Gucci’s Fall in Sales

Korean Finance Seminar
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Luxury Goods Industry Overview

Outlook and Key Players

- Revenue in the Luxury Goods market amounts to US$402,491m in 2019.
- The market is expected to grow annually by 2.7% (CAGR 2019-2023).
- In global comparison, most revenue is generated in United States (US$76,326m in 2019).

Key Players and Conceptions

- 75 houses vs 13 houses
- Net Profit $4.1 billion vs $7.1 billion
- Turnover Rate 10% vs 29%
Gucci’s Revival

Alessandro Michele is credited with having “transformed Gucci’s aesthetic over the last four years, breathing new life and excitement into the brand.”

Since Alessandro Michele took over as creative director in 2015, Kering’s sales rose 16.3 per cent to €4.61 billion during the first six months of 2019.

Jean-Marc Duplaix, chief financial officer at Kering, said in July, Gucci contributes about 60% of Kering’s revenue and 80% of profit.

In 1999, Pinault-Printemps-Redoute purchased a controlling 42 percent stake of the Gucci Group for $3 billion. Later in 2003, Kering raised its stake in the Gucci Group to 67.6 percent, and again in 2004 to 99.4 percent.
Gucci’s Success

Gucci transformed its identity from classic luxury to young and trendy.

Gucci’s Marketing Strategy

• Gucci was one of the first luxury brands to partner with social media influencers.

• Large investments in back-end technology improved supply-chain management, sales forecasting and merchandising to ensure an enjoyable and seamless website experience with almost immediate purchase delivery.

• As of 2018, 50% of the company’s sales are coming from millennials and social media.

Social Media Presence

Young Customers in Luxury Fashion

Association with Wealth and Success

Gucci’s Success and Kering

Gucci’s first-quarter comparable sales in 2016 rose 48 percent from a year earlier, the strongest growth in more than two decades.

The shares gained as much as 11 percent to €288, the steepest intraday advance since October 2015. They’ve risen 90 percent in the past year.
2019 Racism and Sales Drop in North America

Fall of Gucci?

2019 “Blackface” Backlash

Gucci issued an apology via Twitter, which confirmed that the sweater had been immediately removed from all stores and its ecommerce site. The company stated, “We are fully committed to increasing diversity throughout our organization and turning this incident into a powerful learning moment for the Gucci team and beyond.”

The infamous black sweater was part of Gucci’s Fall Winter 2018 line.

Past its Peak?

“As innovative as Alessandro is, his style is becoming a little bit stagnant,” said Nicole Fischelis, who held positions as fashion director and creative director at Saks Fifth Avenue and Macy’s before starting her own consulting firm.

Gucci was overtaken in March by Chanel in the Tribe Dynamics ranking.

Gucci’s Response

Gucci Changemakers, a global programme and scholarship fund which aims to “create more opportunities for talented young people of diverse backgrounds”.

The Italian fashion house announced Tuesday that it has hired Renée Tirado was appointed as Gucci’s new global head of diversity, equity and inclusion in July, 2019.

Drop in North American Sales

In July Gucci reported its first quarterly drop in North American sales since early 2016.

Despite a booming economy in the US, North American revenue increased by just 7.4 per cent. Kering is likely to attempt addressing this by increasing communications spend in the second half of the year. “We… had no specific [activation] or marketing activities [in the US],” Dupleix said. “We have a plan to tackle the situation.”
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