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# Gucci: Steering into the post-COVID era

30 June 2021

*Marco Bizzarri and Alessandro Michele proved there is life after Tom Ford. COVID-19 could yet make Gucci's revival a short-lived one*

When Tom Ford left Gucci in 2004, consumers and industry observers alike wondered if the Italian luxury brand could fill the massive hole left behind by the man who revived Gucci in the 1990s. By 2014, declining sales and profits combined with poor reviews delivered an unequivocal 'No', leading to the ouster of CEO Patrizio di Marco and Ford's successor as creative director, Frida Giannini.

Within five years, new CEO Marco Bizzarri and creative director Alessandro Michele had engineered a massive turnaround. Revenue more than doubled from 2015 (€3.9 billion) to 2018 (€8.29 billion), and 2019 concluded with €9.6 billion in sales and €3.9 billion in profits—equivalent to 2015 sales.

But 2019 saw year-on-year revenue growth of 13.3 percent, compared to 33.4 percent in 2018 and 44.6 percent in 2017. A key element of Gucci's turnaround centred around appealing to a younger generation, which involved beauty products as an entry point to an otherwise aspirational but unaffordable brand. But would that dilute brand equity?

2020 then came around and delivered COVID-19, which translated to revenues of just over €3 billion for the first six months of the year. China, which had made the fastest recovery to economic normalcy post-COVID-19, was seeing increased footfall and Chinese consumers were displaying renewed appetite for luxury brands. But with the global economy still struggling with lockdowns and related economic sluggishness, is it feasible to rely on China alone to keep things humming along? And would other markets recover its pre-COVID-19 appetite for luxury spending?

## A SHOT OF YOUTH, AND GIVING YOUTH A SHOT

Bizzarri's drive to turn Gucci around hinged on creating a company culture that felt open, where every employee felt comfortable voicing up and identifying what was not working. To that end, the CEO has a "[shadow committee](#)" of people below 30 to provide different perspectives from those of his senior executives. He also instituted lunch with employees below the age of 35 to ask for "three ideas of what we should do to improve life at Gucci".

On the product front, Michele blended luxury with street wear to appeal to the young generations while retaining its conservative loyalists from the past. 'Bootleg'-inspired logo T-shirt and horsebit fur-lined loafers tickled the imagination while gender-fluid clothes such as pussy-bow blouses and patent leather boots highlighted the social consciousness of the brand.

In addition, Gucci replaced its old brand ambassadors like Grace Kelly and Jacqueline Kennedy Onassis with contemporary ones like Beyoncé, Rhianna, Blake Lively, Brad Pitt, Rachel McAdams and Salma Hayek. By 2017, just two years after Bizzarri and Michele took the helm, Millennials' contribution to Gucci's revenues growing from almost nothing to 50 percent, which grew yet further to 60 percent by 2019.

The fashion house also developed original social media campaigns, often in collaboration with celebrities and entities. For example, in 2016, Michele launched #GucciGram, an insta-initiative where artists were invited to rework iconic Gucci patterns in any way they deemed fit. By 2018, Gucci was active on multiple social media platforms including Instagram, Twitter, Facebook, WeChat and Snapchat.

Unlike earlier, when campaigns were launched only at the time of two seasonal collections and the pre-collections, the fashion brand generated content frequently to drive a high level of traction and user engagement. Gucci made sure that the same stories were told at all other interfaces as well, including its website, packaging and offline platforms. Robert Triefus, EVP of Brand and Customer Engagement, believes that "the ability to connect all the dots in a coherent, cohesive way, is a really fundamental element in Gucci's success".

## WHAT DO WE DO NOW?

All that, along with an omnichannel approach that leveraged e-commerce and a revamped website, produced record sales and profits. Over the five-year period of 2015-2019, Gucci's revenue grew by a cumulative aggregate growth rate (CAGR) of 20 percent, and its operating profits by CAGR of 33 percent.

With much of the world still struggling with COVID-19 lockdowns, Gucci's strong digital capability meant it was able to keep the business going even without physical stores. But most economies have contracted and discretionary spending, especially on luxury items, has been severely hit. Globally, Gucci's sales plunged by 23 percent in the first quarter of 2020 and by 44.7 percent in the second quarter.

On the other hand, Chinese nationals accounted for 35 percent of the global luxury market in 2019, and are estimated to rise to 50 percent by 2025. Should Gucci increase its bets on China? Or plan for an eventual recovery in the rest of world? What should Bizzarri and Michele do next?

*This is an adapted version of the SMU Case, "[Gucci: Staying Relevant in Luxury over a Century](https://cmp.smu.edu.sg/case/4896)". To see the full case, please click on the following link: <https://cmp.smu.edu.sg/case/4896>*

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