The Restruction and Reposition of Gucci

When Gucci found it difficult to achieve the sufficient amount of profit, they made some changes in their strategy to restructure the business. One of the main priorities while restructuring the firm was the cost cutting for the new hiring. Several people were fired at the corporate level for that purpose and the employees were entirely astonished in that situation.

Gucci restructured by naming William Flanz and Maurizio Gucci as CEO and COO, naming Tom Ford as creative director, and meanwhile cutting cost by firing a certain amount of employers.

Gucci's many operating companies started to weld into a coherent whole. The seven Gucci operating companies – Guccio Gucci, Gucci France, Gucci Ltd., Gucci S.A., Gucci America, Gucci Japan, and Gucci Co. Ltd – were combined for the first time. Gucci also began to offer stock options to employees, which was a practice that differentiated the company from its competitors.

The Key Elements of De Sole's Repositioning Strategy

- Keep focusing on fashion: Gucci launched new collection and redefined its target as a modern, urban, fashion-conscious consumer with a youthful spirit.
- Lower prices and extend the brand: De Sole decided to lower prices on average by 30% an positioned Gucci below Hermes and Chanel, and on a par with Prada and Vuitton. In line with its goal of providing superior product representing good value for consumers, De Sole also had production staff benchmark against its competitors. De Sole extend the variety of products ranging from scarves to fur coats.
- Increase advertising expenditure: Marketing was critical for Gucci and Gucci's new management doubled advertising expenditure from $5.9 million in 1993 to $11.6 million in 1994, and kept taking up larger proportion of revenue in 1990 and 2000. By creating brand image through advertising, Gucci differentiated itself and built the brand.
- Enhance supplier relationship: De Sole mitigate the relationship by personal visits and started a new program to provide financial and technical support to suppliers. His effort led to a result of a highly flexible production system with three pillars: skilled artisans, advanced technology and efficient logistics. Gucci maintained high product quality by providing trainings for supplier's workers and ensure the smooth information flow during production process with suppliers through an EDI network. This strategy boosted the production volume.
- Strengthen network and renovate directed stores: Gucci grew its store network by taking over franchises on depressed asset prices. Gucci expanded largely its capital expenditure on renovating all of its directly operated stores by the end of 2000 in compliance with fabulous fashion product image.
- Maintain the exclusivity of the brand: The third party distribution was strict. De Sole decided whether a distributor would be allowed to carry Gucci's ware on
- the influence of the image of brand. The same rule applied to its e-commerce(internet) channel. In De Sole's point of view, targeting at sales and revenue growth was not the most critical; instead, the brand should keep its uniqueness and specialness.