

Maurizio's Decision

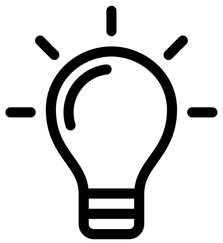
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Thesis

Maurizio Gucci vision improved the company's organization and structure. However, due to lack of managerial expertise led to the company being on the verge of bankruptcy.

From 1991 through 1993, Gucci's losses amounted to **$102** million. Strapped for cash, by the fall of 1993 Gucci was unable to finance new collections and advertising or even to pay suppliers and employees.





The only solution was to cease to be under the ownership of the Gucci family. By the end of 1993, Investcorp has acquired 100% ownership, buying out Maurizio Gucci for $120 million.

Maurizio's vision was to create a **$1 billion** company
firmly lodged in the upper reaches of the market,
with limited distribution targeting an exclusive clientele.

However in 1993,
Guccio Gucci SpA lost over **$22 million** on revenues of $230 million.

Timeline

Internal Funding

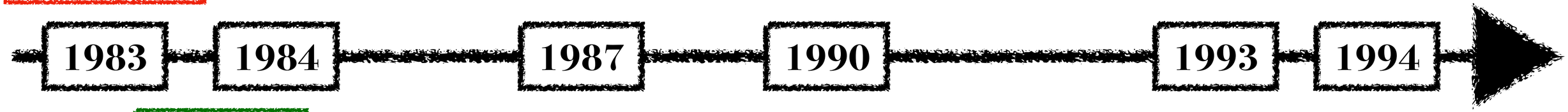
1983
Rodolfo Gucci died leaving his 50% stake in the company to his son Maurizio

1984
Maurizio Gucci seized control of Gucci, with the support of his cousin Paolo

End of 1980s
As Gucci's cash flow dried up, Maurizio Gucci continued to spend freely

Early 1990s
The entire industry was suffering from a downturn - Gucci's losses amounted to $102 million

September 1993
the last remaining Gucci sold out



External Funding

1984
Maurizio names Domenico De Sole as president and managing director of Gucci America

Late 1980s
Maurizio brought in Dawn Mello to oversee product development and image creation

1987-1989
Maurizio has the backing of Investcorp, who bought out the rest of the family

Early 1990s
William Flanz, a member of Investcorp's management committee, replaced Maurizio Gucci as CEO

1993
Investcorp stood willing to rescue Gucci, but only if Maurizio stepped down

1994
Tom Ford replaces Dawn Mello as Creative Director

October 1994
De Sole is named COO

Employment
Operation
Finance

Employment

- her new design team reinvented Gucci as a classic brand

Dawn Mello

- threw 2/3 selling products
→no replacements to offset the volume drop

- a strong vision for design and visual communication

Tom Ford

- very expensive acquisition
- no enough funds
→support Ford's implement

- hired new managers who had deep retail experience

De Sole

- fired 150 employees
→a harsh transition

Operation & Distribution

- consolidated operation
- stopped family plans

→license new products

Maurizio

- stopped distributing through department stores & closed stores

In the **1980's** Gucci has **22,000 products**.

Refined the products that Gucci sold and to limit them.

- refined the North American distribution network, which had grown out of control

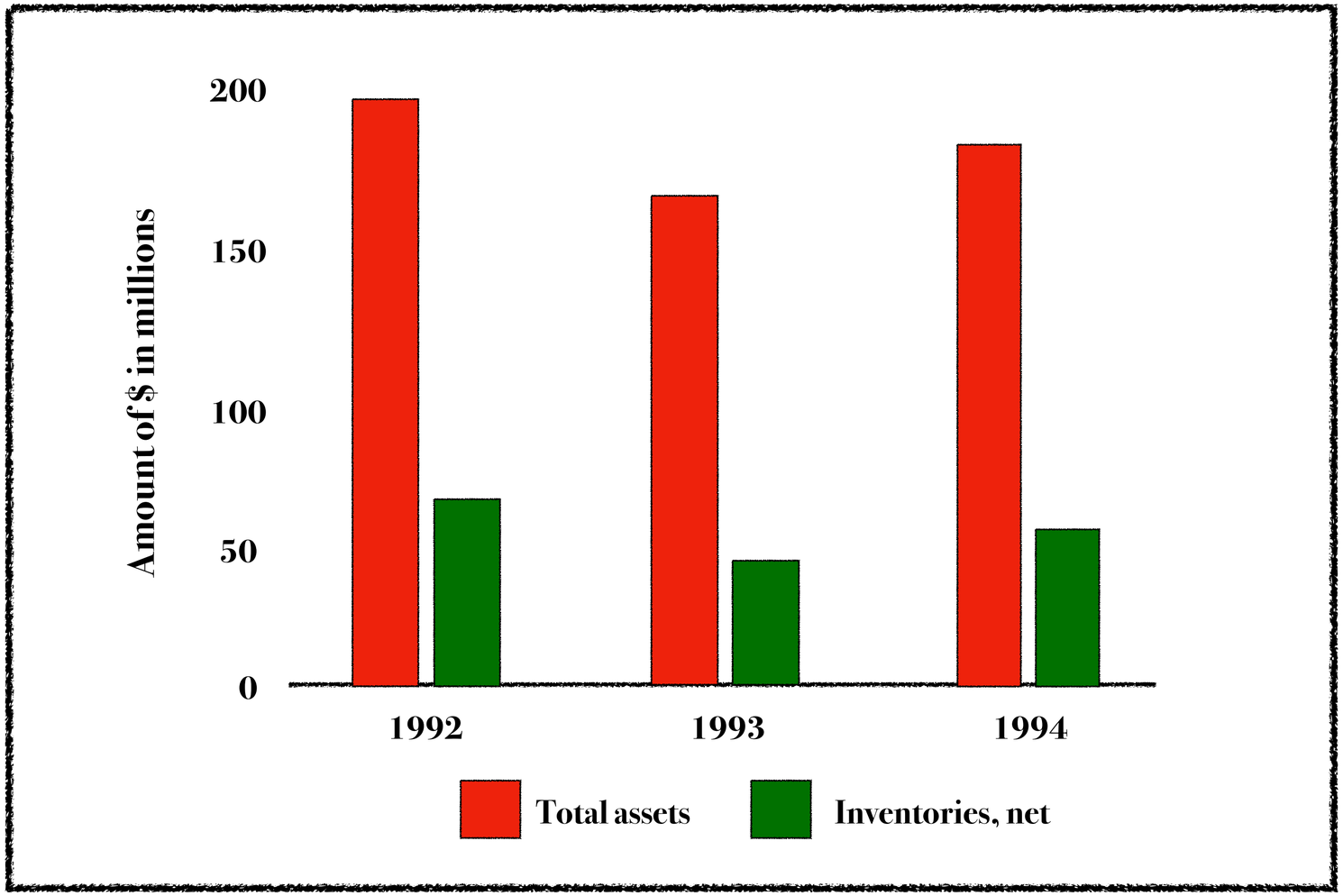
De Sole

Between **1990** and **1994**,
Gucci America's store fell by almost half, **from 42 to 26.**

From **more than 600 points** of sale in the late **1980s**,
Gucci dropped to **194 in 1993**.

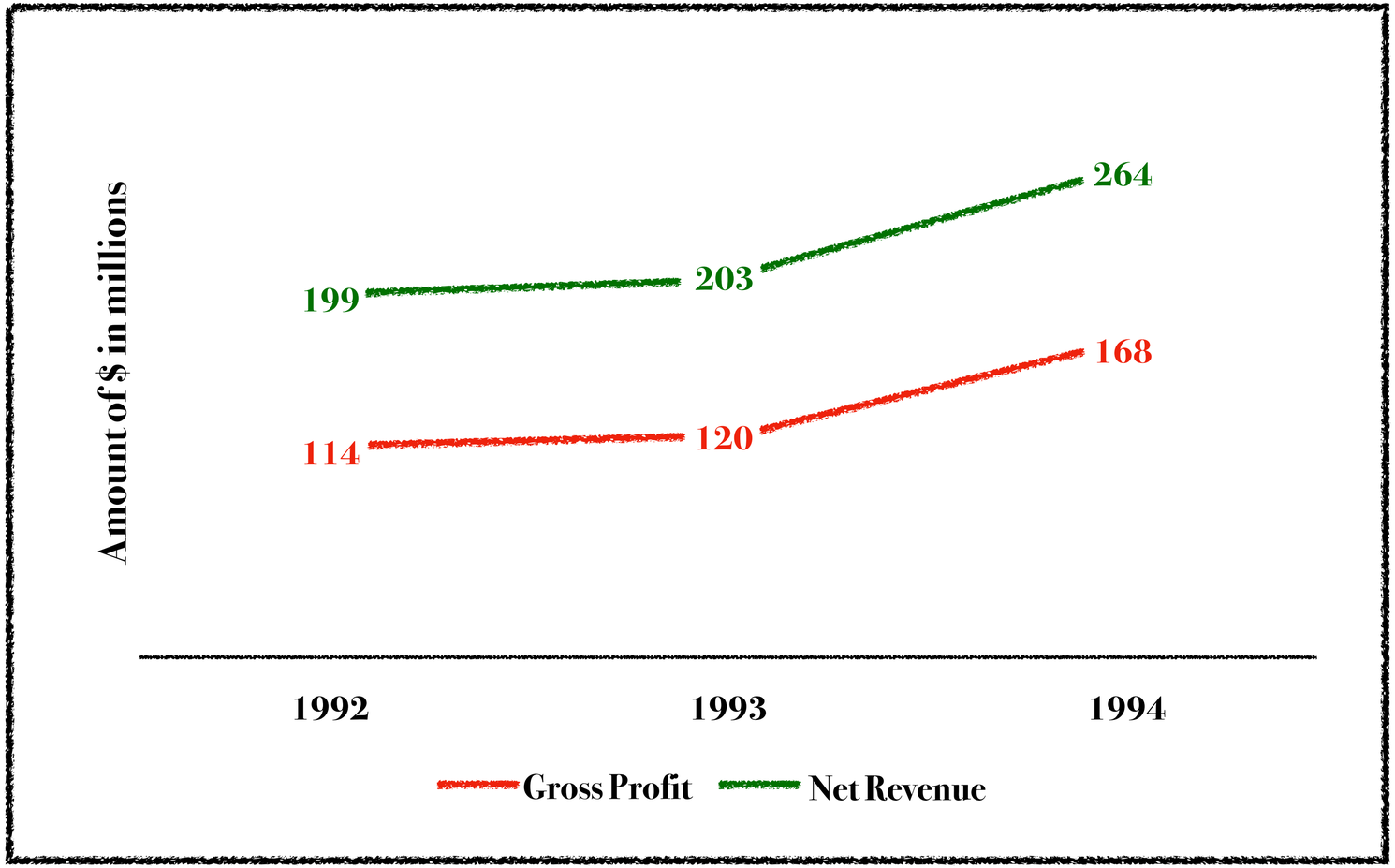
Stores were not closed in a phased manner,
it wiped out the business

FINANCE



- Expenses → decreased **from 143 to 115 million** from **1992** to **1993**
- Total Assets & Inventory → decreased from **193 to 160 million** from **1992 to 1993**
- Inventory → decreased from **62 million in 1992** went down to **44 million in 1993**.

Less stores, less products, less employees = less total assets/inventory and expenses



- Net Revenue → **199 millions in 1992** and rose to **203 millions in 1993**
- Gross Profit → **114 million in 1992 and** rose to **120 millions in 1993.**

- **Net revenue only increased by 4 millions = sales were almost static**
- **Gross profit margin only increased by 6 millions = the company wasn't increasing profits**

Maurizio's Spending

Maurizio

refurbished Gucci's Milan headquarters, bought an 18th-century palazzo outside Florence and co-sponsored one of Italy's entries in the America's Cup.

By 1993 Maurizio faced **personal bankruptcy**

had no more capital to invest in the company

Losses were reportedly $102 million between 1991 and 1993.

luxury goods sales decreased by 3% a year between 1990 and 1993

Economic Environment

Investment

Saddle Agreement' acquired
up to 50% of the company

Investcorp

losing patience in financing the company

Brought huge amount of capital into the company
Aimed to relaunch the brand, install professional management

Between 1987 and 1993, Investcorp poured hundreds of millions of dollars into Gucci with no return

“Thank you.”