

FSF Merchandising Case Study

Case Study 2025

GUCCI

Redefining luxury with clothing customization.

Discover a new level of luxury with Gucci customized clothes, using an AI 3D style configurator.





Table of Contents

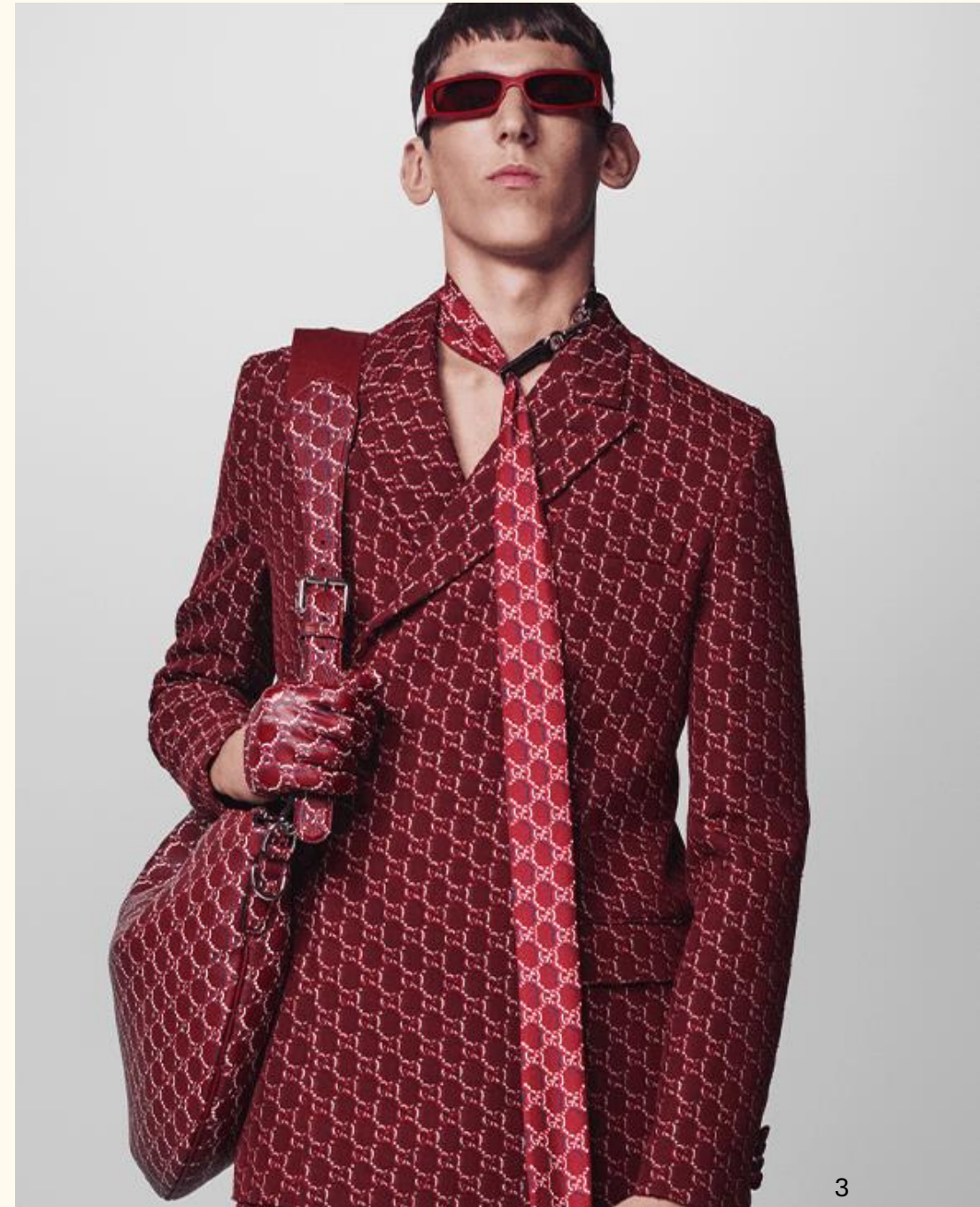
1. Executive Summary
2. Brand Comparison
3. Brand Introduction
4. Technology Research
5. Industry Research
6. Consumer Research
7. Big Data and Digital Technology
8. Product Assortment
9. Distribution Plan
10. 6 Month Buying Plan
11. Income Statement

Executive Summary

Gucci has introduced "Tailored For You," a new way to offer **customized clothing in-store using an AI system**. The system uses a **3D style configurator to create different combinations of cuts and colors based on customer information**. Kering's Annual Report shows a significant drop in Gucci's sales this year. **In the second quarter of 2024, Gucci's sales fell by 11%, causing a 20% drop in reported sales and an 18% drop when adjusted for currency (BoF, 2024)**. The Ready-to-Wear products contribute 17% to total sales revenue, making them ideal for using this technology of customization to increase sales.

According to the BoF Brand Magic Index consumers align to 12 archetypes, such as "creator" and "magician". This indicates a desire to create and turn dreams into reality. Gucci was ranked 45th for alignment, making it one of the least aligned brands (BOF, 2024). To address this, **Gucci needs a new strategy to boost sales, attract customers, and build brand loyalty**. Research indicates that **71% of consumers expect personalized interactions with companies (BoF, 2022)**.

Offering customized experiences in Gucci stores can help **increase sales, improve customer loyalty, and attract new customers**. By expanding its product range and offering customized experiences, Gucci can strengthen its position in the market.



Brand Comparison

ZEGNA

- The 2023 annual report highlights a significant increase in ZEGNA branded products of €185,549 thousand, representing a remarkable growth of +20.1%.
- ZEGNA is internationally recognized as a leading global luxury menswear brand and part of the Ermenegildo Zegna Group. (ZEGNA, 2024)
- ZEGNA collaborated with Microsoft to bring ZEGNA X, a system to further explore the power of AI in the service of luxury retail. The Made to Measure system service create garments that respond to the brand customers' lifestyles. Where customers may, following a meeting with a style advisor, order their custom-made garments with their fabric, style and finish of choice.
- The increase in revenues for the Zegna segment was primarily attributable to an increase of +52.9% in in the rest of the world, driven by the continued positive performance of shoes and leisurewear, as well as the rebound of our Tailoring and Made to Measure business, particularly in the United States and EMEA.
- Zegna has 277 stores around the world as of 31 March 2024, with 99 in the US.

GUCCI

- In the 2023 annual report, Gucci reported a revenue of €9.9 billion, showing a 6% decrease as reported and a 2% decrease on a comparable basis.
- Gucci is recognized for its classic designs and leather goods, which make 50% of their revenue.
- Gucci entered to the metaverse, where the brand has different activations such as an exhibition, an online gallery, Gucci-inspired games and more.
- In 2018, Gucci offered a "Do It Yourself" personalization service, allowing customers to customize the Ophidia tote bag and Ace sneakers using a 3-D computer-generated imagery tool. They also introduced an in-store app using augmented reality, which allows customers to customize products and visualize them in a real-world setting.
- In 2024, Gucci's only personalization option is to add initials to certain bags, luggage, belts, leather accessories, and items from the pet and lifestyle collections. You can arrange this before buying online or by taking the item to a Gucci Boutique.
- Gucci had a total of 538 stores around the world in 2023, with 112 stores in the US (Statista, 2023).



[Image](#)

Why Gucci?

In 1921, Gucci was founded in Florence, Italy, and has since become a leading luxury brand. Gucci continues to redefine luxury by emphasizing creativity, Italian craftsmanship, and innovation. The brand is part of the global luxury group Kering. Gucci's focus on redefining luxury and embracing innovation is essential in a highly competitive market. Despite a slight decrease in its ranking to **#34 in the Best Global Brands Ranking in 2023 on Interbrand, and a -2% growth**, Gucci has made significant strides in venturing into the technology world by incorporating augmented reality, collaborating with digital artists, utilizing e-commerce, and participating in digital events to enhance the shopping experience. The introduction of **a 3D style configurator in Gucci stores would empower customers to personalize their shopping experience and enhance store productivity by offering the necessary product assortment in each store.** According to Kering's Annual Report as of June 30, 2024, Gucci directly operated 536 stores and closed two stores (net of openings) during the first half of the year. **The House's operating investments totaled €124 million in the first half of 2024, reflecting a €108 million decrease compared to the first six months of 2023.** The implementation of this technology could significantly boost Gucci's sales by attracting more customers to the store, like the successful strategy adopted by the brand ZEGNA. **ZEGNA's 3D style configurator, named ZEGNA X, currently accounts for over 45% of ZEGNA boutiques' revenues in regions where normal travel and movement have resumed post-COVID.** (Ermenegildo Zegna Group, 2023)

Strengths

- **Global presence.** Gucci had a total of 538 stores around the world in 2023, with 112 stores in the US (Statista, 2023).
- **Use of technology.** The brand has entered to the metaverse, digital landscapes, videogames, etc.

Weaknesses

- **Developing new products.** They haven't released a product that is different and gives them an advantage towards the competitors.
- **No use of AI in stores.**
- **No personalization option.** Gucci offers personalized embossing on select items, but currently, there are no further personalization options for customers.

Opportunities

- **E-commerce.** Of overall fashion retail sales worldwide, nearly 21 percent are e-commerce transactions. (Statista, 2024) It makes a perfect opportunity for brands to innovate the digital space.
- **Ready-To-Wear.** RTW makes up 17% of Gucci's revenue and presents an opportunity for increased sales in that category.

Threats

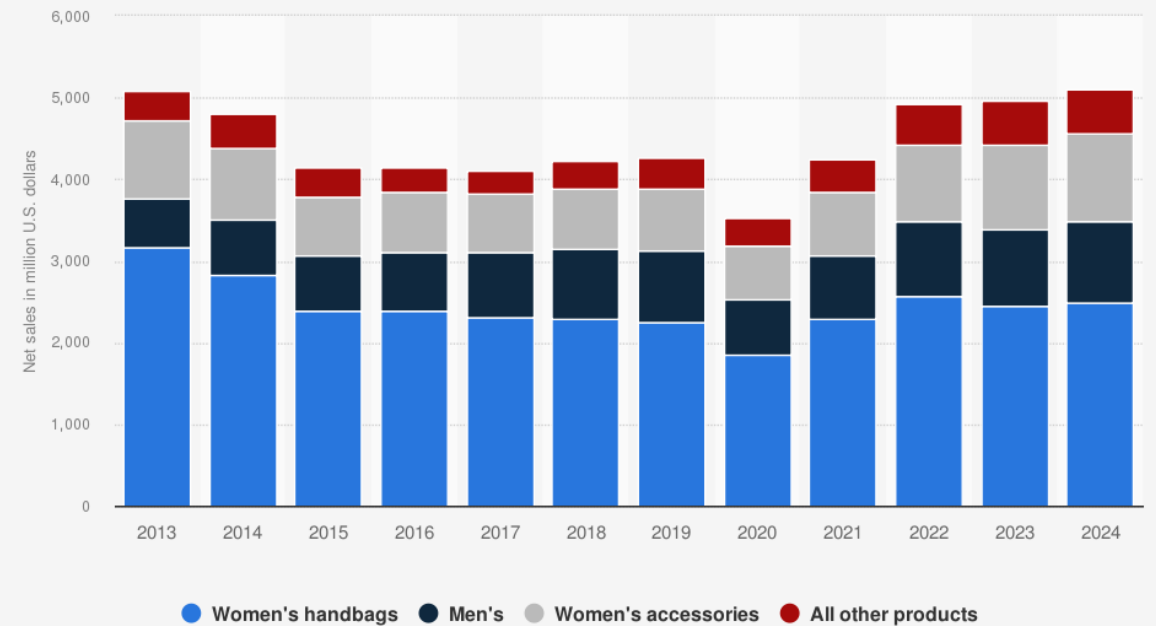
- **Highly competitive market.**
- **Government laws.**



Technology Research

- Burberry is a great example of how to personalize clothes. They have the option to **personalize their popular product, the Trench Bespoke**. Customers can select their preferred color fabric, lining, buttons, embroidery, and desired length.
- ZEGNA is launching **ZEGNA X globally, a digital platform and customization tool that allows clients to design their ideal wardrobe**. The Made To Measure service offers personalized fittings and fabric options. The process starts with a private appointment and delivers the tailored piece within a few weeks.
- 60% of global retail professionals consider **AI crucial for physical store operation**. (Statista, 2024).
- Coach uses technology to enhance the online shopping experience, **offering virtual try-ons and interactive features for a personalized journey**. Advancements such as customizing bags with embellishments, demonstrating what fits in each bag with everyday items, and comparing sizes based on the customer's height and size, build trust and provide a better understanding of the products before purchase. (istituto marangoni)

Net sales of Tapestry, Inc.'s Coach brand worldwide from fiscal year 2013 to 2023, by product category (in million U.S. dollars)



Sources
Coach; Tapestry
© Statista 2024

Additional Information:
Worldwide; Coach; Tapestry; 2013 to 2024

In 2024, Coach's women's handbags generated about 2.5 billion U.S. dollars in net sales. This growth is attributed to Coach's use of technology, data, and AI to its advantage, as shown in the graphic depicting the brand's recent progress. (Statista, 2024)



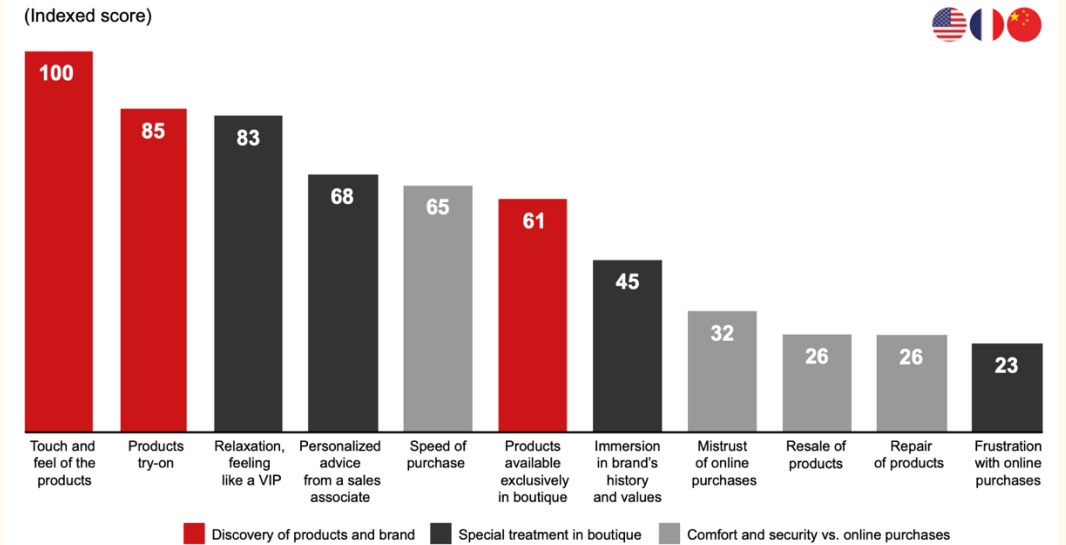
Industry Research

- In 2023, many people shopped in physical stores because they could get the product they wanted right away. About one out of every five shoppers chose this option. Additionally, a lot of people enjoyed shopping in stores because they could try out the product before buying. (Statista, 2024)
- According to the Brand Magic Index, **customers want to be able to transform and create their clothes.**
- Close to 45% of luxury customers mention that **exploring products and collections is the primary reason for visiting a boutique.**

Customer Research

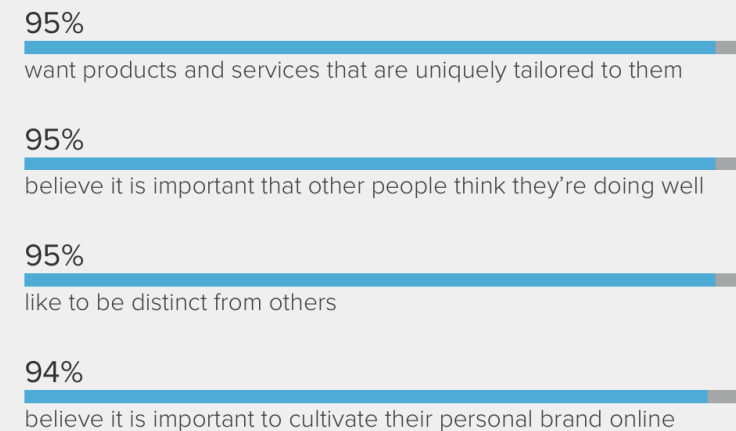
- **Gucci's target customer is primarily luxury fashion consumers with high brand awareness and loyalty.** In the United States, Gucci has a 94% brand awareness among luxury fashion owners, with 51% liking the brand and 35% owning Gucci products (Statista, 2024).
- Gucci's customers are wealthy w/o kids, millionaires, graduated plus, they are **45+ years old**, own a Mercedes Benz, Audi or Lexus, like golf, travel to Europe, with an income of \$500k+. (Claritas, 2024)
- **71 percent of global consumers want companies to deliver personalized communications and products**, and 76 percent are unhappy when this is not offered. (BoF, 2022).
- As seen on the graphic, close to **45% of luxury customers mention that exploring products and collections is the primary reason for visiting a boutique.** (Bain & Company, 2023)
- **Gucci customers are "Undaunted Strivers", they are trendsetters and go-getters.** These consumers invest in their image. They care about what others think and like to follow the latest trends. They're also willing to spend money to exude a certain status. Their reputation is a top priority. (Euromonitor International, 2024)

Figure 1: Why luxury customers choose to shop in a physical boutique



Source: Comité Colbert and Bain & Company consumer survey (June 2023)

TRENDSETTERS AND GO-GETTERS



Source: Euromonitor International Voice of the Consumer: Lifestyles Survey, fielded January to February 2023 (n=40,691)

Big Data and Digital Technology Merchandising Support

Gucci's "Tailored For You" introduces a groundbreaking in-store custom clothing experience, featuring **three Menswear Ready-To-Wear formalwear styles**. Customers can seamlessly personalize their selections using an advanced AI system and a cutting-edge 3D style configurator, allowing them to create bespoke combinations of cuts and colors tailored to their preferences. **The eagerly anticipated product assortment is set to debut in Gucci's flagship stores in July 2025, with plans for expansion into ecommerce markets in the near future.**

The global artificial intelligence in fashion market is expected to grow at a CAGR of 36.9 percent during the forecast period from 2019 to 2027, **to amount to 4.4 billion U.S. dollars by 2027.** (Statista, 2024) As fashion industry executives consider how to maximize their technology resources, **Hyperpersonalization is one key theme that could help brands.** Brands have access to a growing arsenal of personalization tools and technologies to upgrade how they customize and personalize their customer relationships. (McKinsey & Company, 2022) These allegations resonate with Gucci's digital efforts.

Gucci will implement the technology in menswear Ready-To-Wear apparel as this is where it has the most opportunity to increase sales in that category. This segment is populated, and it is common for men to have their suits customized. Since ZEGNA is Gucci's menswear supplier, it makes perfect sense for Gucci to use a similar approach as them, as it has seen them improve sales.



Product Assortment

Flagship Stores

Gucci Men's Ready-To-Wear



Fitted Wool Jacket



Embroidered Wool Pant



Cotton Jersey Formal Jacket



Wool Twill Pant

Category	# Styles	Description	Fashion or Core Product	# Color	# Sizes	Per Size	Unit Cost	Retail Unit Price	IMU %	# Stores	Units OH per store	Retail OH per store	Cost Value Inventory	% SELL THRU	SALES QTY	SALES VALUE
RTW	1	Fitted Wool Jacket	Fashion	3	5	7	\$1,710.00	\$3,800.00	55.00%	10	1,050	\$3,990,000	\$1,795,500	55%	578	\$2,194,500
RTW	1	Embroidered Wool Pant	Fashion	3	5	7	\$607.50	\$1,350.00	55.00%	10	1,050	\$1,417,500	\$637,875	55%	578	\$779,625
RTW	1	Cotton Jersey Formal Jacket	Fashion	3	5	4	\$1,620.00	\$3,600.00	55.00%	10	600	\$2,160,000	\$972,000	55%	330	\$1,188,000
RTW	1	Wool Twill Pant	Fashion	3	5	4	\$517.50	\$1,150.00	55.00%	10	600	\$690,000	\$310,500	55%	330	\$379,500
Totals	4										3,300	\$8,257,500	\$3,715,875		1,815	\$4,541,625

Distribution Plan

Markup %: 55%

Markdown %: 3%

Distribution Channel	# of Stores	TOTAL Units on hand	TOTAL Retail \$ on hand	Sales Forecast	% Sales by Channel
FLAGSHIP STORES	3	3,300	\$8,257,500	\$4,541,625	100.00%
Totals	3	3,300	\$8,257,500	\$4,541,625	100.00%

- **Sales from directly operated stores made up 90% of Gucci's total sales in the first half of 2024.** (Kering's First Half Report, 2024) Showing that more people will get familiarized with this technology if it is in a physical store first.
- **The technology will be first implemented in ten flagship stores around the US.** In each of these stores, customers will have access to four of our top-selling styles, all of which will offer customizable options.
- These styles will be available in three different color choices, allowing shoppers to pick their preferred shade. Furthermore, each store will stock between 4 to 7 units per size, ensuring a good range of availability for customers looking to purchase on-site. **This initiative is designed to provide an exclusive, personalized shopping experience with our exclusive fits.**
- North American retailers sold 40 percent fewer heavily-logoed products in 2023 than in the year before, according to Trendalytics. (BoF, 2024) **In a time when minimalism is trending, this strategy's product assortment will focus on offering items no heavily-logoed.**

6 Month Buying Plan

FALL/WINTER		AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	SEASON TOTAL
SALES \$	Plan	\$454,163	\$681,244	\$772,076	\$999,158	\$1,089,990	\$544,995	\$4,541,625
	Sales % to total	10.00%	15.00%	17.00%	22.00%	24.00%	12.00%	100.00%
STOCK/SALES								
RATIO	Plan	1.50	1.70	2.30	2.50	1.80	1.70	
BOM STOCK \$								
(RETAIL)	Plan	\$681,244	\$1,158,114	\$1,775,775	\$2,497,894	\$1,961,982	\$926,492	
EOM STOCK \$	Plan	\$1,158,114	\$1,775,775	\$2,497,894	\$1,961,982	\$926,492	\$400,000	
MARKDOWNS \$	Plan	\$6,812	\$6,812	\$13,625	\$27,250	\$40,875	\$40,875	\$136,249
	% to Sales	5.00%	5.00%	10.00%	20.00%	30.00%	30.00%	
PURCHASES \$ (RETAIL)	Plan	\$937,846	\$1,305,717	\$1,507,820	\$490,496	\$95,374	\$59,378	\$4,396,630
PURCHASES \$ (COST)	Plan	\$422,031	\$587,573	\$678,519	\$220,723	\$42,918	\$26,720	\$1,978,484

SEASON TOTAL	
SALES	\$4,541,625
MARKUP %	55.00%
MARKDOWN %	3.00%
GROSS MARGIN %	53.65%
AVERAGE STOCK	\$1,343,072
TURNOVER	3.38
PLANNED MARKDOWNS	\$136,249

- The buying plan is for the Fall/Winter quarter. **Accounting festivities, November and December are the months where there are going to be more sales.**
- The ratio will expand in these months since it is when there must be more inventory.
- The season will have a total of **\$4,541,625.**

Visual Merchandising

The AI 3D Style Configurator will **be in the menswear section of the store** since it is only available for menswear at the moment. Since it is a big screen, customers will notice it right away.

There will be an **empty space around the configurator so the customer can stand out in front of it and use it**. Next to it, there will be shirts and accessories that the customer will be able to see and shop if they like how they match the clothes they are buying.

There will be **three discrete signages** used to indicate that the store counts with this technology. One will be in the entryway, another in the menswear section, and the last one at the checkout spot of the store. Each signage will have a CTA directing the customer to learn more about this new technology and to create an account on Gucci.

After the customer completes customizing the suit they want, **the order will be processed, and they'll have the choice to pay there or at the cashier**.

Image generated with Midjourney





Image generated with Midjourney

Future Growth

After a successful initial launch, **Gucci** will expand the **AI 3D Style Configurator on the website**, allowing the customer to use this technology from their own devices.

In the United States, **more than 35 percent of apparel consumers return online purchases because they do not like the sizing**. Implementing the configurator in the online space would improve this. (Statista, 2023)

Gucci plans to **extend the product assortment on the configurator**, having available more styles for menswear and launching womenswear on the configurator.



[Image](#)

Conclusion

Gucci's "Tailored For You," explores the power of clothing customization in-store using an AI system to connect with menswear customers. According to BoF, companies that excel at personalization generate 40 percent more revenue from those activities than average players. The revenue from menswear will be enhanced thanks to the integration of this customization technology that addresses the challenge of fitting.

The implementation of technology and AI to Gucci augments the brand's capability of being innovative and engaging with its customers. Gucci will have a high advantage towards other competitors. This project launch will increase customer's expectations from other brands and will captivate them to buy from Gucci.

The development of this technology elevates Gucci to the best for menswear clothes and has a wide range of growth opportunities that range from the expansion of the AI 3D configurator into the online space to the extension to offering more customization options in more categories.

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