Companion Website Chapter 3

**Longer Version of Case Study Armani: The stretching and extending of a fashion brand empire**

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Fashion businesses, particularly those at the luxury level, rely on the ‘halo effect’ or power of their founders’ name and the associated brand heritage to retain established clients and engage new customers; Giorgio Armani is one such company. The Armani stable of brands serves as an interesting example of the power of a designer name brand; whereby a fashion designer has been able to leverage a strong brand identity and to increase their market reach through lucrative brand expansions across a wide range of product categories. Following a stint as a buyer and window dresser at Milan’s iconic La Rinascente department store, the eponymous Giorgio Armani brand was launched in 1975; starting with a menswear collection, and growing over 40 years into a global luxury fashion lifestyle conglomerate. The company earns over $2 billion a year in sales revenue, has over 500 own-brand stores and remains in private ownership with Giorgio as the sole shareholder; according to the latest figures, in 2015 Armani had nearly 3,000 global points of sale and employed approximately 9,000 people. In February 2018 83 year old Giorgio Armani’s real time net worth, was US$9.3bn according to Forbes.

It is said that Giorgio Armani, now in his eighties, maintains a tight control over every manifestation of the Armani brand in his brand stable, which is no mean feat when each of the brand extensions has its own marketing mix. The Armani brand is built on three pillars: class, quality and exclusivity while a whole array of sub-brands have been designed under the parent umbrella brand which catered to different market segments and product specialisms. Yet, following reports of falling sales in 2016, by February 2017 a restructuring was announced that would reduce the number of Armani fashion lines. What led to this decision? And what can one learn about brand management name from investigating Armani’s experiences with brands, sub-brands and brand collaborations in the recent past.

The development of the ready-to-wear fashion industry in the 1960s spearheaded the democratisation of fashion and tapped into the public’s appetite for more affordable high fashion. Subsequently, developments in customer segmentation and targeting facilitated

fashion designers and luxury houses in widening their market base through sub-brands, or diffusion labels, targeted at younger, and/or less affluent customers. Aside from generating income, these lower-price brand purchases have other benefits for fashion businesses, as they allow customers access to purchase experience with fashion labels which is understood as a means to promote brand loyalty and subsequent purchases.

The ability to successfully stretch a brand concept relies on a consistent brand vision that is reimagined into products, services and messaging that retains enough of a brand’s DNA to satisfy the most loyal of brand fans, at the same time as introducing new customers to the brand universe. A core strategy employed by fashion brands to introduce new entry level brand products, is to license the brand name and readers will be familiar with the proliferation of branded cosmetics, perfumes and accessories that allow consumers more affordable brand purchases and provide the bulk of designer revenue.

Having established his strong visual aesthetic, clean lines and a neutral palette, Armani was able to take advantage of the increased interest in fashion labels, that emerged during what has come to be known as the ‘designer decade’ of the 1980s. As early as 1979 Armani launched diffusion lines Giorgio Armani Le Collezioni or ‘white label’, Mani the line for professional dress, as well as the Borgonuovo label also known as ‘black label’. Armani was an early practitioner of celebrity endorsement and has established close links with Hollywood, whether it is designing costumes for screen idols such as Richard Gere in the 1980’s film ‘American Gigolo’, or becoming a regular red carpet choice for Hollywood actors including Julia Roberts and Michelle Pfeiffer, facilitated by opening his Beverly Hills boutique. Subsequently, Armani expanded the fashion offer and established himself as a master of mass luxury retailing with extensions across womenswear, menswear and childrenswear as well as premium sportswear label EA7 named for AC Milan’s striker Andrei Shevchenko. Armani’s association with sports stars has also included fellow footballer Cristiano Ronaldo, who featured as the face of Emporio Armani, later replaced by tennis superstar Rafael Nadal.

During the 1990s and 2000s the practice of brand extensions became a core strategy for many luxury fashion labels, with many introducing diffusion labels and denim lines as well as collaborating with partners to introduce homeware, and even food lines in what was seen as a win-win for licensees and partner collaborators. The practice of brand extensions is not without its risks, however, and requires close management if fashion labels are to avoid damaging their brand value. Luxury brands including Pierre Cardin, Gucci and Burberry (see other case) serve as extreme examples of brand damage through overexposure, incongruous partnerships and retailing in stores and surroundings that did not resonate with their core customers. Even where brand damage is less extreme, brand extensions still run the risk of confusing customers with multiple brand offers, especially when these are retailed with separate and distinct branding, and in recent years several luxury labels have closed or reduced the number of sub-brands or diffusion labels in order to refocus on their main lines.

Although Armani remains in private ownership, it had, in common with other fashion businesses, entered into joint ventures and licensing agreements in order to develop its product offer and market reach. Maintaining core brand identity through brand aesthetic and variations of the Armani name and logo, each new line was targeted at a specific segment (see table X) and was supported by its own distinct brand communications and retail experience. Locations such as Hong Kong’s Chater House showcased the total Armani brand portfolio, seeing not only the fashion lines Giorgio Armani and Emporio Armani for men and women, but also Giorgio Armani Cosmetics, Armani Junior childrenswear, Armani Fiori florists, Armani Dolci confectionary created in collaboration with Venchi, a specialist Italian chocolate manufacturer, the Armani Acqua restaurant and Armani Privé Elsewhere, in Dubai, the world’s first Armani Hotel opened in Burj Khalifa in partnership with Dubai-based Emaar Properties. Closer to home Armani opened the Armani Hotel Milan in the same 1930’s building on via Manzoni that houses the Armani flagship store. Milan is the spiritual home of the Armani brand and as well as its retail and hotel properties, it is the location of the Teatro Armani and the Armani Silos creative arts spaces and home to the Armani archives.

The rise of accessible luxury brands, designer collaborations with mass retailers and shifting demographics have resulted in a new operating landscape for fashion brands over recent years which has reduced the power of the designer diffusion brand and is reflected in divergent consumer purchasing behaviour. Designers including Dolce and Gabanna and Marc Jacobs redefined their product offer when they closed their diffusion lines and other designers such as Gucci and Burberry reduced their distribution and product lines when they reduced the number of licenses and partnerships. In a decisive change of brand strategy, the Armani group took back control from their joint-venture partners over the production and distribution of A/X Armani Exchange in 2014. Subsequently, in 2017 a restructure of the Armani brand portfolio was announced with the intention of simplifying product offer and communications for its contemporary customers. The new brand portfolio proposal targets three distinct customer groups: the primary line Giorgio Armani will now encompass the brand’s luxury offer, comprising the haute couture Armani Privé collection, Women’s Men’s as well as Armani Casa design and the interiors line. Emporio Armani will now include Armani Collezioni and Armani Jeans. The A/X Armani Exchange line continues to provide fashion products aimed at the younger, urban customer.

The Armani Brand Offer at its height

Source: now offline <http://www.armani.com/gb/brandpage_section>

This case, based on secondary sources was authored by Natascha Radclyffe-Thomas

**Case Challenges and Conversations (Use Chapters 2, 3, 6 and 8 to help you)**

1. Using the Ansoff Matrix, plot the strategic brand extension within the Armani portfolio to show how product and market development has taken place. Would you consider any of the Armani sub-brand development to be a diversification strategy? (Chapter 3)
2. What internal resources are needed to ensure that the best value is created with brand extensions? Suggest which resources are best centralized, and which are better being managed in a specific brand extension context. Use the Armani case to provide the context for this discussion. (Chapter 2)
3. Debate the notion that brand extensions dilute the value of brands. To what extent do you think this might have happened at Armani? (Chapter 6 and 8)

Reference

Martin Roll (2016) Business & Brand Leadership. Giorgio Armani- The Iconic Global Fashion Brand November 2016 available at

<http://martinroll.com/resources/articles/branding/giorgio-armani-the-iconic-fashion-brand/> [accessed 12.12.16]

**Spotlight on Fabletics: Fashion on subscription (Marketing Channels – the vertical channel concept Section)**

Initially an online only retailer, Fablectics used a monthly subscription model to build the business. Founded by actress Kate Hudson and fashion model designer Kimora Lee Simmons, the brand originated using an aspirational celebrity lifestyle appeal to acquire and then retain customers. The model works by customers committing to a minimum spend per month, for which the customer receives a work-out outfit. Once the commitment is made the customer is asked to complete a lifestyle and preference quiz, results from which lead to tailored outfit suggestions. The customer is also given a personal contact within the customer service team to give advice and answer any questions. The new customer chooses an outfit they would like, with further suggestions for each subsequent month. Although there is an option to skip the monthly ordering, with the regular payment being credited to future purchases, a points-based rewards system dissuades customers from doing this and helps to prolong the relationship between company and consumer, although there is no obligation for the customer to remain subscribed. An in-built review system facilitates subscriber-to-subscriber communication, while a ‘Meet the Masters’ section provides the opportunity to read interviews with trainers and entrepreneurs within the fitness industry, supporting the relational and lifestyle focus of the company. The company now has 25 stores in the US and has global ambitions.

Sources:

Fabletics.com (2018)

Ladd, B. (2018) ‘Kate Hudson Wants Fabletics To Rule The World’, Forbes.com available at <https://www.forbes.com/sites/brittainladd/2018/07/12/kate-hudson-wants-to-rule-the-world/#74c8d4f81657> accessed 20/07/2018