

Research Proposal

A Brand Way to New Balance

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1 Background

With the developing of global economic, the trade between Italy and China is growing up fluently, especially, in Textiles\Garments\Footwear fields. It has been a successful cooperation. At the same time, however, in recent 2 years, a lot of problems and conflicts appear in this trade which should be paid concerning.

In this proposal, a research of 'brand strategy and communication system' is going to be conducted in order to not only analyze the reasons of those conflicts but also attempt to achieve a harmony approach and the best strategic brand way to new balance between China and Italy. Consequently, the results of this research aim at creating a new commercial chance and a promising future for the markets of both countries.

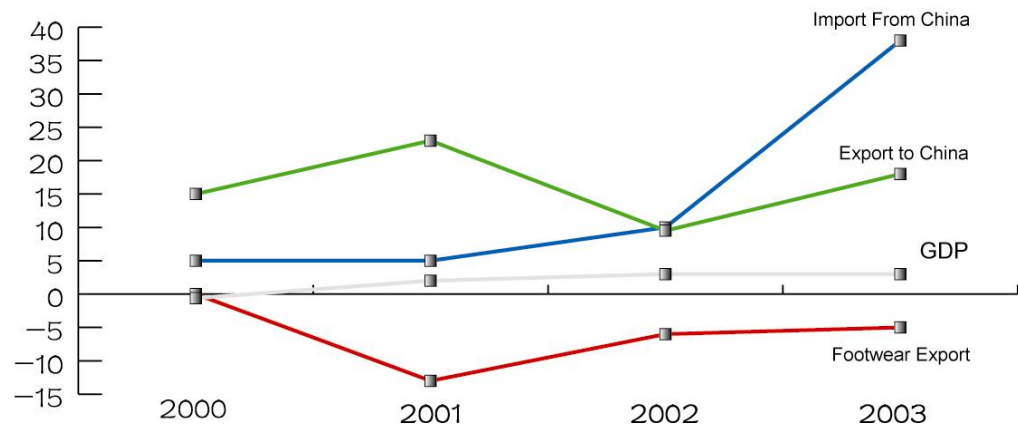
INDACO has both master course of brand communication and fashion research. All of these sources will help me progress this research.

2. Problem statement regarding to brand communication in the trade between China and Italy

It's no doubt that Italy is the greatest land in the world for its' textile and leather industry. At all times, owes to their perfect design and skill, Italian created many famous brands, such as Gucci, Prada, Armani, Benetton, Diesel etc. and these regularity be evaluated among 100 of the World's Most Valuable Brands.

But we can get more information and find some problems from the overview of Italian economics, import, export changes in the past 4 years.

Figure1: Some change of Italian economics



In Italy

- In the year of 2000, the import of textile and garment was increased. The import from China had increased by 37.9% compared with the year before.
- In the year of 2001, GDP had decreased by 0.6%, but the export to China had grown by 23.1%.
- In the year of 2002, GDP had increased by 0.2%, the export turnover had decreased by 5.2%, that in footwear field had dropped by 12.8%, but the export turnover to China had grown by 9.5%.
- In the year of 2003, GDP had decreased by 0.3%, the export turnover had decreased by 6.3% that in footwear field had dropped by 5.5%, that in textile field had dropped by 5.5%, but the export turnover to China had grown by 17.6%.
- The first 10 months of the year of 2004, the export for garment and textile industry had **decreased by 28.2%**

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In China

- GDP was at the speed of 7-9% every year in China
- The total export to Italy increased by 5% in 2001
- The total export to Italy increased by 10% in 2002
- The total export to Italy increased by 37.8% in 2003
- China ranks the first in the shoes export with 3,9 billion pairs in 2004. And the second one is Hong Kong with 1 billion pairs.

China has already become the protagonist of economic development of the world, and her development for Italy has been and will be the great opportunity in the future. On the top-grade consumer goods market, Asian consumers have played a more and more important role. In 2004, the sales amount of luxury goods in whole world can reach 82 billion dollars, and the Chinese market occupies 11% of the share. As the development of China's economy and the growth Chinese travels

abroad constantly, the demand on the luxury goods of China will be on the rise.

In 2004, PRADA, Versace, Valentino, D&G, Ferragamo and Armani all accelerate the step that is developed in China. CEO of Prada Patrizio Bertelli believes firmly that, if a brand enjoys abundant and good reputation for his good quality, which can overcome the kind of region prejudice.

2.1 The main problems of Italian brands in China market

The top brands

Due to the decrease of consumption in EU countries, the market value of the top three Italian brands is decreasing in the list of world rank recently. Although several world famous brands have come into Chinese market for many years, the developing of the market is very slow because the Chinese local culture of Chinese consumers are not understood by the brands, and there are few improvement in brands propagation and in absorbing more consumers. On the other hand, the market is smaller than the need which result in a lot of fakes and smuggled product appear in Chinese market. Additionally, more and more products are made in China without good protection and control, which leads to the loose of brands source.

The middle brands

Because the middle brands are from middle and small companies, due to their ³ high cost of labor and low content of technology, many brands is eager to investing in China in order to open new market, but there is no obvious predominance in brands because they are not familiar with the Chinese business environment and market. Therefore, the popularity of those brands is very low in Chinese market. So, maybe they should cooperate with Chinese local brand, For example, GEOX (Italy) and O'KANG (China) launch close cooperation but fewer of Italy brands waked up and hesitate to choose this dub-win way.

The low brands

The Italy Economic minister Mr. Blamontti emphasized many times about ' the impact from Chinese products'. In other words, a lot of small factories have to face up to the survival problems because of the impact from Chinese cheap products. It has led to the serious decrease of employee in manufacturing field.

2.2 The main problems of brand in China

The top brands?

There are many difficulties to cultivate a world famous brand in China, because those companies in Chinese are too young to understand and comprehend the spirit of this industrial, and usually the leaders of Chinese brands cannot catch up the trend of design variety, and lack of long distance program and methods about brand operation. No matter what they have endeavored, there are big gap

between Chinese brands and world famous brands in recent years. Some of local leaders in China have lost their way to build a real representative Chinese brand. Face to the huge but complicated market, they began to start **multi-brand** way and set foot in multi-industry. Essentially, they are escaping the hard work to build long-life brands. At this time, they are hungry to get guidance from Italy.

New brands?

Recent years, there are many new brands that look like come from Italy or France, but in fact, the owners maybe just register the Logo in Italy or France, but the goods designed and produced all in China, naturally, the design is maybe copied from Italy. Maybe this way can make big profit temporarily, but it's not the right way to get good design and carve a brand originate from China. **At the same time, it's harmful to rights of Italian brand resource.**

Bubble brands

The simply but curtail brand operation. Some dealer just bought the Italian brands permission in China, but produce themselves and marked with "Made in Italy", and it is dangerous for the reputation "Made in Italy". And even more, there are a lot fake Italy brands and Chinese consumers can't distinguish that at all. On the hand, it's evidence that Chinese like Italy brands so much.

Factory

To the mostly factory, they have meet more and more restriction from UE, and due to their cost of labor is creasing but the profit is fewer than before, so it's very ⁴ important to them to find good brands to cooperate, or begin to built their own brands in China.

2.3 The imbalance and serious conflicts recently

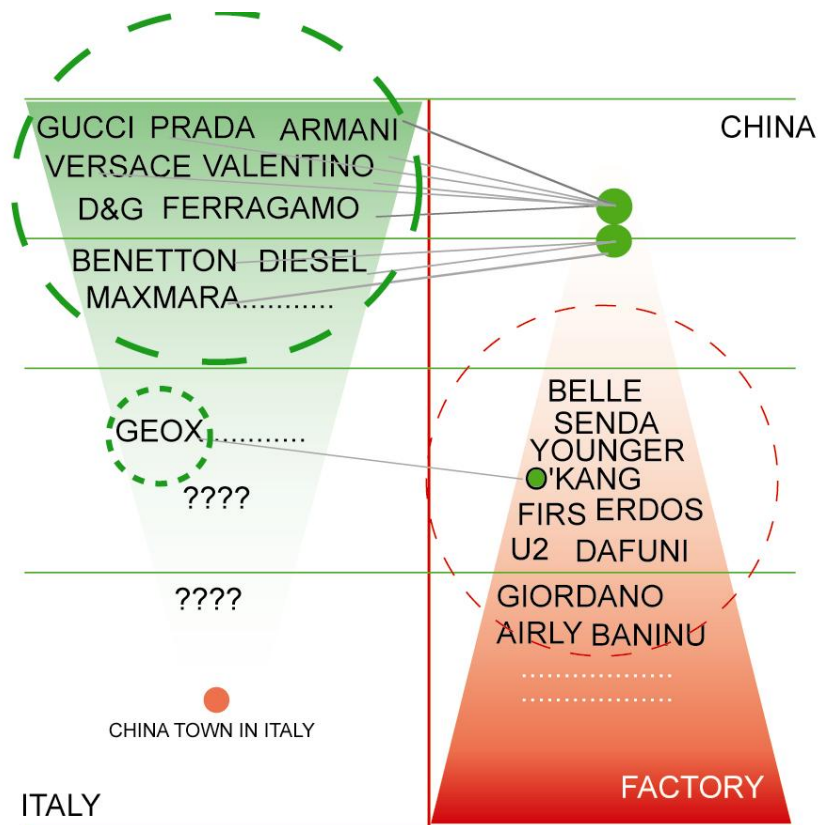
We can find many imbalances through figure 2:

- The brands communication between Italy and China is nearly unilateralist (one way);
- The imbalance between Italy top grand and the small part of China consumers;
- The imbalance between Italy mid grand and mostly of China consumers;

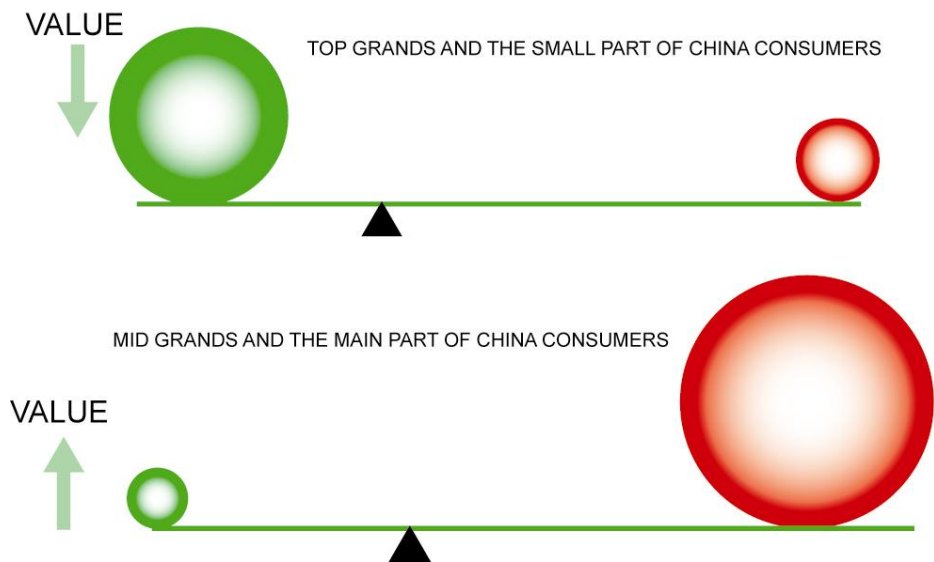
We can also find some serious conflicts from these phenomena:

- Some of EU countries, Italy, Spain, are going to investigate the trade relief plan for shoes industry that is made in China.
- At the same time, the EU companies dare not go to China for exhibition and propagation. And they also reject the Chinese companies come to Italy.
- The appearing of China Town leded to public panic and unstable of society in some EU cities.
- In Spain, some brigands were instigated to burn million Chinese shoes.

Figure2: the simple brand model



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The imbalance will lead to brand-Value varieties.

3 Research hypothesis

It's positive that there are many different reasons lead to the imbalance above, but I 'd like try hard to change the leverage from the brand way.

1:The structure and character about those top brands

Luxury brands is the final goal and dream of many entrepreneurs, but it's always intangible to touch, So we should know the structure and character of those top brands before we creating new brands and try to understand how they built their brand.

Maybe 'Price' is by no means a simple concept but is made up of a wide range of variables, including: Cost of production / Overheads / Taxation (direct and indirect) / Level of demand / Import duties / Legislation / Exchange rates / Economic and market situation / Competition / Promotion and pricing structures and so on. The innovation processes, the creativity, and long development stages some items go through has to bring a return on the initial investment to allow the creative process to continue. It can be said that some of the predominant factors of a 'luxury' brand are its very exclusivity, uniqueness and novelty value in order to create an image of exclusivity, **restrictive distribution** is the strategy of limiting the number of retailers of a product. It engenders a perception of exclusivity due to the very fact that it is not readily available to all consumers.

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However, based on the distribution and development of the top brands in Asia, we can also find some questions: according to Emma and other fashion retailers, fully 80% of global revenues from companies like LVMH, Hermés, PPR (Gucci, YSL) come from Japan. At Gucci, the number for Asia is about half of total revenues.

- What factors made the Asia costumers so crazy for these luxury brands? They are exactly the consumers more understanding and know well about that?
- In China, the action and promotion of these brands just concentrated in narrow area, but how they created so broad enthusiasm? It's the mysterious? According to the basic brand communication theory: brands are about relationship, and some of our values evolve with life experience, but what kind of experience did Chinese consumer get?
- What had been done and will do these brands to maintain the loyalty and relationship?
- What's about mysterious, familiar, experience and relationships to branding process? How to find the best point to retain the balance between the distance with consumers and the value of brand?



Figure3: the distance and value

2 : How do we face together with “Local design, World resource, and Global brand” in future?

China is the biggest market in many aspects:

- **Most complicated market**
- **Most competitive market**
- **Growing fastest market**
- **Changing fastest Market**

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It's a big challenge to global company, some brands like Levi's, Nike, Esprit, and Starbucks have achieved great success in China, But most Italian small and middle companies are lack of international experience. **Branding is about meeting emotional needs.** Except the top brands,

- How to find and cultivate potential customer?
- How we market and where we put our focus and our resources together for the best brand strategic?
- Do we need new global brands for new X generations marked by rebellions behavior, self-expression and individuality?
- What about combine **Chinese market and Italian talents**? Successful co-branding occurs when both brands add value to a partnership, but how we do with our traditional culture and locale design on the globe branding way?
- How to balance well high design quality with the diversity of end user taste to make a business success in China?
- How to resulting in planned consultation methods and technological implementation?
- What are the different requirements and principles about Chinese retail commerce environments?

4 . Research methodology

1: Literature study and market investigation (4 months)

a) Review papers about the issues I supposed above in order to get more information about the question concerned. Besides literature study, I'd like to learn more from the MBC materials and else course, and try to get a systematic comprehension about brand communication.

b) Design questionnaire or from other channel to collect materials about 40 brands related in China and Italian. If possible, take part in some fashion design course, to understand well fashion and culture.

2: Brand research and design research (4 months)

a) Statistic analysis for comparing the 2 different brand system;

b) Creating design knowledge and principle analysis;

c) Prediction about the future possible brand strategic to both China and Italy.

d) Achieve planned consultation methods and technological implementation.

3: Application cases study and writing papers (4 months)

According to the process of research, try to apply project from related organizations, or introduce my research to some enterprises, and cooperate in 8 practice. Additionally, I would like to write paper and attend conference about the research.

As a designer and a Chinese, and with the background of my past experience, this research will be not only helpful to the administrator of the companies in brands communication but also helpful to improve the friendship between the two traditional countries.

The president of China-Italy Fund has made an important speech that encourages Italian enterprises exploring the China market. It is said that China will be the engine for the recovery of the world economic in the new century, and will be the market that in the future every Italian successful businessman must be deals with. Regarding to this market, Italian enterprisers must discard their short-term actions for just making profit as before, but take a long-term strategy to understand, invest and finally integrate with the China market. Only through this way, Italian enterprises may take a place in this market which all of the world strive to get into.

