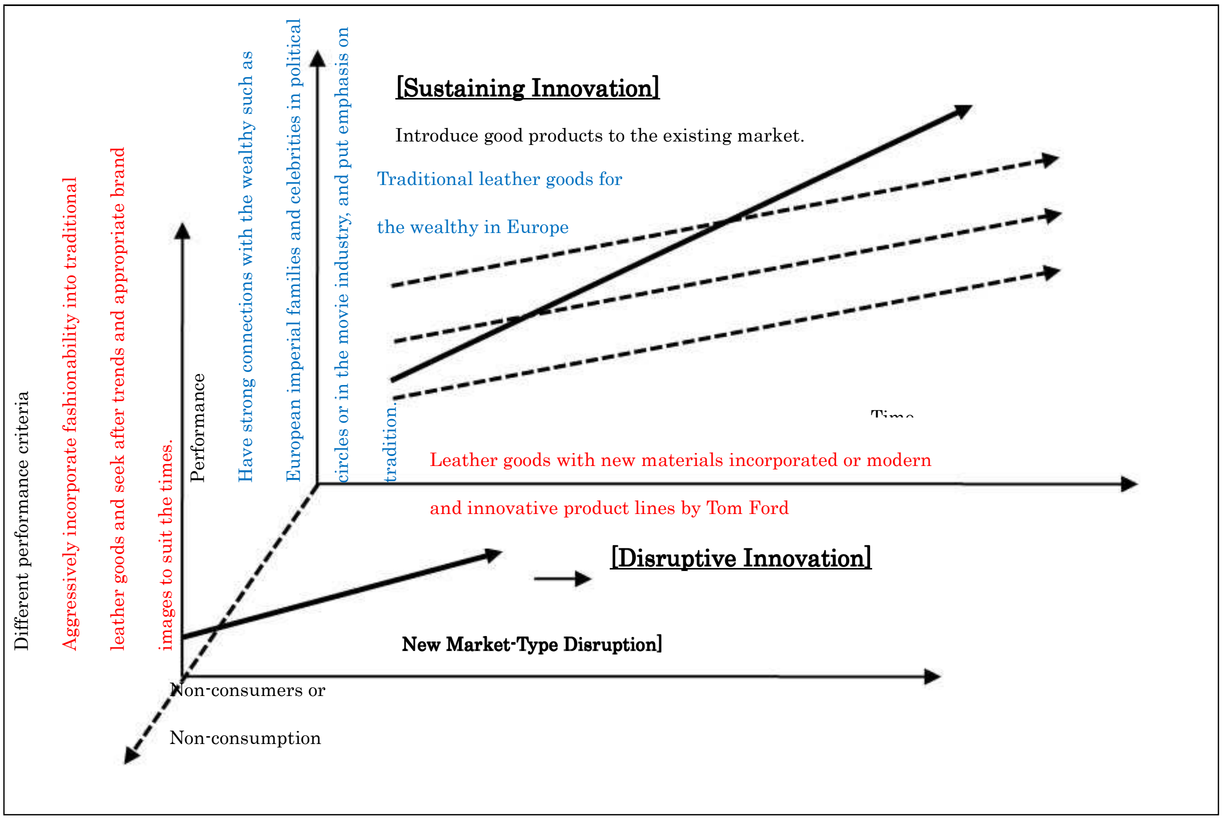


Chart5. Sustaining Innovation and Disruptive Innovation During Gucci's Start-up and Regeneration Periods

Analysis results and verification on sustaining innovation and disruptive innovation during Gucci's start-up period and regeneration period

Based on the above analysis on tradition and innovation from the perspective of the innovation theory, we can see that sustaining innovation contributes to tradition while disruptive innovation contributes to innovation. This is especially evident in both the start-up period and the regeneration period of Gucci, with such innovation having created new value for customers. So we can verify existence of the sustaining and disruptive innovation not only in HDD industry, but also in Luxury brand industry.

In July 2011, the Gucci 90-year Archive Exhibition was held at the Golden Pavilion in Kyoto, and a series of Gucci bags made during the company's 90-year history were exhibited there. Having looked through the exhibited items in chronological order, this author found that new materials and/or new designs other than traditional products had been more frequently adopted during both the start-up period and the regeneration period, and thus could directly confirm the presence of innovative products during the start-up period and the regeneration period. Then in October 2011, when Gucci organized the Artisan Event at Daimaru Kobe Store, leather craftsmen visiting from Gucci’s headquarters gave a demonstration. There, this author could confirm that Gucci has rigorously selected only skilled craftsmen in order to provide customers with high-quality products, and that they have been seeking enhanced quality (enhanced performance) of products at an extremely high level on the strength of this craftsmanship. This also corresponds to one of the features of sustaining innovation: “enhanced performance in the attribute on which the most demanding customers place the most importance.”

According to what this author was told in a direct interview with these craftsmen, only a carefully-screened 20 or so craftsmen from among as many as 3,000 are allowed to be engaged in prototype preparation for new products since this process has a decisive influence on Gucci’s quality, and each of the selected craftsmen must have at least 10-years’ experience in their craft. The interview also revealed that if a craftsman of one of Gucci’s affiliated manufacturing companies is promoted to a corresponding position at the Gucci headquarters, he/she will earn very high status as well as respect in the region. This is a mechanism to offer any affiliated craftsman a corresponding position at the Gucci headquarters if he/she has honed his/her craft, indicating the close connection between the Gucci headquarters and affiliated companies. As mentioned above, Gucci’s Archive Exhibition and Artisan Event demonstrated part of Gucci’s sustaining innovation and disruptive innovation. The photo below shows Gucci’s Artisan Event held on the first floor of Daimaru Kobe Store in October 2011.

Photo1. Gucci's Artisan Event held on the first floor of Daimaru Kobe Store

Photo2. Gucci's Artisan Event held on the first floor of Daimaru Kobe Store

Photo1&2:pictures taked by author

Conclusion

The analysis in this paper has shown that Gucci's start-up and regeneration periods, during which Gucci established its position as a luxury brand, share common ground mainly in two aspects: One being that Gucci established its position as the luxury brand Gucci by carefully controlling its products, prices, distribution channels and promotion in the process of building or rebuilding its name as a luxury brand; the other being that innovation was taking place in that process during both the start-up period and the regeneration period, and that innovation by type is categorized into sustaining innovation and disruptive innovation. In sum, Gucci utilized its skillful brand management in marketing as same as luxury strategy during the process of establishing its brand-building and positioning. And this luxury brand enterprise provided its targeted market and customers with new value by creating both sustaining and disruptive innovation, and ultimately accomplished value creation as a brand. This is a model case where a brand acquires its value and establishes its unique position. Moreover, we believe that this finding offers a valuable insight for Japanese apparel companies that are struggling with their brand-building and value creation despite their technical capabilities.

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