



University of Tennessee, Knoxville
**TRACE: Tennessee Research and Creative
Exchange**

Chancellor's Honors Program Projects

Supervised Undergraduate Student Research
and Creative Work

Spring 5-2005

Juicy Couture Enters Brazil

Ashley Hogan-Gancarz
University of Tennessee - Knoxville

Follow this and additional works at: https://trace.tennessee.edu/utk_chanhonoproj

Recommended Citation

Hogan-Gancarz, Ashley, "Juicy Couture Enters Brazil" (2005). *Chancellor's Honors Program Projects*.
https://trace.tennessee.edu/utk_chanhonoproj/867

This is brought to you for free and open access by the Supervised Undergraduate Student Research and Creative Work at TRACE: Tennessee Research and Creative Exchange. It has been accepted for inclusion in Chancellor's Honors Program Projects by an authorized administrator of TRACE: Tennessee Research and Creative Exchange. For more information, please contact trace@utk.edu.

Ashley Hogan-Gancarz
University Honors Program
Senior Project 2005
Mentor: Dr. Barnaby
Co-Written by:
Amanda Close
&
David Whitson

Brazilian Juicy Launch 2005

Executive Summary

Juicy Couture, a high-end clothing brand, has chosen to launch a campaign in São Paulo, Brazil. This market has been selected due to the popularity of high fashion products and the access to disposable income. Women aged 18-34 who have disposable income and the desire for high-fashion clothing will be targeted within the market for optimal profits.

The macroenvironment in place in Brazil is favorable to the trade of Juicy products. Brazil monitors their imports and controls customs clearance with a computerized information system known as the Foreign Trade Integrated System (SISCOMEX). This system has been in place since 1997 and has reduced the paperwork involved in the importing process.

Tariffs are the primary import regulation means in Brazil and range on average at an applied rate of 14% (6.5% for trade-weighted). Juicy will need to obtain an import license before shipment and register with the Brazilian Secretary of Foreign Trade (SECEX). Labels must be in Portuguese. Trademarks must be closely protected.

The Agreement on Textiles and Clothing (ATC) ended in December 2004, and quotas were lifted. Since Juicy focuses on premium products, this should not negatively affect business as it would for lower priced clothing items.

São Paulo has been chosen as the target city because it is most visited and by affluent persons, has the most internal spending power, and is a hub for financial, commercial, and industrial activity within Brazil. São Paulo has more high-end boutiques and stores than anywhere else in the country. Brazilian customers, especially in São Paulo, enjoy buying designer clothes from around the world. For the fashion savvy, São Paulo is seen as similar to markets niche premium markets in New York, Miami, and L.A. Since Juicy has done very well in these markets, it makes sense to expand to other similar markets across the world. Competitors in the market include clothing made by Forum, Zoomp, Zapping, Dalsu, Prada, Dolce & Gabbana, Valentino, Ozbek, DKNY, Eclat and Infinita. All of these brands charge premium prices and focus on the high-fashion niche market. Some of them will potentially be sold at the same retailer as Juicy.

Juicy is focused primarily on the customers' symbolic and experiential needs. The company offers products to fulfill these needs because of the type of brand name it possesses (high end fashion). Within São Paulo, there are approximately 9 million women, but Juicy will be targeted only to the high-income bracket of the population. Demographic breakdowns for the target market include age, income, gender, and social status. This narrows the target group into a niche market focused on high-end fashion without concern about price. The needs of the niche market can be easily met with the current product offerings of Juicy Couture. The company will need to team with esteemed retailers to attract customers to the point of purchase and provide excellent customer service. The target market is very concerned with well-made clothing due to the premium price and expects their needs to be met. Failure to do so will result in lack of customer loyalty.

Introduction

Juicy Couture is a high-end fashion brand that is owned by Liz Claiborne. They have been an established brand in the United States and Europe for several years. They cater to women and men who are interested in new styles and high fashion. The promotion for the brand is largely word of mouth. The products are distributed in upscale department stores and specialty stores.

Juicy is often discussed in the latest fashion magazines, and has a strong celebrity client base. This allows for growth in the brand without direct advertising and helps to maintain the upscale image desired by the founders.

For the purposes of the Brazilian product launch, Juicy will be targeting only women at first. This is due to the increased popularity and demand of women's fashion within the market. If the launch does prove to be a success, evaluation of the men's clothing line will be considered.

Macroenvironment

Brazil monitors their imports and controls customs clearance with a computerized information system known as the Foreign Trade Integrated System (SISCOMEX). This system has been in place since 1997 and has significantly reduced the amount of paperwork involved in the importing process. The primary import regulation means in Brazil are tariffs. Tariffs average applied rate is around 14% and 6.5% for trade-weighted. In order to export to Brazil companies must first obtain an import license (prior to shipment) and be registered with the Brazilian Secretary of Foreign Trade (SECEX). Before goods will be accepted into Brazil they must also carry a label in Portuguese. This label must list the contents, name, address and telephone number of the importer. The Brazilian Government bases import tax on:

- ✓ transportation cost of the imported product to the port of arrival
- ✓ fees associated with loading, unloading and handling the imported cargo to the port of arrival
- ✓ insurance costs associated with freight

The Brazilian Government also collects fees and taxes on warehousing, use of the SISCOMEX system, cargo transportation, and a 25% maritime freight tax. US companies are charged \$100 per container for terminal handling charges in select ports. An example of the costs US companies pay to export to Brazil is illustrated in chart 1-A. The chart shows that imported surgical needles cost a US company approximately \$30,000 more than it costs a local company. These costs would be very similar for our company, Liz Claiborne, and if our brand became successful in Brazil it would be wise to consider local manufacturing in the future. There are also internal taxes which must be considered when entering Brazil; the Industrial Products Tax – IPI and the Merchandise Circulation Tax – ICMS are the main taxes. The IPI is levied by the government and is determined by how essential the product is to the Brazilian end-user. The ICMS is a state government value-added tax; it is levied on every transfer of movement of merchandise.

Trademarks must be strongly protected when entering the Brazilian market. This would be especially important to our company since we will be trade marketing the Juicy brand name.

“A trademark registration is valid for ten years, being indefinitely renewable for subsequent ten year periods (art. 133) and it may be subject to forfeiture if the mark is not used for more than five years (art. 143). If, however, the use of the mark has been licensed, it is not necessary to have a license agreement recorded in order that the use of the mark made by the licensee may inure to the benefit of the trademark owner (art. 140)” (Law 9279).

The Agreement on Textiles and Clothing (ATC) ended on December 31, 2004, in turn the quota system for international trade in textiles and clothing was lifted. The end to clothing quotas will bring about changes to the international clothing industry, who the changes will positively affect or negatively affect will be determined with time. Experts predict that by 2005-06, major textile and clothing buyers will reduce the number of countries they source from by half. The end of quotas will intensify foreign competition and may cause a slow down in growth rates in some markets; however, it is predicted that “new markets are emerging in ...high- and middle- income groups in the larger developing countries” (Knappe). This benefits our product launch since this should include our target market. By exporting high quality products with a focused differentiation approach Juicy will gain niche markets and avoid the over crowded mass markets.

Political and regulatory issues our company faces will also affect how the business is run. Random checks by customs officials are increasing in 2005 and without proper licenses and product information companies can be banned from importing. There are also risks associated with the threat of war, and terrorist activities, including reduced shopping activity and disruption in the receipt and delivery of merchandise (Yahoo Finance). This is not a current threat in Brazil, but something every company should keep in mind. Another economical concern to consider is the fluctuation of foreign currency exchange rates, interest rates and stock market volatility, and currency devaluations in Brazil. The entry and exit factors would only be a small concern for our company as we are planning to export our products to pre-established retailers in Brazil. If it became unprofitable or risky to export to Brazil we could stop shipments.

There are many substitutes for our product in Brazil, other cheaper clothing lines or high end products. Juicy would be targeted at the large more affluent market in the largest cities in Brazil. We would begin by exporting to São Paulo the most populated city in Brazil. The population in São Paulo has seen a steady climb over the past 30 years and accounts for around 22% of the country's population (Table E-3). The people in São Paulo account for the largest part of the 10% in the ‘richest’ category in Table E-5 for 1999. The population in Brazil has migrated from primarily rural to the current status of around 80% of the inhabitants residing in urban areas (Font 78). “By 1990, the wealthiest 10 percent of Brazilians held half of the total wealth and had incomes almost thirty times the average for the bottom 40 percent of the population” (Font 79). This would benefit our product since the majority of our potential buyers would be in close reach of our selling outlets and hold the largest amount of discretionary income.

Overall the market in Brazil, specifically in São Paulo, shows significant opportunity for the Juicy Brand launch. The trade conditions are reasonable and would provide a profitable opportunity for our company. The market shows growth and a large enough affluent population to support our high end product.

Competitor Analysis

Brazil's four largest cities are great places to do business. Since Juicy Couture is a more expensive product and the majority of Brazil's population cannot afford the price, there are a few key cities that could carry Juicy Couture. São Paulo is the city that most executives and high spenders visit, while Rio de Janeiro has more of a laid back consumer. The relationship that Liz Claiborne has with their retailers would only benefit Juicy Couture because of their well established/known brand name.

Brazilian consumers are eager to buy new fashions from designers in South America, Europe, Asia, and United States of America. This can be done so more easily now, thanks to South American government measures to get the economy in shape and liberalize trade. Until the mid 1990s foreign women's fashion labels were virtually nonexistent in Brazil due to prohibitive import duties of over 100%, which forced well-off Brazilian women to buy fashion during their excursions to Europe. The government, in its first steps toward market modernization and globalization, began lowering tariff and non-tariff linked trade barriers. Brazil's market is no different than that of New York, L.A., or Miami in the US, and those markets have always been profitable. Most of South American consumers are concentrated in the industrialized southern or southeastern region of the country, in particular São Paulo, South America's biggest metropolis, and Rio de Janeiro, Brazil's second largest city.

The fashion tendencies of these two cities couldn't be more different. São Paulo is hub for the commercial, financial, and industrial branch of Brazil, and because its consumers have the country's greatest buying power. Residents tend to dress more formally as you would see in New York City or LA. This is why São Paulo boasts more high-fashion shops and boutiques with imported labels and classic apparel. Rio de Janeiro, whose residents have less buying power, is more leisure-oriented, where the body reigns supreme, more like Miami.

Juicy Couture attracts more of the young adult to the young thirty-year-old women (18-34yr olds). Since this is the market that Juicy is targeting, our market will be São Paulo. Along one of the most well known avenues in São Paulo, la Faria Lima is known for having the best shopping in Brazil. Brazil's first shopping center prides itself on its motto of innovation and sophistication. Long known as the best and most elegant shopping mall in the country, Iguatemi has not stopped renovating and changing to meet today's demand. Iguatemi is Latin America's largest center for luxury goods.

While introducing a new product to a new market, analyzing the competition in the area is the main focus. Forum, a São Paulo based fashion boutique with about twelve stores and sixty-five franchises elsewhere, has their own specific market. Zoomp, a São Paulo manufacturer/designer that sells its Zoomp and Zapping brands in seventeen of São Paulo fashion boutiques and sixty-four other franchises, has a similar collection to Forum. Fashion boutiques like Forum and Zoomp are dealing with the increase in imported labels that are flooding into Brazil. This has forced them to increase their price in the more competitive market. Another competitor is Daslu, a chic São Paulo boutique and the biggest retailer of imported women's clothing in Brazil. Daslu, the exclusive Brazilian licensee of Chanel, with its own Chanel boutique in the Daslu store, sells Prada, Dolce & Gabbana, Valentino and

Ozbek, and is one of the few Brazilian licensees of Christian Dior and DKNY. Infinita, another São Paulo manufacturer/boutique with two of its own stores and sixty wholesale accounts, is the exclusive licensee of Trussardi and one of the country's two Fendi Licensees. Éclat, with two stores, one located in a Jardins shopping mall and one in a nearby upscale neighborhood, is the exclusive licensee of Sonia Rykiel's signature collection, Givenchy, Claude Montana, and Yves Saint Laurent (Women's Wear Daily).

Overall Juicy Couture has high potential and opportunity to succeed in the Brazilian clothing market. We see Juicy Couture as good choice to introduce into Brazil's market since so many of other American products have profited in Brazil. Juicy Couture is already popular in many countries and has even been advertised with Brittany Spears in her post-ceremony celebration. Since the average São Paulo customer is more worried about the brand/label's name and not price, this just provides evidence that Juicy can survive in the trendy high end fashion world in Brazil.

Customer Analysis

After a detailed analysis of the Brazilian market, our company has developed a customer profile for Juicy Couture. The research included consumer preferences and lifestyle choices for women aged 18-34 with accessible disposable income and the desire for fashionable clothing. Although styles do vary, the products will fit the needs and style preferences of these women.

Juicy is focused primarily on symbolic needs and experiential needs of the customers. These needs include emotions such as desire for self-enhancement, group membership, affiliation and belongingness. The customers want an association of the brand with a particular self-image. Customers desire a product with sensory pleasure and elegance. Juicy offers products to fulfill these needs because of the type of brand name it possesses (Shimp). Customers want to feel special and privileged and they can do so while wearing Juicy clothing.

Within São Paulo, there are approximately 9 million women, but Juicy will be targeted only to the high-income bracket of the population. Demographic breakdowns for the target market include age, income, gender, and social status. This narrows the target group into a niche market focused on high-end fashion without concern about price. These women are looking for an image that fits the lifestyle they want instead of a budget. These women are experiencers (high energy people who are adventurous and generally spend heavily on clothing), achievers (successful, work-oriented people who want to reflect high levels of success to peers), and actualizers (status-oriented people in the highest income bracket who are concerned with image and high-end products) (Shimp).

Since marketing is directed to a niche market within the city of São Paulo, the customer segment can be easily broken down for investigative purposes. The niche market includes customers of high-end women's fashion, especially jeans, leisure-ware, and swimwear. These women are very fashion conscious even when they are performing everyday lifestyle tasks such as running errands, taking care of children, or exercising. Juicy has a product line that will take a woman through all aspects of her day in style. There is also a demand from this group for casual career

wear and innovative styles for social activities, which are met by the latest styles mixed with traditional elegance offered and portrayed by Juicy Couture (Shimp).

In the Brazilian market, form-fitting clothes are necessary for fashion-savvy women. Low and super low-rise jeans are a huge trend within the market and often include stretch fabrics such as cotton-spandex blends. Juicy meets these needs by providing many styles of leg and hip cuts with unique styling details to fit the desires of the customers. Many variations of fabrics and colors help these unique women find the outfits that make them truly satisfied, which is a primary goal of the founders of the company. The versatility of the products makes them perfect for everyday life while keeping an image of young femininity (Sterrett).

The needs of the niche market can be easily met with the current product offerings of Juicy Couture. The company will continue to focus on the latest fashion trends that allow flexibility to meet evolving styles. The women in the Brazilian customer base will expect high quality and a large variety to satisfy all the clothing requirements of their busy lives (Sterrett). The goals of the company will be reached by providing women with the ability to be “happy, comfy, and gorgeous” (Juicy Couture website).

Proposed Product and Target Market

The most important thing for the company to promote to the target market of fashion conscious women with disposable income for clothing is an image of high quality. Juicy Couture will need to team with esteemed retailers to attract customers to the point of purchase. The target market is very concerned with well-made clothing due to the premium price and expects their needs to be met. Failure to do so will result in lack of customer loyalty.

Juicy Couture products will be sold in locations with other, possibly competing, clothing offerings. This fact makes it very important for Juicy to make their products stand out with attractive displays and varying style choices easily accessible to the customers. The products will need to be properly spaced to avoid the feeling of being cluttered or unattractive looking. This is because the target market enjoys taking time during the shopping experience and feeling in charge of the process. They do not want to feel like they are shopping in a discount retail outlet, which usually provide less space between products and can portray a chaotic atmosphere. If the items are displayed and stocked well, Juicy will be able to gain market share in a very lucrative niche market with its current product offerings.

There is a very important service aspect of high-end clothing offerings. This is because customers paying a premium price expect exceptional service throughout the process of purchase and ownership of the products. The service responsibility will fall on the company itself and the chosen retailer. When selecting a retailer, focus should be placed on personal attention and attentiveness to detail. These women want to feel special and unique during their purchase experience and expect help when needed at the point of purchase. It is also important that the retailer provides a favorable return and exchange policy to assure that the women have peace of mind in making their purchases (Kahn).

The nature of the products Juicy Couture offers makes the selection of the target market narrow in scope. Women who are willing to spend significant time, energy, and money finding the clothing products that best meet their needs demand high satisfaction at the end of the purchasing process. Juicy can assure these needs are met with continuing quality and variety in style as well as proper teaming with retailers who already focus on the target group. With proper retailer selection, Juicy can assure that the product and service needs will be met for the target market.

As Juicy gains brand image within the Brazilian market, there is a high possibility for repeat business, which is vital to long-term success in the market. If customers are satisfied and return to shop again, it will also increase word-of-mouth for the company, which is a key factor in high-end products. After the São Paulo launch has had proper evaluation of profitability, expanding to other fashion centers within Brazil would allow for increased market share within the niche and further promotion of the brand name.

Executive Summary

Brazil is the largest and most populous country in Latin America, and the southern region dominates the economy, in particular the industrial centers of São Paulo, Rio de Janeiro and Bello Horizonte. This southern region encompasses only 10.9% of the land area in Brazil; however, the area population is 42.6% of the total country. The Brazilian Real has seen a steady climb over the past 11 months against the Dollar, which is promising for business ventures.

Another economical consideration when planning our marketing strategy for entering Brazil is disposable income. Over the past fifteen years, the richest 20% of the population have continuously held over 60% of the income in Brazil. Since Juicy products are high-end premium priced clothing and accessories our target market will mainly include this top 20% of Brazil's population. Juicy will also profit from the high volume of these affluent residents in the southern region. As a member of MERCOSUR, Brazil enjoys a positive trading relationship with its counterparts which will hopefully expand to include new countries or partner with other trade blocs to further aid in Brazil's development.

Adaptation is one type of product strategy, and Juicy Couture would want to make sure to use local models on advertisements rather than using American models. This little change can increase appeal to the local people because it is more accepting to their native conditions. The main strategy to be used by Juicy Couture is product invention. This allows Juicy Couture to do more research within the area and to discover likes/dislikes in how things are presented. Juicy Couture will take the indirect channel approach by exporting. The reason for indirect distribution is all shipping from the manufacturer goes straight to the distributor, who will then ship to stores and boutiques.

Since Juicy Couture pursues a premium brand image, traditional advertising will not be effective. The most important focus for Juicy in the Brazilian market should be public relations and publicity. When the products are introduced in the stores, or immediately before they are introduced, a special invite-only premier party/fashion show will be offered. Donations of clothing will be given to women in the public eye, so other women interested in the newest fashions can see style-setters wearing them. Retailers will be encouraged to promote the merchandise in their mailing and in-store displays. If appropriate, Juicy will also sponsor events such as art exhibits and other premier events focused to the wealthy community even if they are not fashion oriented.

In order to maintain brand image, it is vital that prices remain at a premium level. For loyal customers, offers will be given to increase the units per transaction. Another pricing strategy will include an occasional special gift offer. Image and price have a very strong connection. The retailers chosen and the Juicy brand have a shared need to promote premium products and prices. After the release of the brand, Juicy will be closely monitored to assure that goals are being met. Sales volume will be monitored, but the most important factor will be profits. This is due to the relationships between brand image and premium prices discussed above.

Political Economy Trade Issues

Today the economy in Brazil is much stronger than in the past. The current GDP growth rate is 0.560 percent (Table 2-C). Brazil is the largest and most populous country in Latin America. The southern region of Brazil dominates the country's economy, in particular the industrial centers of São Paulo, Rio de Janeiro and Belo Horizonte. This southern region encompasses only 10.9% of the land area in Brazil; however, the area's population is 42.6% of the total country (Table E-1).

The currency in Brazil, the Real, has fluctuated over the years until January 1999 when Brazil made an abrupt shift of course in exchange rate policy, abandoning the strong currency anti-inflation and implementing the Real Plan. Presently the Brazilian Real is worth \$0.3865 U.S. Dollars (Exhibit 2-A). The Real has seen a steady climb over the past 11 months against the Dollar which is promising for business ventures (Exhibit 2-B).

Another economical consideration when planning our marketing strategy for entering Brazil is disposable income. Over the past fifteen years the richest 20% of the population have continuously held over 60% of the income in Brazil. This gap is unfortunate for the country as a whole but great for Juicy Couture. Since Juicy products are high end premium priced clothing and accessories our target market will mainly include this top 20% of Brazil's population. Juicy will also profit from the high volume of these affluent residents in the southern region. As stated in the macroenvironmental analysis, São Paulo accounts for the largest part of the 10% in the 'richest' category.

As a member of MERCOSUR Brazil enjoys a positive trading relationship with its counterparts which will hopefully expand to include new countries or partner with other trade blocs to further aid in Brazil's development. Thanks to the liberalization of the Brazilian economy which started in the 1990s the import tariff dropped from 41% in 1989 to 14.2% in 1994 (Baer 346). This tariff reduction led to a significant increase in the US imports and direct foreign investments. Imports from the US rose by over \$30 billion dollars from 1989 through 1996, as this trend continues the Brazilian market looks very attractive for Juicy Couture (Baer 346).

Product Strategy Consideration

Introducing a new product strategy to a foreign market is not always an easy process. We would have to look at every aspect of Juicy Couture and apply them to the new market that we are entering. Juicy Couture would first see how to standardize the product to the Brazilian market. Even though we are mainly focusing in São Paulo and would market towards its residents with high per capita income, if Juicy went to any other market, it would need to make minor details changes to its products to meet the regulations and market conditions. Juicy Couture would make sure that the São Paulo area gets the best and most luxurious products over Rio de Janeiro because Rio's market is more laid back and would not want the expensive/luxurious products.

While adaptation is another choice in product strategy, Juicy Couture, for example, would make sure to use local models on advertisements rather than using American models. This

little change would increase appeal to the local people because it is more accepting to their native conditions. Anytime that something new is thrown into the mix, it is hard to gain acceptance right away. That means that Juicy Couture will research the local advertisement processes and react accordingly. As for the products themselves, many are designed with the Juicy logo in large fonts; this would remain the standard for each piece. After researching the meaning of Juicy in Portuguese we are confident that we will not offend any Brazilians or damage our product image.

The main strategy to be used by Juicy Couture is product invention. This allows Juicy Couture to do more research within the area and to discover likes/dislikes of styles and presentation types. Via surveys and mimicking other successful foreign clothing companies, Juicy Couture will assure its future success. Without proper knowledge of the market industry, you could offend a specific person or group without knowing. That is why getting to know your area, people, and culture is so important (Women's Wear Daily).

Channel/Distribution Strategy Consideration

Juicy Couture, as a brand new product in the Brazilian market, will experience many different channel and distribution strategy considerations. The one advantage of Juicy Couture is that we are focusing on Brazil, more specifically, the São Paulo's region. If Juicy was going to attack all markets of South America, it would take much longer and great financial resources to do research. Juicy Couture will first make sure that the accessibility to the customers will be relatively easy for the distributors which we export to. Since Juicy Couture is going for the wealthier, upper class customers, accessibility is a must to be able to keep customer loyalty high. It is much harder and more expensive to get new customers than it is to keep loyal customers.

While Juicy Couture is just entering into Brazil, there are not many channel and distribution strategies. Once a price can be set from our manufacturers to our distributors, Juicy will be able to save time and money. The only channels that Juicy Couture will run into are what stores or boutiques to distribute to and be sold from to the customer. Juicy Couture will take the indirect exporting channel approach to their channels. The reason for indirect distribution is all shipping from the manufacturer goes straight to the distributor, then there will be some intermediaries that will help distribute to the stores and boutiques (Women's Wear Daily).

Juicy Couture is so specific in their brand name and pricing, there is not a large range of channels that Juicy Couture can go through. Since there is a definite luxury and expensive area of São Paulo that specific shoppers go to, Juicy Couture will focus on that area rather than areas that do not cater to that level of products, these shopping areas were discussed in depth in the market opportunity analysis. The channel system for Juicy Couture is not in depth, but without a clear-cut plan of attack, Juicy Couture would have no chance of survival in a foreign market.

Promotion Strategy Considerations

Since Juicy Couture pursues a premium brand image, traditional advertising will not be effective. Television commercials, freestanding inserts, radio, newspaper, and billboards all run a risk of

lowering the image of the brand. This is because it would be appealing to a mass market instead of the appropriate niche market. Women in this niche market do not want to see advertisements of the clothing in the traditional sense because it does not promote the status signs they are looking for.

The most important focus for Juicy in the Brazilian market should be public relations and publicity (Shimp). When the products are introduced in the stores, or immediately before they are introduced, a special invite-only premier party/ fashion show will be offered. Journalists and editors from popular magazines, models, and wealthy clientele will be invited to an event that will include champagne, cocktails, and appetizers. At this event, servers will be models wearing the clothing, or there will be a formal presentation of the merchandise using a runway. Journalists will be encouraged to discuss the event in the media, not as an advertisement, but as an insight into the newest trends for the market. This will allow Juicy to get name recognition in the market they are seeking, even for the women not invited to the event. Lists for the event will be generated from high profile style writers, retailer mailing lists, and name recognition within the social structure.

Donations of clothing will be given to women in the public eye, so other women interested in the newest fashions can see style-setters wearing them. The free clothing will be a variety of styles including leisurewear, casual, swimwear, and business casual. The women will be encouraged to wear the clothing throughout their everyday lives, but especially at public events they attend. As more and more women see famous and important people wearing and discussing the clothing in fashion magazines, demand for the brand will increase substantially.

Retailers will be encouraged to promote the merchandise in their mailing and in-store displays. Good placement and prompt service is necessary in order to assure the customers' shopping needs are being met. Displays of the clothing should show a variety of colors and styles to draw as much attention as possible once the customers have entered the store. The customer will need to be able to readily differentiate Juicy brand from other brands in the store (Shimp). Sales associates need to be aware of all new items and style varieties to maximize demand for women with differing style preferences.

If appropriate, Juicy will also sponsor events such as art exhibits and other premier events focused to the wealthy community even if they are not fashion oriented. This publicity will create stability for the brand within the niche market and will give customers a chance to mingle in the social situations they most enjoy. If at all possible, Juicy will participate in the yearly high-end fashion show in Sao Paulo to have the clothing be seen on models and to increase communication within the fashion industry about the new products.

As with most clothing, sex appeal will be a major seller of the Juicy brand image (Shimp). Form fitting and stylish clothing naturally evokes emotions and enhances recall (Sterrett). Juicy needs to promote the distinct identity they possess in the United States to the appropriate Brazilian market in order to be an effective competitor against the other premium brands available in the market.

Pricing Strategy Considerations

In order to maintain brand image, it is vital that prices remain at a premium level. If prices fall, image will fall because of the relationship between markets and prices. When customers buy premium products, they expect premium prices. As prices go down, the market expands and is no longer focused towards the target segment. Understanding this cycle is essential to success, and it must be presented to retailers in this manner (Kahn).

Retailers will not be permitted to cut prices in order to reduce inventory. Instead, price promotions will be presented in a fashion to promote, instead of reduce, brand loyalty within the niche market. For loyal customers, offers will be given to increase the units per transaction. These promotions will include such things as spending a certain amount (approximately \$150-\$200 American dollars) and receive an additional item at a reduced price. These promotions could either be retailer specific or could encompass all retailers of the brand, depending on the attitudes and promotion strategies of the retailers involved.

Another pricing strategy will include an occasional special gift offer. Items such as tote bags or beach bags with a small company logo would be given to customers who spend a certain amount or buy a particular product. The style of these items needs to be unique and up-to-date like all of the other merchandise, and these items will not be sold separately. Other premiums could include flip-flops, logo shirts, or bathing suit cover-ups. Offers would be varied depending on the season, and would be offered only at certain times during the year. This will help promote loyalty by rewarding valuable customers.

Gross product margin will need to remain high in order to maintain the strategy relevant to the Juicy brand. This can be done by maintaining prices, as discussed earlier, but also by encouraging customers to buy products in different colors and styles. This will allow customers to expand their Juicy wardrobe, but will also take some business away from competitors. Pricing will be very similar to other premium brands, and by promoting stylistic options, customers will be able to easily differentiate the brand from others.

Image and price have a very strong connection (Shimp). The retailers chosen and the Juicy brand have a shared need to promote premium products and prices. This will be a major consideration when selecting vendors. Vendors with premium images will be more prepared and motivated to follow company-pricing policies if the corporate cultures are similar. Customer service and high quality image are a necessity for success of the Juicy brand within the Brazilian market.

Marketing Control Considerations and Possible Contingency Plans

After the release of the brand, Juicy brand will be closely monitored to assure that goals are being met. Sales volume will be monitored, but the most important factor will be profits. This is due to the relationships between brand image and premium prices discussed above.

If only sales volume is monitored, Juicy runs the risk of being unaware if retailers are reducing prices to reduce inventory or increase sales. This could be potentially devastating to the brand

because of the niche market it is focused towards. By setting profit goals and monitoring them closely, Juicy will be quickly aware if sales volume increases but profits reduce. This is an indication of a breach of agreement between the retailer and the company, and must be quickly dealt with (Kahn).

Possible contingency plans if profit levels are not being met include first discussing the situation with the retailer to find out why it has occurred. If it is determined the situation was legitimate, the retailer should be warned against the actions in future sales, but can maintain selling the products until the next review. If it is determined that the retailer blatantly disregarded the wishes of the Juicy Couture company, merchandise will be withdrawn from the stores and allocated to other partnering retailers as appropriate. It will be included in any contract with retailers that this situation is a possibility if they do not follow the pricing policies of the company.

If sales volume and profit levels are not at the level Juicy desires, publicity and public relations campaigns will be increased. This will help increase name recognition and promote the brand through word-of-mouth. If needed celebrity endorsers could be paid to wear merchandise at prominent events, or Juicy could sponsor fashion events with greater aggression.

If profit quotas are still not being met at this point, the company will need to review the launch and either come up with more appropriate strategies for change, or pull from the market completely. This is not a likely possibility due to the demand for high-end clothing within São Paulo, but if profits are not being maintained, Juicy should consider other markets in which to sell the merchandise.

A thorough investigation of the Brazilian market, including the current and foreseeable trends, has led me to be confident that entering Brazil (particularly the high end shopping outlets in São Paulo) will prove to be a lucrative move for Juicy Couture. The upscale fashion prevalent in the target area accompanied by a large amount of disposable income will fit Juicy's brand image and company structure perfectly.

Appendix

1-A Below is the hypothetical Cost Buildup for an Importation of US\$ 100,000.00 in medical products (FOB value, insurance, freight, bank charges, IPI and duties are all assumed numbers). **Final Price in US\$ for Imported Surgical Needles Compared to the Price of Locally Manufactured Items.**

Item of Tariff	Imported	Locally Manufactured
FOB Price of Product	100,000.00	100,000.00
Ocean Freight (2.4% of FOB)	2,400.00	
Insurance (0.5 to 2% of FOB)	1,000.00	
CIF Price of Product	103,400.00	100,000.00(= FOB)
Landing Charges		
Import Duty (16% of CIF Price)	16,544.00	
IPI (10% x [CIF + Import Duty])	11,994.40	10,000.00 (FOB)
ICMS -São Paulo (18% x [CIF + Import Duty + IPI])	23,748.91	18,000.00 (FOB)
Port Costs		
AFRMM - Merch. Marine Tax (25% of Freight)	600.00	
** Warehouse Tax (0.65% of CIF or minimum of US\$ 170 - maximum of US\$ 235)	235.00	
Terminal Handling Charges (avg. US\$ 100/ctnr)	100.00	
Compulsory Custom Broker's Union contribution (2.2% CIF or minimum of US\$ 71 - maximum of US\$ 160)	160.00	
Custom Brokerage Fee (0.65% of CIF or minimum of US\$ 170 - maximum of US\$ 450)	450.00	
SISCOMEX fee	30.00	
Cargo transportation fee	35.00	
Bank Charges (1% to 3% of FOB)	2,000.00	
FINAL COST	159,297.31	128,000.00

**PrivateterminalsattheportofSãotosfor15days.

*** IPI and ICMS are not to be calculated as additional import costs because they are also added into the final costs for all locally manufactured products.

1-B

Chart 2
Average per capita income growth and distribution of labor income for six major metropolitan areas in Brazil

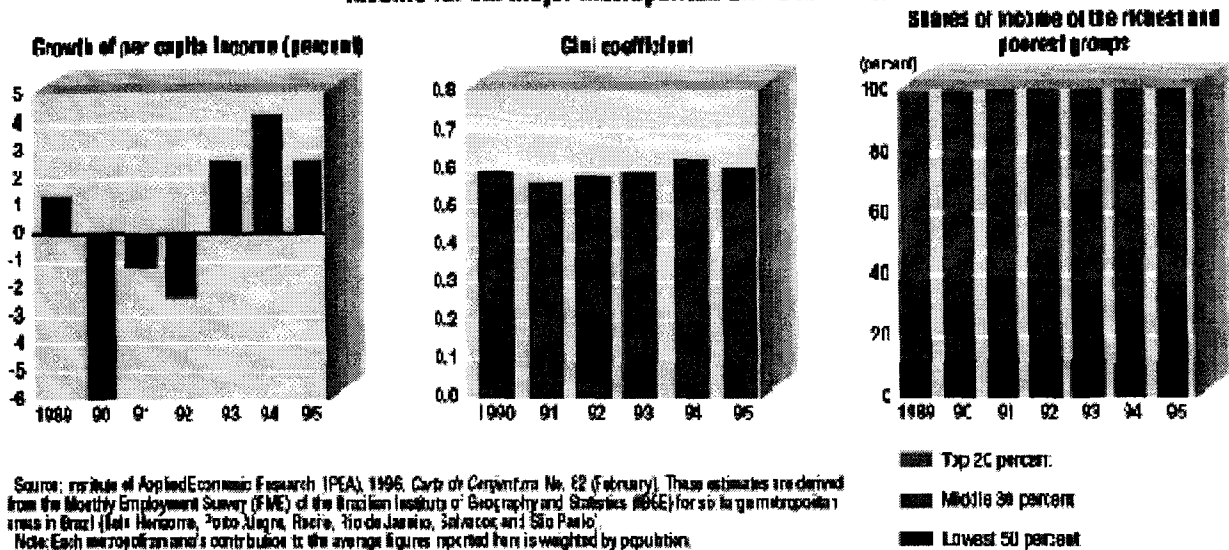


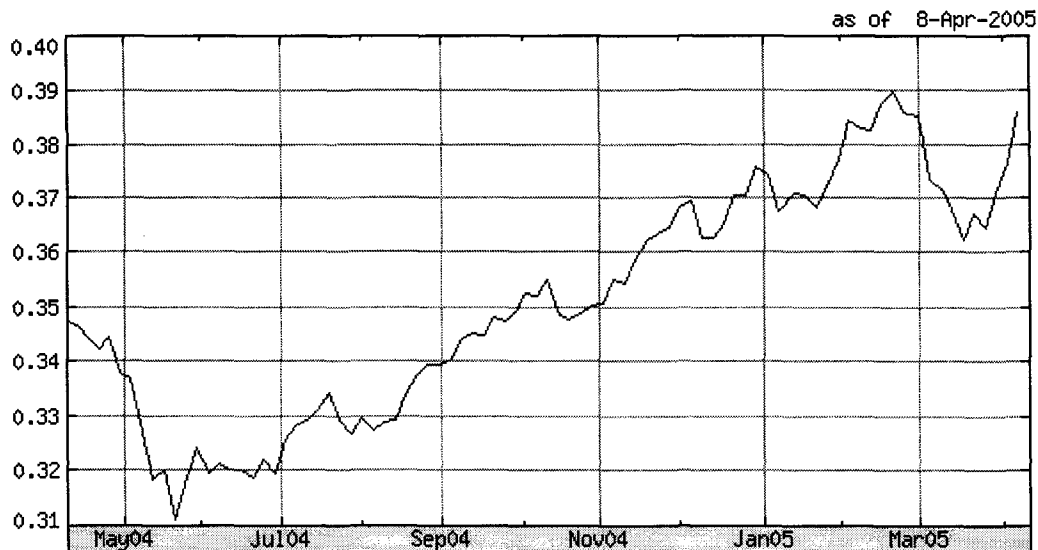
Exhibit 2-A Currency Conversion Results

Symbol	Brazilian Real	Exchange Rate	U.S. Dollar
BRLUSD=X	1	Apr 11 0.3865	0.3865

Exhibit 2-B Brazilian Real to U.S. Dollar Exchange Rate

Range: 1d 5d 3m 1y 2y

Invert Currencies



Copyright 2005 Yahoo! Inc.

<http://finance.yahoo.com/>

Table 2-C

Country Fact Sheet

Population	174.5 million persons
Population Growth	0.930 percent
Land Area	8,456,510 sq km
Currency	1 real (R\$) = 100 centavos
GDP-PPP Method	1,048,754.0 millions of US dollars
GDP Growth	0.560 percent
GDP Per Head	6,011.0 Thousands of US Dollars Per Person

APPENDIX E

Regional Differences

TABLE E-1. Brazil's Five Regions

	States	Area	Population 1996	Population 2000
North	Amazon region and adjacent: Pará, Acre, Amapá, Amazonas, Rondônia, Roraima, Tocantins	45.3%	11,288,259 (7.2%)	12,900,704 (7.6%)
Northeast	Bahia, Pernambuco, Ceará, and six smaller states—Alagoas, Maranhão, Paraíba, Piauí, Rio Grande do Norte, Sergipe	18.2%	44,766,851 (28.5%)	47,741,711 (28.1%)
Southeast	São Paulo, Minas Gerais, Rio de Janeiro, and Espírito Santo	10.9%	67,000,738 (42.7%)	72,412,411 (42.6%)
South	Paraná, Santa Catarina, Rio Grande do Sul	6.8%	23,513,736 (15.0%)	25,107,616 (14.8%)
Center-West	Goiás, Federal District, Mato Grosso, and Mato Grosso do Sul	18.9%	10,500,579 (6.7%)	11,636,728 (6.8%)
Brazil		100%	157,070,163	169,799,170

Source: IBGE

TABLE E-2. Economic and Industrial Output, percent of nation

	Economic				Industrial	
	1970	1985	1995	1998	1970	1985
North	2.2	4.1	4.6	4.5	1.1	4.1
Northeast	11.7	13.6	12.8	13.1	7.0	12.2
Southeast	65.5	59.1	58.8	58.2	79.1	65.8
São Paulo	[39.4]	[35.4]	[35.5]	[35.5]	[56.5]	[44.0]
South	16.7	17.1	17.9	17.5	12.0	15.9
Center-West	3.9	6.0	6.0	6.8	0.9	2.4

Source: IPEA

TABLE E-3. Population

	Share of Brazil (Percent)					Growth Rate in 1996
	1970	1980	1991	1996	2000	
North	4.4	5.6	6.9	7.2	7.6	2.4%
Northeast	30.3	29.2	28.9	28.5	28.1	1.1%
Southeast	42.7	43.4	42.7	42.7	42.6	1.4%
São Paulo	[19.0]	[20.9]	[21.5]	[21.7]	[21.8]	n.a.
South	17.7	16.0	15.1	15.0	14.8	1.2%
Center-West	4.9	5.8	6.4	6.7	6.9	2.2%
<i>Brazil</i>	100	100	100	100	100	1.4%

Source: IBGE

TABLE E-4. Poverty Rates, as percent of region and nation

Period	1995		1997		1999	
	Rate	% Brazil	Rate	% Brazil	Rate	% Brazil
North	38.5	5.3	39.6	5.51	39.7	5.6
Northeast	52.1	45.5	52.9	44.9	50.9	42.0
Southeast	26.1	33.2	27.2	34.3	28.6	36.0
South	17.9	8.3	18.1	8.2	19.7	8.7
Center-West	37.4	7.8	34.6	7.1	37.4	7.6
<i>Brazil</i>	33.2	100	34.1	100	35.0	100

Source: Rocha and Albuquerque (1999) and Rocha (2001)

TABLE E-5. Inequality, monthly family income - R\$

Period	1992			1999		
	10% poorest	40% poorest	10% richest	10% poorest	40% poorest	10% richest
North	17.6	42.7	790.1	27.5	58.0	1,097.3
Northeast	10.1	27.5	605.6	17.5	39.5	900.4
Southeast	30.6	71.7	1,227.3	44.9	96.6	1,784.1
São Paulo	[41.3]	[89.0]	[1,276.4]	[56.6]	[115.7]	[1,926.3]
South	27.5	65.5	1,112.4	37.6	86.3	1,571.6
Center-West	24.5	54.0	1,139.9	36.0	74.7	1,581.5
<i>Brazil</i>	18.4	50.5	1,053.1	28.3	68.3	1,511.7

Source: IBGE

Works Cited

- Baer, Werner. *The Brazilian Economy Growth and Development*. 5th ed. Praeger Publishers, Westport, CT. 2001.
- Clements, Benedict. *The Real Plan, Poverty, and Income Distribution in Brazil*. <http://www.worldbank.org/fandd/english/0997/articles/0180997.htm>
- Font, Mauricio. *Transforming Brazil*. Rowman & Littlefield Publishers, Inc. New York. 2003.
- Helsen, Kristiaan and Masaaki Katobe. Global Marketing Management, Third Ed. John Wiley and Sons, Inc. 2004, U.S.A. Chapter 13.
- Import Regulations of Major Countries: <http://www.tdctrade.com/importreg/otherir.htm>
- “Juicy Couture-Fashion.” RDS Suite, March 30, 2005. 1-3.
- Juicy Couture Website. <http://www.juicycouture.com/>
- Kahn, Kenneth. Product Planning Essentials. Sage Productions, Inc. 2001, Thousand Oaks, CA. 135-160.
- Knappe, Matthias. *Textiles and Clothing: What Happens After 2005?* International Trade Forum. February 2003.
- Latin Trade Magazine. “Grand Brazil: The Best of the Largest and Most Populous Country in Latin America.” Feb, 2005. 32-36.
- Law 9279 May 14, 1996
<http://www.leonardos.com.br/Textos/pdf/News137.pdf#search='Brazilian%20Law%209279'>
- Shimp, Terence. Advertising, Promotion, and Supplemental Aspects of Integrated Marketing Communications, Sixth Ed. Thomson Learning, 2003, Mason, Ohio. Chapter 8, 9, 13, 17, and 18.
- Sterrett, Christa and Christina Williams. “Sexy Swim Wear and Women’s Sportswear”. InfoSearch, 2002-2005. www.womenswear.articleinsider.com.
- Women’s Wear Daily. “They’re Selling a Lot More Than Thongs In Brazil These Days.” Fairchild Publications. August 19, 1997.
- Women’s Wear Daily. “Real Problems for Brazil Retail.” Fairchild Publications. February 21, 2003.
- Yahoo Finance. Liz Claiborne. <http://biz.yahoo.com/e/040311/liz10-k.html>

Juicy Couture goes to Brazil



Ashley Hogan-Gancarz
Co-Written by:
Amanda Close
&
David Whitson
May 6, 2005

Agenda

- Problem Statement
- Macroenvironment issues
- Competitor & Customer Analysis
- Proposed Product & Target Market
- Recommended Strategy
- Channel/Distribution
- Offerings & Implementation
- Pricing Strategy
- Issues & Challenges
- Financials



Problem Statement

- Should Juicy Couture enter the Brazilian textiles market?
- If so, how should Juicy enter this market?



Macroenvironment Issues

- Import License
- Brazilian Secretary of Foreign Trade
- Foreign Trade Integrated System
- Labels in Portuguese
- Tariffs
- Agreement on Textiles and Clothing (2004)



Porter's Five Forces

- Rivalry
 - Existing firms offer similar products
 - Low switching costs for customers
 - Differentiation lowers rivalry
- Threat of new entrants
 - Moderate
 - Barriers to entry in the textiles industry
 - Tariffs, Taxes, Regulations
 - Exporting costs



Five Forces cont.

- Bargaining power of buyers
 - Many substitute products
 - Many small buyers
 - Non-negotiable prices
- Bargaining power of suppliers
 - Low - many companies offer importing services to US companies
 - Could potentially raise input prices or raise the cost of the industry in other ways, such as supplying poor quality inputs of service
- Threat of Substitute products
 - Less expensive/lower quality clothing
 - Jewelry
 - Social events



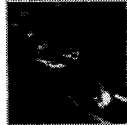
SWOT Analysis

- **Strengths:**

- High-quality Clothing Brand
- Company expertise and know-how
- Focus on customers' needs
- World-Wide Excepted Style

- **Weaknesses:**

- New Product in New Arena
- Attacking only high income bracket
- Graphics in English



SWOT Analysis cont.

- **Opportunities**

- São Paulo is the Hub for the Financial, Commercial, and Industrial Branch of Brazil
- São Paulo Boast More High-Fashion Shops and Boutiques with Imported Labels
- Iguatemi



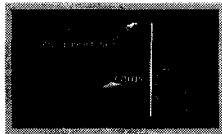
- **Threats**

- Increasing Competition
- Import/Export Regulations



Competitor Analysis

- São Paulo
- Similar Markets
- Current competition in Brazil



Customer Analysis

- Symbolic Needs
- Experiential Needs
- Demographics:
 - Age
 - Sex
 - Income
 - Social Status



Proposed Product

- Upscale women's clothing
 - Everyday wear
 - Jeans
 - T-shirts
 - Career wear
 - suits
 - Casual comfort
 - Terry
 - Sweats



Target Market

- Niche Market
- High-end Fashion
- Little concern about price
- Customer service



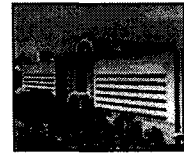
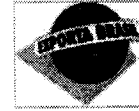
Recommended Strategy

Enter the Brazilian niche market in São Paulo, focusing on women's high-end fashion.



Channel/Distribution

- Export
 - Direct approach
- Retailer pairing
 - High-end stores and boutiques



Offerings & Implementation

- Promotion Strategy
 - Premium Brand Image
 - Adapt to local market
 - Publicity/ Public Relations
 - Events
 - Gift Premiums
 - Brand Loyalty



Pricing Strategy

- Premium Pricing
- Occasional Incentive Programs
- Retailer Relationships



Contingency Plan

- Profitability
 - Growth
- Special offers
- Coupons



Goals

- Build strong brand loyalty
 - Maximize repeat purchases
- Maximize ROI and turn profit within one year
- Expand to Rio De Janeiro after one year
- Expand into men's wear market after year two



Financials

- Promotional Expenses
 - Five Million Dollar budget
 - Event promotions 50%
 - Brand promotion through celebrity wear 15%
 - Gift premiums 15%
 - In store displays 10%
 - Miscellaneous promotional expenses 10%



ATAR Model

ATAR by Brand						
Best Case						
Year 1						
Market Size	Year 1	Awareness	Total	Availability	Repurchase	Probability
2,000,000	Juicy	45%	10%	75%	100%	87,500
						0.2
Likely Case						
Year 1						
Market Size	Year 1	Awareness	Total	Availability	Repurchase	Probability
2,000,000	Juicy	35%	8%	65%	75%	27,300
						0.45
Worst Case						
Year 1						
Market Size	Year 1	Awareness	Total	Availability	Repurchase	Probability
200,000	Juicy	30%	5%	60%	75%	4,500
						0.35



Questions?

Comments?

Contact the Juicy Launch team at
ashleyhg@utk.edu

