

The International Expansion Strategies for Giordano: A Case Study from Chinese Clothing Industry

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Abstract

Giordano opened its first retail store in Hong Kong in 1981 and started to expand to Taiwan with the entry mode of joint venture. In 1985, it expanded to Singapore. China, Hong Kong, Singapore, and Taiwan are the four key markets of its international expansion. To ensure its successfully competing in international markets, Giordano have been always providing high qualified products and excellent service to its customers. The price to value concept had been testified to be successful. Advertising and promotion are another effective way to keep a strong customer relationship.

For the global entry sequence, Giordano made its initial overseas move in Asia. Because of Asian crisis from 1997 to 1999, it started to widen its markets and expanded in Germany, Japan, and Kuwait etc. As a whole, the Uppsala model does indeed explain the internationalization of Giordano. Franchising is the strategy reserved by Giordano when failed in entering Germany and Japan, which will still be a better strategy than joint venture. For the positioning aspect, Giordano started to reposition its core brand by to be more stylish. As a whole, Giordano has placed 'internationalization' on the brand and is in the process of turning into a global brand.

JEL classification numbers: M210

Keywords: International Expansion Strategy, the Uppsala Model, Market Entry Mode, Brand repositioning, Giordano

1 Introduction

According to Doole [1], to be a successful company competing in global markets should hold several vital components in their strategies, which include a learning organization

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being managed and having an effective relationship strategy. The first trait identified by Doole was that key characteristics of such firms include learning with pleasure, severing all its international markets heart and soul, and dominating and keeping watch on all their international markets.

1.1 The Learning Culture of Giordano

To adapt the different environment, culture of learning plays a key role from the foundation of Giordano's to its global expansion, which is also proven by its trial-and-error culture. For example, Giordano empower its employees and would accept their mistakes. Firstly, Giordano needed to learn and adapt when decided to expand into global markets. For example, whether its successful experiences in its existing markets are fit for the new international markets? Actually, as the big differences from country to country, Giordano has to adapt to new environment and reconsiders its successful formula. Secondly, Giordano is willing to learn from the best practice organization and started to benchmark as follows: it carried out computerization with benchmark to the limited, a simplified menu with benchmark to McDonald's, thrifty with benchmark to Wal-Mart, and price to value with benchmark to Marks & Spencer. Thirdly, Giordano is willing to practice its trial-and-error culture in new products development and market entry modes. For example, the preservative introduction of new product lines like Giordano Ladies' reflects Giordano's effort to develop new products. At the same time, Giordano is willing to learn also reflects in the market entry modes. This can be seen from the situation in Japan. In 2009, Giordano quitted from Japanese market, as it suffered from financial issue. While in 2011, this firm announced to re-enter Japan. Compare with these two decisions, it is easy to found that Giordano select different cooperate styles. The former is joint venture with local retailer; the latter one is giving franchising to WEGO Limited. According to the Chairman and Chief Executive Chief of Giordano, the second cooperate partner is better fit and will make great achievement in Giordano's worldwide sales.

Giordano has a high commitment to its international markets. First, to realize its mission, it insists on supplying value for money products and excellent customer service to all its international markets, which will make its customers both feel good and look great. Excellent service will make customers be satisfied and loyal to Giordano. Just as the founder Lai refers to that the company is not just a garment company and retailer , the essential of the firm is the excellent service to make customers buying again and again. In its business philosophy, customer service is an important aspect to enhance Giordano' core competitiveness. Second, Giordano had an excellent sales force to ensure high level of energy and commitment to all its international markets. For example, Giordano paid high wages to its employees. As a result, there are less job-hopping in Giordano, all the employees are satisfied with their salaries, as a result, staffs have full passionate to work. The positive mood of the employees will positively influence the consumer mood. As a result, high satisfied employees will led to high customer satisfaction.

The control and effective monitoring of all its international markets mainly reflects in its aspects of computerized inventory control. With computerization, Giordano can effectively manage its inventory and estimate its market demand. The point-of-sale cash register can transmit the barcode information of the sold product synchronously to the company's main computer. The compiled information at the store level will be sent to the distribution center diurnally. At the same time, the transmitted information turned to be

the store's order for the next day. The products were produced and delivered at night, which ensures new products be in the store before it opened in the morning. On the other hand, with the synchronous information from the market Giordano can respond to the markets quickly and accurately forecast the demand. The products of Giordano' are just what the consumers want. As a result, Giordano' products are sold swimmingly. What is more, in order to better control and response to the different international markets, Giordano kept a flat organizational structure, which ensured fluent communication and fast decision making in the process of international expansion.

1.2 Effective Relationship Strategies

Doole [1] indicated that another trait of competing successfully in the international markets was their capacity to adopt an efficient and resultful relationship strategy. This strategy includes building up, maintaining and developing robust customer relationships, committing to supplying high quality goods and services, and a dedication to customer service.

First, Giordano have built up a strong customer relationship by owning a dedicated, trained, ever-smiling sales force. Jeon & Choi [2] argued satisfied employees led to satisfied customers. So Giordano took a lot of measures to enhance its employees' satisfaction. For example, Giordano paid high level salary to its employees, as a result, its employees seldom jump ship and it always possesses an excellent sales force. Giordano' satisfied customers will not only build a good word of mouth but also will repurchase the products and services again and again. Second, advertising and promotion are another effective ways to keep a strong customer relationship. On the one hand, Giordano has a considerable advertising and promotion budget for a better customer communication. On the other hand, its advertisings and promotions were quite effective and appealing. For example, both "Round the Clock Madness Shopping" and "Simply Khakis" promotion in Singapore had achieved great successes.

Second, continually push-off new products to meet the new demand of the markets is the source power of its successful products strategy. With computerization technology, Giordano can quickly develop new products and response to the market. Giordano Ladies' has proven the success of its new product development strategy. Further more, Giordano has a tightly controlled menu and merchandises no more than 100 items. That is why Giordano respond quickly to the market. Besides, a tightly controlled menu ensures Giordano supplying products in high quality to all its international markets. While its rivals have 200 to 300 items so that they can respond to the market more slowly. Besides, the price to value concept had been testified to be successful. Mid-priced products make people feel good and good looking design of the products make people look great, which is the very mission of Giordano. Besides, Giordano insists on positioning on price to value. For example, it developed the new product named blue star exchange to meet the demands budget-conscious consumers in Hong Kong and Taiwan.

Finally, Giordano also shows its indulges in effective relationship management by providing excellent customer service. Lai described Giordano not only a clothing retailer but also a service retailer. In 1989, Giordano began its customer service campaign and started a series of creative, customer-focused promotions. Finally, to ensure supply distinguished customer service, employees' performance evaluations were carried out among the stores.

2 The Uppsala International Expansion Model

The Uppsala Model is a theory explaining how the firms tend to intensify their commitment towards international markets as their experiences grow, which was developed by Johanson and Vahlne [3]. The model indicates that multinational companies often firstly choose to enter the countries culture similar and region close to themselves and then enter the unfamiliar markets. For the global entry sequence, Giordano made its initial overseas move in Asia like Taiwan and Singapore etc. When it succeeded and then transferred to enter the developed countries. The Uppsala Model also indicates that these firms usually begin to enter international markets by casual exports, came along by more regular exports, in case the prophase operations succeeded, then more intensified operation strategies such as franchising and joint venture are used.

2.1 The Uppsala Model: Relevant Aspects to Giordano

As a whole, the Uppsala model does really explain Giordano's international expansion process. Since being set up in 1981, Giordano has started to expand to the international markets in line with the Uppsala model. At the beginning, Giordano started to expand to countries closer to Hong Kong like Taiwan, China, and Singapore, and since 1997, it started to broaden its markets and expanded in Germany, Japan, Australia, Indonesia, Kuwait and countries in the other continents. In 1981, Giordano opened its first retail store in Hong Kong and started to expand to Taiwan with joint venture. In 1985, it expanded to Singapore and opened its first retail outlet there. Giordano also successfully expanded in Mainland China, whose retail outlets number was over 1300 by 2012. China, Hong Kong, Singapore, and Taiwan are the four key markets of its international expansion. International expansion in markets culture similar and region close to themselves and then enter the unfamiliar markets. This helps Giordano decrease obstacles like language gap and clearer knowing the local consumer behavior [4].

The Uppsala model also indicates that international expansions are carried out step by step. In this regard, Giordano's international expansion process fit for the Uppsala model. To avoid high risk and failure, the company made its initial overseas move in the markets of developing countries. When Giordano succeeded and then transferred to enter the developed countries. In 1981, Giordano firstly distributed its products in Taiwan with an entry mode of joint venture. Giordano accordingly can know better about the market and consumers there, which laid the foundation of its further expansion in the international markets. In 1985, it expanded to Singapore and opened its first retail outlet there, which would be operated directly.

2.2 The Uppsala Model: Irrelevant Aspects to Giordano

When the expanding directions turning from Asia to Europe, from developing countries to developed countries, Giordano was not very fit for the Uppsala model, which indicated the international expansion should develop in similar culture regions. The reason that why Giordano want to expand beyond Asia on the one hand was its desire for development , on the other hand was to decrease its dependence on the market of Asia. Because of Asian crisis from 1997 to 1999, Giordano started to widen its markets and expanded in Germany, Japan, Australia, Indonesia, Kuwait and other countries. Although Giordano was easy to adapt to consumer preferences when opening up stores in markets similar to Hong Kong,

when it started to expand to the developed countries markets like Germany and Japan, it encountered some problems. When the entry mode of joint venture failed, Giordano changed its market entry modes to franchising in Japan cooperate with a local firm. In terms of escalating market commitment according to the Uppsala model, Giordano fits but not perfectly with the model. The Uppsala Model indicates that these firms usually begin to enter international markets by casual exports, came along by more regular exports, in case the prophase operations succeeded, then more intensified operation strategies such as franchising and joint venture are used. Giordano is only partly consistent with this part of the Uppsala model. It distributes its products to the international markets by joint venture or franchising. Giordano enters new markets by opening retail stores (Singapore in 1985) or franchising (Japan) or joint venture (Germany). Giordano fits but not perfectly with the Uppsala model's theories of escalating market commitment, but does follow an expansion pattern similar to it. Besides, as to the entry mode of Giordano, it firstly entered international markets by joint venture instead of franchising. Compared to franchising, joint venture is a more advanced international markets entry mode. So Giordano's international expansion is not fit for the Uppsala model in this regard. However, as a whole, when evaluating Giordano's expansion steps, from 1981 till present, it really fits with the international expansion theory of the Uppsala Model.

3 Market Entry Mode

3.1 Giordano: Entry via Joint Venture

The entry mode of joint ventures is a practical way for many firms to enter and expand their international markets. That can explain why Giordano firstly entered Germany and Japan in 2001 with the entry mode of joint venture. The new joint venture agrees to share resources with its local partners in the target market. The partnerships with local firms are a crucial component in ensuring Giordano's product competitiveness and organizational excellence. The cooperation also provides much needed legitimacy for the Giordano's expansion in developed markets. Entry in the international markets via joint venture will have its own strengths and weaknesses, which are decided by the nature of that market.

A major advantage of joint ventures is the development and return potential. Furthermore, joint ventures allow much more domination over the operations of the new firm than franchising. To get more control of the international markets may be the reason why Giordano firstly entered Germany and Japan in 2001 with a joint venture. It is an important advantage because it would enable Giordano to maintain its policies and culture. Therefore it protects it from losing its unique identity within that market. What is more, the synergy is another important cause to set up a joint venture. The Giordano expansion in Germany offers an excellent example. Through joint venture, the Group made use of the East European apparel manufacturing base. Although the expansion failed in 2002, Giordano had built up good relationships with some local retailers and suppliers, which will be helpful for its European expansion in future. For Giordano, cooperative joint venture maybe the right way to cooperate with their local partners. For example, Giordano take charge of production technology, while its local partner takes charge of distribution channels. Although we can't know the exact way Giordano cooperated with ETA Star group, Giordano did succeeded expanding in Dubai via a joint venture. By 2000

the number of outlets had grown to 40 and by 2011 240.

Lack of full control is the biggest weakness of joint ventures for many firms. The Group made its debut in Germany through a joint venture in March 2001. Due to inappropriate distribution channel, so Giordano failed to continue its running in Germany in September 2002. Lack of trust and mutual clashes turn numerous international joint ventures into failure. In many cases, the seeds for trouble exist from the very beginning of the joint venture. When trouble undermines the joint venture, the partners can try to resolve the conflict through mechanisms built in the agreement. If a mutually acceptable resolution is not achievable, the joint venture is scaled back or dissolved. For instance, a joint venture between Giordano and Noda in Japan broke up after eight years' cooperation.

3.2 Giordano: Entry via Franchising

On the other hand, franchising is the strategy reserved by Giordano for use when failed in entering Germany and Japan. Franchising indicates franchiser provides a standard package of products, systems and management services, and the franchisee provides market knowledge, capital and personal involvement in management. Especially for firms from the developed countries, franchising is the fastest market developing entry mode strategy. Similar to joint venture, the entry mode of franchising has its own strengths and weaknesses.

The strengths of franchising are capitalizing on a successful business formula by expanding to international markets with a minimum of investment. Environmental risks for the franchiser are very restricted. Furthermore, since profits of the local partners mainly lie on their endeavors, Giordano's local partners are often highly inspired. At last, Giordano is able to make use of the local market knowledge. The local partners are often more familiar with local culture and laws than the Giordano. For example, by franchising, Giordano avoids itself from information and consumer behavior surveying. Franchisees are often allowed to make changes according to the local political, economical, and culture environment. That is why Giordano franchisees in Japan and Germany possessing the elasticity to change the pattern they give serve to their local customers.

However, franchising also has some risks. The franchisor's earning is often less than joint venture. Seeking fit franchisees is often another stumbling block in many markets. The lack of control over the franchisees' operations is a major problem. On the other hand, many franchising systems are intangible, which cultural can also result in problems. The Group opened its first shop in Japan in 2001 with a mode of joint venture, but the company failed to make significant inroads and in 2009 the joint venture was dissolved and Giordano exited the Japanese Market. In 2011, however, Giordano International Limited announced that it was re-entering Japan by partnering with local retailer WEGO Limited in a franchising arrangement. The first store opened in Fukuyama with a new face and operation style to serve the particularly complicated Japanese fashion market.

3.3 In Summary

There are some experiences behind successful joint ventures expand to international markets, which include: (1) Pick the right partner. Most joint venture marriages prosper by choosing a suitable partner. Partners with whom the firm has built up an existing relationship (e.g., distributors, customers, suppliers) also facilitate a strong relationship. (2) Bridge cultural gaps. A lot of agony and frustration can be avoided when the foreign

investor makes an attempt to bridge cultural differences. Giordano's successful expansion in Asia while failed in Europe may be the reason of culture gaps. (3) Incremental approach works best. Rather than being overambitious, an incremental approach to setting up the international joint venture appears to be much more effective. The partnership starts on a small scale. Gradually, the scope of the joint venture is broadened by adding other responsibilities and activities to the joint venture's charter. For example, Giordano made its Middle East debut in 1993 with a store in the Burjuman shopping in Dubai. The entry into this market was via a joint venture with the ETA Star group of Dubai. By 2000 the number of outlets had grown to 40 and by 2011 240.

On the one hand, franchising allows flexibility and adapting speed to an international market; on the other hand, franchising is an entry mode make Giordano reduce its investment on fixed assets to set up with joint venture. We can say it is a better strategy than joint venture for Giordano. Since franchising can minimize investment on fixed assets, and so it would result in a less loss should the business fail in Germany and Japan. So Giordano should enter Germany and Japan with franchising.

4 Marketing Strategies

4.1 Adaptation versus Standardization

Why the firm should be globalized? Several benefits are derived from standardization of the marketing mix. The most important benefit derived from globalization is an agreed international brand image. Global brand can generate brand umbrella, which speed up new product introductions and increase the effectiveness and efficiency of advertising. As there are common value-for-money needs, the price to value concept had been testified to be successful. Mid-priced products make people feel good and good looking design of the products make people look great, which is exactly its mission. Giordano insist on positioning on price to value and push new product, such as "Blue star Exchange" to meet budget-conscious consumers in Hong Kong and Taiwan in 1999. Uniform global brand images for Giordano are more and more important as advanced information technology all over the world. Without doubt, market differences seldom allow entire standardization. This may explain that why Giordano gradually repositioned its core brand to be a younger and stylish symbol.

4.2 Overview of Giordano' 4Ps

The marketing theory of 4Ps includes four factors: product, price, place, and promotion. They are the tools to meet the customers' demands. For Giordano, its products includes: Giordano Lady' and Blue star Exchange etc. The price to value concept had been testified to be successful. Mid-priced products make people feel good and good looking design of the products make people look great, which is the very mission of Giordano. For its promotions, both "Round the Clock Madness Shopping" and "Simply Khakis" in Singapore had achieved great successes. For its place strategy, at the beginning, Giordano started to expand to countries closer to Hong Kong like Taiwan, China, and Singapore, and since 1997, it started to broaden its markets and expanded in Germany, Japan, Australia, Indonesia, Kuwait and countries in the other continents. All of the products are sold with name of Giordano in the international market. 4Ps lay the foundation of

Giordano's turning to be a global brand.

4.3 Brand Repositioning

Giordano only sold men's casual apparel before 1987. It started to sell unisex casual clothes after it was aware that a lot of female customers came to its shops. The price to value concept had been testified to be successful. Its shift in strategy was successful, leading to a substantial increase in turnover. However, as time goes by, Giordano's positioning became inconsistent with its brand image. So it started to reposition its core brand by to be more stylish and sensible. For example, Giordano Ladies' aimed to fascinate young, stylish women and earn more profits from them.

5 Conclusion

Giordano is on the road to be a global Brand. Global brands are brands that are recognized throughout much of the world. From the beginning, Giordano has started its successful expansion in the international markets. In Asia, it founded its first retail store in Hong Kong and started to expand to Taiwan with a joint venture in 1981. In 1985, it expanded to Singapore and founded its first retail outlet there. In mainland China, its retail outlets were over 1300 by 2012. China, Hong Kong, Singapore, and Taiwan are the four key markets of its international expansion. And from 1997 onwards, it started to widen its markets and expanded in Germany, Japan, Australia, Indonesia, Kuwait and countries beyond Asia. Although its entry into Germany and Japan with mode of joint venture in 2001 failed, the debut is beneficial for Giordano's future expansion in those markets as well. Because of Asian crisis from 1997 to 1999, On the one hand, Giordano started to widen its markets and expanded in Japan, Germany, Australia, Indonesia, and Kuwait etc. On the other hand, Giordano try to strengthen its positioning and brand image. For the positioning aspect, Giordano started to reposition its core brand by to be more stylish. It overhauled its shops to improve shop ambience and image. This proved its purpose to improve its brand image and positioning to match up its international expansion strategy and changing consumer demands. According to the Giordano's international expansion process, we can say Giordano has placed 'internationalization' on the brand and is in the process of turning into a global brand.

ACKNOWLEDGEMENTS: This article is funded by social science foundation of Anhui province (AHSK09—10D57); The employees from Giordano have done a lot of work for the completion of this article.

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