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BENETTON
A CASE STUDY ON APPLICATIONS OF GLOBAL
MARKETING STRATEGIES IN LOCAL MARKETS

MBA Thesis

by

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BENETTON
A CASE STUDY ON APPLICATIONS OF GLOBAL
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ABSTRACT

Fashion clothing products have a life cycle of only 6 months. Market trends change very rapidly in fashion clothing business. This study analyzes the consumer behavior trends in fashion clothing and the marketing strategies of Benetton. Benetton prefers to adopt itself to the changes in market trends rather than creating the high end fashion of the season itself. Benetton is able to meet changing trends in the market very fast and effectively by its flexible production technology, backed up with an efficient distribution system. The company differentiates itself by offering a broad variety of product designs, enriched by a very rich color combination and applying its unique marketing strategy. The company promotes its brand image rather than its products in global advertising campaigns. Benetton adopts its global marketing strategy very well, according to the life styles, cultures, habits and preferences in different countries. This is one of the main reasons for the success of the company worldwide. Retailing forms the final ring of the company chain, where the customers meet the products. Most purchase decisions are made at the stores and people are in much longer contact with sales personnel during their stay in the stores. The ability of sales personnel to understand the customers' needs and serve them in the best way possible is an important factor in success in this business.

ÖZ

Moda giyiminin ürün ömrü sadece 6 aydır. Bu sektörde pazar hareketleri çok süratli bir biçimde değişmektedir. Bu çalışma, moda giyiminde tüketici davranış trendlerini ve Benetton firmasının pazarlama stratejileri analiz etmektedir. Benetton, sektörde modayı kendisi yaratmak yerine, kendisini modadaki gelişmelere adapte etmeyi tercih etmektedir. Etkili bir dağıtım ağıyla desteklenen, esnek yapıdaki üretim teknolojisi sayesinde Benetton, pazar değişikliklerine çok hızlı ve etkili bir biçimde ayak uydurabilmektedir. Firma, kendisini çeşitli modeller ve birçok renk kombinasyonu içeren zengin koleksiyonu ve ayrıca, kendine has pazarlama tarzı ile rakiplerinden ayırmaktadır. Firma, dünya çapındaki reklamlarında ürünlerinden çok, marka imajını ön plana çıkarmaktadır. Benetton, dünya çapındaki pazarlama stratejisini değişik ülkelerdeki yaşam tarzı, kültürü, alışkanlıkları, ve zevklere göre adapte etmektedir. Bu, firmanın dünya çapında başarısının ana nedenlerinden biridir. Perakende satış noktaları, ürünlerin son kullanıcıyla buluştuğu yerler olarak firma faaliyet zincirinin son halkasını oluşturmaktadır. Satın alma kararları genelde mağaza içerisinde verilmekte ve satış elemanı ile müşteri uzun süre karşılıklı temas halinde olmaktadır. Bu nedenle, işyerinin başarısında, satış elemanlarının müşteriye anlama ve en mükemmel hizmeti sunma becerisi önemli bir rol oynamaktadır.

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1. INTRODUCTION

This is a case study of Benetton, a major producer and distributor of fashion clothing and sportswear in the world. In this study, I have analyzed the marketing strategies of the company, which successfully adopts itself to different consumer behavior patterns and to changing trends in fashion throughout the world, and how these strategies are applied in Turkey.

I have analyzed the consumer behavior trends in fashion clothing and sportswear and how the company manages to meet the different needs and preferences of different customers.

I have also analyzed the important factors in retailing, as retail stores constitute the last ring of the company's value-added chain and the success of the company depends a lot on the success of its retailers.

1.1 Benetton SPA.

The Benetton Group was established in 1965 in Ponzano Veneto, near Treviso in Italy. The company started business with Luciano Benetton's idea of selling pullovers which were knitted at home by his sister, Giuliana. The company

has been established and is still being headed by the Benetton family, Luciano, Giuliana, Gilberto and Carlo Benetton.

Having started with knitwear, the company now produces and distributes a full range of about 4,000¹ models of sportswear and fashion clothing each year. The company has its main operational premises in Italy, France and Spain, and the production and sales network of the company covers 127² countries with more than 7000 sales outlets. Benetton Group exports 70% of its production and currently has an annual turnover around 3,000 billion Italian Lire.

1.1.1 Brand Names of The Company

Today, the company is known for its main brand names as follows:

- United Colors of Benetton
- 012 (Children's group, introduced in 1972. Shops selling exclusively 012 were first introduced in 1977)
- Sisley (High fashion group, acquired completely by Benetton SPA in 1977).

Also, there are some brand extensions of the company. To name some, a special line named as Zerotondo (this group offers a product line to the age group from new born babies to 2 year olds), which is inside 012, Giuliana Benetton for shoes, Blue Family (a line extension of Benetton) and some others.

1.2 Benetton in Turkey

Benetton licenses its production technology and know-how, by adopting it to the conditions in each individual environment. For example, the company has licensed the production of Benetton clothes in 8³ countries. Turkey, being a major exporter in worldwide textile sector, is one of these 8 countries.

Benetton was introduced in Turkey in 1986 and it is the first officially licensed major European brand of clothing sold in Turkey. The operations of the company in Turkey is run by Benetton Boğaziçi Hazır Giyim A.Ş., a company owned by Altınyıldız Holding. The company also maintains the operations of the brand in Turkic Republics and exports to other countries through the distribution network of Benetton SPA.

As of May 96, Benetton products are sold at a total of 70 retail outlets in Turkey and Turkic Republics. Also, 012 products are sold at 57 and Sisley products are sold at 17 retail outlets⁴. It should be noted that the stores that are large enough to carry both 012 and Benetton products are counted both in Benetton and 012.

Also, Blue Family, which is a line extension of Benetton, is sold at 4 retail outlets and some independent boutiques. The purpose of allowing independent boutiques, to sell Blue Family with other clothing brands that they carry in the store

is to target people living in smaller towns and cities, where the potential is not enough run a retail outlet, that sells products of only one brand⁴.

1.3 The Clothing Sector in Turkey

Clothing is a fragmented industry in the world. Being an important textile exporter, the fragmentation in the Turkish clothing sector is more visible. Most stores in big shopping malls like Galleria and Akmerkez sell clothing products of various brands, some of which are well known, while some consist of unknown brands. The reasons for the fragmentation can be listed as follows:

- Producing clothes does not require a very sophisticated technology. There are many local producers that produce clothes, using designs that they form themselves or adopt from other brands.
- There are not very high entry barriers to the sector for a new entrant. The initial costs for a small scale producer would only be a building and some sewing machines if he or she wants to purchase the production materials like cloth, buttons and thread from the market.
- High inventory costs due to the variety of sizes and colors in each model and sales fluctuations make it very difficult to build economies of scale in production.
- Dressing styles of people show great variety, which brings the necessity of having diverse product lines. Further more, frequent changes in market needs depend a

lot on customization and flexibility in production. All these factors prevent standardization.

Production capacity of the clothing sector in Turkey is increasing rapidly. The sector is growing especially in Denizli and Kahramanmaraş, in addition to the previously set-up textile industry in Adapazarı, Bursa and İstanbul⁴.

1.4 Critical Success Factors in Fashion Clothing

One important aspect of the product group marketed by Benetton is its very short life cycle, which lasts only 6 months. For example, the winter season starts in Mid-August and ends in Mid-February³. Mr. Sunay, the general manager of Benetton Boğaziçi Hazır Giyim A.Ş., states that the head office in Turkey needs to set its budgets for the winter 96-97 season in January 96, finish all the plans and negotiations by the end of March 96 so that the production of goods can start in April 96 and the distribution can be finished by the end of August 96.

Then, the head office and the retailers have to keep track of the sales figures and make sure that they can sell as much as possible before the discount season starts around January 97.

Clearly, winter products can not be sold in summer and the fashion changes every year. So, it is not so easy to sell a product left over from the previous year. This means that one of the critical success factors of this sector is dynamism.

Designs of the products should be kept up with the current trends in the world fashion. A flexible manufacturing technology, that can make changes in designs and colors of products very rapidly and an efficient distribution system that can deliver goods fast are the main critical success factors in this business.



2. THE CONSUMER

Wearing clothes is as old as the history of mankind. Initially, clothes were worn to protect the body against the natural effects like cold, rain and etc. Later, the need to wear clothes began to involve other concepts like covering the body from the sight of other people or just the opposite, drawing the attention of people towards the body. Also, clothing has become an identification of social status and an expression of people's life styles.

Before looking deep into the marketing strategies of Benetton, I will briefly analyze the target market of the company, consumer behavior trends, their attitudes and perceptions.

2.1 Target Market of Benetton:

The initial target market of Benetton was young people. It is very easy to see this point in Luciano Benetton's words about the topic⁵:

"In the early days, our clothes were a novelty in themselves. Knitwear at that time was marginal to the average Italian wardrobe. It was conservatively designed and coloured, worn mostly by older people, and priced at the higher end of the market. Because my sister Giuliana and I

were teenagers, it was natural that we addressed ourselves to customers of our own age. Our knits were brightly-coloured, youthfully designed and accessibly priced. They stood out when displayed among other products in store windows. Our first collection had five models... but we offered it in 36 colours.”

As the company grew further, it is seen that the company has widened its target market as well as its product range, by introducing products that were targeting different segments of the market. Mr. Sunay explains the market segments that the three major brands of the company and the main group that generates most of the revenues in Turkey for each brand as summarized in the table below:

Table 1 Target Market of the Brands of Benetton in Turkey

	Benetton	Sisley	O12
Target Age Group	15 - 40	15 - 40	0 - 12
Main Volume Generators	15 - 25	25 - 35	0-12
Target SES Level	B	A - B ₁	A - B

Source: Interview conducted with Mr. Sunay

We can see that the 12-15 age group does not appear in the table. This is simply because a child grows very significantly in terms of size at this age. So, while some children in this age are wearing sizes available in O12, some need to wear adults' sizes.

2.2 Consumer Behavior in Fashion Clothing

We can classify the decision making trends of Benetton consumers based on two dimensions shown in the following table:

Table 2 Consumer Decision Making

	High Involvement Purchase Decision	Low Involvement Purchase Decision
Decision making	Complex Decision Making	Limited Decision Making
Habit	Brand Loyalty	Inertia

Source: (Assael, 1992. Figure 1.2, p 16)

Before locating the customer behavior patterns on fashion clothing or sportswear in the table, it is more appropriate to analyze the definitions of these dimensions one by one.

1. **The extent of decision making:** Consumers may show different levels of decision making process on buying different products. While a customer makes a thorough information research and evaluates the brand alternatives on some products, he or she may make very little or no decision making process on some other products. This becomes a fact especially when he or she is experienced with the product, satisfied with its brand and purchases it consistently.

2. **The degree of involvement in the purchase:** High involvement products are those which the consumers feel important for themselves for various reasons. These products involve some risk to the consumer as will be explained in the coming sections. On the other hand, as consumers give less importance to a product, they become less involved with it. Obviously, they perceive less risk while making a purchase decision for such a product.

The consumption of clothing products can be seen directly by other people and they can reflect the user's life style, social status and position. So, people are usually very careful about buying clothes and it can be concluded that clothing is a high involvement product.

The extent of decision making while buying clothes changes a lot from person to person. Some people tend to compare alternative brands, to buy the best alternative, especially if they can afford the time to evaluate various options available. This can be easily done in shopping malls, where many stores with different brands are lined up in a row. It should also be noted that, once the consumers are satisfied with a brand's quality, and image, they may tend to buy that specific brand for their future purchases. This brings the purchasing decisions made by habit. So, the primary goal of Benetton, just like other brands in the sector, is to build up brand loyalty using an appropriate marketing strategy.

As will be explained in the coming sections, brand loyalty is also an important way of reducing various types of risks for consumers. This means that fashion clothing and sportswear companies need to satisfy the expectations of their customers in the best way to achieve brand loyalty.

2.3 Consumer Perceptions and Marketing Strategies

Consumers build perceptions about brands and its products through various means. Marketers of brands try to influence consumers' perceptions, and buying behaviors by using a certain marketing strategy. The product itself and the supporting communications material form the main motive that affect consumers' decisions and purchase behaviors. Further more, the brand image of the company, the stores selling the products, services provided to the customers and pricing strategies are all integrated with each other in the fashion clothing and sportswear industry. In short, the marketing strategies of a company as a whole, influences the perceptions of people about its brands.

2.3.1 Risk Perceptions:

Consumers perceive a certain amount of risk in buying fashion clothing. Being a high involvement product for most of the consumers, the risk perceived by them may be significantly high. We can categorize the risks that a consumer perceives as follows⁶:

1. **Social Risk:** This is the risk that the product may cause a negative response from an important reference group. So, the product, which is unable to meet the standards of the environment causes embarrassment to the user. For example, some ladies may be worried whether a stretch dress or a mini skirt that they like could cause adverse response from her colleagues at work. Also, the degree of the perceived risk is affected by the product categories and shopping locations. It is interesting to see that social risk gets much lower in holiday resorts, where the customer is temporarily in a location where he or she is not known by many people.
2. **Psychological Risk:** This is the risk that a product does not satisfy the consumers psychological expectations. The product simply might not harmonize with the consumer's ego or self image. For example, a consumer may be worried about appearing shorter by wearing a dress, whose model is based on horizontally aligned stripes. Rapid changes in fashion trends further increase the risk of buying a clothing product which is out of fashion.
3. **Performance Risk:** This is the risk that the performance of the product will not be as good as it is expected. The performance criteria for clothing products are mainly the duration that the product remains in good shape, especially after washing and the extent that the product serves the needs of the consumer (for example, the ability of a bathing suit to dry quickly after getting out of water).

These risks become more apparent if the consumer has not used the brand before or the product is made of a material that the consumer is not familiar with.

4. **Financial Risk:** This is the risk that the product will not be worth the money paid for it. As the price of a product increases, consumers tend to expect more from it and higher prices will increase the risk perceived with the product. Also, the consumer may not have enough resources to buy another product if it fails to satisfy his or her needs. This yields to the fact that the financial risk that a consumer perceives is inversely proportional to his or her income level.

5. **Time Risk:** This is the risk that the product will not be worth the time, allocated to search for it. Also, a bad product can take more time from the customer while he or she is trying to get a refund, change it or have it repaired. This risk increases significantly in large cities, where traveling from one point to another takes a lot of time due to long distances and heavy traffic.

It is obvious that the perceived risk may vary from person to person. This may be due to personality traits, social status as well as cultural effects. Like all global companies, Benetton does face such variations in different countries. This is one of the main reasons, why the company leaves the retailing business to local entrepreneurs.

2.3.2 Handling of risks by the consumers and by the company

There are various techniques applied to reduce the risks that are mentioned above. We can classify these methods as follows⁶:

1. **Information Seeking:** Consumers tend to reduce risk by seeking information about products through word-of-mouth communication, from sales personnel and from mass media. Benetton tries to improve its word-of-mouth information network by applying strict quality controls. Also, the company tries to inform sales personnel about the properties of the products that are sold. It has been observed that a sales person giving wrong information even by mistake is a major reason for loss of favorable information about the company.
2. **Brand Image:** Consumers tend to trust a brand name which is well-known, when they have little or no experience about a product. By this way, a consumer can avoid purchasing an inferior product of a brand that is unknown for him or her. The common belief is that a major brand name is an assurance of good quality, service standards and dependability.
3. **Brand Loyalty:** Customers can reduce the risk of buying inferior products by remaining loyal to a brand that conforms their expectations. As the risk that a customer perceives increases, he or she becomes more loyal to a certain brand.

4. **Store Image:** Even if a customer does not know a lot about a product, buying it from a well known store is a means of risk reduction for the customer. Products of some well known brands are sold only in retail shops that are carefully selected, decorated and controlled by the brand owner. By this way, the brand image of a company is combined with a prestigious store image. The store image of Benetton is analyzed in detail at the retailing section.

5. **Sales Personnel:** In addition to buying from the same store, frequent shoppers of a clothing store do prefer the same sales personnel in the store to serve themselves. By this way, the consumer gets served by the sales personnel that he or she is pleased with and finds dependable. Also, the sales person learns the preferences, dressing style and even the size of the customer. These factors build better relations between the customer and the sales personnel, which is a very important way to reduce perceived risk.

6. **Guarantee:** Guarantees given by companies like money-back guarantee, quality and test reports announced by dependable sources like ISO and TSE is a major source of risk reduction for the consumer. Benetton in Turkey is following the guidelines of Altinyıldız Holding for after-sales services. The company asks the retailers to solve customers' complaints in the way, which pleases the customer. This includes altering, repairing and even replacing the product that a customer complains about (even if it has been used), without questioning whether the product or the customer was at fault. This immediately reminds people about the

abuse of this policy by some customers. This is a fact, but the loss due to the abuse is insignificant compared to the loss of brand image and adverse effects of word-of-mouth communication due to unsatisfied customers.

2.4 Consumer Attitudes

People's attitudes about clothing and brands in the market are developed and affected by many influences. Also, the clothing styles and purchase behaviors of people show great variations depending on several factors. We can classify these as follows.

2.4.1 Personality

- Consumer's personality and political views affect attitudes. To explain this with an example, a person who does not approve of international policies of the USA may strictly object to wear Levi's jeans, a brand which is portrayed to reflect some American values.
- As Benetton imposes on being global, rather than Italian and frequently stresses on social issues in its advertising campaigns, the personality that a typical Benetton consumer can be described as follows: A person with a global vision, paying importance to equality of people, observing the trends in fashion, favoring for a peaceful and a healthy environment.

2.4.2 Family And Peer Group Influences

- It is easily recognized that people that spend a considerable amount of time together develop some common feelings and attitudes on a lot of issues. These people also affect each other's behavior, including clothing styles. For example, it is not surprising to see stock brokers in a bank or the members of a certain religious group, dressing in a similar fashion.

2.4.3 Information and experience

- The past experience of the customers on using a product and the information that they have gathered about the product and the brand, affects their attitudes and future purchase behaviors.

2.4.4 Location

- People's dressing styles change from country to country, and even town to town due to the differences in culture, being a city or a holiday resort and the climate of the region. To meet different demands, the company keeps its product variety very high, as will be explained in the following sections.

2.4.5 Time

- Change in time means the change in seasons and change in fashion, which reduces the product life cycle especially in fashion clothing down to 6 months.
- Change in time also means change in the consumer's age. Obviously, dressing styles of people are different in different age groups.
- Even within a season, there are some periods where sales figures change drastically. For example, people tend to wear new clothes and buy presents on certain periods like religious holidays (Şeker Bayramı, Christmas) and New Year's Day. These periods impose a significant change in buying behavior of people during the days prior to these periods.

2.4.6 Economic Conditions and Social Class

- Consumers' economic power and social class have a significant effect on their dressing styles since clothing can be used as an indicator of wealth and social status. Obviously, economic power directly effects purchasing power so, it has a great influence on purchasing behavior. The other determinants of social class like occupation, income and education also have distinct effects on the way people dress.

- Changes in economic conditions by time greatly effect purchasing behavior of people. Since buying new clothes is not an immediate necessity compared to buying food, medicine or many other products that a person has to give priority to, the sector is greatly affected from economic fluctuations. We have seen many examples of this fact especially just after the economic problems that Turkey had faced in April 1994 and the Gulf War in 1991. During such periods, clothing is one of the first items that people tend to stop buying.

2.4.7 Variations of Purchase Behavior Between The Brands of The Company

There are great behavioral differences in shopping behaviors between adults' clothing and children's. Since the children keep growing, the clothes that they had worn in the previous year happen to be too small for them. So, a higher percentage of the children's clothes are purchased at the beginning of the season, compared to adults' clothes. For this reason, the company pays attention to give priority to the delivery of children's wear at the beginning of each season.

The Zerotondo group within 012 is purchased more as a present compared to the average within the 012 group. Mrs. Selgur, the marketing manager of Benetton Boğaziçi Hazır Giyim A.Ş., explains this fact as follows: After two years of age, it is very difficult to estimate the size of a relative's or a friend's child, especially if the person making the purchase has not seen the child for a while. Also, toys happen to be more appealing presents for a child over two years of age.

3. THE WORLDWIDE MARKETING STRATEGY OF BENETTON

Having analyzed the factors that affect consumer behavior and choice, the next topic to be analyzed is the worldwide marketing strategy of Benetton. First, the positioning strategy of the brands and then, the marketing mix strategy will be analyzed.

3.1 Product Positioning Strategy

Although many fashion brands position themselves on the high end of the market and set the “High Society” fashion of the season, highlighting values associated with this social class and being elite like Versace, Ferre, Gucci and etc., Benetton follows a different strategy. Mr. Sunay states that the company does not want to create the high end fashion of the season. Rather, Benetton prefers to follow the trends in the market and catch up with the fashion when such trends gain public acceptance and they are well observed by its target customers. Benetton makes the fashionable products available in plenty of colors with more reasonable prices.

In Sisley, the company shifts its strategy and introduces new fashion, targeting a narrower segment of the market. One year later, accepted top fashion products of previous year are sold under the Benetton the brand name, with

approximately 20% lower price⁴. In short, Mrs. Selgur defines the basic strategy at Benetton as: “Selling the fashion with a reasonable price under the Benetton marketing system”.

3.1.1 Globalization

After being very successful in Italy, Benetton began to expand its facilities. This meant that the company was to face different preferences, cultures and dressing habits. So, Benetton tried to form a general global strategy and have it applied with adaptations to the local trends by local firms. Therefore, the headquarters in each country select the products that will be sold in their country, from the overall collection for the season, as will be explained in section 4.1. They also set the allocation of their own advertising budget, adopting the global advertising policy of the company to their own market. The company tries not to be involved in the retailing part of the business for the simple reason that it is not quite possible for a single firm to track market needs, cultures, habits and all other factors that change from country to country, even from town to town.

4. THE PRODUCT

Benetton mainly produces and sells sportswear and fashion clothing. Other than clothing, Benetton makes licensing agreements with other firms for the production of watches, eyeglasses, toys, underwear, shoes, bags, electronic pagers, children's goods, school and office stationery, cosmetics and household linen. In March 96, Renault has introduced a car model named Twingo Benetton. The main feature of the products that Benetton sells can be listed as design, color and quality of raw materials, which will be analyzed in detail in the following sections.

4.1 Design

Variety of models is an important factor for customer satisfaction. Making people know that whatever type of clothing they need is available in a store helps make the customer have a habit of entering a Benetton store while he or she is out for shopping. Giuliana Benetton has been in charge of the product design process at Benetton since the foundation of the company.

As the company began to expand internationally, it began to face great differences in dressing styles, cultures, behavioral patterns of people.

This is one of the reasons that the company has increased the number of the models that are designed significantly. Of the 2,000 models that are designed in each season, each store holds a certain portion of these models. Luciano Benetton's words about the topic summarizes the situation as follows⁵:

“In our first years of international expansion, we distributed the same models to every country, refusing requests to modify according to local needs. Now we set the overall fashion themes, while each individual store owner has some latitude to order on the basis of local tastes.”

According to the figures supplied by Mrs. Selgur, the average number of models held in a season in stores in Turkey are as follows:

- Benetton: 350-400
- 012: 300-350
- Sisley: 250-300

4.2 Color

Benetton's strategy has been to offer products in as many color combinations as possible. The basic products (basic T-shirts, plain pullovers and etc.) are produced in 24 main colors⁴. The company bases its strategy on products with as many colors as possible. Mr. Sunay adds that from time to time, the color variety could reach up to 40 colors for some styles, which is quite unmatched by many

other competitors. Since color preferences are subject to change very frequently, the company has improved a system that can dye the finished product, instead of the dyeing the thread before it enters the production process. This brings Benetton the ability to make its production system more flexible and customized, enabling the company to respond to changes in color preferences very quickly. This is a very critical success factor in a business with a product life cycle of 6 months.

4.3 Quality of raw materials

One of the most important factors that led to the success of the company has been the importance that it has paid to quality. The company has made some vertical integration process by producing some of its raw material. For example, the company is involved in raising cotton in the USA and owns farms that raise sheep to produce its own raw material for woolen products. This helps the company to reduce costs and control the quality standards.

4.4 Product Development

It is obvious that these aspects can be imitated by others very easily, especially in a very fragmented industry. This means that modifications and developments has to be done very frequently in order to achieve product differentiation. Benetton's research department focuses mainly on developing the previously mentioned attributes of their products. According to the WEB site of the

company, the research department is organized along two lines of development and the functions of these lines can be summarized as:

- Focus on the number of models in the collection, in order to provide customers with an optimal choice of available models, which can be more closely tailored to different demands. This is also a cost reduction method.
- Watch the trends, habits and tastes, in order to foresee global market trends and be able to produce a collection which is both fashionable and conveying the traditional Benetton style.

4.5 Changing Beliefs About Products, The Unisex Concept

Benetton has been able to make some changes in the attitudes of people about its products. In many clothing stores, garments are separated into two classifications: men's and women's. Further more, some of the garment colors are also targeted to one sex only. For example, many people have the feeling that men should not wear pink shirts. These factors cause a reduction in the market that the product is targeted by half. In order to overcome this barrier, the unisex concept has been introduced and an important amount of the collection is named unisex. This concept enables the company to double its target customers for the products that they put into this category. Obviously, skirts, blouses, pantyhoses are for women only,

while ties, certain shoe sizes and etc. are only for men, but most T-shirts, some shirts and accessories are targeted to both male and female customers.

Mrs. Selgur states that when Benetton entered the Turkish market in 1986, many customers were very surprised to see that the shops were not separated to men's and women's sections. It is believed that Benetton has made some modifications in people's perceptions about clothing. This was achieved by advertising and store layouts, where there is no separation for men's and women's clothing.



5. PRICING STRATEGY

Benetton's strategy has been to achieve a price range that can be accessible by many people. The income level that Benetton targets is the B group while Sisley targets A and B₁ groups.

5.1 Price Levels

The price levels in each country are set in accordance with the price standards in that country. To explain this in a better way, we can say that the prices of the goods in Turkey are about half as much as the prices of the same goods in England. It is seen that the prices in Turkey are also lower compared to the prices in Italy.

Table 3 Price Levels of Benetton in Turkey and Italy

	Benetton Turkey (TL)	Benetton Italy (LIT)	Italian Prices in TL (1 LIT =50 TL)	Price Ratios Italy/Turkey
Basic T-shirt	895,000	24,000	1,200,000	1.34
Polo T-shirt	1,650,000	52,000	2,600,000	1.58
Plain, Long Sleeved Shirt	1,950,000	59,000	2,950,000	1.51

Source: Data provided by Mrs. Selgur.

The lower prices in Turkey is mainly due to two facts:

- Cotton products sold in Turkey are also made in Turkey.
- The company adjusts prices according to the price levels in each country.

To make a comparison between the major brands present in Turkey, the same models mentioned were chosen as they are produced every year, and are also commonly available at other brand names. Then a shelf audit was conducted for the high season retail prices of these models in Spring-Summer 96 season, in the retail outlets of these brands in Akmerkez, the biggest shopping mall in Turkey. (See Exhibit 1)

It is clear that the changes in quality of raw materials, dyeing technology, sewing and other material factors can explain the huge price differences between brands up to a certain extent. So, the significance of the effect of brand images on the prices are seen very well in the data provided in the appendix. Please note that these prices are taken in May 96 and they are subject to change very frequently with different promotional activities held within the season. Also, the price of only three products may not represent the overall price levels of the companies. However, it is not possible to find so many products that are similar in design and available in so many stores.

5.2 Price Sensitivity

A general observation is that consumers are aware of the differences in price levels between companies. They do realize that the changes arise from brand images, quality and the services provided by the companies. Pricing of the companies are the main determinants of the SES segments that they target. Also, consumers tend to be extremely sensitive to price changes in a brand within a season. For that reason, fashion clothing firms try not to increase prices after they are announced at the beginning of the season. So, many companies in Turkey have been facing difficulties in setting their prices since the inflation rate is very high and volatile. Benetton tried to make such an increase after the economic crisis in April 1994, which caused a sharp decline in sales volumes. The prices were taken back to their initial levels in a few weeks to recover the negative response of the customers.

5.3 Discount Policy

One more fact that should be noted in the clothing sector is the effect of discounts on customer behavior. End of season discounts are very attractive to many people and their effect on consumers increase with decreasing income level. Also, the effects of posters and notices indicating the sale on store windows seem to further increase the tendency to enter the store to have a look and buy something using the “Big advantage” gained by the price reduction. In the very first days of the sales period, it can even be very hard to enter a store because of the crowd inside.

Benetton follows a two step discount policy in Turkey. The discount percentages and periods vary for each season according to the market conditions and stock levels at the retail stores. When the sales figures fall below a certain figure (which generally occurs at the fourth month of the season), the first sale announcement is made, and sales figures generally show a rapid increase. Then, the sales figures gradually decline to the normal trend as more and more consumers begin to wait for the announcement of the second sale. Finally, the second sale announcement is made to finish up the stock in hand.

Typical sales percentages of a season that is considered as good by the company and the retailers in Turkey would be formed as follows:

Table 4 Distribution of Sales to Pricing Periods in a Good Season

	High Season	1st Sale Period	2nd Sale Period
% of Products Sold	60%	25%	10%
Duration	4.5 months	3 weeks	3 weeks

Source: Interviews with Mr. Sunay and Mrs. Selgur

The past experience of the company has shown that about 5% of goods that a store orders in a season are left unsold during the season. Some of these are the loss due to shrinkage and some of the goods get sold in the following seasons.

6. PROMOTION STRATEGY

Benetton uses various promotion techniques to increase its brand awareness, build up a strong brand image and influence purchase behavior. This section analyzes the strategies that the company applies in detail.

6.1 Brand Power

Brands can bring a price premium over the price level of similar generic products, since the consumers see added values to a product. When a customer buys a product, he or she does not only buy the product itself, but an also image that is added into it. We see this fact very strongly in fashion clothing. When the level of involvement for a certain brand is high, these added values can be above the basic functional purpose of the brand. This fact can also be greatly seen in fashion clothing.

Wearing a certain brand can be seen as a status indicator and it can signify being a member of a particular social group. In Benetton's case, the brand signifies being a member of the "Benetton family", whose members are supporting the ideas of multiracial harmony, peace and friendship. Benetton does not impose on being from a certain country. In fact, it has been noted that many people do not know that the firm is Italian. Luciano Benetton's words about the issue clarifies the point⁵:

“One of the curiously simple reasons for our success is the unplanned phonetic of our name: “Benetton” seems English to the English, French to the French, and so on for the Germans, Italians and Americans. The roots are so international that it can be adopted in all countries and it is easy to pronounce in all languages.”

An important fact about branding for the company is that Benetton deliberately kept the same brand names (Benetton, Sisley and 012) everywhere around the world and did not try to change brand names for a typical country. Luciano Benetton states this fact as follows⁵:

“Clearly, we saw the risk of weakening our image as we diversified and expanded internationally, so we deliberately narrowed our communications focus to the support of a few trademarks: United Colors of Benetton, Sisley and 012. In the decade of the 1980’s, we have consolidated our image, rather than diluting it. United Colors of Benetton, Sisley and 012 are the best illustrations of this corporate strategy.”

6.1.1 Promotion of the Brand, “United Colors of Benetton” slogan

The worldwide brand recognition of the company is mainly attained through intensive advertising. Benetton began to make advertisements specifically aimed to reinforce the brand recognition of the company worldwide in 1981. The campaign was named “*All the colors of the world*”, showing young people from different nations together.

Then, the company repeated using this multiracial theme in succeeding years and introduced the “*United Colors of Benetton*” slogan. The slogan was perfectly fitting the philosophy of the brand. The slogan signified the richness of the brand in terms of colors, imposed on concepts like multiracial harmony and equality. Finally, this slogan was so successful that it became the trademark of the company.

On the other hand, some brands put their nation forward. The slogans of Levi’s and Lee, two world-wide known American blue-jeans producers can be shown as an example for this fact:

The slogans of Levi’s: “*Nothing is more American than Levi’s.*”

“*The living Legend*”

The slogan of Lee: “*The jeans that built America.*”

6.2 Communications Policy:

Benetton has been well known for its controversial advertising campaigns and the company spends 4% of its sales in communications. In addition to the local advertisements displaying Benetton products to induce purchase behavior, Benetton pays a lot of importance to global campaigns that are designed to build brand awareness and brand image rather than giving information about the products and designs. The nature of Benetton products also have an effect on this choice. Some companies can sell the same product everywhere around the world, all the year long.

So, they can easily impose on their generic product. For example, Levi's stresses on its famous model named "501", Coca Cola can impose very strongly on its products in their global advertising campaigns.

As explained before, Benetton produces about 2,000 models twice a year and markets them in 127 countries. Also, each store carries a certain portion of the products, as customers living in different regions face different climate zones and they have different preferences, cultures and habits. This means that there is no single product (Like 501 jeans of Levi's) that Benetton can associate with its brand and use it in its global campaigns to target all of the customers around the world and throughout the year.

So, Benetton leaves the advertising of its products to country headquarters, which apply the basic principles of the company in advertising in their countries. These advertisements, which are designed mainly to induce purchase behavior are explained in greater detail in section 6.3.1.

In its campaigns held worldwide, the company is focusing on global concepts and current issues like war, AIDS, racial issues and ecology in order to build its global brand image.

6.2.1 Fabrica, the Research Center of Benetton for Arts and Communications

Benetton has formed a research center named Fabrica, in Catena di Villorba, close to Treviso, Italy. This project is led by Oliviero Toscani, the director of the firm's communications activities. The main idea of the project was to form a research center for arts and communications. The communications material of the company is also formed in Fabrica.

6.3 Advertising Strategy

The main reasons that companies spend a lot of money on advertising is to give information about their products, induce purchase behavior and improve their brand image. Benetton makes use of print advertisements for this purpose and prefers not to use TV advertisements. We can classify the print advertisements of Benetton into three main groups.

6.3.1 Advertisements Aimed Direct to the Consumer to Influence Purchase Behavior:

In Benetton's advertisements that are targeted direct to the consumer to influence purchase behavior, we see models with Benetton clothes on, appearing mainly on a white background. The advertisements reach customers in the form of small multi-page inserts distributed with some newspapers and magazines, posters

used in stores, brochures, one or two page advertisements on print media. The form of the advertisements are mainly decided by the headquarters in each country. For example, Benetton Boğaziçi Hazır Giyim A.Ş. spends about 40% of its advertising budget on insert type advertisements and this ratio is lower in many other countries⁴.

Some facts should be noted here:

- The background in these advertisements is white, giving no clue about location. In contrast, the backgrounds in the advertisements of Levi's and Lee are locations in US (a desert, Twin Towers, Wall Street and etc.) The models in Benetton advertisements are selected deliberately from different nations and races. This is consistent with the multi-national and multi-racial image that Benetton is trying to build up.
- These pictures represent the richness of the company in terms of colors very well.
- The pictures used in the countries vary from country to country, depending on the collection of products present in each country.
- The other fact to be considered is the reference group influence effect. Mrs. Selgur states that displaying clothes that are worn by models is found to be much more effective in terms of affecting sales figures rather than displaying them alone. As consumers constantly tend to compare their attitudes with that of people, seeing other people wearing the same garment is found to be much more effective than seeing the product alone.

6.3.2 Advertisements Aimed to Press, Prepared to Influence Purchase Behavior as Well as Improve Brand Image

For the past few years, Benetton has been distributing a catalogue, somewhat different from the brochures and inserts as described above. In this catalogue, Benetton clothes are displayed on local people in a city. The cities change each season and the people that are photographed are not professional models, that many people admire to look like. To give some examples, Spring-Summer 94 catalogue included some photographs taken in İstanbul. Photographs for the catalogues of some other seasons were taken in Gaza in Palestine, Beijing and Manchuria in China and Cochin in India.

Also, the same catalogue is distributed worldwide. It should be noted that the company can not display all of its products and the clothes displayed may not be appealing to everybody as it has been explained. So, these catalogues are mainly prepared to transmit one main idea:

- Benetton products are worn everywhere, by everybody. They are not only for a single group of people. Benetton is a global company and does not differentiate itself by its nationality.

Remembering that Benetton does not have a distinct product that it promotes and bases its advertising strategy on all around the world, the company is promoting its brand image and philosophy instead.

These catalogues are less in number compared to inserts and brochures but it draws incredible attention of the media, and they gain an important amount of coverage in newspapers, magazines TV programs. By such publicity, Benetton further increases its brand awareness, in a way, free of charge.

6.3.3 Advertisements Aimed on Socially Oriented and Universal Issues:

The company spends a very important amount of its advertising budget on advertisements that are based on such issues and these advertisements form the group that gather greatest attention from the public and the media. The company imposes on war, AIDS, equality of races, environmental and similar daily issues that are the hot topics of the time. The advertisements do not display any Benetton products or influence purchase behavior at all. They mostly include only a photograph and the Benetton logo at the side of the picture. These photographs mainly contain daily scenes from life, as a reminder of reality or they are taken at the studio, again using a white background. The purpose of the advertisements can be stated as follows:

- Draw attention towards socially oriented issues as mentioned above.

- Enhance the global brand image of the company.
- Draw attention towards the company by generating controversy and increase brand awareness.
- Gain free coverage on the media as explained in the previous section.

In the past years, some advertisements of the company have received awards in some country while, the same advertisements got banned in another. This clearly expresses the differences in cultures, habits and preferences between countries.

To mention some examples, an advertisement, showing a black woman breast-feeding a white baby and another one, showing the hands of two men, one black, one white, handcuffed together caused great arguments about racial issues.

One advertisement campaign, consisting of a photograph of three children, from different races, sticking out their tongues had to be stopped in Arab countries, where showing an internal organ is forbidden. On the other hand, the same advertisement has won awards in Europe.

A new-born baby, blood-stained trousers and T-shirt of a soldier, killed during the war in former Yugoslavia, a war cemetery and a man dying of AIDS, with his family around him are only a few examples of the controversial advertisements of the company, prepared to remind people about facts of real life.

Clearly these photographs cause severe arguments in the public. The company gets both criticized and on the other hand, receives awards with such advertisements. It can be said Benetton has managed to increase its brand awareness, differentiated itself and strengthened its global image considerably, through such a different advertising policy.

We see the affects of this strategy in Turkey as the research reports of Young & Rubicam yield that Benetton is the second most differentiated company, coming after Becel (a margarine brand) in Turkey. The report also states that Benetton comes the first in terms of being open to growth. (See Exhibit 2)

6.4 Colors Magazine

The Colors magazine is issued by Benetton and it is another arm of the firm's communications strategy. The magazine deals with different topics in every issue, like shopping, sports, travel, heaven, war and etc. Benetton has started publishing the magazine in 1991. Colors used to be published twice a year in five bilingual versions and later on, the company increased the publishing frequency to 4 issues a year. The magazine is also available at Benetton stores in Turkey. The magazine goes in parallel to the company's philosophy of dealing with social issues. The purpose of the magazine is also just like the purpose of the company's advertisements related to socially related issues.

6.5 Sponsorship

Benetton is also sponsoring several activities, which is another way to increase brand awareness and enhance its brand image. The most well known activity that the company sponsors is its own Formula One racing team, which is achieving very good results. Luciano Benetton specifies the aspects of the activity and what achievements it brings to the company as follows⁵:

“All the characteristics of Grand Prix racing, speed, colour, internationality, excitement, plus the irresistible combination of high technology and the human factor, are perfect expressions of our corporate philosophy.

This affiliation has been effective in creating an image for us in some countries even before we had established a commercial presence. It is an important showcase: a sporting event that continues, through trials and official races, 11 months of the year, year after year. It is a world spectacle, with 16 Grand Prix on four continents, seen by a television audience estimated at four billion in over 60 countries.”

I would also like to add one more use of Formula One races: The company bases the designs of some of its products like T-shirts, hats and jackets on its Formula One Team.

The company is also involved in the sponsorship of some sports facilities. Luciano Benetton's words about the issue clearly specifies the concepts present at sports that are close to Benetton's philosophy as follows⁵:

"We are also active in the sponsorship of basketball, volleyball and rugby teams, based on the conviction that sports are important to everyone, especially young people. Sports are a metaphor for dynamism, loyalty, competition and colour, all part of what Benetton represents."

Turkish basketball fans can easily remember Benetton Treviso, the basketball team supported by the company. The team played two matches against Ülkerspor at the European Championship Cup 95-96.

6.6 Promotion of sales: Benetton Credit Card

Benetton introduced its own credit card, which is only valid at Benetton, Sisley and 012 stores in Turkey in 1991. By making the payment with this card, the consumer can pay his or her debt in three installments, starting from the next month after the purchase. For this service, a certain amount of interest is charged from the customer. The cardholders also have the option to get 5% discount if they prefer to pay in cash instead of using the card. The operations of the credit card system is run by Benkar A.Ş., which is a company owned by Altinyıldız Holding.

The card is given to applicants with a certain income and to students under legal custody of parents or relatives. The card gives the user the option to make payments in three months starting from the next month after the purchase or get 5% discount for cash payments.

Credit cards have an increasing rate of usage in Turkey. It has been estimated that around 60% of total sales in a Benetton store is made by various credit cards⁴. This ratio is expected to increase with the increasing number of credit card holders in Turkey.

The credit card operation brings important advantages to the company:

- One of the most important factors for gaining brand loyalty is making the customer frequently visit the stores. Payment of installments on credit card purchases can also be done at stores in addition to banks. So, the customer is tempted to enter a store three more times, after the purchase, if he or she does not want to spend time waiting at the queue in a bank for making a payment. Thinking that the banks in Turkey stop making transactions after 16:30 and at the weekends, making payments at the stores is also more convenient for the customers.
- Paying in installments is a commonly used method for purchasing valuable items in our country. So, the customer gains an extra option, which he or she may find

attractive by holding the credit card. This affects the purchase decision of the customer positively.

- Remembering that an important amount of purchase decisions are made at the store, this forms an extra opportunity to gain brand loyalty and make additional sales.
- To further increase brand loyalty, the card holder gets qualified to have a discount card if he or she spends a over certain amount in a given interval.

6.7 Other Promotional Activities:

The headquarters in each country also hold some other promotional activities which are intended to enhance shopping behavior. These include some lotteries, discount coupons and some others. For example, Benetton held a lottery in Turkey in 1994, where customers were given one free ticket for each million TL of their purchase. In 1995, another campaign was held to enhance Benetton Credit Card holdership. The applicants were charged a lower interest rate for a certain period and were presented a 10% discount coupon, valid for the first use of the credit card. The coupon also entitled the card members to join a lottery held by the company. These activities are very useful in drawing people's attention towards the stores and influence them to visit the stores.

7. PLACE

7.1.1 Logistics and Distribution Strategy

Benetton is also known for its efficient distribution system, enabling itself to make very fast deliveries to the stores in 127 countries. Luciano Benetton describes the traditional path that the goods in apparel business follow in order to arrive at the shelf in a retailer's store as⁵:

“production - warehousing - wholesaling - retailing”.

He further adds that by applying good logistical strategies and latest information technology, Benetton has managed to eliminate the intermediary warehousing and wholesaling steps. For example, the company runs a production plant in Castrette, Italy. The unit also includes an automated distribution center and the completely automated plant handles 30,000 boxes and 800 shipments every day. In other words, the distribution process at Benetton is reduced to: “production - automated distribution - retailer”.

This fact brings an important competitive advantage to the company. Remembering that fashion clothing has a very short life cycle, even a week more that a product can stay in a store brings very important benefits.

7.2 Retail Outlets

As explained before, the company currently operates in 127 countries with more than 7000 sales outlets and aims at spreading its availability in as many countries as possible. The marketing strategy of Benetton, which imposes on being global rather than from a certain country helps the company to expand its territories everyday. The company does its best to make use of the opportunities to enter new markets before its competitors. Recalling that Benetton is the first European brand of clothing involved in licensed production in Turkey, it is possible to give some more examples:

- The first Benetton store in Moscow was opened in 1987, which was a big event at that time.
- Benetton opened a store in Sarajevo in September 1995, before the cease-fire took place. The store was protected with sandbags against gunfire.
- Benetton runs ten stores in Syria, where it is the only foreign clothing brand present in the market.

- The first Benetton store in Pakistan was opened in Islamabad in July 1995, and the Prime Minister Benazir Bhutto attended the opening ceremony. Benetton was the first international brand to enter the Pakistani market as well.

Clearly, exploring new markets is a successful way of expanding business. Another point to mention is, the company draws a lot of attention both in that region and worldwide by opening stores in such places. So, the company does take some risk by entering new markets but it increases its brand awareness significantly, gains free coverage on the media and benefits from the advantages of being the first entrant in the market.

Benetton has been focusing especially on expansion Middle Eastern and Far Eastern countries for further growth for the past few years. As a result, the company has also been achieving very good sales growth in these regions. The reasons for such a policy are as follows:

- The European and American markets are already mature and well penetrated, while fashion clothing and most branded products are in their introductory stage in these regions.
- The percentage of young population, the main target segment of the company, is higher in these regions.

It is seen that the increase in 012 group is significantly high all over the world. This is mainly due to the increasing number of parents that want their children to follow the trends in the fashion. It should also be noted that as the fertility rates in Middle Eastern and Far Eastern regions are much higher, the target market of 012 is also growing very fast in these regions. This is another justification that the firm is following a correct strategy by trying to penetrate into new markets in these regions.

7.3 Comparison between Franchising and Benetton's Operating System

Benetton clearly identifies that its relations with the retailers is not in the form of franchising. The company does provide retailers with products that are protected by a trademark, request them to sell only the products that they are authorized to, apply a standard decoration and follow certain policies like the refund policy, which are set by the company. On the other hand, there are some major differences between the system of the company and franchising. I would like to explain them using Luciano Benetton's own words⁵:

“Unlike franchising by any definition, we do not receive royalties on sales, or any other kind of fee or compensation, nor do we concede exclusivity of area. Our ties with our independently-owned network are based more on a verbal agreement and a handshake than on contractual clauses. It's a simple equation really: a Benetton shop owner agrees to sell Benetton products. In exchange, we agree to take care of the image and promotion of the Benetton trademarks and guarantee speed and timeliness in the supply of our merchandise.”

8. RETAILING

Retailing is the last chain of Benetton's operational network. The company leaves the retailing business to local entrepreneurs, as it has been explained before. Still, the retail stores are guided and controlled by the headquarters of the firm in each country. The company sets up the prices where it is allowed by laws and announces suggested retail prices in countries where antitrust laws prohibit such price regulations.

8.1 The Store Concept:

After going through detailed processes, the Benetton products arrive at retail stores, the final end of the production and distribution network the company, where they get in touch with consumers. The store concept of the company can be easily explained by Luciano Benetton's own words as follows⁵:

"The concept of the store is just as important as the product however. I had worked in stores in Treviso, and from that experience, I knew exactly what I didn't want the shop to look like. I didn't want a store where counters and boxes separated the merchandise from the customer, where a client had to ask the shop clerk for permission to touch the clothes, where the atmosphere was dark and unfriendly."

The clothing products carrying the labels Benetton, Sisley and 012 are sold only in authorized retail stores. These stores carry the brand names and labels of the company, have a standard decoration and they do not sell products of another brand. All these measures are taken to combine the brand image of the company with a standard store image. The idea here is to make sure that when customers enter a Benetton store, they know that the products and the service they will get is of a certain standard and the money that is paid is worth the product and the service received.

Mrs. Selgur states that Benetton stores in Turkey were decorated by the model named “My Market” initially. Now, Benetton Boğaziçi Hazır Giyim A.Ş. is having these decorations changed. Two decoration models are currently being applied for new stores and for the stores that are under redecoration. These two models are named “Fil di ferro” and “White merceria”. She also notes that consumers react very positively to such changes.

8.2 Retailer’s Role in Benetton’s Network

It is the responsibility of Benetton to bring the appropriate collection to the stores, that is made of high quality material, backed by a strong brand image and proper advertising. Also, the company sets the retail prices or announces the suggested prices depending on the laws of the country the store is located in. Then, it is mainly the retailers’ responsibility to provide the appropriate environment in the

stores for serving the needs of the consumers. This job consists of many details to care about and omitting even a single detail can spoil all the efforts spent both by Benetton and the retailer.

The main issues concerning the retailer are as follows: (Adopted from: Soysal, 1996. p 17-18)

- Location of the store and its decoration.
- Location of the goods within the store.
- Window and inner displays of the goods.
- Physical conditions at the store (temperature, humidity, illumination, music and cleanliness).
- Working hours.
- Application of the standard policies of the company like the satisfaction guarantee.
- Application of standard prices, set by the company (if allowed by country laws).
- Training and motivation of the sales personnel.
- Maintenance of good relations between customers and the sales personnel.
- Supply of good service to consumers during their stay in the store.
- Supply of correct information about products (material, washing requirements and etc.) to the consumers.
- Supply of after-sales services like alteration (shortening, tightening and etc.), replacement and refund.

Mr. Soysal, the human resources and training manager of Benetton Boğaziçi Hazır Giyim A.Ş., also concludes that the retailing business starts before customers enter the store, and it continues even after they leave the store in his book.

8.3 The human factor at the service side in fashion clothing business.

The sales people form the main source of contact between the customer and the company network. So, each sales person, in a way, is a representative of the global company. This means that he or she has to have a very good understanding of the company culture, philosophy of the brand, standard policies of the company and the properties of the products that are sold in the store. So, it is essential to train the sales personnel very well about:

- Products (raw materials, how they are washed and etc.)
- Services expected from the store and the personnel. (The main duty here, is to serve the customers in the best way to satisfy their needs and keep them happy.)
- Philosophy of the brand and company culture.
- Standard policies requested by the headquarters like after-sale services.
- Importance of customer satisfaction for the business.

In certain other stores like Mc Donald's, employees get trained about how to use the computers that the orders are recorded, how to use the cooking devices, and similar other procedures which are standardized all around the world. However, dealing with people who are looking for clothes is nearly impossible to be

put into standard procedures. This is simply because of the fact that people's needs, perceptions and attitudes are not standard. For example, while some customers want constant attention on them during their stay in the store, some others may not want to be bothered at all.

Then, everything depends on the sales person's communications skills, product knowledge and experience to modify what he or she has learnt in order to understand the customers, approach them in an appropriate manner and serve them in the best way possible.

8.3.1 Effects of Sales Personnel on Purchase Decisions

A common observation is that an important amount of purchase decisions are made at the retail stores in this business. Compared to other retail businesses like fast food, and supermarkets, the customer is in direct contact with the sales personnel for a much greater portion of his or her stay in the store. Obviously, sales personnel can affect the consumers' purchase decisions in both ways by their skills and behaviors.

The purpose of entering a clothing store does not always need to be buying something. Many people may tend to visit retail stores of well known clothing brands with the intention of just looking around, passing time, making installment payments and getting information about the latest trends in fashion. These customers

form an important potential for selling items. If a sales person is capable of understanding their points of interest and their current needs (A person, that has come to make an installment payment may also be wondering what to buy as a present for a friend's birthday), he or she can also manage to find goods that meet such people's needs and sell these goods. Of course, the sales person needs to be understanding, experienced about products and sometimes a bit creative to find out the right products for the customers.

Further more, the sales staff can sell additional items to a customer by offering a related item to the customer's purchase. For example, it is a good strategy to present a tie to a customer buying a shirt or socks to a customer buying shoes. (Soysal, 1996. p 241-242) In order to find matching products as defined above, it is obvious that the sales staff has to be experienced with the products, present at the store, and be able to understand his or her customer's needs and preferences very well again.

In short, human factor is very much involved in this business. The major success factors in retailing business relies mainly on these factors:

- Location.
- Well trained and qualified personnel.
- Proper management and co-ordination of both the personnel and the business itself.

8.4 Effects of Word-of-mouth Information Network.

The effects of word-of-mouth information network can be easily explained by providing a numerical example, given by Mr. Soysal:

It has been observed that only 5% of customers provide feedback about their dissatisfaction with their purchases or the service they receive to the retailers. Even if their problems are solved in the best way possible, 95% of dissatisfied customers are still left dissatisfied. These people talk about their experience to an average of 13 people. Each of the 13 people also distribute the negative information that they receive to 2 more people on the average. In short, 100 dissatisfied people cause: 2470 ($95 \times 13 \times 2$) more people to think negatively about the store, company or the brand. Obviously, not all of these people are potential customers and some potential customers' decisions will not be negatively affected by the information they receive. Rounding the number to 2500 and assuming that the word-of-mouth communication will affect one fifth of these 2500 people's purchase decisions negatively, it means that one dissatisfied customer causes a loss of 5 more potential customers ($2500 / (5 \times 100) = 5$). Numbers and explanations taken from: (Soysal, 1996, p 41)

8.5 Problems faced at the retail Level

It has been observed that most retail stores face sales fluctuations several times in a year. So, the number of employees working in a store tend to fluctuate a lot. Many store owners employ part time staff to meet their personnel needs. Also, the positions available in the stores are very appealing especially for young people, who are mainly students looking for a part time job, for a short period of time. All these factors lead to an incredibly high personnel turnover in the stores. This fact creates adverse effects:

- Extra training costs
- Reduction in service quality
- Being unable to keep better relations with frequent customers as they do not face the same personnel each time they enter the store.
- Loss of sales volume due to dissatisfaction of customers about the service they receive during and after the purchase.
- Loss of sales opportunities due to the lack of ability of sales personnel to serve potential customers, with different needs.
- Inefficiency of sales personnel to sell additional and complementary items to customers.

The loss of sales volume due to such problems can be very significant for the retailers. These problems also tend to exist if training of the permanent staff is not

done properly. Exhibit 3, which is a manual prepared by Mr. Soysal, clearly points out the losses mentioned above. The manual can also be easily applied to have an idea of the adverse effects of high personnel turnover to any retailing business.

8.6 Solution

It is clear that the only remedy to overcome such problems is to keep the personnel turnover low as much as possible and train the staff in the best way possible. Currently, Benetton Boğaziçi Hazır Giyim A.Ş is trying to develop training programs for sales personnel at retail stores as well as the personnel at other parts of the network. The programs are prepared based on the main philosophy of the company, and adopted to the local conditions in Turkey.

9. CONCLUSION

Brand names increase the value-added to the products. They form a guarantee of quality and satisfaction for the consumer. While the consumers are paying a high premium for the brand image, it is obvious that they expect a premium product, backed by a strong brand image and top quality service.

In addition to the investments made for production and distribution technology, one of the major success factors of Benetton, is being a company that is able to understand its customers in every aspect and customize its global strategies to fit local needs very well.

Many companies have just recently realized the great importance of customer satisfaction and how neglected details, even if they appear to be minor, can cause great losses for the business. Remembering that the customers meet the products or services that they need mainly at retail stores, more and more firms are trying to improve the conditions in the stores that their products or services are present.

Although international companies have been operating in Turkey for many years, it is very lately that laws concerning consumer rights are being applied in

Turkey. It is pleasing to see that Benetton Boğaziçi Hazır Giyim A.Ş. has been applying the rules about consumer rights, far before they have been introduced in Turkey. The company is also working very hard to improve its standards in retail level.

It is clear that there is a lot more ground to be covered in retailing business in Turkey. Companies need to find ways of improving their service quality at the retail level, as well as the product or the service that they are marketing in order to remain competitive in the market.

I would like to recall one famous saying, which is frequently spelled out at Benetton Boğaziçi Hazır Giyim A.Ş.:

- “The chain is as strong as its weakest ring.”

The success of the company depends on the success of the total network. However, the failure is unavoidable even if a small part of the network does not operate properly. So, it is the responsibility of everybody involved in the company network, to feel as a part of the chain and keep the pieces of the rings as strong as possible.

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ENDNOTES

¹ The numbers concerning Benetton's worldwide activities are taken from the official WEB site of the company, unless stated otherwise.

² Up-to-date information about the number of countries that the company operates was supplied by Mr. Serday Sunay, general manager of Benetton Boğaziçi Hazır Giyim A.Ş.

³ Several interviews were conducted with Mr. Serday Sunay. The information Supplied in this part is taken from the interviews conducted with him.

⁴ Several inerviews were conducted with Mrs. Zeynep Selgur, the marketing manager of Benetton Boğaziçi Hazır Giyim A.Ş. The information Supplied in this part is taken from the interviews conducted with her.

⁵ Extract from: "Franchising: How Brand Power Works", by Luciano Benetton

⁶ Adopted from (Schiffman and Kanuk, 1991. p180-185) and (Assael, 1992. p 184-187)

EXHIBIT 1
Shelf Audit Conducted at Akmerkez Shopping Mall
High Season Prices for Spring-Summer 96

	Basic T-shirt	Polo T-shirt	Plain, Long Sleeved Shirt
Tiffany & Tomato	490,000	790,000	850,000
OXXO	498,000	NA	998,000
Naf Naf	795,000	1,150,000	1,950,000
Benetton	895,000	1,650,000	1,950,000
Mudo Collection	845,000	1,250,000	2,450,000
Sisley	995,000	1,850,000	2,450,000
Levi's	1,350,000	1,750,000	2,750,000
Limon	900,000	1,250,000	2,950,000
BM Club	1,500,000	2,350,000	2,950,000
Yargıcı	2,350,000	3,250,000	2,950,000
Stefanel	1,650,000	2,700,000	3,900,000
Beymen	3,950,000	4,950,000	3,950,000
Vakkorama	990,000	3,600,000	4,500,000
Lacoste	4,350,000	4,350,000	4,950,000

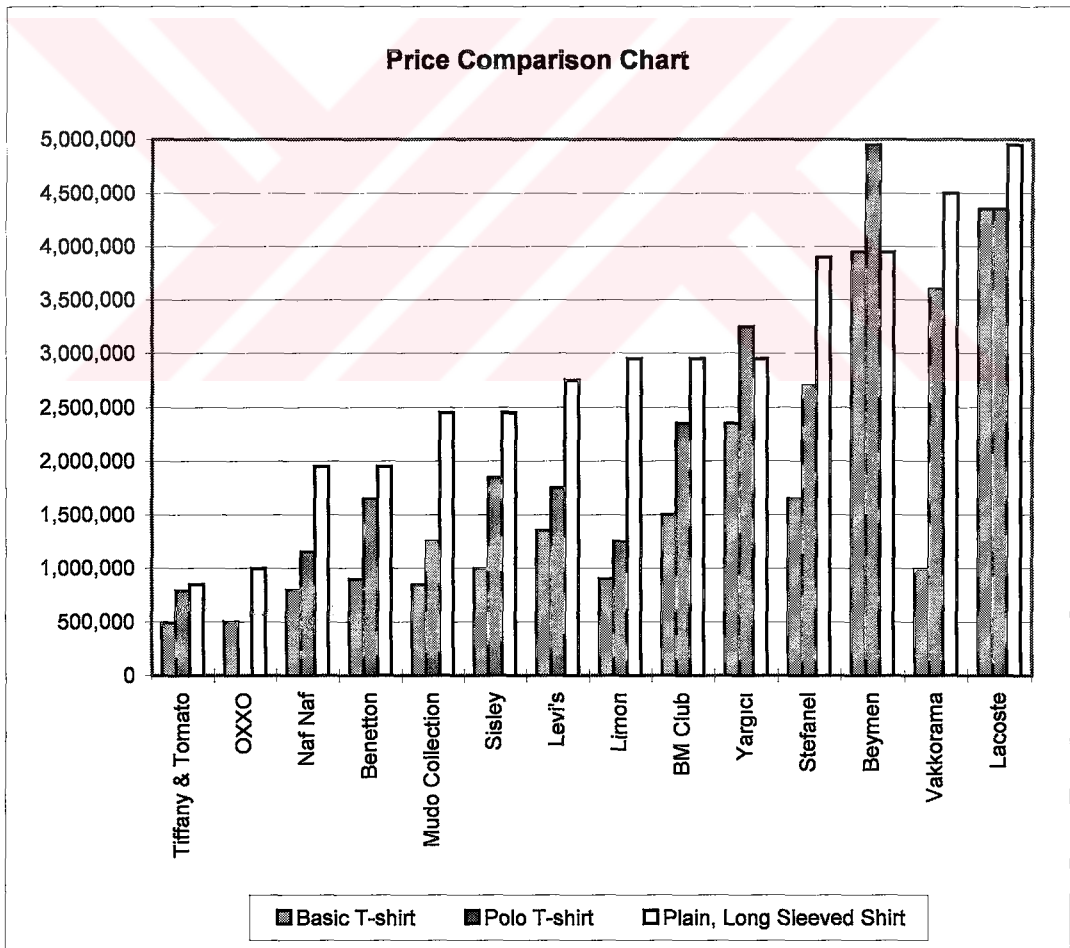


EXHIBIT 2

“Marka Değer Ölçer”

Research Report for the Turkish Market

Prepared by: Young & Rubicam

Top Ten Brands in Turkey

Most well known brands	Most prestigious brands	Most differentiated brands	Brands most suitable to consumers	Most open brands to growth
Arçelik Coca Cola İpana İş Bankası Mercedes Pepsi Cola Renault Sony THY Tofaş	Adidas Arçelik Beymen BMW Bosch Coca Cola Levi's Mercedes Sony Vakko	Becel Benetton Beymen BMW Coca Cola Levi's Mercedes Vakko Vakkorama Yargıcı	Adidas Arçelik Bosch Coca Cola İpana İş Bankası Nestle Pınar Sony THY	Benetton Beymen BMW Coca Cola Levi's Mercedes Sony Toyota Vakko Vakkorama

Source: Research “Marka Değer Ölçer”, held by Young & Rubicam, as appeared in Yeni Yüzyıl, June 11, 1996 p:9

EXHIBIT 3

Cost of Inefficiency in Service and Sales

Source: (Soysal, "Eğitimsizliğe Ne Kadar Bütçe ayırdınız?")

Basic Information for a Fictitious Retailing Company

1	Number of retail stores in the company	15 ¹
2	Total sales turnover of the company	1,1460 billion TL
3	Total number of items sold in a year	730,000 items
4	Average retail price of an item (2 / 3)	2,000,000 TL
5	Average number of items bought by one customer in a year	3 items
6	Average number of customers doing shopping in a year (3 / 5)	243,000

Cost of Unsatisfied Customers

7	Average number of dissatisfied customers in a day (Assuming that each store makes 2 customers unsatisfied every day)	30 Customers
8	Average number of unsatisfied customers in a year (7 x 365)	10,950 Customers
9	Loss of potential customers: (5 customers per unsatisfied customer)	54,750 Customers
10	Loss of sales amounts in terms of items (9 x 5)	164,250 items
11	Loss of sales amounts in terms of TL (10 x 4)	328.5 billion TL

M1	Loss of sale due to unsatisfied customers	328.5 billion TL
	Ratio of loss to total sales	22.5%

	Cost of not Serving All Customers	
6	Average number of customers doing shopping in a year (3 / 5)	243,000 Customers
12	10% of figure in line 6	24,300 Customers
13	20% of figure in line 6	48,600 Customers
14	Extra sales that could be done to 10% more of the customers (0.1 x2)	146 billion TL
15	Extra sales that could be done to 20% more of the customers (0.2 x2)	292 billion TL

¹ The original manual, which is prepared in Turkish by the Human Resources Department of Benetton Boğaziçi Hazır Giyim A.Ş. has blanks in the section for the numbers. The intent of the manual is to ask the retail store owners and managers to fill in the form themselves, to evaluate their losses. The figures that appear in the exhibit has been provided by Mr. Soysal and they represent a fictitious retailing firm, running 15 retail stores in Turkey.

M2	Loss of sale due to not serving all customers	146 billion TL ²
	Ratio of loss of total sales	10%

Cost of not trying to make additional sales to Customers

6	Average number of customers doing shopping in a year (3 /5)	243,000 Customers
16	Amount of additional sales if 30% of customers could be influenced to buy 1 more item (0.3 x 6x 4)	145.8 billion
17	Amount of additional sales if 4% of customers could be influenced to buy 1 more item (0.4x 6x 4)	194.4 billion

M3	Amount of additional sales if 30% of customers could be influenced to buy 1 more item (0.3 x 6x 4)	145.8 billion TL ³
	Ratio of loss to total sales	10%

Overall cost of inefficiency in Service and Sales (M1+M2+M3)		620.3 billion TL
Ratio of loss to total sales		42.5%

² 10% loss ratio found to be more appropriate for the firm

³ 30% of extra customers ratio found to be more appropriate for the firm