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Brand Portfolio Reengineering. The Gruppo Coin Case*

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Abstract

Brand portfolio reengineering is the typical process a company uses to set the organization in a complete, harmonious, and consistent manner; the target is to maximize the value of its brand equity.

The more complex and varied are brand portfolio and product portfolio of a company, the more difficult is the competitive settlement that normally deals in conjunction with other epochal moments of its life (acquisitions, mergers, change of shareholders or top management).

In the Gruppo Coin the process of store brand portfolio reengineering has entailed a major revision of the organizational model to support themselves store brands, actually it is still evolving.

Keywords: Brand; Brand Equity; Brand Management; Brand Portfolio Reengineering; Marketing; Retail Marketing; The Gruppo Coin Case

1. The Role of Brand in Managerial Economics

The last few years have confirmed a consolidating situation and that does not seem to be changing: supply is structurally higher than demand. In over-supply condition, companies have to manage development strategies dominated by intangible assets- product and corporate - to strengthen (or improve) the achieved results[1].

When we refer to product intangible assets, brand is intended as 'a specific relationship created with a specific market for the recognition of a specific offering'[2], and it becomes fundamental for the success of a business. Few attributes[3] are associated with each brand, so becomes essential the analysis of the competitive value of these attributes; the goal is the brand equity evaluation where the attributes are the functional expression. This specific attention is important for

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the definition and the circumscription of distinctive features of a specific brand identity, which is a consolidation element with consumers.

2. Brand and Brand Portfolio

In order to enrich a specific company offering (by diversifying closely linked to targeted differentiation), a specific brand as defined above, can be placed side by side at one or more additional brands. In this case, the offering suggests its own extended structure, which should ensure better results, at least from a total revenue point of view.

The resulting brand system, legitimised by cost-benefit assessments, becomes a brand portfolio. Brand Portfolio includes all brands and sub-brands connected to the products/markets the company operates in, including, for a bundle strategy, co-brands developed together with other retailer companies, suppliers, customers, or production (competitor) companies.

This system is implemented to respond at the emerging need (imposed by globalization, group strategies, changes in purchasing behaviour, cultural differences, etc.) to switch from an economy focused on a single brand to an economy focused on a brand portfolio (from mono to multi-offering). This passage causes increased management complexity, and leads to changed operating conditions and innovate organizational structures.

A brand portfolio comes from the need to systemise complex brand systems to face changed conditions, new or emerging needs, new markets, or new businesses. These last factors may also apparently be non-homogeneous. In any case, this system is put in practice by very competitive companies that are able to manage different cultures, production, etc.. This is achieved not just through simple addition, but also through a systemic composition to ensuring better results as a whole.

Defining a brand portfolio strategy means prior assessment of opportunities, implications, and a review of brand strategy in general. Firstly, companies have to consider features, benefits and limits of the following possible configurations (not always as alternatives)[4]:

- brand-product - a strategy with a direct link (uniqueness) between brand and a specific product;
- brand-line - a way of using a individual (brand) denomination within an individual product group on several models/versions;
- brand-range - a group of products which, as a whole, benefit from an identical 'promise', a quantity of offerings that can lead back to the same, specific relationship;
- brand-umbrella - an individual brand, characterised by an individual vision, used by a company for a non-homogeneous group of products;
- brand-guarantee - associating a brand to another that has been 'over-ordered', so that the second can assure cohesion and credibility to each individual offering linked to use, independent of the first;
- sub-brand - an additional brand to one or more main brands with a variation to a specific product.

The above definitions show that the management of brand portfolio is based on a 'sized' branding strategy, which is on brand-extension (brand-line, brand-range) and brand-stretching actions (brand-umbrella).

Brand portfolio has been defined as a brand system including all brands and sub-brands linked to products/markets in which the company operates, including co-brands developed with other companies. This definition is somewhat vast and needs to be further limited based on the existence or otherwise (or on the intensity of a technical-commercial link) of integration/synergy between the different brands in a system. The discrimination that arises (no matter how simplified in dichotomous observations) enables us to distinguish (a) the strategic portfolio made up of brands linked to different non-adjacent products/markets in assessing the final demand (customers, small shareholders, suppliers, etc.), from (b) an operating portfolio characterised by the co-presence of brands linked to adjacent products/markets.

It is logical to expect large groups, with final demand that may be inter-related, to have a (or more than one) strategic alongside an operating portfolio.

This is the case of Benetton Group. The group leader (Edizione Holding, family-owned finance company) has four operating areas (clothing, sports equipment and accessories, food retailing and catering, infrastructure and services, real estate and agriculture) and a fourth 'asset' area (including shares in 21 Investments, together with partners such as Deutsche Bank, Banca Intesa, Fininvest, Assicurazioni Generali, Gruppo Seragnoli, etc.).

Three of the four areas (excluding real estate and agriculture) can surely be considered brand systems - operating portfolios owning world-famous brands. In the order indicated above, the first area includes: Benetton, Sisley, Playlife, Nordica, Prince, etc.; the second: Autogrill, Spizzico, Ciao, Pizza Hut, Wienerwald, Host Marriott, etc.; the third: Autostrade, Blu, Autostrada To-Mi, Grandi Stazioni, Sagat.

The group leader Edizione Holding manage a strategic portfolio, and with respect to the preceding brand portfolio definitions, each individual company (which manage its own strategic portfolio) determines a 'brand system', where aggregation policies (in certain cases not that evident) vary in intensity based on overlying strategy. For example, in the case of the Benetton Group, the co-presence of different brands (clothing, transportation, telecommunications etc.) can be interpreted as a potential integrated offering strategy that will take shape more clearly in the near future (highway links places, telecommunications connects people and highway services can become not just a buying choice moment but also a customer/user choice option).

Brand portfolio strategy can also involve not only an individual company (individual legal entity owning one or more brands), but more extended company aggregations, groups, set up by a number of entities leading back to an individual owner (apart from the nature of underlying links summed up in the two opposite types, corporate distinguishing high integration groups, and holdings, groups just created for asset-financial purposes). Note that within each group, each individual company has the chance to manage an individual brand or group of brands.

There is no lack of examples. If mono-brand strategies are excluded, Barilla and Parmalat can effectively represent multi-brand company; while, within groups we can recall companies in the automotive sector (Audi-Volkswagen, PSA, etc.), aggregation in the home appliance sector (Electrolux, Merloni, etc.) or even banking groups (Citibank, Banca Intesa, etc.).

In well-structured groups, it must be noted that there is a distinction between company brands (brands identifying each individual company without necessarily explicitly defining that it belongs to a specific group) and product brands (brands which are usually used for one or more product lines associated with a company brand, part of a group and thus a company brand). It should also be considered that group strategy occupy itself with defining a hierarchy to clearly single out top brands (so called main brands).

Recently, the importance of brand portfolio management became more evident following significant mergers and acquisitions that saw companies or company groups of different business cultures grouped together (e.g. the Philip Morris defensive expansion strategy in no similar sectors to the original main company sector), or characterised by strategic and operating portfolios but from different geographical areas (e.g. the trans-continental merge between Case-New Holland).

3. Brand Portfolio and Brand Architecture

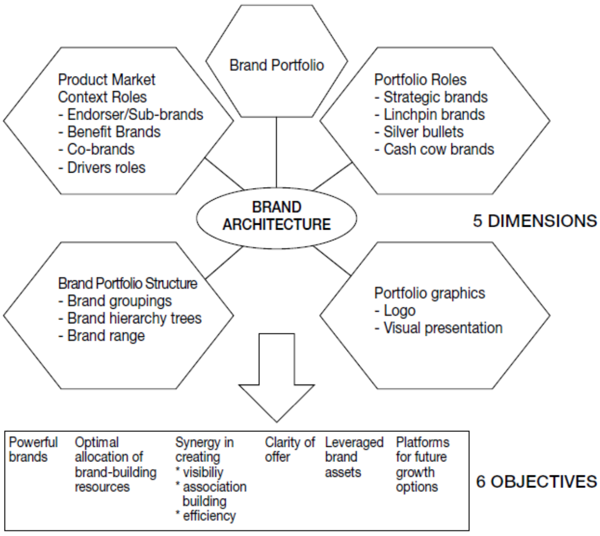
When analysing the concept of operating brand portfolio and, in particular, when analysing factors linked to individual brands affecting how the brand portfolio system is managed, a reference to brand architecture[5] is useful. This is intended as a five dimension relational structure that outlines the brand portfolio profile (1) from the moment it sets out brand roles (2), structural brand inter-relationships (3), various brand product/market contexts (4) and graphical aspects characterising the portfolio (5); thus, brand architecture allows the analysis of the following six targets characterising brand and sub-brand system:

1. strengthening of individual brands;
2. optimal allocation of brand-building resources;
3. pursuing synergy in creating visibility, brand association building, efficiency;
4. clarity of offering;
5. leveraged brand assets:
6. platforms for future growth options.

In other terms, brand architecture makes the strength and vitality of individual brands and sub-brands, which compose the brand portfolio operating system and, above all, highlights the nature and entity of links between the different brands and sub-brands. This clearly details for each portfolio:

1. dominating brands and related priority identification factors;
2. vulnerability elements with reference to individual brands and/or specific areas forming a defined architecture;
3. ‘marginal’ brands related to a specific brand portfolio configuration.

Figure 1: *Brand Architecture*



4. Brand Portfolio Reengineering

Environmental dynamism (related to demand, legislation, finance, technology, etc.) often leads to the need to reconsider brand portfolio consistency and validity. We find ourselves having to face two possible reasons behind brand portfolio re-engineering, in particular: assessment of positioning strategies for company offering and assessment of the congruity of extraordinary company operations (mergers, acquisitions, demergers, transfers, disposal, etc., in effect, the rationalisation of company operating processes).

Brand portfolio reengineering could pose the following question: must the number of brands in a specific portfolio be increased (or decreased)? The problem would thus seem to be limited to the variation, up or down, of that number.

It cannot be excluded, in reality, that a brand portfolio reengineering idea generates intervention on individual brands, the initiation of a brand rebuilding strategy, or the 'rebuilding' of one or more brand strategies that are already part of a company offering system.

There are multiple factors affecting brand portfolio management (and hence reengineering). The most important are:

- demand segmentation policies;
- positioning strategies for the offering;
- new market development targets;
- need to move in unison with cultures and traditions in each nation/region of operation;
- resource decentralisation (logistics-production, organisational, technological);
- technical-production needs, in the case of products for professional users (intermediate demand);
- integration policies for business efficiency.

With a high segmentation policy (situation identified by high product differentiation), for example, the resulting market may have the same company offering a specific product for each individual demand segment. Market potential and diversity of products offered, together with company (or group) size, can lead to 'multi-segmentation'. This is the case for the Gillette Company, which has structured an offering designed round the six main segments for its world-class brands (also called powerful global brands, without any geographical differences). These segments are: blades and razors, toiletry products, stationery products (writing articles such as the well-known Parker, Waterman and PaperMate pens), Braun products, Oral B products and Duracell products. The blade and razor segment has a number of brands such as Mach3, Sensor, Atra and Tracll.

It is important to note how the brand portfolio offering manifests a specific variable static characteristic, while reengineering operations manifest certain dynamism. In essence, a brand portfolio is the existing situation at a given moment (static) while the evolving reengineered situation, implemented over time, represents the operative dynamic needed to match supply and demand.

Intervening on a brand portfolio means setting up an extremely critical reengineering process as it is aimed at an intangible asset such as a brand. It is this main feature requires effective support from the company information system. That is why advancing, real-time and follow-up monitoring of company activities becomes one of the basic elements that brand portfolio management must be based on. Central to this is the unitary management in managing the operating brand portfolio. When adopted in line with the complexity of the brand architecture intervention to be carried out, it can be a basically strategic individual centre or a specific unit that addresses strategy and control. This unit should be skilled at advance assessment along with real-time and final analysis, in order to check the effectiveness and efficiency of intervention on individual brands and the potential effects on the brand system as a whole. Any portfolio brand or sub-brand extension or closure operations cannot leave aside results emerging from cost/benefit analysis.

It is observed that the information system must be able to ensure the necessary feedback on both brand awareness and brand image. Each brand portfolio reengineering decision cannot leave aside the continual measuring of brand awareness within it, nor the level of factors identifying brand image. Special care must be dedicated to brand attributes, which can lead to radical changes in brand image or to all the brands in the portfolio.

An important example of brand portfolio reengineering is the case of the Audi-Volkswagen automotive group. In recent years, this group has carried out thorough, incisive brand portfolio reengineering through various actions. First of all, it eliminated Porsche from the operating brand portfolio. At the same time there was a dramatic re-positioning of Audi, with an identity profile change moving from cheap, low profile to expensive vehicles. The change was characterised by careful research on quality and a constant focus on new technology. The brand was linked to a well-established market, not just European (Volkswagen). Then the company added other brands (Seat and Skoda) that have both been through targeted re-engineering over recent years (with evident results on both image and recognition). Important aspects include the choice of distribution centred round the existence of differentiated dealers: Audi/Volkswagen (purchasable from the same dealer) and Seat/Skoda (commercialised, jointly, by another dealer). Finally, there have been recent acquisitions to enrich the brand portfolio with prestigious brands for elite market segments (Lamborghini and Bugatti).

5. Brand Portfolio Reengineering in Mass-Market Retailers

The subject discussed is particularly complex because it focuses on the intimate relationship that links the strategy of the business, and its growth in value by comparison with the real market.

Only by closely linking corporate policies with an explicit consent of the customer/end user, companies can create success and durable value for themselves, their people, and their shareholders.

The subject discussed is therefore one of the management variables that create the so-called brand equity, an the intangible asset that cannot be evaluated or made explicit in any business report, but it is the main resource that supports and determines the ‘value’ of a company; only later it can be translated and streamlined with the evidence of numbers, results, financial indices.

6. Brand Portfolio Reengineering and Management

Brand portfolio reengineering is the typical process a company uses to set the organization in a complete, harmonious, and consistent manner; the target is to maximize the value of its brand equity.

It represent the complex course that tends to translate the competitive strategies of a firm in clear, simple, distinctive store brands that, once perceived by consumers, they deserve the preference and strengthen the loyalty (brand loyalty).

The more complex and varied are brand portfolio and product portfolio of a company, the more difficult is the competitive settlement that normally deals in conjunction with other epochal moments of its life (acquisitions, mergers, change of shareholders or top management).

Indeed, every company is always equipped with its own brand portfolio, but reengineering is setted only in particular moments, that is when it comes to taking stock of the existing competitive situation with the intention to reclassify or not the existing key factors, to redefine its role and strategic direction, deciding which investment policies wants to adopt, and which trademarks wants to support.

In this context, the choices taken upstream are critical, such as:

- the desire to compete or not in certain markets, segments, channels; moreover, the role that wants to acquire and maintain toward the major players in that market (leader, follower, or niche);
- the branding a company wants adopt (corporate, umbrella, product, private branding), as well in a context of overlapping of several brands in the same segment, or specialization of the brand in a specific market, channel, segment, price range, target, use;

- the goals of profitability, inclusive the parameters of return on investment, economies of scale, rationalization of production;
- the desired organizational complexity and the type of organization adopted (centralization, decentralization, outsourcing, matrix, national, global);
- synergies of brand and technology the company want to obtain.

These and many other factors affect the options will be adopted; implying that the brand portfolio reengineering is the result of a strategic review of a company, it will be more effective after have understood the internal and competitive context in which it would operate.

7. Positioning, Category Management and Brand Portfolio Reengineering

Brand portfolio reengineering will be effective if the management will be well aware and trained to manage positioning and category management techniques.
The first technique (positioning) refers to the full awareness of the brand referred to the competitive environment and internal of the company (branding), especially by identifying clearly recognizable and significant competitive advantages of each product/brand/ store brand for the definition of its distinctive character and personality. The second technique (category management) concerns the understanding of consumer behavior who chooses in response to specific factors, sometimes in combination with each other, defining the various types of segmentation of a product category, such as:

- technology of product;
- price ranges for unit selling;
- types of targets (purchase and consumption);
- size and type of packaging used;
- purchase and consumption opportunities;
- shelf policy or mental reference (fresh, stable, impulse, etc.).

□ *In my experience I have had the opportunity to manage conditions of brand portfolio reengineering when, for example, in England, as Head of Nestlé Confectionery Division, I developed the policy of offering brands and products for the channel CTN (Confectionery, Tobacconist and Newsagent).*

On that occasion I managed multiple offers of brands and products that allowed to offer the widest possible choice, well positioned and recognized against any type of consumer, non-overlapping (price range: 1000 to 5000 Italian Lira ; target: from baby to elderly; technologies: from chocolate or sugar to flour; consumption opportunities: form snacks for immediate consumption to small gifts).

□ *The most complex work of this nature I did was in Heineken Italy when, as Chief Executive Officer, I rationalized all beer brands – almost 20 – after two acquisitions (Interbrew Italia and Moretti). Many of these beers were completely overlapping (Prinz Von Wunster in the* *lower end of the market; Heineken, Stella Artois and Sans Souci in the premium segment; Amstel, Henninger, Dreher, Moretti, Icnusa and Messina in the medium segment; in addition to all special beers: Coors, Labatt, Leffe, Pedavena Hoegarden, Murphy, Loburg, Buckler, Mc Farland, Jupiler, etc..).*

The result was a deadly crossover of offers with a specific competitive positioning of each brand, with no overlapping of formats, channels, segments.

Heineken covered all the possible distinct segments of the market, with specific and differentiated marketing campaign (national advertising for the national brands selled in the national retail chains; local advertising for local brands; entertainment and communication at the point of sale on the BOP - Oriented Brand Pub).

And the market responded well, it responded so well that assigned to the group a strong and sustained competitive leadership.

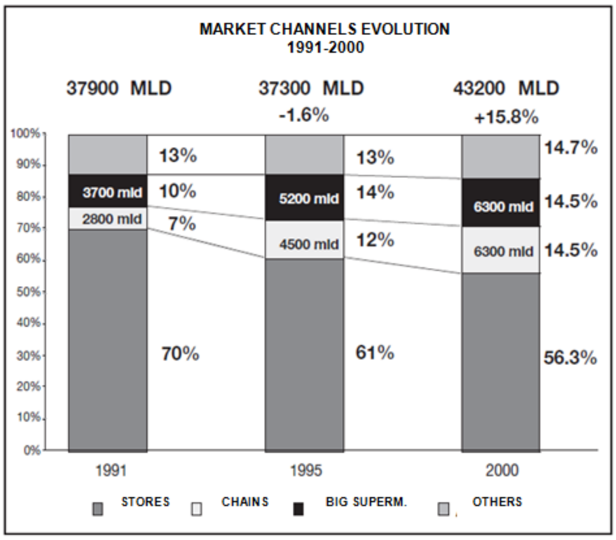
In multi-brand or multi-store brand companies, a proper brand portfolio reengineering project strengthens the corporate brand equity and its strong connection with the competitive market.

8. The Coin Case: Brand and Store Brand Reengineering

In truth, we cannot call it 'Coin Case' because the evolutionary processes for the growth of the Group are still in progress, and still partially visible to all customers, especially abroad from Italy where we started to operate only a few months ago.

However, the strategic framework has long been defined, and now consistently implemented. Before talking about store brands and Brands, should to outline the competitive environment in which the Group operates, because a correct analysis of the Group explains the alternative options which become choices, decisions and guidelines.

Figure 2: *Market Channels Evolution*



8.1 Market and Channels

The target market is the distribution of apparel products, even if the Group is present in other markets such as accessories, clothing, cosmetics, and products for home furnishing.

It is a highly fragmented market in Italy with a still strong weight of traditional retail, although in progressive rationalization (Figure 2).

There are few national chains with low market shares, although operating in a very large market (only clothing counts 45 trillion). The top ten brands have a value market share of 12%.

Over the past 10 years, there are basically developed the channel of large areas (especially in the early five years), and the small to medium specializing channel chain (especially in the last five years).

On the contrary of the food retail market, there are no significant presence of foreign companies, or foreign companies that controlled Italian store brands.

At the international level, the situation is almost similar, but with a concentration of the market much more evident (the traditional retail represents about 35% compared to 56% in Italy), and in average with more big retailer than in Italy. We can state that the foreign retail is more 'modern' and better organized, with more presence of store brands owned by major groups, although normally operating in individual markets.

Only 4/5 groups can be defined as international, even if not yet global: Marks & Spencer, C & A, Hennes & Mauritz, Zara, and now Gruppo Coin, too.

Gruppo Coin has quickly climbed the European ranking going from sixteenth in 1998 to the eleventh position in 2000.

The competition is very hard with fast and important rises of new players and crisis of others (Table 1).

Table 1: *European Market Shares*

1998				1999/2000			
Rank 1998	*Company*	*Clothing Sales Euro ml*	*Market Share*	*Rank 1999*	*Company*	*Clothing Sales Euro ml*	*Market Share*
1	Mark & Spencer	6.215	2,71%	1	Mark & Spencer	5.712	2,49%
2	C&A	6.091	2,66%	2	C&A	5.000	2,18%
3	Hennes & Mauritz	2.991	1,30%	3	Hennes & Mauritz	3.746	1,63%
4	Karstads/Hertie	2.901	1,26%	4	Arcadia Group	3.652	1,59%
5	Arcadia Group	2.545	1,11%	5	Karstads/Hertie	2.951	1,29%
6	Kaufhof	1.591	0,69%	6	El Corte Ingles	2.446	1,07%
7	Auchan/Mulliez	1.458	0,64%	7	Next Retail	2.268	0,99%
8	Next Retail	1.425	0,62%	8	Gruppo Inditex	2.019	0,88%
9	Peek & Cloppenburg	1.380	0,60%	9	Auchan/Mulliez	1.835	0,80%
10	Galerie La Fayette	1.338	0,58%	10	Vendex KBB (Dpt & Spec)	1.799	0,78%
11	Debenhams Plc	1.304	0,57%	**11**	**Gruppo Coin + Kaufhalle**	**1.755**	**0,77%**
12	Gruppo Zara	1.295	0,56%	12	Benetton	1.726	0,75%
13	Benetton	1.191	0,52%	13	Kaufhof	1.607	0,70%
14	Etam Devel.	1.088	0,47%	14	Galerie La Fayette	1.388	0,61%
15	Groupe Andrè	888	0,39%				
16	**Gruppo Coin**	**875**	**0,38%**				
	Tot Clothing Market	**229.400**			**Tot Clothing Market**	**231.400**	

8.2 Purchasing and Consumer Behavior

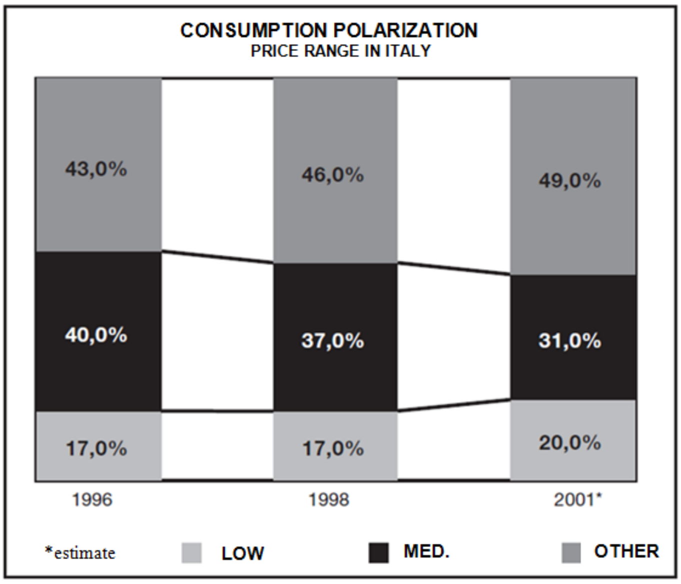
The most significant observation emerging in this market is that the customer who buys clothing tends to 'polarize' their own choices (a phenomenon well known to almost all consumer goods markets) in two distinct logics (Figure 3):

1. choices of product of large image and recognition, high price. This is the world of choices of most exclusive brands, in which they bring glamor, prestige and personality to the customer, enhancing the ‘social recognition’.
2. choices of products in which the price plays a key role. In this polarization does not matter anymore how to link up with others, but is favored the function and quality for the use of the product, normally associated with the basic needs of clothing (I need underwear because I don’t have anymore, rather than pants for free time or for work, a sweater or coat because it's cold, a raincoat because it rains, etc.).

In these polarizations, the first emotional and the second rational, who suffer are the stores that are 'intermediate', and therefore lack a strong personality or connotation.

The polarization doesn’t necessarily segment the customer from a socio-economic view, in the sense that the same customer buys the ‘designer label’ to support their external image, and a functional product to satisfy its need for everyday clothing. Recently the universal tendency drives purchases to products that are less 'classic' and more geared to a casual wear or for leisure.

Figure 3: *Consumption Polarization*



8.3 Store Brand Portfolio Reengineering

In 1997 Gruppo Coin had three basic store brands:

- **Coin**: chain stores with multiple offers of product (menswear, womenswear, childrenwear, home, cosmetics, underwear, clothing accessories - handbags,

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shoes, etc.). Coin was proposed as a network of 'department store' that operated primarily in the midrange market with surfaces between 400 and 5000 m^2. The total network consisted of 78 stores, including 44 managed and 34 franchised. The whole offer, except for the cosmetics and the inner part, was composed of own brands.

- **Oviesse**: chain of store selling low-end clothes for men, women and children, and medium-large surface area (800-1500 m^2). The total network consisted of 107 stores, which 76 managed and 31 franchised.
- **Bimbus**: chain of clothing stores for children, small size (100-200 m^2), with an offer positioning at the medium-end. The total network consisted of 28 stores, which 17 managed and 11 franchised.

The evolution for both segments and consumer purchasing behavior suggested us to refocus all the store brands giving them a definite competitive role and a distinct personality.

Then we launched the following projects:

Coin: high-end repositioning of the store brand in the market, removing it from the 'trap' of the medium price and the ‘undistinctiveness’ of the offer.

In this context, we launched the project 'Flagship' which consisted of:

- abandonment of the policy of exclusive own brands, and inclusion of brands with progressive qualification of the offer with greater 'emotionality', and a better image of the store brand as a whole;
- rationalization of the network with the elimination of small stores, and a greater standardization of the formats of the stores, which were different if collocated in large cities or provinces, in relation at the available space;
- revival of the store brand with communicative activities by local and national advertising with the slogan ‘space for emotions', much more focused on our strategic target of elegant and metropolitan woman;
- strong increase in customer service to support the new strategic positioning, and for better characterize our stores, especially those in large cities (launch of coffee shops and restaurants with the store brand Globe, Fashion Advisor, Ecole Club; themed events related to fashion or beauty for women, etc.).
- revision of the categories offered and reorganization of the segment Young (16-18 years) and increased of the accessory department (insertion of clocks, jewelry; expansion of the department footwear and leather goods).

The transaction is still in progress, and it is yielding positive results in terms of changes of customers (target more advanced and wealthy), improvement of brand image, and profitability; for these reasons, the company is able to sustain higher marketing investments.

Oviesse: greater focus on positioning ‘Every day low price’ of the store brand focused to maintain its competitive strength, and the simultaneous investment to evolve the store from generic to store brand that offers to its customers the opportunity, and the unique advantage of ‘dress well and spend better’.

In this context, it has changed the policy of investment in advertising by using new media such as television and posters.

Even the product offering has evolved with the insertion of the accessory for clothing. Further, there is in progress the reduction of franchising.

Bimbus: abandonment of the policy of directly managed stores, and franchising development choice (in 2001 it will open about 20 new stores) with a similar positioning policy of Coin in the middle-end market.

At the same time, since the development of large surfaces (Coin and Oviesse) was conditioned by the Bersani law which restricted the issuance of new licenses, we decided in 1999 to acquire the non-food stores owned by La Standa, with a network of 167 new stores.

And since La Standa acted with formats that are not competitive in the 'mortal' medium prices policy, we decided to convert all the store brands, especially used the Oviesse store brand.

Coin: closed 10 stores and opened 9 new used the ex-Standa stores for a total of 73 shops.

Oviesse: closed 11 franchised stores, opened 98 using ex-Standa and another 13 totally new.

Finally, because it was not possible to think of developing Oviesse for ever (efficiency is lost after opening a certain a number of stores, because the stores begin to 'cannibalize' between them), and Coin could not develop much in relation to its placement 'high and qualified', we decided to develop new formats of competitive small and medium size clothing specialists.

The decision was inspired by the observation that it was difficult to further expand our market share in Italy on the large surfaces, as we had already reached 35% market share, while our share of specialist chains in the channel was about 1%.

Therefore, in 1999 we developed a number of 'pilot' small/medium format, always related to the clothing market where the Group has always been a strong specialization.

1. **Kid's Planet**: category killer for children 0/12 years, surface 500/700 m^2 with low prices, wide and deep assortment, direct management.
2. **Act**: Format for basic and casual apparel for man and woman of 25/35 years, 200/300 m^2, low prices, direct management and franchising.
3. **Only Soft**: small format store 60/100 m^2 specialized in knitwear; focus on the middle-end market; franchising.
4. **Zip Code**: middle-size stores (400/500 m^2) for young people between 16 and 24 years.

The outcome of the pilots showed the potential of Kid's Planet and Act, which are now in rapidly developing network (12 new Kid's Planet in 2001 and 6 new Act), also transforming some of the ex-Standa stores.

Moreover, the two 'child' formats (Kid's Planet and Bimbus) that work with different modules in different channels compared at the child offer by Oviesse and Coin, has further strengthened our leadership position in that market segment.

The work of defining the competitive role of our store brands is not yet finished, in the sense that new concepts are now in test (Coincasa, Coin Beauty, etc.).

And while we work intensively for further affirmation of our store brands on the Italian market, trying to cover all possible channels segmentation and clothing, we are trying to replicate abroad the experience of the acquisition of La Standa; indeed, after the acquisition in 2001 of the German company 'Kaufhalle', we would use our 'prince' store brand Oviesse in that market.

The recent agreement with the Globus Group (Migros) will also enable us to expand the same store brand in the Swiss market.

Figure 4: *The Store Brands of Gruppo Coin SpA*

STORE BRAND	POSITIONING	FOCUS TARGET	FORMAT
oviesse	Clothing Every Day Low Price	- New families - Lower middle income - Age 25/45	- 192 stores (19 franchising) - 225000 mq tot - 1300/2000 mq
coin	I wear in freedom Specialized clothing	Kids 0-12 years old	- 45 stores (20 franchising) - 100/250 mq. - Franchising development
BiMBUS	Dress up is fun Category killer Specialized clothing	Kids 0-12 years old	- 45 Stores (20 franchising) - 100/250 mq - Franchising development
PLANET	Dress up is fun Category killer Specialized clothing	Kids 0-12 years old	- 9 stores - 500/700 mq - Direct management
ACT	I want, I wear, I live Basic-formal specialized clothing	- Men and women - Lower middle income - Age 20/35	- 6 stores - 250/450 mq - Franchising and direct management development

8.4 Organizational Evolution

The process of store brand portfolio reengineering has entailed a major revision of the organizational model to support themselves store brands, actually it is still evolving.

Conceptually, we adopted the 'matrix' organizational model, typical used by multi-business corporations with a market focus.

Namely, there are Divisions (store brands), or Business Unit (store brands or others: e.g. Ecommerce), or Companies that hold the know-how of the competition format, and the link with the market. Within these structures exist an hierarchical decision logic.

Then there are the Central Directional Head Office (Corporate: Finance, IT, Logistics, Human Resources, Marketing, Real Estate, Legal) that express the greatest possible expertise in the membership function, and that coordinate/work for the Divisions, Business Units and Group Companies.

The decision logic is 'hierarchy' within each Direction, and 'functional' for the linkage with the Division or Business Unit.

The Group has adopted an integrated accounting system (SAP 3), while the logistics systems and the supply chain management are specific for each business unit for the realization of the most possible competitive efficiency and effectiveness.

The internationalization of the Group is finally changing the parameters of experience and 'skills' associated with each business, in order to establish a basic ‘European’ culture of our manager.

8.5 Conclusions

Gruppo Coin is the leading Italian apparel retailer with a market share that exceeds 5.5%. Oviesse is the first in the market with more than 3% of market share, and Coin is the third with more than 1.8% market share.

It is a healthy group who finished the transformation of La Standa, eliminating losses and making profitable the previous stores owned.

It has a network in Italy of 331 stores (Coin: 78, Oviesse: 192, Bimbus: 44, Kid's Planet: 11, Act: 6) for 70% totally redone and new, and it is difficult for Italian and foreign competitors to attack in the medium term.

It exercises the leadership, quantitative but also qualitative, in its historical specialization: the clothing business. By the fact that the clothing business is one of the most successful sectors of the Italian economy, for its worldwide reputation too, Coin Group has launched a sustained action of internationalization climbing the European ranking, and trying to become a major and enduring actors of this sector (abroad the group owns 100 stores under the store brands Kaufhalle and Oviesse in Germany; 4 stores Switzerland under the store brand Oviesse).

In the modern distribution, mostly controlled by foreign multinationals, Gruppo Coin is an Italian group that is growing quickly and that is buying rather than selling: his strength is definitely a positive response in many combined factors, but is sure that the basis of its competitive revival is the strength of its Store Brands and retail formats, wihich are distinct and well set in a store brand Portfolio, recently well ‘re-engineered’.

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Notes

[1] Cf. Silvio M. Brondoni, Comunicazione, risorse invisibili e strategie competitive d'impresa, in Silvio M.Brondoni (ed.), La comunicazione d'impresa, in *Sinergie*, nn. 43/44, CUEIM, Verona, 1997.

[2] See the definition of brand in *Marketing Lexicon*, S.M.Brondoni (ed.), CLUEB, Bologna, 2000, p. 23.

[3] The term attribute refers to the advantage sought by the buyer; it is the attribute that generates the service, satisfaction and, as such, is used as a criterion of choice... The overall assessment of the brand is based on the integration process of the evaluations of each attribute. Cf. Jean-Jacques Lambin, *Marketing strategico. Una prospettiva europea*, McGraw-Hill Libri Italia, Milan, 1996, pp. 107-108. The author observes that the brand, basket of attributes, can be shaped so to give it an empirical meaning to verify as the representation of the perceptions of buyers accurately reflects the reality, and is a reliable indicator of the real purchasing behavior.

[4] See the definition given in *Marketing Lexicon,* Silvio M.Brondoni (ed.), CLUEB, Bologna, 2000.

[5] 'Brand architecture is an organizing structure of the brand portfolio that specifies the brand roles and the relationships among brands (Ford and Taurus, for example) and different product-market brand contexts (Sony Theaters versus Sony Television, or Nike Europe versus Nike U.S.). Brand architecture is defined by five dimensions – the brand portfolio, portfolio roles, product-market roles, the portfolio structure, and portfolio graphics –'. See David A. Aaker, *Brand Leadership*, The Free Press, New York, 2000, p. 134.